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THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS MET IN THE ASCOTT BOARDROOM, CITADINES ON BOURKE, MELBOURNE, ON TUESDAY 27 JUNE 2017.

DISCUSSION WITH Ms CATE CARR, EXECUTIVE DIRECTOR; AND Mr JOHN WALTER, CHAIR, RESPONSIBLE GAMBLING MINISTERIAL ADVISORY COUNCIL

CHAIR (Mr Gaffney) - Thank you for attending today. We are in a hearing because evidence and information provided to us can be used as part of our report, if needed. We can't do that if it is simply part of a delegation. Could you give a brief description of your role and functions?

Ms CARR - I am the Executive Director for the Office of Liquor, Gaming and Racing division in the Department of Justice and Regulation. My area of responsibility is the racing industry, in providing policy advice to the racing minister. Of relevance to you are the liquor and gaming portfolios, where I provide policy advice to the Minister for Consumer Affairs, Gaming and Liquor Regulation. A large part of that portfolio is the gambling industry. I have been in this role for approximately four or five years. Prior to that I have a background in gambling policy and I have worked for the Victorian Commission for Liquor and Gambling Regulation as a lawyer, so I have a long history with the Victorian gambling industry and the way in which it is regulated.

CHAIR - What are your key responsibilities?

Ms CARR - It is largely policy advice. There are three agencies in Victoria that have various statutory responsibilities in relation to the gambling industry. The Department of Justice and Regulation supports the minister. It is largely a policy function, so we do all those things ministers needs us to do; stakeholder engagement, et cetera. My area provides policy support to the minister and we conduct a number of policy reviews. We have a role in the licensing processes for our major gambling licences. There is then the Victorian Commission for Liquor and Gambling Regulation, which is the regulator. They do some minor licensing but it has largely a compliance function. Then there is the Victorian Responsible Gambling Foundation, which provides funding to gambling help services. It does our gambling communication campaigns around harm minimisation and has a research function. My role is largely a policy function.

Mr WALTER - I chair the Responsible Gambling Ministerial Advisory Council, which is designated as the primary source of advice to the government on areas within the gambling industry. That has a statutory basis and our terms of reference within the legislation are set by the minister. As a result, we bring together in a comparatively unusual way most of the interests within the gambling area. I will not say gambling industry because the group of stakeholders we have on the council represent what you might describe as community groups. There is then a group that might be described as industry.

This ranges from lobby groups to those within the industry - for example, ALH (Australian Leisure and Hospitality Group), which I see as one of the parties that might put quite a good submission to your process - are represented on the Responsible Gambling Ministerial Advisory Council. In addition, a third group are what I would describe as not disinterested. There is nobody who is disinterested in this process, but researchers and those who come from the more

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policy oriented backgrounds. That is a diverse group with very clear views as to what they represent and I suspect you may have spoken to some with that commitment to various views.

The Responsible Gambling Ministerial Advisory Council represents an excellent way in which nobody has to prove anything. The only requirement I seek is that there be respectful engagement, to respect each other, and that views are able to be expressed. I think the attendance by the minister's advisor and occasionally the minister at the Responsible Gambling Ministerial Advisory Council gives a real sense of what the perspectives are on actions, policy implementation and legislative changes that might be contemplated by government.

The various interest groups' positions are tested by those who are not so vociferously opposed to some of the issues. You may see a government concerned with reducing policy but introducing it in a way that responds to the various community and industry perspectives. Even though some positions are predictable, implementation is not. Detailed implementation is often important. A person observing it from a political perspective can often sense the degree of strength held on a particular issue. There can be debate as to whether other avenues are available that might not be so win-lose in achieving the same policy outcomes.

Cate, you might have their own views about the Responsible Gambling Ministerial Advisory Council. The group has done some good work in the area of online gambling, where it has made recommendations or provided advice to the minister. That advice was very useful to the previous minister in making submissions to the O'Farrell report, which is in part being acted upon by government.

I make a couple of observations about the industry. I read the late submission this morning. I thought it summed up well what is happening to the industry. The prevalence of gambling appears to be the plight. You can have your perspectives as to why that might be. On the other hand - this is not what ALH says but is inherent in what they are saying - the way policy makers tend to be looking at gambling is changing. The prism is moving to an analysis of harm rather than a consideration of the particular position of problem gamblers, though they are not necessarily inconsistent propositions.

The other comment that, as a consequence, one would make is that I happen to think that the issue of regulation and the discussion about tax, which we might have undertaken, all of those are very interesting issues around gambling because gambling seems to be part of some people's human nature. It is an opportunity to raise tax - not that that is necessarily a precondition for it existing. There is no doubt that government has expenditures as a result of social harm associated with gambling. I do not seek to have particular views because as Chair of the Responsible Gambling Ministerial Advisory Council, I like to think that I seek to have separately the confidence of each group in representing and summarising their perspectives and assisting their debate.

CHAIR - It is interesting, the online gaming issue comes up a lot. Fortunately, it is not part of our remit to have a look at that in depth because it is a whole new committee in itself, I think. When we were talking to people in Queensland yesterday, they were also thinking of the national push and what needs to happen.

Cate, could you explain to me the numbers within the commission and where those are spread, or how you interact and relate with the other groups that play in that space?

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Ms CARR - The commission has a staff of about 200 - I am kind of guessing.

CHAIR - That is a good guess.

Ms CARR - If I include some project teams I have about 50 staff. The foundation is probably something similar, about 50. Collectively, it is a large workforce. Collectively, it is responsible for quite a large amount of expenditure. The foundation, for instance, has a budget of \$148 million over four years, which is a sizeable budget. A lot of that goes to fund the gambler's help agencies, and a substantial amount goes to the advertising campaigns. The way in which the agencies interact, sometimes the demarcations are a little bit blurry, we each come from our particular perspective because we have different functions. To be frank, sometimes there is some tension between the various roles and perspectives but we manage to work our way through those. It is complex but it is a reasonably well balanced arrangement.

CHAIR - Just to let you know, Tania, Andrea and Rob will all ask questions regarding harm entitlements a little bit later. I am interested to know of your background.

John, for the last four or five years there have been significant changes in the Victorian industry. You have been involved and I would be interested to know what happened, how you see that progressing, and where are some pitfalls or some advantages of the decisions that have been made in the last recent years. What was your involvement in any of that decision-making process over that time as an adviser?

Mr WALTER - I was adviser to the gambling licence service review and re-licensing project. That was as a lawyer, so that places certain obligations on me.

CHAIR - Yes.

Mr WALTER - Maybe I can make some general observations and Cate can interrupt me if I go too far.

CHAIR - That is fine.

Mr WALTER - The general observations I would make in relation to the change in the process is that of course there are a number of policy issues abroad in the government's approach to gambling which are, I would not say inconsistent, but which are different. On the one hand, you have the gambling industry as a source of taxation, and a source of taxation that is probably within bounds comparatively inelastic in the way in which it responds to the raising of taxes - though some would say it is becoming increasingly elastic, especially as the range of gambling options emerge. That is one aim. The other aim is, without seeking necessarily to impose a position from a moralistic point of view, nevertheless there is evidence that for the community as a whole and certain members of it in particular, there is a certain social harm that arises from gambling. The government is seeing the need to be active in that space.

Then there is not simply the harm issue but a third perspective which goes to the way in which the economic rent that derives from the gambling industry is divided. If you have something that is illegal, subject to a concession, then you really have something where there is effectively not open competition but there is regulation and a limitation of competition that necessarily flows from that. By and large, one can say the evidence suggests there is an element of rent, which would not otherwise presumably be derived, which is shared. One of the

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government's tasks is to see how that operates. It operates through, say, the returns on EGMs; it operates through the sharing of the profit component and the tax component. There is an issue which is related to revenue but it is a different set of issues.

The third comment I would make, which may be beyond your remit is, of course, the federation has possibly not the best forum in which to regulate gambling, which can differ across jurisdictions. There could be interstate activity and it is probably not the right forum if you want to act to deal with online gambling, which has international aspects - the federation of states is possibly not the best way to do that.

You asked some questions, and I will make some general comments. I think that the most significant change has been the change from what I describe as effectively a duopoly in the EGM place to a venue-based system. I don't pretend to know as much as Cate about that, but one can make an observation that the duopoly which had the disadvantage in the sense of control within the two entities and issues about how that rent was being derived and allocated, actually made, in some respects, the administration process somewhat easier because there were only two parties. They each had a very significant commitment to the reputation and perspective of their particular activities, which is perhaps not necessarily - though there are other gains from the venue-based EGM relationship, which is the rest of the level of the individual community activity and the individual business within the community, especially within regional centres, which presents its own socioeconomic issues. It also represents, as it were, a return of some of the activity to the local area. Cate, have I talked too much about that? I have not been controversial, I hope.

Ms CARR - No, not at all. I was around for the previous review of the duopoly arrangements and the transition from the duopoly to what we call the venue operator model.

Mr ARMSTRONG - What was your role at that time?

Ms CARR - I was in a policy management role. Even though the actual licensing process was conducted by a particular project team, we had interactions from a policy perspective.

Mr WALTER - We certainly had interactions with Cate.

Ms CARR - Through the transition I was involved with the Transition Steering Committee with the VCGLR. I had responsibility for the policy of the new model since 2012. I need to be a little careful of what I say, because some of this is still subject to current Victorian government cabinet processes. We have done a review of the new model. In 2012, we went from the Tatts-Tabcorp arrangements where they owned and operated all the machines - there was some simple synergy to that model because you only had to deal with two parties. The reverse of that, it was clear looking at the evidence, Tatts and Tabcorp managed to extract much higher player loss from the machines than having per-machine-player loss than in other jurisdictions, because they had the capacity to move machines around between venues. They were able to utilise the machines better. There were a range of factors around transition from the duopoly to a model where clubs and hotels could own and operate their machines. Part of it was a harm issue, part of it was about taking out the middle person and giving the industry greater control over their own destiny.

We have done a review of the functioning of the new model and it has, by and large, achieved some of those objectives. The way in which it has developed has been somewhat uneven. Some parts of the industry have done very well under the new model and some parts struggled, particularly the small club sector. There is a threshold below which a venue becomes marginal,

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which is around 40 to 50 machines. Under the old model venue operators were used to having their gaming business run by Tatts or Tabcorp and they did not really have to make too many decisions. With the new model, the decision making sits with the venue operator. Some of them have engaged venue service providers to provide them with advice. Tabcorp has developed its own business model with Tabcorp Gaming Solutions. That has come at significant cost to venue operators but for those smaller ones, particularly the club sector, they have struggled and their viability is marginal under the model. Whether that would have happened anyway is a question. As John says, the participation patient rate for gaming machines - in other words, the number of Victorians who play gaming machines - has halved. This is much the same in other jurisdictions, so presents a challenge. The big hotel sector has done quite well under the new model. They have the capacity of economies of scale et cetera.

We are in the process of doing a review of the current model. Our entitlements expire in 2022. The industry is very keen for certainty around what is going to happen in 2022. We are in the process of providing advice to government around the process and the arrangements that will, after the current entitlements expire. To operate a gaming machine you have to have an entitlement, which last time were allocated via two processes. There was an auction. The original intention was to put all these entitlements up for a competitive auction process. The club sector was concerned they would get gobbled up in the process of pre-option club offer, whereby the club sector was able to purchase a proportion of their current number of machines they operated, using a formula based on player loss. Almost all of the club sector bought pre-auction, but there were some that did not. All the hotels and the remainder of the club sector bought through the auction process. The outcome of that was subject to a review by the Auditor-General. That report is in the public domain, if you are interested. Essentially the Auditor-General said the process did not raise enough money. If you talked to the club sector they say they paid too much and I think the hotel sector probably did reasonably well. The differences in price was quite significant. We are looking at what the process should be. Should government decide the current arrangements should continue to 2022, what the process should be, how entitlements should be allocated and how they should be priced. I cannot really disclose the outcome of that process yet, but that is a piece of work in train.

We have done a lot of consultation with the industry and community stakeholders. On all of the regulatory settings around allocation, price, number of entitlements - we have 27 500 entitlements in the club and hotel sector and the remainder of the 30 000 sit with those on Southbank. There is a whole range of constraints on the market around the distribution. For instance, the maximum number of machines that can operate in both a club and hotel is 105. Compared to New South Wales, we do not have those super large venues. We have looked at the 50/50 split between the club and the hotel sector. Currently, there is a shortage or excess demand for entitlements in the hotel sector and an oversupply in the club sector. There are a number of about 3500 unutilised entitlements in the club sector. We have looked at whether the 50/50 split should remain.

Ms RATTRAY - Can they trade, Cate?

Ms CARR - They can trade.

Ms RATTRAY - Between clubs and pubs?

Ms CARR - Not without the minister changing the nature of the entitlement and that cannot occur if it upsets the 50/50. Each entitlement is either a club entitlement or a hotel entitlement,

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plus it has a geographic commission. An entitlement will tell you if it is a club entitlement to be operated in the Maribyrnong area. A club operator in Bairnsdale or anywhere can buy the entitlement, but they then have to apply to have the geographic condition changed.

The other thing you might want to be aware of is that we have a complex system of regional caps in municipal limits. That is all about trying to prevent a concentration of gaming machines in areas of socio-economic disadvantage. It is probably reasonable to say if industry had its way, all of the machines would be in poor areas with high expenditure. The demand for gaming machines in Toorak is probably non-existent. In order to stop them all going to areas where they can create the greatest harm we have a range of regional caps. They are areas identified as particularly vulnerable to harm. In those areas, we currently cap the number of machines expressed as a density per thousand adults.

The density varies depending on the municipal area. Some areas are capped at a total local government area. There are some capped regions part of an LGA. That is because there is only part of an LGA deemed to be warranting a cap and other parts more affluent. We are currently in the process of reviewing those caps.

CHAIR - Which agency has responsibility for identifying areas of low socio-economic?

Ms CARR - It is done by ministerial order and we provide the policy advice to the minister.

CHAIR - The difference between jurisdictions is amazing. The maximum for us is 40 in a club and 30 in a hotel. We heard from Queensland yesterday that it was 45 in a hotel and up to 500 in a club. Then you hear the Victorian model, so it is amazing how it changes along the eastern border. New South Wales, again, is different.

Ms DAWKINS - Is there a community interest test when you are deciding that regional or municipal amount?

Ms CARR - Not in relation to the cap because that is done by the minister. We look at the SEIFA index, which is from the ABS, and the level of gaming machine expenditure. They are the kind of factors we look at. The commission has to apply a social impact assessment. The commission is responsible for approving new gaming venues and increases in the number of machines in an existing venue. They apply what we call the 'no net detriment' test. There is a whole process set out in our statute around objections. Local government has a statutory function in that process. It is generally highly contested. If you talk to local government they will grumble about the process. I do not mean that in a derogatory sense.

Ms DAWKINS - Because it is a lot of work for them?

Ms CARR - It is a lot of work for them and it costs them a great deal. If you look at the whole process; if you want to establish a new venue in Victoria from scratch you have to have a planning permit for the building, a planning permit for the sale of alcohol because you cannot operate gaming machines anywhere other than licensed premises. You have to have a planning permit for gaming machines, then you have to have a VCGLR liquor licence and you have to have VCGLR approval for the placement of gaming machines. That is about five and they all have various appeal rights and local government has a role in all of them. We can have situations where the local council will approve planning permissions for gaming machines and then object

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in the VCGLR process. They might approve planning or reject planning, it goes on appeal and then it goes to VCGLR. These processes are happening concurrently.

I have a huge amount of sympathy for local government. It is complex and if we were designing it from scratch, we probably would not design it this way. It is hard to unpack these things.

CHAIR - Does anyone have the right to withdraw some of the machines in an area where the demographics change in a community? For example, the socio-economic status changes and then you find there are numbers of gaming machines far in excess of what that community should have. How is that process undertaken, if there is such a right?

Ms CARR - It is done under the regional caps policy and the municipal limits policy. Every LGA in Victoria has either a regional cap or a municipal limit. For instance, we had two rounds of regional caps in Victoria and I cannot remember the exact dates of them, but the last review we did was about five years ago. Some of the regional cap boundaries changed. I cannot remember the exact number and I am happy to provide you the detail. There were too many machines in some local government areas and there is a process set out in our act for machines being removed.

Ms RATTRAY - Is there compensation attached to that?

Ms CARR - No. The process has changed since we issued the entitlement. The last review was done prior to 2012 and there was no compensation then. The process has since changed with the creation of the entitlements, which they bought. I think there are some compensation or buy back provisions but we have never used them.

CHAIR - I might send you a reminder email to provide us that information at a later time.

Ms RATTRAY - It has been interesting, thank you, Cate. I am interested in the 10-year term and how that was decided? Would a shorter term give government more flexibility to have a policy change and pull back the number of EGMs? I am not sure how much of that is tied up in your review and what you can say.

Ms CARR - We are looking at the 10-year term. The 10-year term in Victoria is quite controversial.

Ms RATTRAY - They need it for certainty?

Ms CARR - Yes, certainty purposes.

Mr WALTER - They preferred a longer period - the 10-year term was not their first choice.

Ms CARR - My understanding is that almost every other jurisdiction has indefinite entitlements and we are the only jurisdiction with such a short term.

Ms RATTRAY - So you think the shorter term, the 10 years, might be difficult for the industry to embrace?

Mr WALTER - Without pre-empting what might be said by Cate, their perspective is at the venue base, for example, as opposed to having two owners who might have the same number of

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machines at different locations. They make investments in venues on the basis of the gaming machines and that the machines will continue for a period of time. I know 10 years was not their desired number but it represents a period of time during which one might think an investment may be recouped. You can take your view as to whether you think government might provide an easier route for those who already have their entitlements and seek a further period, as opposed to those who may be wishing to come into an open auction process. That is something I can say, rather than Cate, because I suspect the policy range includes some of those things.

Ms CARR - These submissions are on our website, if you are interested. Industry argued heavily for perpetual entitlements. You raised the issue about flexibility for government. Government always has the capacity to change its policy and can legislate effectively. The Victorian history of litigation with the two gaming operators suggests there might be some sovereign risk. The challenge in policy is finding the right balance between some degree of capacity for industry to invest, given governments have made a decision about the industry being legal, and not entrenching the right in such a way that it becomes difficult to make changes in future. It is a difficult balance and there is a range of perspectives. The community groups, for instance, argued short term.

Ms RATTRAY - When will the review be completed and available for public view?

Ms CARR - It is not too far away. It will hopefully be before your process is concluded in September.

Mr WALTER - Decisions are made slowly in this area, so having been engaged in the process from the beginning of 10 years, 2011-12, it is startling how quick the 10 years comes around. I don't know that it is a bad period, it is simply an observation. It means that government, theoretically, as opposed to perspectives industry groups may have, at the end of the 10 years is at large as to what it does.

Ms CARR - Even though we are still a fair way out from 2022, applications to the commission have dropped considerably because venue operators do not have any certainty about what is going to happen. They are sitting back and waiting. The 10-year term creates those kinds of issues.

Ms DAWKINS - For those venues finding they are not doing as well under this model, is there any transition to another kind of business model that does not rely on gambling?

Ms CARR - That has been subject to some debate, particularly amongst the sporting clubs. As you are probably aware, there are whole issues about the converging of sport and gambling. From the process of our review, we have not really looked at that question.

CHAIR - Thank you. Because this is an open hearing and Susan is another witness, she is allowed another 15 minutes or so. Is that all right?

Mr WALTER - Susan is also a member of the Responsible Gambling Ministerial Advisory Council.

CHAIR - It is interesting, the word 'entitlement'. It is an interesting way we use that within the gaming industry. Andrea, had you finished?

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Ms DAWKINS - I have questions about YourPlay. Are you the person to speak to about that?

Ms CARR - Yes.

Ms DAWKINS - I understand that a couple of other jurisdictions attempted it but Victoria is the only place that has put in the mandatory pre-commitment. Am I correct?

Ms CARR - Yes and no. Other jurisdictions have trialled a pre-commitment system but it has been limited in size and scope. I think Queensland ran on the back of their loyalty program and only operated in a small number of venues. Victoria is the only jurisdiction to have a statewide system whereby it is mandatory for every venue operator to be able to operate YourPlay. That involved retrofitting of 30 000 gaming machines. Our system is not mandatory for players. It is voluntary for players but it is mandatory for venues to have it. It is what we call a voluntary pre-commitment system. The only players that it is mandatory for are people who want to play certain machines at the Melbourne casino. They are machines that do not have the normal kind of caps on maximum bets, et cetera. They have to use YourPlay. For all other players it is voluntary.

Ms DAWKINS - What is the uptake like? In Tasmania, from a recent Auditor-General's report we know now that only 15 per cent of problem gamblers, as we still call them, are self-identifying and going through some sort of process. Would it be similar or a lower number here in Victoria using the pre-commitment?

Ms CARR - The numbers are small. They have been better than I thought and again I can provide you with some data that I do not have here. We have always looked at it as a long-term project. We certainly try to avoid using and connecting YourPlay with problem gamblers because as soon as you start talking about problem gamblers, everybody else goes, 'Oh, I'm not a problem gambler, I don't need it'.

Ms DAWKINS - The 85 per cent that say 'I'm fine, it's all fine'.

Ms CARR - Yes. We are really trying to say that YourPlay is for all people who play gaming machines. It is not going to solve problem gambling but it is one tool that allows people to have a greater insight into how much they spend. They have the capacity to track their play across all the venues in Victoria. So long as you are playing with your card, you can play a gaming machine in Bourke Street, then you can go to a club in Mildura and then you can go to the Melbourne casino and it will track your play. It will tell you how much you have spent and how long you have been playing. It allows them to set limits, although I think the limit setting is slightly less useful than the play tracking. We want to make the use of YourPlay a routine behaviour amongst players but that is a long-term project.

We have had a number of what we call YourPlay days where we have engaged venue operators to try to sign people up. They have been pretty successful in that we have seen quite a significant spike in both sign-up and usage. I am happy to provide you with some data about that.

Ms DAWKINS - That would be really interesting, thank you.

Mr ARMSTRONG - What is the cost to install YourPlay?

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Ms CARR - I cannot remember, but what it involved was installing a card reader and a display screen on each machine, and each venue had to have what we call a kiosk, which is a bit like, you know those check-in terminals at the airport? A bit like that.

Ms RATTRAY - We have used those a bit lately.

Ms CARR - There is a venue across the road, so if you go across the road you can have a look at one. If you are interested, I am happy to take you and show you the system. The total cost to the industry - it was very expensive. The industry is paying for it through a per machine/per day fee. They pay for their own equipment but the actual design of the central system, which you piggybacked off our central monitoring system, and the ongoing cost of running the system, they are paying for over the remaining period of the monitoring licence.

Mr WALTER - It might just be useful, Cate, explaining the monitoring licence. I do not know if that is apparent to you.

Ms CARR - Like other jurisdictions, we have a central monitoring system. We have a single monitoring licensee, which is Intralot, so every gaming machine is connected to a site -

Ms RATTRAY - We have Network Gaming.

Ms CARR - Yes. Intralot also provide our pre-commitment system. We are doing an independent review of YourPlay. It is being conducted by the South Australian Centre for Economic Studies, and we expect the outcome of that in 2018.

Ms RATTRAY - Thank you.

CHAIR - Is the review period legislated?

Ms CARR - No.

CHAIR - It is not?

Ms CARR - No.

Mr WALTER - It is simply a duration.

CHAIR - It is the duration.

Mr ARMSTRONG - The entitlement of holding compliance under the current framework, do you see any room for improvement? Do you have any of that, particularly in relation to harm minimisation?

Ms CARR - The big issue I think is identifying people who are at risk in venues.

Ms RATTRAY - The staff.

Ms CARR - The staff, and then venue operators and staff intervening. That is the key issue. With all the other compliance things like having a responsible gambling code and the message on

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the walls, they are all pretty compliant. The key issue is what can we do as a government to get a better response from venue operators when they identify -

Ms RATTRAY - The tap on the shoulder.

Ms CARR - that somebody is having a problem. You are probably aware of this, there is research, a set of signs and behaviours that people display that have been validated as indicators that somebody is having a problem. We have recently redesigned our mandatory training for venue staff to move away from the kind of regulatory compliance factors to more focus on those issues around identifying and intervening when someone is displaying certain behaviours.

We will be reviewing independently and evaluating the effectiveness of that training as well. In the industry they say they do it. They also say, 'Well, our staff are not psychologists,' but they do not need to be psychologists. It is not that difficult, in my view. That is a key area where there is room for improvement.

Mr WALTER - There are of course two levers: the training and codes of conduct. That is where the interaction takes place.

Mr ARMSTRONG - Going back a couple of questions before, I take it that clubs and hotels are about 50/50 in Victoria?

Ms CARR - Yes. In terms of the number of machines, yes.

Mr ARMSTRONG - And actual venues, would it be 50/50?

Ms CARR - No, there are more hotels.

Mr ARMSTRONG - More hotels?

Ms CARR - Yes.

Ms DAWKINS - Can I ask about the design of the machines? There has been a lot of talk in our inquiry about the operator conditioning techniques, all that kind of stuff, and how there are many patents every year, so we are still developing techniques to be able to hook gamblers into spending more money. Do you have any role in talking to the industry about the kinds of machines they buy?

Ms CARR - Not so much about the types of machines they buy. The nature of the machines in Victoria is regulated, and in other jurisdictions there is the National Gaming Machine Standards, which set out what a machine can and cannot do, and there is a Victorian appendix to those standards.

When industry want to introduce a new product, they have to get it tested and approved by the commission. That is the commission's function by and large. In relation to the policy function, one of the greatest users at the moment is skill-base gaming, which industry are. There has been skill-based gaming machines introduced in some casinos in the US. Clearly, there is a policy role in providing advice to the minister about the desirability of mixing games of chance with games of skill. The current existing gaming machines function sits with the commission.

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Ms DAWKINS - None of the skills-based machines are yet in Australia? We have not tried to program those machines yet?

Ms CARR - Not that I am aware of.

Ms DAWKINS - You expect that to be the next step?

Ms CARR - Yes.

Mr WALTER - Because it is an observation, the material suggests gaming, which of course is not necessarily related to gambling, but there may be transition from gaming to gambling or gaming with gambling.

Ms DAWKINS - It makes sense from a demographic point of view, doesn't it, this current crop of poker machine users are not being replaced, so industry will be looking at ways to replace them.

Ms CARR - A simple Google search will take you to some of the manufacturer's websites, which clearly talk about making machines more attractive to the millennials. It is also tied in with the decline of participation rate we were talking about before. This is the next thing coming. What approach governments around the world take I cannot answer.

Mr ARMSTRONG - Did you say the decline in participation rate - could you give us a percentage?

Ms CARR - I cannot remember exactly, but it is somewhere about 30 per cent. Again, I can provide you with that data.

Mr ARMSTRONG - Down about 30 per cent?

Ms CARR - To about 30 per cent, so it is about half. It used to be around - can you remember, Susan, I cannot remember.

Ms RENNIE - Check on-line. The latest premier study suggested participation rates in EGM use at 16 per cent down from 21 per cent.

Ms CARR - Sorry, yes, you are right. It has gone quite low.

Ms RENNIE - The 2009 study had a participation rate at about 21 per cent and 2014 study was 16 per cent.

Mr WALTER - I read the ALH submission made to you this morning and it summarises some of these issue quite neatly.

Ms RATTRAY - We need to reacquaint ourselves with that one.

CHAIR - Under the venue operator model have there been any differences in the compliance or the number of issues with monitoring? That may be part of the report, but even anecdotally or through the industry, have there been issues going from the duopoly to the -

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Ms CARR - Not from a compliance perspective as far as I am aware. The industry is highly compliant. If you look at the differences between the club and the hotel sector, apart from the fundamental nature of a club and the kind of community benefit, if you put that aside it is clear from the data player loss in the club sector is lower than in the hotel sector. The club sector certainly argue from questions of harm their venues are better than the hotel sector, because they know their customers, whereas in a big hotel it is easy to be anonymous. That is the argument. The data clearly shows permission player loss is higher in the hotel sector than it is in the club sector. What drives that? Whether it is a management thing or whether it is the nature of the player, I do not know.

CHAIR - I was interested in your earlier comment regarding the smaller operators not receiving what they perceived as benefits of the change, because all the operators, other than casinos, come under the smaller banner. I know you cannot say with the report coming up, but are there any things that stick out as future challenges? For example, Keno, do you dabble in that area for policy advice?

Ms CARR - Yes, we have Keno.

CHAIR - What is your percentage return on your Keno sales?

Ms CARR - I cannot tell you the return to player off the top of my head, but I am happy to provide it. Keno is a very marginal product in Victoria. It always has been, unlike Queensland and New South Wales. Our Keno product has always struggled. It used to be operated jointly between Tatts and Tabcorp and neither of them pushed it too much. It is now operated solely by Tabcorp and has the Keno market pretty much sewn up. Keno does not create too many issues for us.

CHAIR - What is the taxation arrangement? We have Community Service Obligation - a levy - divvied up between sporting clubs and harm minimisation strategies. What is the arrangement here from the revenue base?

Ms CARR - We have the Community Support Fund, contained in our Gambling Regulation Act. To give an example, there is currently a tax differential between the tax paid by hotels and the club sector. The club sector pays 8.33 per cent less tax than the hotel sector. That difference from the hotel sector goes into the Community Support Fund. The Community Support Fund has a set of legislative purposes. The first call on the fund is for services in relation to problem gambling services and research and then a lot of other purposes - drug and alcohol services, community facilities, et cetera. It is run out of Treasury, so a lot of it is a grant process. Other than that, gambling taxation revenue goes into the Hospital and Charities Fund and the mental health fund. As those names suggest, it funds hospitals and mental health services.

CHAIR - The casino relationship has always been interesting between the states. In our situation, our casinos become very good community corporate citizens, because they are the ones deciding where their funding will go. Some people would say that should be a tax going into the consolidated and government should be choosing that anyway. How does it operate here?

Ms CARR - The government basically decides where the expenditure goes from the Community Support Fund. Other gaming revenue goes into the Hospital and Charities Fund, which is again government controlled.

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CHAIR - That is a fairly consistent flow of funds?

Ms CARR - Yes.

CHAIR - So governments were not surprised by the amount of budget they have there to allocate?

Ms CARR - It does vary. For instance, casino revenue is down, for obvious reasons. Gaming machine revenue does fluctuate. For instance, when we took ATMs out of gaming venues there was a substantial decline. It is now really flat. All of those projections are done by Treasury. It is not my area of expertise, but it does fluctuate.

CHAIR - There are always going to be challenges within this industry, so what do you see the next major challenge will be in Victoria?

Mr WALTER - I do not think it is unique to Victoria. That is a personal observation, not an observation as a chair of the Responsible Gambling Ministerial Advisory Council. Here is a figure, which is quite interesting, about 600 million Chinese on an almost daily basis engage in gaming on WeChat, which is a 10 cent website.

We increasingly define ourselves in social media and sources of information, with reference to information that is not intermediated by newspapers or by community groups. It is obtained directly from new sources and the internet.

The industry is subject to significant disruption and the online gambling issues, which are identified in the O'Farrell Report, are significant issues. It is one thing to focus on the current issues facing the industry, the venues and the individual economic interests being affected, but you can ask yourself whether some of these issues are not in long term decline. It seems that this industry is suffering disruption as much as any other and we have not seen the full potential for that disruption. The decline of a regulated base has implications on a number of dimensions, it has implications for harm and responsible gambling control. It has implications for revenue, part of this discussion is about the derivation of revenue on some consumption basis, which is partly related to perceived competition from the Northern Territory. I happen to think the issue is much broader than that, and the O'Farrell report makes a start on some of those issues.

Ms CARR - I do not disagree, but the other thing that is often lost in the discussion about online gambling is that it is coming from a very low base. From a harm perspective, the major cause of gambling related harm is still gaming machines. It is easy to shift our focus to online wagering but we should not forget most of the harm is still on gaming machines.

CHAIR - Thank you both so much for being here today and presenting. It has been invaluable.

As you would be aware, our government signed a 20-year memorandum in 2003. In 2018 they can make some decisions for 2023, so that is why they have put the Joint Select Committee together. It is interesting that there are some similarities but there are some unique differences. It gives you opportunities to look at other areas and come back with some recommendations.

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Ms CARR - It is amazing how different the culture is in each jurisdiction. The distinct culture drives the differences in the regulatory arrangements. For instance, New South Wales does things we would never do here because of different culture and attitudes to gambling.

CHAIR - Yes, and we are also looking at the Western Australia and South Australian experiences. You mentioned a couple of groups that we will also be discussing issues with. Thank you once again for your time.

DISCUSSION CONCLUDED.

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DISCUSSION WITH Ms SUSAN RENNIE, VICTORIAN PCP ADVISOR, WAS CALLED AND EXAMINED.

CHAIR - Thank you for allowing us that extra 15 minutes.

Ms RENNIE - It was interesting for me.

CHAIR - Susan, you have met the members. The reason it is important for us to conduct a hearing is that we can use the evidence in our report. If it was a delegation it would put certain restrictions on the information we could use.

It is really information for us. They are open hearings. If you can send us information that you do not have access to today, that would be great. If you feel you cannot answer certain questions because we are on the public record, that is fine.

Ms RENNIE - Sure.

CHAIR - Could you explain your role, your position, how you came to be there, your relationship with the last group that came in. I heard John say you were on the board or -

Ms RENNIE - The Responsible Gambling Ministerial Advisory Council.

CHAIR - Yes. We will go from there.

Ms RENNIE - Sure.

CHAIR - Thank you.

Ms RENNIE - I have a couple of roles, although I am in the process of transitioning. I have worked for the last nine years to prevent harm from gambling in communities. That has primarily been with Primary Care Partnerships, a Victorian health partnership platform set up by the Victorian Government about 16 years ago.

The purpose of Primary Care Partnerships is to look at the different parts of the health system, how they fit together and how we can make sure people are working to common purpose. About nine years ago the Department of Justice in Victoria looked at the Primary Care Partnership platform and decided that it was a really good platform to use to improve the quality of the health promotion and public health work to prevent harm from gambling.

At that point they funded Primary Care Partnerships in each region of Victoria, there are nine regions, to do some work. I was recruited into one of those roles. I started with minimal knowledge, I suppose. I had not worked in gaming at all before that, but I have had a history of working in management and project management roles within the community health sector, and had overseen public health and prevention work in that area.

The background I brought to the work was in public health, and I have a Doctorate in Social Work. Nine years ago we were puzzled as to how to begin working in communities to prevent harm from gambling. We started looking at a lot of different ways of doing work. Some of that work was what I would describe as community development work, so working on the ground with local communities thinking about why people were experiencing harm from gambling what sorts

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of interventions we could do. Some of it was capacity building work, particularly with the local government sector. Councils in Victoria had a keen interest in this area because they could see a lot of harm occurring in their communities and they had minimal control over the placement of poker machines. We did a lot of partnership building work.

The community development work included things such as working with at-risk groups around their access to gaming venues, why they were going and what that looked like. We set up a project called the Casino Bus Trips project. We had seniors ethnic groups going on bus trips to the casino for a cheap or free lunch. That was happening all the time in some communities. The casino would get a bus company to go out to the outer suburbs, load up 45 people, take them to the casino for their \$6 all you can eat buffet. When we investigated, we found there were minimum stays. You did not only have lunch, you were stuck at the casino for at least four hours. There were rules around what you could do in that time and you were not supposed to leave the casino. There were a whole lot of drivers of harm in that. It was still difficult to persuade groups that maybe that was not a good idea, that taking a bus load of people on a pension to the casino might be harmful. We did a bit of research with those groups as to what they were losing when they went to the casino. We found the bus load of people lost anywhere between \$1000 and \$3500 as a collective loss. When we gave that information back to the bus load of seniors and those groups we found they were really surprised by the losses.

We were not doing it for the sake of research, we were doing it to give these groups knowledge that might help them make better decisions - invariably what we found was that they were really surprised by the losses and they did choose to do other activities. We worked with a Turkish group nine years ago that has not been back to the casino since we gave them that data about how much they lost. They had no idea because people talked about the winnings and no-one talked about the loss. No-one talked about personally what it had cost them. The group knew that when you had low-income pensioners, when everyone in the group was losing \$30, it was not a \$6 all-you-can-eat buffet, it was quite an expensive day.

In one group people said, 'Do you realise with \$1000 we could have got a bus and gone anywhere?'. What was very appealing about that bus trips program was the transport. The groups liked getting on a bus and going on an outing together. They really wanted to go to other places, but hiring a bus upfront is \$800 and they all found that expensive. The losses that they were experiencing put the \$800 in context. That was quite an early effective piece of work in what I would call the community development space.

CHAIR - Does anybody organise a bus trip for them now? Don't get me wrong, even though it was a casino organising it to the casino and they realised that they could do a bus trip anywhere, but at the end of the day if nobody organises it - does that Turkish group of 40 still meet and go on a bus trip now or not?

Ms RENNIE - They still do a lot of activities. They are a very active group. There is no doubt that we are left with a bit of a gap. It is not just the casino. Many of the local venues have courtesy buses too. There have been a number of projects since that time. Recently there was one by the Primary Care Partnerships in the western suburbs specifically looking at this issue of seniors groups that are taken to local gaming venues. They have had so much feedback that it is actually driving up levels of harm. You are exposing people to poker machines who are not making a conscious choice to go to poker machines but they want to participate in their group's activities.

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In Victoria councils have really tried to send out a message that perhaps it is not the healthiest type of activity. The reality is that local communities can't compete with the resources that the gambling industry has to be able to provide buses. One thing we have learnt is to really challenge and query the idea that a community bus at a local venue is a community benefit.

We saw recently in the City of Hume there is a hotel that applied to the VCGLR for a licence for more machines. They had 60 and they wanted to go up to 80. They said one of the benefits was the community bus that they offered. What we know is that that bus is a marketing tool used to take people into the venue. The people that it is taking into the venue are often the people with the least access to resources and the most socially isolated. By the culmination of those two things, they are extremely vulnerable to gambling harm.

It is really interesting in this community benefit equation when you are thinking of what is a benefit, who actually experiences that benefit with something like a community bus.

Mr ARMSTRONG - Is that all the community bus is used for, or is it used for other community outings?

Ms RENNIE - They say 'We will take people to the doctor', but when they say that they are talking about the medical clinic that is next door to the gaming venue. Essentially, it is primarily used to get people to the venue. The venue is opposite a shopping centre, so if people also use it to get to the shopping centre, then potentially they do get a benefit from being able to get to the shopping centre. But it would be naïve to think that was the primary purpose of the bus. The bus is essentially to get people to that gaming venue.

That is the kind of work in that space. The work that I've done with councils has often been looking at council policy and how do we make sure that councils have the very best policy to try to minimise harm within their communities. That is often making sure they have a strong framework in understanding how to respond to applications for more poker machines if those come up. Also, what we find in Victoria is we still have mixed practice across councils with some councils taking seniors groups to gaming venues when they are looking for an outing. That is really problematic.

Most councils are no longer doing that. They have understood that that is not good practice in the aged care services. One of the features of these venues is that they are large, they have great disability access and easy movement around for people's walking frames, they have good car parks with ramps, large spaces for groups and relatively cheap meals, particularly for seniors. So councils, when they look around thinking there is this seniors group that wants to go out to lunch, often find that is the easier option. It is also a bit of a lazy option for councils because when you look at some of the councils in Victoria, they are doing amazing activities with the seniors that do not involve those kinds of outings.

Ms DAWKINS - It is really interesting. I do not even think we have gone down the path of prevention in Tasmania yet. I cannot think of any programs that are run by councils that do offer that kind of support. We are still trying to identify problem gamblers or get them to self-identify and then hopefully encourage them to go to a program and stay there until they feel they have seen some benefit from it. We cannot measure the success of our gambling intervention programs. Can you? Do have programs where you have measurable success?

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Ms RENNIE - In the prevention space, when we have done those very targeted interventions like the bus trips to the casino, we knew we were having an impact with the groups we worked with. We cannot work with every single group so we have to then look at the systemic level and drivers and the regulatory frameworks that enable, for example, the casino to have a bus trip program which has a minimum stay. I would say that if you really want to prevent harm, you say you cannot put a minimum stay on that type of trip. You have to make it explicit that people are welcome, when they are there, to use their time in any way they want. Those types of things are going to be much more effective than trying to work one by one with groups.

I work in the same office as the Gambler's Help services in the northern region. Their counselling services are very good. I would be confident that if someone went to their service, they would experience some improvements. It might be a bit of an up and down journey but that is very effective. It is such a small proportion of people who ring up, who make the steps, who have the appointment. It would be worth taking it a couple of steps back. You talked about problem gamblers - I do not even use that language anymore.

Ms DAWKINS - We have heard that in the previous session.

Ms RENNIE - I do not know if you are familiar with the study that the Victorian Responsible Gambling Foundation commissioned a couple of years ago which looked at the burden of disease created by gambling. I really commend that study to you. It is a fantastic piece of work. It was the first time that the health methodology of burden of disease, which is a measure of the health impact created by any number of health conditions, had been applied to gambling. Everyone was a bit surprised by the results. The most groundbreaking kind of result, I suppose, was that when you add up the burden experienced by different members of the community, problem gamblers only account for 15 per cent of the harm. Moderate-risk and low-risk gamblers together account for 85 per cent of the harm. That is why, if we focus on problem gamblers and we are trying to reduce harm in our community by focusing on problem gamblers, even if we are 100 per cent successful with eliminating problem gambling, and we are not going to be but even if we were, we would only have eliminated 15 per cent of the health burden on our community.

What we are concerned about is the total health burden on our community, in the same way that we are concerned about the total health burden created by road trauma or tobacco use. If what we are interested in this, how we build a healthier community, then we have to also think about how we make sure that we are reducing harm for moderate-risk gamblers and for low-risk gamblers.

The focus on problem gambling, for that reason, is inherently unhelpful. We will always need those pointy-end services for people whose lives are out of control, who are losing their relationships and their houses, who are contemplating suicide. We do need those pointy-end services. I suppose, in thinking about a public health finding of this issue, that is the ambulance at the bottom of the cliff. Where is our fence at the top? The work I have been trying to do has really been about the fence at the top of the cliff.

Ms DAWKINS - It is a really difficult thing to talk about but the people who have the least access to resources, the most disadvantaged in our communities, are the ones who are losing money on poker machines. That is without question. We have heard various reasons from industry why that might be preferred entertainment, but can you speak to why you think that is the demographic most affected?

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Ms RENNIE - Partly because the industry has placed most poker machines in those areas. Certainly in Melbourne that stands out time and time again. You look at where the poker machines are, they are out in Dandenong, over in the west, in pockets in the outer northern suburbs. They are not placing poker machines in Hawthorn, Ethan or in the most advantaged suburbs. In some of those communities under stress, there are lower levels of social capital and perhaps some issues around isolation. Poker machines may be appealing to some people for whom English is not the first language. You can get out of the house, feel safe in the venue and do not need English to participate. It is the placement of machines in those locations.

Participation rates drop off with higher levels of education. Highly-educated communities are probably more a driver than income levels per se. People perhaps make different choices about recreation options, but more than anything it has been the placement of machines in those kinds of locations. They may also be the sorts of locations where there are fewer alternatives. If you go to Boroondara, 10 kilometres to the east, there are strips of beautiful restaurants, cafes, a very rich street and night life. If you head 10 kilometres to the west, you might have more difficulty finding that kind of cafe/restaurant culture. Head 20 or 30 kilometres out to the north in the growth corridor, often there is simply none or very minimal infrastructure that enables people to make different choices about where they might go. The first thing that might go into the community will be the new tavern and the argument will be you cannot have a pub without poker machines. That is very problematic - the inner city in Melbourne is thriving with pubs without poker machines.

Mr ARMSTRONG - We have an area on the outskirts of Hobart which is where there are a large number of poker machines and they face some issues. I do not know whether Melbourne is different, but if poker machines are not in that area, it is easy for those people to hop on a bus to a venue only five minutes down the road. Wouldn't that happen in Victoria? If you want to play the pokies, you will travel to them?

Ms RENNIE - Not necessarily. The evidence in Victoria is very strong people in metropolitan areas tend to play within 2.5 kilometres of their house. When the Victorian Commission for Gaming and Liquor Regulation was looking at the catchment for venues in making their assessment, the catchment is nearly always 2.5 kilometres. That does not mean some people do not come from further, but the bulk of patrons in most of those venues are coming from that 2.5 kilometre radius around the venue. It is an extremely local activity.

Mr ARMSTRONG - But if they are not in that 2.5 kilometres?

Ms RENNIE - They will not use poker machines as much. People in areas where there is a very high concentration of machines, are far more vulnerable and more likely to play. Those are the venues, if they want to pop out for a pub meal or a drink. When you pop out for a pub meal, chances are you go to your local pub.

Mr ARMSTRONG - I do not.

Ms RENNIE - No, but a lot of people do. Many of these venues have children's playgrounds, meeting rooms for groups - and they will sometimes make those meeting rooms available free of charge. That is appealing to groups if you are in a municipality that does not have a whole lot of options. They advertise aggressively and in a predatory manner. Some of these venues have loyalty schemes, they know when people are coming in and they know when

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they have not seen you for a while. If they have not seen you for a while, they are quite likely to send you an invitation to come back and have a free or discounted meal. They know you are regular in their venue, you are losing money and if they do not see you for a month or two. You may have made a decision you have lost enough money for a while and you going to stay away. Cash is a tight and what do you get with it? You get an offer for a discount or free meal. Very difficult in a community where people do not have a lot, to not take up that kind of offer; to not see it for what it is, an enticement to come back into a venue where they know you are likely to lose money.

CHAIR - I know what you mean about areas being rich in conversation. My parents are a perfect example. The reward point cards at the casino - she thinks it is actually a bonus for her to go. They talk all the way there and all the way back, but at the venue they probably do not say a word. We went to one of the hotels a few weeks ago and had a look. At 11 a.m. on a Friday morning, a beautiful day, and there is not a lot conversation going on within the venue. It is focus on and then they might go out for a cigarette and they will have a chat. 'Oh yes, I had a good chat with someone', but it is not about which conversation. In certain socio-economic areas, it is easier for them to play the machine because they do not have to converse with people.

Ms RENNIE - Yes, because the places are safe, security is good, and they are warm. If you are trying to keep your heating bills down in the middle of winter and you want to get out of the house, the pub down the road that has the poker machines, might start to look appealing.

Mr ARMSTRONG - And a cheap meal.

Ms RENNIE - And yes, a relatively cheap meal.

CHAIR - In Tasmania it is hard to know what councils can provide. To a certain extent a lot of our funding goes into our community houses or men's sheds from council, so people do have a place to go or they can organise bus trips, which is not going to the casino. It is hard to measure the bang for your buck on social wellbeing. It is really hard to quantify.

Ms RENNIE - It is, and this is an enormous problem in health promotion whether being sure about what it is that has actually prevented harm and how you measure that.

Having done this work for nine years, I am increasingly of the opinion if we are serious about reducing harm, we need to go to the source of the harm. The source of the harm is poker machines. If we could make that machine safer, that would be the best way to reduce harm. There is no number of community development initiatives or education sessions going to create a measureable impact when the driver of harm, is people living in communities where they are over exposed to machines.

It is a bit like motor vehicles. We can spend a lot of time telling people to drive more safely, to concentrate on the road, to take a break. We know those types of interventions have limited potential to further increase or decrease road trauma. Road trauma now is really going to be decreased by safer roads, safer cars, driverless cars. The solutions in many ways lie in technology, and in design, because everybody knows it is stupid to get drunk and drive your car. Some people will continue to do it. We design systems around that, even when people have been drunk and driven. They have a device on their car so they cannot do that, and we put the brakes on people. We put the speed limits on because we do not want to have out of control cars on the road.

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It would be good to look at poker machines and how we effectively put a speed limit on them. They are a computer program and it can be done. It is not that difficult, it is not rocket science.

Ms DAWKINS - YourPlay platform, do you think it is having an effect?

Ms RENNIE - Not as a voluntary system, no. I am very pleased it is being put in place, because the technology is now in all of the machines and we could, presumably, now make it mandatory. If it is was mandatory, that would be terrific. Then we would be able to know so much more about play behaviour from one venue to another, they would have a use for the card. You can override it so easily, you can withdraw your card and keep playing. There is nothing that stops someone, even if they sign up.

The technology is now on the machines, the system has rolled out, the expense has largely been incurred by industry; let us flip the switch and make it mandatory and then we would have a real system to make a difference.

Ms DAWKINS - Is there a campaign to make that happen?

Ms RENNIE - The Alliance for Gambling Reform, of which I am part, is looking at mandatory pre-commitment as one of the pillars of reducing harmful gambling. Anything should be in combination with a range of others. In public health there isn't really one silver bullet. For example, in the way of road safety there wasn't one thing we did, in tobacco control there wasn't one thing that has made the difference.

Mr ARMSTRONG - If you are looking at road safety, it was seatbelts.

Ms RENNIE - Seatbelts had an enormous effect. They were the beginning in 1974 of the kind of drop, but not enough in and of themselves. I have amazing graphs of what has happened in road safety over the years mapped against the interventions. We are now the envy of the world in how we have managed to reduce the road toll. It is a phenomenal outcome. This is always something that frustrates me so much in trying to prevent harm from gambling. Australia is a world leader in public health. The success we have had in road safety and the stunning success we've had in tobacco are the envy of the world and we have the know-how. We know what the solutions would be in preventing harm from gambling. For various reasons, we haven't put in place those measures most likely to succeed. We have focused instead on those measures that, as we know from other public health areas, are likely to have minimal impact. In particular, the kind of education piece and the promotion of responsible gambling.

Mr ARMSTRONG - What is the maximum bet in Victoria?

Ms RENNIE - Five dollars. It was reduced a number of years ago from \$10 to \$5. It would be good to reduce it further to \$1. I say that because we know that when people are betting more than \$1, those are the people who are experiencing harm. People who are non-problem gamblers, who are using poker machines without harm, are not pressing a bet that is more than \$1 a spin. The only people who would be impacted by reducing that bet to \$1 are those people who are experiencing harm and they are exactly the people we want our interventions to target.

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If we can put in place the intervention that has almost no impact on people who aren't experiencing harm but a significant impact on the people experiencing harm then that is fantastic. That is a really good way to target the work that we do.

Ms RATTRAY - Do they stay longer at the venue? That has always been my question around making a lower bet limit, it takes you longer to lose whatever money you have on any given day. Do you have a view on that?

Ms RENNIE - I don't have any research evidence to answer that question. I would say that is a risk for some people, but some people will then have longer to realise that they have stayed too long. Some people will have natural constraints on their time. The venue might close, or they might have to leave to pick up their kids or have to do something. To the extent that it gives them more time to decide to take a break and slow down the speed at which they lose money, then I think that is going to be effective. That is a logical kind of argument, but some people might stay longer.

Ms RATTRAY - You've talked a lot about the role of local government. I wonder if our local governments have the capacity to impact upon this as much as your local governments seem to have done. What do you think, and would they need to be funded as such to support non-gambling in their areas? I represent seven LGAs in my electorate and I don't know that they have that wherewithal to participate. Can you tell me how you bring yours on board - and are they much bigger councils?

Ms RENNIE - Capacity and resources across the council sector are different depending on the council. In Victoria there has been a long history of council engagement and commitment to this area. The willingness of councils to invest resources may be greater. I don't think they have some other separate source of funds, they are looking at council rate revenue and deciding.

The Victorian Local Governance Association, where I also work, set up the Local Government Working Group on Gambling a long time ago. For more than a decade the Victorian Local Governance Association, which is the smaller of two peak bodies for local government in Victoria, has convened a group that has pulled interested councils together. That has been critical the conversation happening with the local council sector. I don't know about your regulatory regime in Tasmania and whether councils have a role when an operator applies for machines. We have the Victorian Commission for Gaming and Liquor Regulation. Because councils have responded to those applications at the Victorian Commission for Gaming and Liquor Regulation, they had a statutory role and they have been engaged. They have been engaged and frustrated and often very angry at the way they have been treated in that process.

When a survey was last done to take in the results of decisions of the VCGLR, 90 per cent to 95 per cent of their decisions were favouring approval. That has infuriated councils and activated them to become more engaged in some instances and say, 'This is simply acceptable. We are not being listened to. We are the experts in the health and wellbeing of our community and yet the VCGLR is favouring supposedly expert reports that are coming out of people who have been commissioned and paid big dollars by the gambling industry to say one thing'. I believe there are a few recent processes that might shift the emphasis within the VCGLR a little and hope more community-minded decisions might flow from them.

Councils have seen this as somewhat of a political issue and for that reason have been more engaged. That engagement in many councils has spread from the political down to the

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community. It includes how you build a safer community as well as how you do some advocacy around the regulatory regime, which most councils are very disappointed with.

Ms RATTRAY - How is your organisation funded?

Ms RENNIE - Both the Primary Care partnership and Victorian Local Governance Association have received prevention of gambling harm grants from the Victorian Responsible Gambling Foundation.

Ms RATTRAY - Is that out of that percentage of money they have put towards sporting and community groups and your work as well?

Ms RENNIE - The Victorian Responsible Gambling Foundation was set up by the state government about four years ago. It is a statutory body set up in the same way the TAC or Victoria Health might be set up. I believe it has been responsible for a positive shift towards understanding of gambling harm from a public health perspective. They fund some research and oversee and fund the gamblers help services. A decision was made that it wasn't good to sit the harm prevention and research parts of this work alongside the regulatory parts. That's why it came out of the Office of Liquor, Gaming and Racing Regulation into the Victorian Responsible Gambling Foundation. They put in place a prevention program. The Minister for Consumer Affairs, Gaming and Liquor Regulation is announcing today the grants for the forthcoming two years, and 14 groups have been selected to deliver funded prevention projects. I believe they are putting a couple of million dollars a year into that project to try to build the evidence base about what works.

CHAIR - One of the things we often hear with grant-related funding is that groups become frustrated having to go back cap in hand again to ask for further funding to put back in place programs they know are working. A lot of time and effort goes into that sort of recurrent funding. In the model there, and with all due respect to the government of the day, they sometimes want to come out and get a vote for the funding where they put their grants. If an organisation is doing really well, they put runs on boards, are they expected to get some recurrent funding, or do they have to go back hoping they get the tick again so they can continue with the programs that are running?

Ms RENNIE - The Gambler's Help services get recurrent funding. Those services that deliver the counselling get recurrent funding. The prevention grants were never intended to be recurrent funding and they were not presented as recurrent funding. The foundation was quite explicit: these are health promotion grants; we want to see projects get established; we want to see if they can be effective in reducing harm from gambling and we want to build the evidence base about what works.

Do I think that is where you should focus in the first instance? No, because I think you will get far greater results from a public health point of view if you look at the regulatory system that you put in place, and those levers that government has available to it to put in maximum bets, to put in mandatory pre-commitment and to look at machine design.

There is no doubt in my mind - and I say this as someone who has been doing the prevention stuff for nine years - that the stuff that you can do is going to have far more impact. The on-the-ground health promotion activities that I have been participating in build some community capacity to understand the issues. Certainly, the work I have been doing in training the local

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government association, has built the capacity of communities and of councils to effectively participate in licensing processes. That is part of the work I have been doing in the last year and a half, to actually work with communities that want to oppose poker machines, oppose licences or oppose planning permits - they need both a licence and a planning permit.

That work has been effective because that work has enabled communities to get a better outcome at the Victorian Commission for Gambling and Liquor Regulation, potentially, whether it is stricter conditions or getting the application opposed. Some of the community development work I really think is tinkering around the edges, particularly if the focus is on education.

If education worked as a public health measure, then no-one would be still smoking because everybody in our community knows that smoking is bad for you. Education has very significant limits. It tends to work best for the most educated and the most privileged or advantaged. When you look at smoking as an example, the people who have taken on board the health messages most are those people who are already most concerned and experiencing the best health. The health equity issue has actually become exacerbated, and smoking is more and more concentrated amongst the most disadvantaged communities. I bring that example up from a public health point of view because we see very similar patterns in gambling harm prevention and the potential there.

CHAIR - We are all gobsmacked now by the number of really young children recognising the sports betting on TV - it is just part of that marketing media now, and you have five- or six-year olds identifying with sports betting. It is wrong that we are allowing that to happen.

Ms RENNIE - Associate Professor Samantha Thomas at Deakin University has done a lot of work in that space, looking at gambling industry brand recognition amongst kids and the impact that is potentially having. We have a very serious future problem. We have an existing problem but that problem is going to get bigger.

It is still not certainly competing with poker machines when we think about existing levels of harm. When I speak to my colleagues at the Gambler's Help service, for 85 per cent of people who are there seeing them, who are at risk of losing their homes or whose relationships are breaking down, it is poker machines.

CHAIR - Yes. I understood where John was coming from with future gaming, but when Cate went back to the EGMs, that is the one that is the most -

Ms RENNIE - Yes, that is absolutely where the harm is occurring. It is also, from the state government point of view, where you have most power to intervene. It is much more difficult for the state government to get involved in the online gambling space and much more difficult to do something about the advertising because that is regulated nationally. The regulation of poker machines is essentially a state government issue. There is so much potential by just tweaking the system to reduce harm very significantly so that people can use poker machines but use them safely. That would be an ideal scenario.

Ms DAWKINS - Can I ask a question about the report you referred to about the burden of disease, what was that report called or could you send that?

Ms RENNIE - I can send that. Are you speaking to anyone from the Responsible Gambling Association?

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Ms DAWKINS - No.

CHAIR - We have the gambling commission and the Victorian InterChurch Gambling Taskforce.

Ms RENNIE - You would have Dr Mark Zirnsak.

Ms DAWKINS - Who seems to be doing most of the work in this space?

Ms RATTRAY - We are speaking with Mark.

CHAIR - No, they were scheduled to meet with us today, they can't, but we are speaking with them again at a later hearing. They were unable to present today.

Ms RENNIE - Okay, that may be because they were at that launch of the new product. I can send you the links. They have not only put together a report that is quite thick, they have an exceptionally lovely four-page series of fact sheets.

Ms DAWKINS - It is probably on their website anyway, isn't it?

Ms RENNIE - Absolutely, on their website. If you google 'Burden of Disease and Gambling' it is the only one burden of disease statement that will come up and the fact sheets are there, but I will send you a link to those fact sheets. It would be worth it and that is why I wondered if they were coming in because they could bring some copies of that report.

Ms RATTRAY - I think they have a change in CEO as well.

Ms RENNIE - They do have a new CEO who has just started.

Ms RATTRAY - And that timing wasn't good for them.

Ms RENNIE - They are definitely worth speaking to. They really are leaders in this field. No other jurisdiction has separated the functions in the way the Victorian government did when it established the Victorian Responsible Gambling Foundation. It has been a bit of a journey for them moving away from a system that focused on the promotion of responsible gambling and eliminating problem gambling towards understanding that promoting responsible gambling, notwithstanding their name, is not a helpful paradigm and that if we just focus on problem gambling, we are missing 85 per cent of the harm. They have been on a very significant journey, which has been terrific.

CHAIR - Susan, thank you so much for coming in and helping us out and that is how we see it. We have some important work to do for our state. It is interesting how there are some synergies between all of the states in trying to grapple with these problems. Whether it is Tasmania or Queensland, it doesn't really matter, everyone is impacted by them.

Thank you very much for your time.

Ms RENNIE - It is a pleasure.

DISCUSSION CONCLUDED.

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DISCUSSION WITH Dr MARK ZIRNSAK, CHAIR, VICTORIAN INTERCHURCH GAMBLING TASKFORCE

CHAIR (Mr Gaffney) - Welcome, Mark. Could you introduce yourself and tell us about the role you undertake?

Dr ZIRNSAK - I am the chair of the Victorian InterChurch Gambling Taskforce. The taskforce was formed in 1996 in response to, at the time, the then premier talked about having a gambling-led recovery in Victoria and there had been an introduction of Crown Casino and electronic gaming machines across pubs and clubs. There was a concern about the government's dependence on gambling revenue to deal with an economic recovery. Also taking into account the potential harms occurring as a result of the expansion in gambling. The taskforce has not had a position of being anti-gambling per se. We are not a group for prohibition on gambling, but have advocated for reform, with a focus on trying to minimise the harm and where gambling forms are legal, maximise the benefits back to the community.

CHAIR - How does the funding work?

Dr ZIRNSAK - The members of the taskforce are members of the mainstream churches. Part of their role within the churches is to sit on the taskforce and carry out those activities. If there are specific projects that need funding the churches have from time to time provided funding through that mechanism.

CHAIR - Is that taskforce a recognised incorporation or body? Do you have membership or is it just a fluid board?

Dr ZIRNSAK - It sits under the heads of churches in Victoria. The heads of churches informally have a grouping and it is a body that reports and they transfer the administration. It does report through the Victorian Council of Churches.

CHAIR - I am not being flippant, but is it 'thou shalt not gamble'?

Dr ZIRNSAK - No, we are not an anti-gambling taskforce. Our focus has been on reforms with a view to minimising harm from gambling and maximising, where forms of gambling are legal, the benefits back to the community.

CHAIR - Do members of your taskforce sit on any other gaming or gambling government bodies? Do you have representatives from your taskforce in a variety of groups or are you more a consultative stakeholder?

Dr ZIRNSAK - We have representation on the Responsible Gambling Ministerial Advisory Council. We would be consulted by the Victorian Commission on Gambling and Liquor Regulation. They have a gambling stakeholder meeting. We also attend the stakeholder consultations with the Victorian Responsible Gambling Foundation.

CHAIR - Over the 20 years your organisation has been associated with what is occurring, has there been a change in the emphasis, direction or policy for your taskforce?

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Dr ZIRNSAK - Yes, I think so. Over time there has been recognition some of the measures we thought early on might have some ability to reduce harm from electronic gaming machines proved to be highly ineffective. We have moved on quite a long way from then. People used to talk about light in venues or clocks on machines being important aspects. We learnt over time they were completely ineffective measures. There was a lot of focus on self-exclusion programs and we realised these were largely ineffective. They are of benefit to a small group of people who access them. Overwhelmingly, they are not helpful to the majority of people who experience harm from electronic gaming machines.

We have also shifted our focus. We have obviously had a lot more focus on online gambling in recent times, as a new and emerging form of gambling. We went from solely on probably electronic gaming machines, occasionally a little bit of wagering issues would come up but we now would split a reasonable amount of our time into the online gambling sphere.

CHAIR - Yes and online gaming is an issue that has raised its head in lots of different areas, but needs another focus on - another committee to work on. Our main game is the EGM because it is what we have been charged to undertake, but obviously out of our report mainly comes from recommendations regarding others, whether it is on online gaming or e-gaming skill-based gaming now taking off now in the States.

Dr ZIRNSAK - The one thing I did want to say is, and the data backs us up very strongly, that EGMs still form the major form of gambling losses across Australia in all jurisdictions. Online gambling is an emerging form and to a degree we have focused attention there to head it off. In other words, try to make sure we do not get. What we felt happened with EGMs was that it was rolled out in places like Victoria without a lot of consideration, and then scrambling to figure out how we reduce all the harm that has resulted, rather than having a thought through process. We do not want to see that repeated with online. Overwhelmingly, the online space is largely down to the federal jurisdiction to manage. At the moment, they are looking at a whole raft of very valuable reforms. You are right to have your focus very much on the kind of situation with EGMs.

CHAIR - Mark, I was interested when you made mention of the fact when you first started, you thought about strategies that would be effective. Then you realised over time they were not. What are some of the strategies that: (a) you want to spend most of your energy on so you get bang for your buck; and (b) are there ones currently your organisation is either sponsoring, nurturing or putting a bit of effort and time into? So any programs we might want to share or you share with us about their impacts.

Dr ZIRNSAK - Sure. There are areas where we have had strong focus at the moment. We have looked at the New Zealand model for managing electronic gaming machines. In New Zealand, local councils have the ability to set policies about the presence of EGMs. They are not committed to have them all removed, but they have been permitted to set sinking lids, which most local councils have availed themselves of. That means over time, you have seen a reduction in machines. Now the industry in that regime has the ability to try to argue with the local council they can provide benefits. If they can persuade the local council that is the case and effectively the local council is being responsible to its ratepayers. So effectively, industry could persuade ratepayers there were benefits, and the policy could allow them to expand machines potentially. The reality has been most local councils in New Zealand have decided to go with the sinking lid policy in response to what the ratepayers want.

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We think that is about local democracy and in Victoria that obviously has not had much traction with the state government. Then other things we have then focused on have been machine design. We have come to realise that, and particularly because Sue in Victoria, what we came to realise was with machine numbers. We looked at what had happened so let me go to machine numbers.

When we looked at what happened in South Australia where they have done a small reduction in the number of machines, effectively you saw no real change in revenue. We likewise saw in Victoria when venues drop machines by say 10 per cent or 20 per cent, so let us sum a venue that has 100 machines and I drop down to 80 - we see no discernible impact on revenue. Effectively what we have figured out is, particularly depending on how you did a machine reduction, but if the industry gets to choose which machines to retire then effectively they can choose their 20 per cent of worst performing machines that people rarely use. They can pull those out of the venue and effectively have no impact on their revenue. In fact, it boosts their profitability because they are not actually paying fees exactly so the return on machines has actually gone up. The only thing in Victoria that might dent that is you might push yourself up into a higher tax bracket if we have a progressive taxation regime across the machines.

We realise that unless you are willing to do something quite dramatic in terms of machine numbers, your ability to probably reduce harm, and at this stage we have to proxy judge harm by revenue effectively lost, because we had no reason - in fact, the evidence in Victoria seems to be that harm has probably increased if you weigh it up on the basis that the number of people gambling on EGMs continues to climb, yet the revenue is relatively flat. If you did it on revenue per gambler, it is actually increasing.

CHAIR - They found something in Christchurch where they halved the machines by 50 per cent, but the revenue return was a fairly straight line.

Mr ZIRNSAK - We get the sense though that it does matter when you are doing establishment. Our sense is, if a venue starts at 100 machines, it actually helps them set a revenue level and then they can afford to drop the machines. But if they start at 80, they probably wouldn't have the same revenue. There does seem to be some sort of establishment phase, and after that you can drop away and, possibly also, the venues get experience about knowing how to - because they are very empirical, they experiment which machines work for them. A machine that works in one jurisdiction and turns out huge amounts of money does not work somewhere else. It might work in this venue because the demographic works for them, but it does not work in that venue. It might work in this part of the venue. We hear about the managers shifting the machines around within a venue to maximise revenue as well. They are very empirical in what they do.

We have had quite a bit of focus on machine design and the features that particularly exacerbate harm and largely do not impact on people who gamble recreationally. Bet limits would be one area we would focus on. There is quite a lot of evidence that people with gambling problems disproportionately bet at the higher rates than people who are just having a recreational gamble on the machines. Similarly, you could look at things like spin rate, the number of lines, the number of credits you can bet per line - those things all become proxy for the -

CHAIR - Were you part of the conversation when it went from \$10 to \$5? In Queensland, we heard yesterday, they are considering taking it back from \$5 to \$10; there has been a bit of a push for that.

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Mr ZIRNSAK - I don't think that would have come from the gambling side.

CHAIR - No, but because of a high flier for the industry.

Mr ZIRNSAK - I could imagine the industry would push that.

Interestingly though, if you get access to the spread of how people gamble, going from \$5 to \$10, the proportion of people who gamble who have a \$5 bet limit is tiny. I am a bit surprised that it's within a couple of the per cent of people who gamble at that kind of level. Dropping from a \$10 to a \$5 bet might have impacted on probably 1 per cent of people who were gambling at the time. It is only if you are willing to push it. The curve is not linear. If you really want to have an impact, you need to be looking more down at the \$2 or \$1 bet limit or below that in terms of the impact there.

CHAIR - So were you all a bit disappointed at the \$5 to \$1?

Mr ZIRNSAK - Yes, certainly the \$1 bet limit is something we have talked about. We recognise that politically it became difficult because one party backed the \$1 bet limit and we always understand that the politics of things can make it harder for people to think - even dropping to a \$2 limit would be an improvement in terms of harm.

We have also had a focus on opening hours. Queensland reduced opening hours. Particularly the evidence for early morning gambling would appear to be, again, disproportionate to what the evidence seems to suggest that people with gambling problems were gambling in the early hours of the morning. We have advocated for the gaming area having a shut-down period. We are not saying the venue has to close but for the gaming area to be shut down between midnight until 10 a.m. is what we have seen as valuable for the opening hours.

The other place, and this is where the state government has done something, some movement is around staff intervention. There are two aspects this. One is training and that is probably where the government has been able to see staff trained, but we know from the research that the impact of the training is mitigated if a venue owner or venue manager has the ability to tell staff not to implement the training. There actually needs to be a requirement of the venue to allow their staff to act on the training. The training also needs to very much have practical aspects about how to approach customers and have conversations when you are observing behaviours that indicate that a person might be suffering harm.

There has been work done on an indicator checklist of where people are experiencing harm. That has been some previous work; I know that Paul Delfabbro in South Australia was involved in that and I am trying to think of the other researchers who were there. Basically, they tested the ALH Group here in Victoria. I think they allowed 25 staff to be part of a pilot program just testing if they used the indicator checklist and could identify people who were suffering a problem from their gambling. That came back, from memory, with 97 per cent or 98 per cent accuracy. It was a very high indicator of accuracy against those things.

On that, you would have some pretty extreme indicators: people disguising themselves; people asking other people in the venue if they borrow money; people approaching staff asking if they can borrow money; people making multiple withdrawals from an ATM - I know you don't have that issue down in Tassie, but multiple withdrawals from an EFTPOS. I think a \$200 per card per day is the Tasmanian restriction currently on EFTPOS, isn't it? I believe that is correct.

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Ms RATTRAY - That is a very good question. You can see none of us are gamblers.

Ms DAWKINS - In the casino but not in pubs and clubs.

Dr ZIRNSAK - You have those kinds of indicators. There has been a view there that that kind of staff intervention and training are potentially important aspects.

CHAIR - It seems to be that the club and hotel situation varies in Queensland, here and wherever. In Tasmania, it would be fair to say, the club scene is not that strong. It is markedly different to the role it plays in New South Wales and Queensland. However, there tends to be the thought that because it is a club and all the funds are going back into the community that is possibly better than the hotel situation because that goes to a private business. The impact on the family and on the individual is still the same whether that money goes into a club or a pub. There seems to be a legitimacy for the club pokies. Does your organisation have any preference or any policy on that?

Dr ZIRNSAK - We have taken the position to say to the degree that EGMs are legal, we prefer to see them in clubs over pubs because of the not-for-profit nature of the clubs and the potential for there to be more benefits back to the community. That said, we have seen some gaming of that system in the large football clubs buying up hotels. They buy up a pub with machines and they get to run it as a club venue. The big difference here is the tax break. You also see some clubs where the difference between this particular club and a pub is not clear. If all they do is provide bistro meals and serve drinks, there is not much difference.

The only thing is, though, when you look across the state, the average loss on machines in hotels is substantially higher than the average loss on machines at clubs. I have to go back - the last time I looked at the figures, they are a couple of years old -

Ms RATTRAY - Is that about the setting of the machine, the return to player?

Dr ZIRNSAK - No. I am suspicious because when I visit the difference between the pubs and the clubs, I am not really clear that they operate their machines differently. I am only speculating here, but my suspicion is the demographic of who attends pubs and clubs is possibly different. For some of the clubs, too, many of them do actually offer a diversity of activity. I suspect, if I go to the local club near me, the Veneto Club, which is an Italian club, they have bocce, they have soccer fields, and they have other things you can do inside the venue other than just using the gaming machines. I am a bit suspicious that it might be a different demographic and a different offering of activity that keeps it. I haven't looked for a couple of years, so I will have to double-check the figures, but my recollection was an average hotel machine was sort of \$150 000/\$160 000 a year, compared to a club which is down around \$90 000 on an average machine. If you look at the venue listings you find the smaller club venues tend to be at the bottom in their take per machine. Some of them are down at \$20 000 and \$30 000 per machine, to give a Victorian context.

Mr ARMSTRONG - Would it not be where they are located though?

Dr ZIRNSAK - No, I do not have a sense about locality being a factor. You can find in the same local government area a pub will make a killing and the club will make much more modest money out of it. My suspicion is the demographic and the offering of activity.

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CHAIR - You spoke about strategies for machines. Andrea, you might like to ask some of those questions regarding the car.

Ms DAWKINS - The car?

CHAIR - The car, the -

Ms DAWKINS - Harm minimisation techniques, yes. The other question I was going to ask was around losses disguised as wins. You talked about pretty much about all the other harm minimisation techniques. Have you had any discussion about how we change the programming so that it is not reflecting losses disguised as wins?

Dr ZIRNSAK - As the taskforce, we have not. We had a look at it a while ago. It has not been one of our main asks at this point. I notice there is some more research out that I need to bring myself up to date with. The Victorian Responsible Gambling Foundation highlighted some more research that recently came out. It is a paper that is sitting in my reading pile.

Ms DAWKINS - Excellent. We would be interested in having a look at that too. Would you be able to send us the link to that report?

Dr ZIRNSAK - Sure.

Ms DAWKINS - From my research, it seems that the losses disguised as wins is one of those operant conditioning techniques that keeps people losing. If they were not there, people might realise they were losing a little sooner and move away and do something else. It is the last in the suite of levers anyone could pull to change gambling habits. I am interested in your response.

Dr ZIRNSAK - I would not disagree the research shows that what we are unclear on is the size of the impact if you got rid of it. It seems like a factor. The other one we have focused on, which to us is fairly minor, are linked jackpots. There is research that shows linked jackpots drive up problem gambling behaviour. Where you allow for a jackpot across the entire venue - there may be a pool jackpot across the entire venue and in Victoria we also have pool jackpots across multiple venues - that drives up problem gambling behaviour. The government did its own research showing that but decided not to act on that issue here in Victoria.

Ms DAWKINS - The other question that Mike was alluding to was the -

Dr ZIRNSAK - The YourPlay?

Ms DAWKINS - Yes, YourPlay. What is your impression of YourPlay?

Dr ZIRNSAK - We supported it. We indicated at the beginning that our preference would have been for a system that allowed people to set themselves enforceable limits. When you talk to communities, the problem is if you use terms like 'mandatory' and 'mandatory pre-commitment' if I tell someone we are talking about a mandatory pre-commitment they think I am talking about the state telling them how much their limit is going to be.

A system of enforceable limits allows you to decide what your limit will be but your limit is enforceable, whereas the system we have in Victoria allows you to set limits and you get a

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warning message. It is a system for warning messages and you can gamble through. What we heard from a lot of people being harmed by gambling is the issue is the loss of control once you are in the gambling session. Once you are in the heat of the moment you override the previous limit you would have set yourself. In the heat of the moment you keep gambling. You gamble through a warning message telling you that you have reached the previous limit, which you set yourself when you were not in the heat of the moment but you were rational about what you can afford to lose.

We are not convinced by the limit setting function. What we supported was that it does allow people to track their losses over a prolonged period of time. We understand that is the probably the feature people are going to make more use of out of this.

Ms RATTRAY - When it is sitting in front of them they could be thinking, 'My goodness, I had no idea' -

Dr ZIRNSAK - Yes, they see how much they have lost. There is an ability with that. The other thing is it is a fantastic research tool. It is going to give the state a lot more data about how people are behaving on machines. It will complement asking people to self report, for example, 'how did it affect your behaviour when we made this change?'. You will be able to look at how it affected the behaviour of the people using the YourPlay cards. If you make that change to the system you have a better research tool. The other advantage it had was to give the state the option of keeping open the possibility of doing something on a limit-setting space. It has been great that the state has said it has to be the one system and all machines have to talk to each other on this system. That has been great.

What we have seen in other jurisdictions, to my knowledge, is they have rolled out multiple systems. It will be very hard for those states to come back and say they want a system that works across all machines in a consistent way. The industry will then scream and say the state didn't stop them from implementing 15 different systems and now they are going to bear costs in having to roll out the one system. They are creating a problem down the track if they want to look at -

Mr ARMSTRONG - But at the moment you don't have that card in play, do you?

Mr ZIRNSAK - No, that's correct. That's why it is not an enforceable limit system. It works more as a tool for people to potentially monitor their losses over time.

The other good thing that has been attached to what they've done in the trial is they are doing proper research around it. They have done baseline research prior to implementing the measure and they are doing proper evaluation following the implementation. They also did that when they pulled the ATMs out of venues here in Victoria. These have been the two instances in which they have done policy well. That is, before implementing the measure they have done some research to look at the current situation and then following the measure they have evaluated its impact. That is a good way to be working on these kinds of reforms.

Ms RATTRAY - When you spoke about taking the ATMs out of venues - we heard some evidence sometime over the last two days that encouraging people outside the door to get a clear head and focus somewhere else is important. That would be a preference, that you would never have ATMs inside a venue so they have to physically go out to access more funds?

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Mr ZIRNSAK - Correct. You don't have ATMs in Tasmania so you shouldn't be introducing them. You have restrictions on EFTPOS. The ACIL Allen research also suggested, from my reading of that research, getting rid of EFTPOS out of the venues could also be of benefit in the ability to withdraw the cash. In Victoria we have had the industry make a bizarre argument that people in pubs are not like other people who rack up most of their transactions on their cards. We have had this weird argument to suggest that in order to conceal from their spouse that they might have spent money on alcohol they will withdraw cash from the EFTPOS machine at the bar and then pay for the drinks with cash. When the credit card statement comes through it is still going to show that EFTPOS transaction occurred in the pub, so the logic of this doesn't make any sense to me. There are other good reasons, too. The federal government's Black Economy Taskforce is looking at how we move away from cash transactions because of all the potential negative impacts they have.

There have been some examples in Victoria of gaming venues being used for money laundering. That should not be dismissed as not having foundation.

Ms RATTRAY - I haven't heard that suggested for Tasmania but I will keep my ears open.

Mr ZIRNSAK - You could have a chat to AUSTRAC, the Australian Transaction Reports and Analysis Centre. Last year they issued a directive for all gaming venues across the country suggesting that assumptions that people who would launder money in gaming venues wouldn't be regulars; in AUSTRAC's experience they are often regular gamblers. A money launderer doesn't simply walk in and start laundering straight away. They build up concealment of the activity. Advice would be available from AUSTRAC.

If you wanted to explore the ATM issue, the person to talk to would be Dr Anna Thomas who did the research. She is at the Australian Institute of Family Studies. She did that research of pre- and post-evaluation of removing the ATMs and came back with findings that it had a significant impact on reducing harm. Anna is one of the key researchers at the Australian Institute for Family Studies in the gambling area. That was the body the federal government set up for their national gambling research.

Ms RATTRAY - Not that we -

Dr ZIRNSAK - I am merely point out -

Ms RATTRAY - I was interested in that.

CHAIR - I think what Tania was referring to was to break up the play.

Ms RATTRAY - Yes, to get them outside or away from the machine.

Dr ZIRNSAK - We saw that in Victoria. The state government initially introduced a ban on people being able to smoke in the gaming area of a venue. The venues realised the break in play that was offering was reducing the losses people were experiencing. They introduced a system in which you could reserve your machine. They tried to put pressure -

Ms RATTRAY - You can put a cup on it?

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Dr ZIRNSAK - It was a sign. From the time you went to take your smoke you had seven minutes to return or you would lose your spot on the machine. There was psychological pressure to bring people back to resume their gambling session rather than maximising the benefit of the break in play.

Ms RATTRAY - Removing that opportunity to hold your machine might end up in fisticuffs?

Dr ZIRNSAK - No, I don't think so. That is gone now. We don't have that system.

CHAIR - Not that. What Mark is saying here they had seven minutes so they had to come back quickly. In Tassie they put the cup over and go away for as long as they like and come back.

Ms DAWKINS - There were signs at the Shoreline.

CHAIR - There is no time limit.

Dr ZIRNSAK - There was a time limit on this to force you to come back.

CHAIR - The other one is different. They are saying go away and come back and your machine will still be there.

Ms DAWKINS - Yes, break that moment where you are hooked into the machine, you can be free.

CHAIR - I think that YourPlay cards should only give those to people who identify as not being problem gamblers. I think everybody would want the card.

Dr ZIRNSAK - That was one of the things we have argued. The limit setting measure is not for people who have a gambling problem. Those measures are for people who currently don't have any problems and it is about helping people not move down the risk curve. That is the overwhelming evidence. The limit setting function will not work for people who have a deep problem. The national debate that took place was very harmful. It linked the idea that limit setting was something that only people who suffered problems needed, whereas it is a good tool for people to manage their budget for gambling.

CHAIR - And extending the period of play. That is why moving the \$5 bet to a \$1 bet will take them longer. They might have had three hours here now and enjoyed their time. If it was a \$5 bet they would only have had an hour and might want to gamble for another two, but they have no money left.

Mr ARMSTRONG - I don't know whether it happens in Victoria, but in Tasmania if you go to the casino and buy a drink you are given your change in coins. Does that happen here?

Dr ZIRNSAK - I haven't heard that.

Mr ARMSTRONG - This is at the casinos only, not at the pubs and clubs.

Dr ZIRNSAK - The bigger issue for us goes back to this whole notion of starting intervention and duty of care, this would fall within the marketing strategies we are hearing that

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venues apply. It is deliberate targeting of people who are losing a lot of money. You will receive phone calls from the venue inviting you to come back, offering you free meals, invitations for your birthday; enticements to bring people back in. We have also heard of staff saying they have been told to give a person a gift if they lose all their money on a night, so they don't go away empty handed. We hear anecdotes like that. They are the kind of things we think are the egregious types of behaviours that we think are driving up harm. Churches have staff who are involved in counselling people who have been harmed by gambling. The churches collectively have contact throughout -

Mr ARMSTRONG - It is interesting at home that if you buy a drink with a \$10 note you are given six \$1 coins back.

Dr ZIRNSAK - Which is to encourage you to gamble, I agree. I am raising the suite of broader marketing activities. I don't know the degree to which those aggressive marketing techniques I am talking about are in place in Tasmania.

Ms RATTRAY - Given the price of drinks I don't think you are going to get too many dollar coins back in change anyway.

Mr ARMSTRONG - What are your group's thoughts on keno?

Dr ZIRNSAK - If we speak to the people, we are judging it by two things. The state has done research. The Sarah Hare report conducted in Victoria looked at different forms of gambling and which cause the most harm. Keno does not rate highly in causing harm compared to EGMs, which are top of the list by a long way. Then you are more into wagering and the casino. Keno is a long way down the list as a contributor to harm.

Mr ARMSTRONG - Is keno linked with Tattslotto?

Dr ZIRNAK - Yes. It does not mean people will not be harmed by it, but it is not a high focus for us. When we talk to people who counsel those harmed by gambling, keno does not tend to come up as a key contributing factor to the harm people are suffering.

Mr ARMSTRONG - That is interesting.

CHAIR - Does the church take any responsibility for the bingo it used to have? I want to lay it where it is.

Laughter.

Dr ZIRNAK - In the time I have been working for the church, I am aware that some of our churches have won raffles. That is about it. Often, particularly for the Uniting Church, most churches would not do it. Enough of their own members would be objecting that it does not happen. On the occasions it has happened, we have advised to simply take precautions and think about measures to reduce the possibility of harm. As I have said, we are not an anti-gambling group.

CHAIR - Do you do much work in regional Victoria? What are the different gaming or gambling concerns in different pockets? In our state it is clear that some of our lower socio-economic areas tend to have most of the EGMs. Even recently, six out of a 10 council or LGA on

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the north-west coast were the highest expenses per head of population, yet it is one of the most economically disadvantaged areas. Are there pockets within Victoria that you see statistically showing and you need to put more resources there as something is not working?

Dr ZIRNAK - In Victoria, the concentration of machines are in lower socio-economic areas. The industry simply figured out that is where they are making most of their money so that is where they put most of their machines. There was a little bit of restraint on that with the regional cap system the state government introduced. That has not had a very significant impact; I think their own evaluations showed that. Out in the rural areas the machines still tend to be concentrated in the larger centres because it is not profitable to be in small country towns.

That was highlighted when the state introduced the removal of ATMs; there was an exemption. If your machines were located in a locality where there was not another ATM, you could apply for an exemption. That is, if the venue was the only place with an ATM in the town. Only two venues were able to apply for the exemption and both of them failed, which meant that there was another ATM in the locality. You are not going to find them out in tiny places so we tend to find them in places such as Bendigo and Ballarat. They tend to be areas that are lower socio-economic areas, being rural areas that is often the case.

CHAIR - If we go back to the sinking lid concept from New Zealand. Recently on King Island we had the hotel not take up their licence. They removed their machines. Are you aware of any areas in the state where they are letting their machines go? If they do within that town, do you think the government should sink with it or should they offer those machines back up?

Mr ZIRNAK - No, we support a lid on machines. We have favoured local democracy, so effectively local councils being able to set the case. There has been a small reduction in the number of venues in Victoria. We are down to just over 500. We have dropped about 30 venues. When they did the re-licensing a lot of places decided to shed some of their machines. At the moment we have a pool of a few hundred machines. We have the cap of 27 500 in pubs and clubs, with 50 per cent allocated to hotels and 50 per cent to clubs. There is a pool of a few hundred that are currently unallocated and they are all club machines. Every hotel entitlement is being used whereas the clubs aren't. It suggests to me that quite a number of clubs I don't think are out to thrash their machines. They are seeing them as an extra revenue source for their club viability but they're not looking to maximise the returns.

Going back to the question you asked me about the difference between pubs and clubs, that would be further evidence, to my mind, that not every club is of that mind, but we think there are a lot who are probably not looking to squeeze every cent out of the machines. I am a bit more inclined to believe many of the hotels are looking to maximise return and will do everything to squeeze out as much as they can. That is probably not true of every hotel owner but if you weighed up on average the two groups, I believe there is a more aggressive notion of that. That might come through in some of the marketing activities, which is possibly the other contributor to why hotel machines are turning over more.

Mr ARMSTRONG - Of those ones that are surrendered, is it more clubs than pubs?

Dr ZIRNSAK - Yes, all the machines that are unused are club machines.

Mr ARMSTRONG - But the ones that have closed down?

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Dr ZIRNSAK - The ones that have indicated stress because they're not able to turnover enough. We have had some clubs complain that -

Mr ARMSTRONG - You said some have been surrendered.

Dr ZIRNSAK - When they did the relicensing back in 2012, there were quite a lot of pubs and clubs that decided not to take their full complement. Say, if I had 80 machines, I might only take 70 - and more clubs did that than pubs. Then we have had some clubs - a handful - that have got rid of their machines altogether recently. There is the occasional hotel that does it but I think it is a lot rarer. It is not a huge number of venues that have dropped out of the business altogether. We went from something like 530 venues down to a bit over 500 now, so we might have dropped 20 venues over a period of six or seven years. I don't have the data in front of me but it is not huge.

CHAIR - You mentioned you go to a local club that provides all these - and it is really different to what it was supposed to be in Tasmania. We can see how successful clubs were in New South Wales and Queensland but it never got to the extent that the government recognised - there is a percentage of the tax return that has to go towards gambling initiatives and that sort of thing. Do you have much input into different strategies such as media? We are running one at the moment, Know your Odds.

Dr ZIRNSAK - No. The Responsible Gambling Foundation figures out all the advertising. It used to rest with the Department of Justice and Regulation. It was shifted across to the Responsible Gambling Foundation in recent times. The department used to consult with us and their processes were very good. When they were running these ads, they would analyse which demographic they thought needed targeting and would then use a range of focus groups to figure out what messaging is going to cut through and work. Then they would test that before they went to implementation. We would get to see that at a couple of stages through the production so we would understand the strategy. To be honest, that kind of work is better than asking a group of activists who are concerned about harm what is the best messaging. You need to hear it from the people you are trying to target and ask, 'What's going to cut through for you?' You don't want people saying, 'I see that ad with that person doing something fairly harmful, but that's not me', if they don't associate with that.

All the ads they ran in Victoria, particularly related to help services, every time they ran a campaign around help services the phone calls for the help services would go through the roof, so you get a bounce on that. They have also run ad campaigns that have tried to be preventative, trying to get people to look at changing their behaviour before they get to the harm stage. There are two types of ad campaigns.

When it went across to the Foundation, there was less briefing us about their strategies, but because we discussed it with them, they are now starting to brief us about their strategies and the processes they are undertaking to decide what messages to run and how they are testing it.

Ms DAWKINS - Are you aware of our Community Voice on Pokies Reform?

Dr ZIRNSAK - We are members.

Ms DAWKINS - Do they consult with you?

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Dr ZIRNSAK - We're members, sorry, when I say that, not the Victorian InterChurch Gambling Taskforce. The Uniting Church of Victoria and Tasmania is a member.

Ms DAWKINS - It seems to me you are a long way down the track from that organisation. They have formed over the last couple of years. Do they consult with you?

Dr ZIRNSAK - Yes, as I said, we are members and we do attend the meetings. We did put in a submission to the inquiry. Overall, we support the view that Tasmania has an opportunity at this point in time to decide not to keep going with pokies. We would suggest if you look at the evidence, it is a growing minority of people who actually have a gamble on them and the level of benefit or entertainment they get out of them is pretty minimal compared to the harm. On balance, we take the view of take the opportunity and get rid of them.

In Victoria, we have never had that; we have had a state government that has never been willing to consider that as an option, so we have always worked on that we are stuck with them so we will work on reforms, but our overall view would be on a cost-benefit of the harm currently.

We have said that view could change if they were causing harm at the level that keno does then you might rethink that, but you would be an awful long way from that. We used to think about the fruit machines they used to have in the UK, which were kind of mechanical devices with very low ability to stick money in. The things we have here in Victoria which are the equivalent to those are the lucky envelope machines, which are a fundraiser. Some people will push the boundaries on those and we have seen some that have been set up to look like pokies in some venues, so the state had to intervene and start putting some more restrictions on the use of envelope machines. By and large, they are a charity raising thing and when we talk to people who counsel people for harm, lucky envelope machines have never come up as something that someone has had a gambling problem with.

Mr ARMSTRONG - How many EGMs are in the casino?

Dr ZIRNSAK - Two thousand five hundred.

CHAIR - You mention the 2012 change and also backing industry on the way that they operated. Have you seen a change in the dynamics within that, or it really doesn't impact on the punter? Was it mainly an impact on the industry?

Dr ZIRNSAK - What it did was that you probably ended up with a greater diversity of behaviour. When you have the two operators in Victoria, Tabcorp and Tattersalls, they did push venues hard to have rates of return. They had league tables. If you were one of their venues, Tatts was providing you with machines and if you were a low-performing venue you were under constant threat of having those machines pulled out of your venue and stuck somewhere else to keep the revenue up. They were into revenue maximisation. The thing they did provide, though, was they stopped the real cowboys, the venues that would otherwise have done the crazy promotion and broken the law. Tabcorp and Tattersalls did the enforcement to stop that kind of crazy behaviour.

When we saw the shift we have probably seen some venues now that have decided they are not going to thrash their machines. They are not looking to make huge amounts of money, so with Tatts and Tabcorp no longer breathing down their neck some of them are less aggressive

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about looking for return on their machines. At the other end, though, we have seen some pretty aggressive marketing strategies by those that are dedicated to high returns. You probably had a spreading out of the behaviour compared to when you had the two operators. We supported those changes. We thought it was better to shift it away from the operator system.

CHAIR - Do you still have that point of view?

Dr ZIRNSAK - We still have that view because overall we did think the net outcome was more harm, simply because the two operators were so dedicated to pushing up the revenue returns that it didn't allow for that. They also had huge leverage because you had such a concentration of market power, it also meant they had huge leverage at the state. The National Competition Policy Review we had in 2009 - it might have been earlier - came back and found the two operators were extracting huge amounts of monopoly rent. That needed to be addressed as well.

For those reasons, we thought it was good to move away from an operator system that had the venues doing it. In Victoria we have not supported the notion of perpetual licences which the industry has pushed for. We see the committee having a right to have some sort of review periodically. This is something we want to keep, and if we do, what is the basis of its function and where are the safeguards going to be, is worth having.

CHAIR - Do you think the EGMs and the gambling mentality is part of the fabric of Victoria? It is sometimes put to us that gambling is part of the fabric of Tasmanian society.

Dr ZIRNSAK - No, because the data shows it is a decreasing proportion of the population who are gambling on EGMs at all. The last participation survey we had in Victoria was down to 16 per cent. One in six people gambled on them ever in a year and you will find that the statistics still work roughly the way they have always worked. It is roughly 40 per cent of those who gamble more than once a month, and they seem to do it weekly. Of that 16 per cent, probably 6 per cent of the population gamble more than once a month and when you are starting to get down to weekly gamblers, 1 or 2 per cent of the population are probably gambling on those things. It would be hard to say they are part of the overall fabric when five-sixths of the population never even touch them. That would even be for the patrons who go into the pubs and clubs. The majority would not be gambling on the machines so they are catering for a fairly small part of the population.

Mr ARMSTRONG - What is the population of Victoria?

Dr ZIRNSAK - It is 5 million or 6 million.

CHAIR - I'm thinking it's around 5 million. Ours is 509 000, wasn't it?

Dr Zirnsak, thank you so much for coming in and sharing your experiences and your knowledge on this. It is very helpful and you have highlighted a couple of studies and groups that we will definitely look into further.

Ms RATTRAY - You have given me a couple of ideas.

Dr ZIRNSAK - Thank you, and I wish you all the best for your considerations and I look forward to the final report.

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CHAIR - Thank you.

DISCUSSION CONCLUDED.

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DISCUSSION WITH Ms CATHERINE MYERS, CEO OF VICTORIAN COMMISSION FOR GAMBLING AND LIQUOR REGULATION, Mr ALAN STONE, DIRECTOR OF LEGAL SERVICES AND GENERAL COUNCIL, Mr JASON CREMANA, MANAGER OF LICENCE MANAGEMENT AND AUDIT, Mr STEVE THURSTON, LICENCE MANAGER OF LICENCE MANAGEMENT AND AUDIT TEAM, LICENSING, and Mr STEPHEN BERRIMAN, DIRECTOR OF COMPLIANCE DIVISION

CHAIR - Thank you very much for agreeing to participate in our inquiry. My name is Mike Gaffney, I am the Chair. The reason we are conducting the hearing is that the information we receive from you can be used as part of our evidence, in an informative manner. If we were to arrive as a delegation our parliamentary processes do not allow that to happen.

Our request to see you is to help us inform the Tasmanian Parliament about what is happening in other jurisdictions as part of the terms of reference. That is the reason we have *Hansard*. For that reason, we need to ask you to state your name and role.

So you know who we are, Stuart Wright is our secretary. Andrea Dawkins is a member of the lower House with the Greens. This is a Joint Select Committee. Myself, Tania and Rob are all members of the upper House as independents. We have two apologies today, Scott Bacon, who is the Labor member for the lower House, and Sarah Courtney, the Liberal member for the lower House, and Julie is here for *Hansard*.

May I ask you to give an overview of the role of the Victorian Commission for Gaming and Liquor and where that sits. We will have a few questions.

Mr STONE - The commission was formed via the Victorian Commission for Gambling and Liquor Regulation Act, which came in 2013. The commission came into being in 2014. It was bringing together the liquor regulator and the gambling regulator. The gambling regulator dealt with poker machines, general gambling and the casino.

Previously there had been a separate casino control authority. Over the years, all the gambling functions and the liquor functions have been brought together in this organisation. The organisation is a regulator. It administers the acts for which it has responsibility. It has responsibility for the Gambling Regulation Act, the Casino Control Act, the Liquor Control Reform Act and the Racing Act. They are the principle acts it deals with.

It carries out the regulatory functions for those acts, which are essentially licensing and compliance but it branches into other areas. We have some responsibilities under the Racing Act for a few matters to do with bookmakers. Essentially, we look to regulate in terms of those acts. Our warrant under those acts is dictated by the objects of the act. We are then carrying out the functions mandated to take those objects into account.

The gambling objects fall into three areas. One is to foster responsible gambling and minimise the harm caused by problem gambling. It is at the same time balancing that with accommodating those who gamble without harming themselves or others. It is the typical regulator's balancing act. We must ensure that gaming on gaming machines is conducted honestly, and ensure the management and gaming equipment and monitoring equipment is free from criminal influence and exploitation.

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They are the general themes that run through all our legislation: honesty, freedom from criminal influence, and minimisation of harm.

The Casino Control Act similarly deals with a number of objectives. It is a joint act, which places certain responsibilities on the commission and reserves certain responsibilities for the state. Normally, that is to negotiate some of the terms in relation to taxation rates for licences, the premiums that have to be paid for the licence, and alterations of the licence of a major nature. The Casino Control Act sets out that they are to be free from criminal influence, to ensure that betting in casinos is honest, and the minimisation of harm is balanced against accommodating those. They are the functions of the commission.

There are five independent commissioners appointed by the Governor-in-Council. They have the ability to employ staff to help them carry out their functions and their ability to delegate certain decision making and other powers. All the powers reside with those five commissioners and it is up to them to decide how things are to be delegated and how the organisation will be run. They have a dual function: as a board of governance, a typical board of a public entity; they also sit as a quasi-judicial tribunal. They carry out hearings for disciplinary matters, review of decisions by delegates and in some other issues, such as matters concerning self-exclusion orders that may have been imposed by gamblers. They supervise those orders directly.

The other major area they have reserved for themselves is approval of premises for gaming machines, the number of gaming machines, and increases in gaming machines. That is a large part of the hearing process we have. The test they have in approving gaming machines is a 'no net detriment' test. If you want an approval for gaming machines you must prove those gaming machines will result in no net detriment to the community.

CHAIR - You are aware we have met with other groups and representatives, and we are still to meet with the foundation because they were unavailable. What is the relationship that you have with the other groups in this field? Can you explain how it works in Victoria?

Mr STONE - I can talk about the foundation. We work closely with the foundation. We are establishing a fresh memorandum of understanding with them to exchange information, to meet regularly, to attend some of their meetings -

Mr BERRIMAN - with compliance officers. We share data to an extent to determine the types of risk and the venues; the performance of venues relevant to training, relevant to their support for responsible gambling.

Mr STONE - We also have memorandums of understanding with other co-regulators. We work closely with the police. Every police officer has all the powers of a gambling and liquor inspector. There are many more police officers than there are gambling and liquor inspectors, so it is important we develop common enforcement strategies and goals. We have worked hard on that and MOUs have been put down in that area. We work closely in some instances with the tax office and with AUSTRAC in relation to money laundering issues.

Mr BERRIMAN - With respect to something such as our casino, for example, we work with the casino management and their security group. We consolidate that with Victoria Police, with the federal police and other law enforcement agencies in the jurisdiction. This is with both internal and external agencies, to try to consolidate the view of what is occurring at Crown and what we need to do to package our enforcement and regulatory responsibilities to ensure better

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oversight. Alan mentioned Victoria Police, we have a formalised an MOU with them and we share data with them. Have you read our regulatory framework?

CHAIR - We're aware of it, yes.

Mr BERRIMAN - It's fairly consistent across regulators to have that regulatory pyramid. We want to focus more of our time at the at-risk, or high risk activities and high risk harm and less of our time on people who are compliant and are taking their regulatory and compliance responsibility seriously. We still need to measure that. In a regulator you have to put effort into that to understand the business. That allows us to form a view of where we position our staff.

We are developing better intelligence tools and products to help us identify the vulnerabilities in the liquor and gambling industries, and where the opportunities are either for crime or for the regulated entities not to perform consistently to the expected standard.

A lot of our work is either complaints driven, by competitors or other people who do proximate gaming and look at venues, or people who have been affected by gambling or liquor. We have good relationships with police and councils; they are another key stakeholder for us.

I will probably cite an example of something like amenity and noise. There is a significant volume of complaints to the VCGLR. One agency with a small footprint cannot deal with that total problem, so we have buy-in from Victoria Police, the EPA, local government and ourselves to jointly and, more importantly, consistently deal with the problem. For the levels of noise and activities that are found to be acceptable within the limits of the gambling and liquor regulation, there is a consistent view across all agencies as to what they should be.

It is very good to let the industry know and to let complainants know what is above the line and acceptable, and what is below the line. That sounds easy until you get the things that are right near either side of the line and they are the difficult components of that task. That is how bringing everyone together works far better for us.

CHAIR - The new commission of gaming and liquor, you said 2014. Is it recent?

Mr BERRIMAN - Yes, 2012 it moved together. We harmonised both entities, the VCGR - Victorian Commission for Gambling Regulation - and what was Responsible Alcohol Victoria. They came together.

If we look at that model around Australia, that is more increasingly to come, the way of regulators to merge.

Mr STONE - I think I did say 2014, I unfortunately put the joining of the VCGLR with its coming into being. It actually came into being long before I arrived.

CHAIR - In light of that, in 2012 - the primary purpose of our inquiry is looking at electronic gaming machines, even if they are incidental ones, future gaming and that sort of thing. Going to the current venue operator compared to what it was, would you like to make some comments about how they'd transition, or what are the issues with going to the model you are involved with?

Mr BERRIMAN - What used to happen - remember we have over 500 gambling venues in Victoria and we have 22 000 liquor licences - every gambling venue had a liquor licence attached

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to it. You would have two separate groups of inspectors going in and whilst not identical, the regulatory function was similar. Sure, there were different aspects that were considered but the regulatory approach was similar. That was a key thing that was focused on in the second reading speech to the bill. That allowed us to cross-train our former gambling and former liquor inspectors and bring them together. We have actually just taken the decision to retrain our group. Over a number of reviews we conducted we saw a deficiency in training. We developed a training package that we have retrained, in this financial year, 75 per cent of our staff so that they are approaching the theme with some commonality and consistency. Our feedback from some of our regulated entities was that we had been inconsistent or were seen as inconsistent. The endeavour is to lift everyone up to a common platform.

The harmonisation process was not an easy process. There were some difficulties with people with certain skill sets not wanting to move out of their base but we have been able to transition that so that they hold both roles and can do both roles with equal competency.

We have a red tape commissioner in Victoria, and there is a lot of focus on red tape and the burden on business, particularly small business, of the effects of government regulation. Combining the inspectorial functions into one agency, instead of two inspectors going, one inspector would go. While you were there, you would do a liquor and gaming inspection. That was seen as the efficiency.

The gambling side and gaming side is a more complex area of work. The transgressions or the failures to do the right thing are less obvious. There are bigger implications for the regulated entity, whereas in liquor the levels of intoxication are a little bit more obvious. You can walk into a hotel either in Sandy Bay, Battery Point or in Fitzroy in Melbourne and you can see one that is well run and one that is not well run. Then the endeavour for us is to look deeper and to see if they are not doing that, if they do not have clean toilets and staff know what they are doing, then maybe there are some other things they are not doing as well. That is roughly the compliance.

Mr STONE - Jason may be able to enlighten you about when we switched over and gave venue operators the machines as opposed to having them run through the larger organisations and larger licensees. Is that an issue?

CHAIR - No, that is something that would like to listen to. We hear what you are saying about in the initial stages there would be teething issues but once the teething issues are - not dealt with but once they are - anecdotally, how is the industry receiving the changes and whether there have been benefits from that change to a venue-operated model?

Mr BERRIMAN - The industry is supportive of the approach we have taken; it is a more consistent approach for them. There is one voice, if you like, on the broader regulatory remit. The future for us is very much about engaging with industry more, not only the venues but also the breweries and the Safeways and the Coles and the bigger providers, also the Master Grocers Australia and those types of things. We need to understand where the industry is going. We need to build capability and capacity to deal with what the future is. If we look at gambling and gaming, no doubt there is an absence of products for young people that are approved, and what is that going to look like? Is it going to be e-sports, daily fantasy sports? Those products will be delivered in a different environment so we need to build technical capacity within our teams to understand what it is going to look like and what we have to do to meet the levels of confidence in terms of regulation and compliance.

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Mr CREMANA - Very much the industry did go through some teething problems in early 2012 as a result of the transition from the duopoly approach to gaming to effectively a decentralised model with 500 gaming venues managing their end-to-end operation. There were challenges on the front of the technology being managed by a central monitor, so effectively transitioning from that duopoly from a system perspective to a central monitor which was in Intralot Gaming Services. We got through the issues of the technology matters associated with connectivity of gaming machines.

From an operational perspective, certainly there have been ongoing challenges associated with venues' capacity to manage their operations. There has been an over-reliance, in our opinion, on third-party service providers who have been assisting venues in their day-to-day operations, managing of the efficiencies of their gaming room, ensuring that the setup of gaming machines was adequate to ensure increased revenue potential, and also assisting them with their compliance obligation so a lot of the venues transitioned over that time where they had their hand held, so to speak, by a single operator who dictated the configuration of the floor, the setup of the machines, when they sold machines and brought new machines into the venue, to having to understand their customers a lot better, understanding the demands, understanding changes in technology and evolving their gaming machine area to suit the customer's expectation.

It has transitioned, recognising the challenges. We are in a situation now where industry has transitioned quite well. The operator has become, or the monitoring licensee has become, well structured in managing its obligations under the licence and the technology is sort of bedded down now and is quite suitable and fit for purpose in what it is expected to deliver.

I mentioned the over-reliance on third parties. Steve and I had a chat about this earlier on in the week. We have had, I will not call them liquidity issues, but we have noticed an increase in the number of venues that have gone into administration and have had dramas associated with managing profits. Prior to 2012, venues received a third of revenue. They are now managing a larger portion of that revenue share, being the beneficiary after paying taxes to the commission. I am not sure what the catalyst for all these liquidity issues has been, but we have seen a reliance on third parties contracting additional third parties to ensure they make the most of their business.

Mr THURSTON - Some of them extract more than moderate fees for their services. Instead of sharing a large part of their revenue with either Tatts or Tabcorp, as they did before 2012, they cannot share a percentage of their revenue. That is not allowed under the act, but they pay substantive fees to some of these service providers.

Ms DAWKINS - Are they transitioning out? Once they are use these third parties, are they stuck with them, or are they learning from them and able to manage it themselves?

Mr THURSTON - In some cases they are locked into, I believe, contracts for a couple of years but that is subject to change.

Ms RATTRAY - That is the venue service providers?

Mr THURSTON - That is right. With the liquidation, it is hard to judge if it is the model that has impacted on the smaller clubs or whether it is the other economic factors. For example, I think you are seeing the same thing in Tasmania with the RSLs. The RSL is the type of club that has tended to move towards mergers and takeovers. Clubs have folded. They are not as big as they used to be. We have seen that in Victoria. What you are looking at are two impacts, the

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impact of the regulatory structure and the impact of what was going on in the background for those smaller clubs, socially and economically.

CHAIR - With the current venue operator model, do you think the benefits are going to be fairly and more broadly distributed to the Victorian community with the new venue model?

Mr THURSTON - I am not in a position to answer that. The tax regime changed to a stepped structure. Money is still going to community support and the money is being distributed the way it was previously. We still require clubs in Victoria to submit a community benefit statement once a year to demonstrate that 8.33 per cent of their revenue is paid back into community benefits. We no longer require hotels to do that. We used to require hotels to do it without any obligation to demonstrate any benefits but the clubs are required once a year to demonstrate that 8.33 per cent of the -

Ms RATTRAY - Because they receive that tax break?

Mr THURSTON - Because they receive that tax break, they have to demonstrate that. The tax break is earned through community benefits of the type declared by the minister to be community benefits.

CHAIR - What role do you play in that - is that part of your gambit for the -

Mr THURSTON - Not mine personally. It is part of the licensing division to review the community benefit statements when they are submitted once a year. We take disciplinary action if venues are late submitting those community benefit statements. It is tightly controlled. We note those community benefit statements are audited by an independent auditor and they are consistent with the ministerial direction on community benefits.

CHAIR - Is there an appeals process? If a decision is made against a club for not doing the right thing -

Mr THURSTON - I am not sure of the legal answer to that but I do not believe we have had appeals in the past. It has worked, the benefits put in are the correct benefits. We have taken the odd bit of disciplinary action for late submissions. There is also a provision for us to charge the higher tax rate for those clubs that are late, whilst the community benefits statement is outstanding. I have a role in that in our team.

Ms RATTRAY - It is a good incentive to hand it in.

Mr THURSTON - Yes.

Ms RATTRAY - Thank you. You talked about the policy objectives. What is your view of the flexibility of the model? Is there enough to achieve the policy objectives? If not, can you suggest any improvements?

Mr STONE - I also run the policy division.

Ms RATTRAY - I thought I might have been in the right place.

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Mr STONE - One of the problems we have is demonstrating that what we do minimises harm. First, we have to work out what the harm is, and it is a broad concept. Then we have to assess whether what we are doing minimises harm. We have had a lot of discussion about it. We have a lot of literature reviews looking at what harm is and how you demonstrate it. Multiple things are often going on at once. We can never be thoroughly convinced that what we have done has reduced it or whether it has been something else.

For example, we might institute some harm minimisation measures but at the same time we might find out there is a police blitz going on in relation to drunk driving. You will find out that the side effect of that has been to eliminate a lot of the problems from the premises, as opposed to our actions. We are looking at that all the time. It is a difficult balancing act. You want to accommodate people who can gamble responsibly and then you have to stop irresponsible gambling. That is why we work closely with the foundation.

We are examining a new batch of research at the moment, which is moving away from the concept of concentrating on problem gambling and looking at problems created by gambling in the community, along the whole scale. You might have someone who is a problem gambler at one end of the scale, but then at the other end of the scale you might have someone who gambling affects but not to the extent that they are a problem gambler. We have broadened the concept of what we are looking at and we are looking at ways to incorporate that into our decision making processes.

There is always the balance and the power conflict when the state is making substantial revenue from an organisation or from an activity such as this when, at the same time, you are regulating to minimise harm. To some extent, that is why a lot of those decisions about taxation and negotiation for permits is taken away from us. We do not regulate that part of it. We collect the taxes but that is a mechanical process as opposed to making decisions about where the revenue will lie. That is an important distinction to have.

If you have an organisation responsible for both the revenue and minimising harm, you create even more difficulties than we have at the moment. It is important to keep those separate.

Ms RATTRAY - I am interested in the competitive tender process and the allocation of the EGM entitlements. What sort of role does the VCGLR play in that process?

Mr THURSTON - That was carried out prior to 2012 by the department. A project team was set up within the department, not within the regulator, to make a pre-auction offer to clubs. That was followed by an open bidding process, which involved a sophisticated process involving a central network of computers and a particular room on a particular day, and I know little about that.

It was acknowledged later that some clubs were a little disappointed that they were made a one-off offer to buy a certain number of entitlements equivalent to a number of machines already in their club at a fixed price. Some of them thought a bird in the hand was worth two in the bush. Some were disappointed later because when it went to public auction the entitlements sold a lot cheaper. These are the decisions you have to make.

The entitlements were then auctioned. They were fully allocated, with a small number being taken back and reallocated to the casino instead of to the clubs and hotels. The entitlement allocation partially takes care of the caps in that area, by only allocating a certain number of

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entitlements in those locations. Caps in that area used to be taken care of through the licensing process by a previous regulator. When a club or a motel came to increase the licensed number of machines in the venue, they went through a process of having to negotiate the reduction in numbers in another pub or hotel. That was often taken care of by the duopoly, they would organise for that to happen, whereas with the entire entitlement you have to actually buy entitlements that belong to that area and a club or a hotel, and it has to be within the cap. If you cannot buy entitlements within that region, you are not paying for the extra machines. That takes care of the regional caps.

The other aspect that goes with the entitlements is the ownership of the machines. It was hoped that the cost of the machines would become cheaper and there would be a second-hand market or a more competitive market with ownership of machines by clubs and hotels instead of the duopoly having to buy them.

It is fair to say, and anyone could be free to challenge this, we have not really seen a second-hand market flourishing in this state for gaming machines. It is basically that the larger operators turn over their machines more frequently than the smaller operators. They get the latest and greatest and get the crowds in that way. That aspect of defusing the duopoly around ownership has not probably achieved a lower price market in that regard.

We actually administer the entitlements on an ongoing basis so the trading is actually met. Having been through that initial option, the trading is actually done through the commission here, and we have someone who maintains a system on our website where all the bigger operators can trade and sell amongst themselves. They can apply to change an entitlement from a club to a hotel or vice versa, and from one regional entitlement to another, subject, of course, to those caps I spoke about before.

Ms RATTRAY - Does the government get something out of that trade?

Mr THURSTON - No, there is no commission paid.

Mr STONE - They do that in Queensland; they get a substantial amount.

Ms RATTRAY - They get 30 per cent, which I thought was interesting.

Do you think there is any capacity, in practice, to reduce the number of EGMs in the future if desired? Do you think there would have to be a compensation, or do you think they will just naturally shrink because of the demographic?

Mr THURSTON - I cannot comment on policy there but what I can say is, you have a lot of clubs and hotels that have invested in those entitlements so the few for which those entitlements are current need to be taken into account. Certainly there has been an impact in the past when we have reduced the machines in regions which we did do under the old regime.

Mr STONE - The current entitlements expire in 2022.

Mr BERRIMAN - Have you spoken to Clubs Australia?

CHAIR - Yes, they have presented to us in Tasmania.

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Mr BERRIMAN - It is quite informative when they talk about the number of pubs that are in financial stress and how that has come about. As they talk about the price of those entitlements originally, that may have led partly to that. That maybe an opportunity to shrink - where the government takes the machines back rather than allow them to be traded, but there would need to be some equity in cost and that associated with that. Some of the clubs we see, you can map that they are going downhill and it will be difficult to recover. As the committees with a lot of good people tend to wane, they struggle to get good staff.

Ms RATTRAY - They are often a volunteer organisation, aren't they?

Mr BERRIMAN - That is right.

Ms RATTRAY - The skills of running an organisation - there are great intentions but the expertise needed, it is quite a skilful job, isn't it?

Mr THURSTON - Could I just add one thing that did work though. It has been of a benefit that they introduced regulations of 'use it or lose it' with entitlements. If you do not use entitlements within 12 months of buying those entitlements, you lose them or you have to get an extension.

What this has successfully done is ensure that only genuine industry players have purchased entitlements. Unlike when years ago we had taxi number plate trading and so on by people who had no intention to drive a taxi but the value of the plates went up. Fortunately, we have not seen trading of that kind where people have been hoarding entitlements or hanging onto them. That goes some way to minimising any risks of huge losses when it comes to the end of the entitlement currency period because at least someone has not built up the value of these entitlements to an inflated position where someone loses out.

CHAIR - It was, however, proposed to us this morning anecdotally that perhaps the smaller player was more disadvantaged than the larger player with the 2012 changeover. That was more an observation. I was interested in that comment from the person who felt that there was some disadvantage to the under-50 machine sort of thing. I am aware of the time and I will go to Andrea regarding some harm minimisation questions.

Ms DAWKINS - How did the industry respond to the voluntary pre-commitment and also, how did poker machine manufacturers respond? Do you have any information about that?

Mr THURSTON - The manufacturers tended to get in there and get the equipment approved in advance and that happened successfully. There are issues about getting loyalty system equipment to work in conjunction with the voluntary pre-commitment because that was allowed, that players could use a loyalty card but it is also a pre-commitment card so the equipment serving loyalty was also designed to serve pre-commitment. It is fair to say the take-up has not been huge. The venues appear to have been quite compliant. It is available in all of the venues; the signage is up. The technical side of it worked quite well. There were no hitches on the day that the monitoring system was switched on. Clubs and hotels and have gone over without any due fuss. It has been observed that the take-up has not been terribly high.

Mr BERRIMAN - From a compliance sense, since 1 December last year, it has been well run but, as Steve said, the pickup has not been great. To an extent, it is difficult for some venues to manage given their staffing numbers and the frequency of use. Once someone comes up and

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says, 'Look, I would like to engage in pre-commitment', sometimes their staff's skills have perished. But that could be in a training refresh - there could be work undertaken to understand that. In the venues that we are dealing with, and we are looking for ones that are smaller and struggling, we still find the acceptance by the groups quite high. It has been promoted quite well by the project team and us to meetings with the industry and venue support workers. The venue support workers, who are part of the VHF, do report that the take-up, and that data tells us, that the take-up isn't great.

Ms DAWKINS - So would you say that it has not really been a success, based on the fact the take-up has not been a huge percentage?

Mr BERRIMAN - No, it is a transition. It is something that I feel will grow as the problems - in responsible gambling, there are different ways of looking at it. There are different ways of identifying it. The data is not absolute. I do not think any one thing is going to solve the issue for us, it is a combination.

Ms RATTRAY - We heard that this morning.

Mr BERRIMAN - Yes, it is a combination of things. If you look at the varieties of research and the different areas, some people you can pick by physical signs. For others you can pick and use player data. There is some good and extensive work being done on the use of player data and data analytics to tell us how much a problem gambler is spending - amount, duration, time, and frequency. Those are the sorts of things that are being picked up on the player data. A lot of that is associated with the loyalty card. There are some better analytics coming from that but there is a range of things that will pull it together.

You could take a different approach - New Zealand's approach, which you have looked at, where it is all run by charitable trusts, their class 4 venues, pubs and clubs are all run by charitable trusts. That works very well in that fit but if you tried to bring that into somewhere that was established - and I will talk about north of the border in New South Wales - 97 500 poker machines. That would be a huge cultural change to adapt to. Their problem gambling initiatives would need to be varied. The initiatives you could do in that state, compared to this state and compared to New Zealand, would be different.

Ms DAWKINS - Are you considering or have you considered \$1 bet limits? We understand most people do not bet \$5. It is more likely to be \$1 or \$2 for people who have issues with gambling. Is it something that you are talking about?

Mr STONE - That is most where we move away from the regulator to the larger policy issues, which are the control of the state.

Mr THURSTON - We ensure that those limits, as set by the minister or set in legislation, are reflected in our standards. I imagine the national standards would have a table showing everybody's limits. We make sure games and machines are configured to have the appropriate limits when they are installed in pubs, clubs or casinos.

Mr CREMANA - What I was going to add from an approvals perspective - in licensing we approve gambling products, systems and so on that facilitate gambling. We have leveraged off the expertise maintained by the VRGF. We would refer to the VRGF any products we are concerned may cause harm, to take advice as to whether this product could contribute to harm.

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We have gained a lot of valuable knowledge from that interaction with the VRGF. They have provided information that has informed our decision in the two or three instances we have highlighted a product for their consideration. I have delegation to approve or refuse a gambling product. It is a process in its infancy, but we are moving towards a greater leverage off that knowledge and expertise, the resource base that VRGF maintain.

Ms DAWKINS - How would you identify that product?

Mr CREMANA - What we're seeing, especially in the casino, is an evolution of the standard table game to incorporate side bets and an increase in the house edge. It is one example of an area we have questioned. We have legislative requirements for gaming machines that ensure player return is expected. You have to return a minimum of 87 per cent to the player. Those limitations don't exist for table games. We have used the 87 per cent as a benchmark when approving a table game at Crown. We are starting to see that the limits, house edges or theoretical house edges of a table game getting fairly close to the 13 per cent house edge, and sometimes exceeding that. We have started the policy discussion as to whether we need to consider legislative change to limit house edge and maximise returns to players in table games at Crown. That is only one example.

Ms DAWKINS - Has there been any discussion around the programming of poker machines and losses disguised as wins, or any of the other issues some in the industry have?

Mr THURSTON - There's been discussion in the public arena of that. We have always maintained there are certain provisions within the standards that cover that, as best technical standards can. We have always stuck by those requirements. Losses disguised as wins can be a misleading term. A loss purposefully disguised as a win to convince someone that they are close to a win is different, as a concept, from a genuine loss that is also a win. Losses disguised as wins also include playing five lines. One of the lines may be a win but you have made a loss overall. It is still a win and we make sure that the fanfare - it's still a win on that line and the player has to be informed. The critical thing is to provide informed choice. We allow for the machine to make a sound for a loss disguised as a win, if you want to call it that, but we don't allow over the top fanfare to make it look like it is something bigger than it is.

Mr CREMANA - That is an issue and we are cognisant of that public discussion. Alan mentioned an MOU with the VRGF. We are documenting concerns we may have that we want to discuss with the VRGF once that is established. Losses disguised as wins is one of those. That MOU could be an opportunity to discuss the VRGF's concerns associated with that as a single issue. The national standards discussions we have on a regular basis is an opportunity for regulators to tell us about an issue in their jurisdiction. They might ask us to look at leveraging off other jurisdictions' opinions and determine whether standards need to be amended.

Mr ARMSTRONG - You have touched on compliance monitoring. Has that increased or decreased under the new operator model?

Mr BERRIMAN - Are you talking about gaming machines or -

Mr ARMSTRONG - Yes.

Mr BERRIMAN - I could probably put gaming machines into context. Jason's team approve the game, the program. My team has an audit function covering the machine through the communications system and back to the host, which may be Tabcorp. That continuity is able to

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be audited, it is an IT audit framework. They have business continuity, disaster recovery and all the security overlays to avoid any sort of manipulation or intervention.

In an audit of the venue, we will look at the way the venue is run. We will look at their attitude to responsible gambling and we will engage with the VRGF venue support workers to gain a consistent view of venues that are run well, venues that are declining and those that are run poorly. We will spend more time on those run poorly as against those that are run well. That is, if you like, the compliance model. They are risk-based and intelligence-led. Even though police have a regulatory function in gambling machines they do not exercise that widely in Victoria. It is usually only in the criminal element.

If I can talk about some of the other things about gaming machines where we see wins. We have talked about the losses disguised as wins. In the wins register, anything over several thousand dollars comes back as a cheque. I think that is the same in Tasmania. We have done some work on a couple of venues and we have extracted data from other partners. We are dealing with one at the moment. We have found a number that could not possibly have occurred - that person could not have won and won in that way. That is quite compelling when we are dealing with the venue.

There are other instances in which we have discovered organised crime elements. We have worked with police, state and federal. We look at what they are saying, how they have won and over what period. We have been able to supply expert evidence to show these people that could not possibly have occurred. It is mathematically impossible for that to occur. There are a number of other elements they try. They may go into a casino and lodge \$50 000, maybe losing a small amount of money and walking out with \$48 000. In one case we had that occur on the same day at a casino in Sydney and a casino in Melbourne.

That is the type of thing we are working with partners to look for. That is probably the future of compliance. We are not going to achieve the successes or to reach the levels we need to working alone, so we have to work with partners in that. By partners, I mean interstate regulators as well, so we can take a common approach and share information and share data.

Mr ARMSTRONG - Could you tell me whether the costs of the compliance monitoring have increased or decreased under the now operator?

Mr STONE - We use the word 'compliance' in two senses. One is system compliance - we ensure the integrity of the machine and its recording back to the host. The other sense of compliance is compliance of the venues in relation to responsible gambling. When you talk about the cost of compliance, is it the first, system compliance, or physically checking the venue kind of compliance?

Mr ARMSTRONG - The first, yes.

Mr STONE - Without talking specifically to the cost of compliance - and I will use the word 'monitoring' rather than 'compliance' - my team facilitates the assurance function, which involves the monitoring of gaming machines. The way we do that is, we get a data feed from -

Ms DAWKINS(?) - From that central point?

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Mr STONE - Correct. That provides with all the information, all the data we need to perform our on-site monitoring function. When I say 'on-site', I mean on-site within the premises. We conduct a daily interrogation of the data to assess operational anomalies, exceptions and what have you. Pre-2012 the process was exactly the same. We would get data from our two duopoly operators, they would feed into our monitoring system and we would interrogate the data. Post-2012 we are receiving a single data feed in relation to the 30 000 machines in the state and we are performing the same sort of interrogation. From a monitoring perspective, we have not seen a lot of change in our processes. Therefore, I would be comfortable to say the cost of monitoring has not increased significantly.

Mr THURSTON - It has thrown in a challenge, though? It is fair to say that there is a challenge with on-site inspections by my specialist inspectors. It is an educational learning curve that has been going on the last five years. We are dealing with, as we said earlier today, 500 venues and that is the challenge. Previously we had the duopoly. We had two operators that did the monitoring as well as the operation who were, in a sense, is it fair of me to say they were co-regulators in those days, Jason? Not officially but I think to an extent they were co-regulators.

Mr STONE - We could rely on their self-regulatory aspect.

Mr THURSTON - Yes, 'co-regulatory' is not the right term. In fairness, we were dealing with two organisations who we could educate fairly easily. Now the challenge has been to educate each venue operator individually about what they have to do operationally within each venue. Clearly that is going to be a challenge. We have met the challenge but over the five years it has been quite a learning curve.

Mr ARMSTRONG - How many inspectors do you have?

Mr THURSTON - Altogether in the organisation? Two and a half.

Mr BERRIMAN - If we talk about authorised liquor and gambling inspectors in the organisation, we have 57 and they do both. Some are attached to the front-end work and ours are at the back end.

Mr CREMANA - And the work that the small number of inspectors do in Steve's team is more or less around the data assurance process. Taking the data that we have received from the independent monitor going out to our gaming venues and doing comparisons to ensure that information that we have received, which is the backbone to a lot of our audit monitoring, tax validation, assurance function, is completed accurately. We have a very limited remit in terms of the two-and-a-half staff members that are out in the field. It is very different to the remit that Steve's compliance inspectors undertake.

CHAIR - Thank you very much. I am aware of the time. My last question is, initially when you started speaking about the act that came together - one of those was the casino act - did that act have to change much or was it just sort of a pass over, 'here is the obligation'?

Mr STONE - It did not change, only the references to the former regulator were substituted by the commission.

CHAIR - That in itself seems to make sense; that it is all under the one umbrella under your team.

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Mr STONE - That is true, except the casino does require a different approach to compliance. Not different skills but not every inspector will understand the nuances of baccarat or some of the more exotic games that are played. Certainly when we start talking about the side bets that are involved and the insurances you can take out and you do not even have to be playing the game, you can be standing behind somebody. Yes, there are a lot of similarities but there are also specialist skills in relation to casinos.

Mr THURSTON - Jason, it was before my time but when did, the casino regulator merge with the VCGA? It was in 2004, wasn't it? The two gambling regulators were merged some time ago.

Mr BERRIMAN - We are still the only state that has dedicated staff at the casino 24/7. New South Wales pulled out of that last year and Tasmania has not done it for a long time, I understand.

CHAIR - Thank you very much for your time, we really appreciate it. I hope you have not found it too onerous. From our point of view it is very important, especially to see what has happened in our closest neighbour and the changes that you have undergone recently. We are very aware of the differences or the uniqueness of the Tasmanian situation. Our smallness on one hand is a good thing; on the other hand it creates its own issues and challenges. Just for your benefit, our aim is to get our report to our parliament by September.

DISCUSSION CONCLUDED.