



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into Gaming Machine Amendment Bill 2011](#))

Members:

MS C LE COUTEUR (The Chair)
MR J HARGREAVES (The Deputy Chair)
MR B SMYTH

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 9 FEBRUARY 2012

Secretary to the committee:
Dr A Cullen (Ph: 6205 0142)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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Amended 9 August 2011

The committee met at 9.31 am.

HOUSE, MR JEFF, Chief Executive, ClubsACT

CAMERON, MR IAN, Chief Executive Officer, Hellenic Club Group

HAWKINS, MR SIMON, Group General Manager, Canberra Raiders Group

WILCOX, MR JEREMY, Secretary Manager, ACT Rugby Union Club

THE CHAIR: Good morning everyone, and welcome to this public hearing of the Standing Committee on Public Accounts inquiry into the Gaming Machine Amendment Bill 2011. On behalf of the committee I would like to thank you for your attendance, Mr House, and also Mr Hawkins, Mr Cameron and Mr Wilcox. Have you all read the blue-coloured privilege card?

Mr House: Yes, we have read it.

THE CHAIR: Do you understand the privilege implications of the statement?

Mr House: Yes.

THE CHAIR: Thank you. The proceedings are being broadcast live, so what you say will be on the public record immediately. If you do want evidence taken in camera, you can talk to the committee about that. But in general this is a public hearing. As well as being a public hearing, Hansard is recording all of this for transcription purposes. Before we proceed to questions, Mr House, would you like to make an opening statement?

Mr House: I would, thank you, Madam Chair. Firstly, can I thank the committee for conducting this inquiry and for the opportunity to attend and give evidence. The bill has had a very long gestation. The sector that I represent has been negotiating a range of measures with the ACT government for four years or more. The previous Chief Minister, at our conference in November 2007, said the following:

Why shouldn't the residents of our new population centres, such as the newer areas of Gungahlin and Molonglo, have access to licensed clubs close to their homes and workplaces? How can they do so, when the cap has been reached?

I am persuaded that existing legislation does not allow the Government to effectively manage this issue in a way that benefits the community.

I have therefore asked the ACT Treasury, in consultation with the Gambling and Racing Commission, to develop a scheme that allows for the redistribution of machines between gaming venues, without creating a predatory environment that will lead to the swallowing of small clubs by larger ones.

I want to spread the number of available machines more equitably, without leading to pressure to increase the overall number.

The Chief Minister went on to say that the details of the scheme would be announced in the first half of 2008 and that he had also asked ACT Treasury to look at the existing gaming tax thresholds to "explore ways to provide some relief, particularly for small to medium-sized clubs". Clearly, neither thing has happened in the past four

or so years. In fact, since that time the sector has had to absorb a significant increase in the regulatory burden and cost, with changes to smoking laws, the introduction of massive increases in liquor licence fees and now changes to food safety legislation, to name a few.

So let me be very clear. With the abolition of the pool of machines and a reducing cap, the current policy settings of the government prohibit any new club or new venue from being established in Canberra and it entrenches the slow demise of the clubs we do have, starting with the small clubs. The Gambling and Racing Commission could provide you with figures on the number of clubs that have closed their doors over the past four years but I guarantee you that more will follow unless the prevailing legislative and regulatory regime changes.

This was underscored by an email I received just two days ago from the Economic Development Directorate, which invited me to come and look at plans for a designated site in the suburb of Casey, which includes a club and four bowling greens. This is one of two sites in the Gungahlin area that are designated for a club. The other site near the town centre has been slated for sale for at least two years. It has not sold because no club has the ability to establish a new venue, nor can any group transfer machines to that new venue. The site in Casey will not sell either. Any future site in Molonglo will not sell, and these areas will be left without not only a club but the many facilities that clubs provide, such as sporting fields, bowling greens, golf courses and the like—all facilities that the community expects and will not have access to, if not for clubs. I do not remember the last time that the ACT government funded the construction of a bowling green or golf course in the ACT.

While ACT clubs did not receive their promised tax breaks, clubs in New South Wales did—\$270 million worth. While it is not something I do very often, allow me to quote the Liberal Premier of New South Wales, Barry O’Farrell, who said:

What I know is that clubs and other organisations, not for profits, spend money much more effectively than State Government ever does ... In exchange for a \$270 million tax break, we get almost the same money back into community groups ... sporting facilities and ... social services across our state.

Keep in mind at this point the type of people who use such facilities—in the main the elderly, for whom the club is the social hub of their life. The bowling green is their predominant form of exercise and entertainment. In that vein, can I quote the Labor Premier of Queensland, Anna Bligh, to be fair. She said the following in announcing that the Goodna rugby league club would be the first site rebuilt after the devastating floods under the Operation Bounce Back initiative:

This club is the absolute heart of the community. It is the one place ... where their children and their community members play football. It is the only place they can go and have community meetings, where they have community events, 21st birthdays, those sorts of things.

It really is the community centre of this suburb ... And if we want to see the community totally ‘bounced back’, this is where those people who don’t have houses for the next 12 months, this is where they’ll be gathering. This is where they will start to feel like they can achieve the ‘bounce back’ that we want to see

them have.

I understand the desire on the part of some in this place to want to reduce poker machines or the reliance of clubs on gaming. I do not necessarily disagree with that desire. I do, however, strongly disagree with the attitude that it is the role of government to force an entire industry to change its business model and to force that change through ineffective and harmful measures. I do disagree with any approach that ignores the fundamental reality that for most clubs gaming still represents the single largest revenue source. And that revenue source largely enables clubs to provide the services and facilities that they do, at a price that all in our community can afford. And I do disagree with the notion that allowing this industry to grow as Canberra grows, even when that involves an increase in the number of gaming machines, is in some way automatically inconsistent with the need and obligation on the part of us all to continue to reduce the already low rates of problem gambling.

In very basic terms, the sector I represent simply wants to be supported so that it can continue to fulfil its role as a major employer of Canberrans, a major buyer of goods and services in the ACT, a provider of services and facilities and a major supporter of the communities in which clubs operate. I would like the discussion surrounding this legislation to proceed in that context.

THE CHAIR: Given all the issues with poker machines, which I think we could speak about at length but we do not have that much time, what is the clubs industry doing to create any alternative sources of income? This is only one lot of legislation.

MR HARGREAVES: You weren't thinking about opening up a licensed club, were you—the Greens?

THE CHAIR: No. I have not really thought about it at great length, no.

MR HARGREAVES: It is a great idea.

THE CHAIR: Mr House.

Mr House: There is a range of things—I will let my colleagues speak on this as well because they are the ones that are doing it—that clubs do and have been doing for some time. Basically it is diversifying their income streams—looking at real estate, looking at other investments which are non-gaming, spending money and investing in their food and beverage lines so that they are a higher proportion of their overall income. That has all been happening. The trend is moving away from gaming being the predominant source, but it is not something you can do quickly. I will let my colleagues add to that.

Mr Cameron: I think we are in a pretty good position to add a bit to that. The Hellenic Club have always contracted our catering. We took the decision a couple of years ago that we would hire our own team of chefs. We run our functions. And that is what we are doing—trying to get a lot more out of our food services than we have in the past.

But also there is development—buying assets that will return an income. In our

particular instance, too, we own the land that the west Deakin bowling club operates on. We are in the situation where we want to maintain those facilities into the future but we also want to develop that site so that we can get a return on it. That is a very delicate balance for us to play. We want to maintain the facilities; we want to maintain a club there. But it is very high on our priorities to develop the asset so that we can get a return on it.

That is the sort of thing that most clubs are doing. They are looking at property development or property purchases to get a consistent income stream in the future.

Mr Wilcox: Can I add to that? Sorry; have you finished?

Mr Cameron: Yes; go ahead.

Mr Wilcox: The Rugby Union Club—the RUC—is a small club with 15 machines, and about 11 per cent of that is poker machine revenue. It is actually a very important contribution. It adds about \$40,000 to \$50,000 to our bottom line. So most of our revenue is already diversified, and we do food and beverage. We sell more coffee than we do beer. But, in the future, for us to survive that, redevelopment of land is really the only asset we have got, and if we are looking to diversify our streams, then a partnership with community and business and possibly government would be ideal for us, if it was affordable.

MR SMYTH: I see in the submission you talk about the ATM as a cash stream for you. Can you explain that to the committee?

Mr Wilcox: It is. Our surplus at the end of last year was about \$12,500. It happens to be exactly what we make in ATM commissions. So that part of the legislation for us is quite dangerous.

MR SMYTH: So the \$250 cap would hurt your bottom line?

Mr Wilcox: It would. People come into our club and they do not really use the ATM for pokies. We are in Barton and there are very few cash facilities around, and they use it for everything. They use it for their weekend expenses, they use it to pay rent, to buy groceries, certainly to buy things in the club, but predominantly not pokie money.

THE CHAIR: So would you be better off without the pokies and keeping the ATM going?

Mr Wilcox: Yes, we have considered it. We would be better off with either more or less poker machines. So, at 15 machines, it really is very hard to really be in the game. So we seem to be in no man's land with this legislation in that we cannot get more because of the cap and we cannot transfer because we are an independent club. There is no buy-back scheme, so we would not have less. We would not have a club that would necessarily have any less, unless they were bought back from you. So we are sort of stuck.

MR SMYTH: So if the bill as put to the Assembly was passed, it would in the long term hurt the Rugby Union Club?

Mr Wilcox: It would.

MR SMYTH: Do you feel that it is the same for all the other small independent clubs?

Mr Wilcox: It is. I have spoken to the Harmonie German Club and the National Press Club as well, and they would like either more or less. I will not speak for them, but one of those two options, but not something that restricts us to what we currently have.

MR SMYTH: Do the clubs have an opinion on how effective the bill as presented would be in allowing the transfer of machines around the territory?

Mr House: The bill only provides for the transfer of machines between groups, so clubs like the Rugby Union Club and any other non-group clubs cannot participate in that, as Jeremy said. Those clubs are in a state of no man's land where they cannot move machines around, so they are stuck with what they have got.

THE CHAIR: So do you have a suggestion for the small clubs? As you said, you want to be bigger or smaller, so do you have a suggestion as to how this could be achieved?

Mr House: The recommendation we have been pushing for for some time is effectively a fixed price trading scheme that encompasses the entire industry, not just group clubs but all clubs, such that for a club like the Rugby Union Club, they can make a decision to put their 15 machines up for sale to another club—and this is obviously all within the cap; I am not talking about new machines—so then they are not faced with the simple decision to say, “Well, if we just hand back our machines, we lose that 11 per cent of our revenue for no gain at all.”

If we have a fixed price trading scheme which the small clubs can participate in, they can trade their machines and become a machine-free club but also have a capital injection that they can spend on their food and beverage areas and reinvest into their club. That is a scheme we have been pushing for for some time. At the back of the submission there is some detail on how that scheme might operate, so that is what we are pushing for.

MR SMYTH: Recommendation 7 also says that there should be a pool created for independent clubs to apply to. How do you see that working?

Mr House: That is a sort of an interim step. If the reality for the industry for the next X number of years is just that groups can trade or transfer, then we have to somehow address the small and independent clubs. So what we would see is a pool of a couple of hundred machines created which would be for the use of non-group clubs. While the groups can obviously transfer machines—and they receive some flexibility within this bill, even though there are issues with the way the bill is written—obviously the independent clubs have nothing in this legislation. So a small club pool or an independent club pool is one way to address that in the interim. Obviously a better solution, a more efficient solution, is an industry-wide scheme which everyone can participate in.

MR HARGREAVES: I want to go to two areas that worry me greatly. The first one I want to go to is this notion that we can reduce the number from 5,046 to 4,000. Does anybody know where the 4,000 figure came from?

Mr House: I have no idea.

MR HARGREAVES: It is a figment of somebody's imagination, no doubt. There does not seem to be any construct or scientific formula that has arrived at 4,000.

Mr House: In every discussion we have had with government up to this point in terms of machine reductions, 4,000 has never ever been mentioned. The lowest it has ever got to in terms of discussion was 4,600. I do not know where the 4,000 comes from.

MR HARGREAVES: Am I right in assuming that if you have a 25 per cent reduction in the cap, this is a shrinking environment in which the club industry is working and what we are actually going to see is a fair amount of pain for the large club groups and death for the single-operator groups? As I understand it also—I will use 100 machines as the figure—if you hand 100 back to the commissioner and 50 find their way out to somewhere else, it is a bit hard for you guys if you have only got 15.

Mr House: That is right.

MR HARGREAVES: What would happen if we go down this track of reducing it by such a figure of 25 per cent? The revenue for the smaller, single operators is going to emasculate their business.

Mr House: Whether they are a small or a large club—as Jeremy said, their surplus last year was 12 grand—a 25 per cent reduction in their machines, combined with the ATM cap, is indirectly automatic. For some of the larger clubs, their surpluses are proportionately thin as well. A 25 per cent reduction in machine numbers for every club is going to have a huge impact.

MR HARGREAVES: Still on this question, I am aware that some of the club groups in fact have larger premises. We will use the Hellenic Club as a good example of this. It is a medium-level group but it has a good large-club headquarters, if you want, but it also has premises in the city. If we reduce the Hellenic Club's holdings by 25 per cent, does that jeopardise the operations of the City Club?

Mr Cameron: The City Club has been going for two years now. We are just at the break-even stage. You do not get to see individual accounts for our clubs. They are consolidated. If I showed you our individual accounts for the City Club, at the end of this financial year we will report a small trading loss for the City Club.

MR HARGREAVES: If you are going to take a business decision about some of the satellite clubs of the big groups, then those satellite clubs—the Labor Club, for example—the Weston premises of the Labor Club group would be a bit iffy. The Kaleen premises of the Southern Cross Club would be a bit iffy in its business decisions. I am correct there? I see nodding of heads.

Mr Cameron: Could I also add that it applies to the large clubs. There is, I am sure, a perception that the Hellenic Club is a very, I suppose, financially strong club. It looks that way. I can tell you—I can only speak from my point of view—that is an extremely expensive building to operate. It costs us millions of dollars a year just to open the door, on air conditioning, insurance and those sorts of things. I know a lot of people will probably roll their eyes and go, “The Hellenic Club, it looks opulent.” If you take 25 per cent of our machines out or 20 per cent of our revenue, we are borderline, I can tell you. That is the main club at Woden. Every other club in Canberra would be in a very similar position. If you take 20 per cent of your revenue off, you are borderline.

MR HARGREAVES: That worries me for the mediums and the smalls. Can I drop that one for a second. I am grateful for your confirmation of the fears that I have. I am wanting to also explore this notion of reducing the cap to 4,000 because it is an across-Canberra issue. Do you think it is a particularly fair arrangement that in the new town centre of Molonglo, which is going to have 25,000 homes in it—by my reckoning, that is 55,000 people—if somebody decides they want to put a satellite club there or a golf club emerges out of the community, any provision for poker machine facilities there ultimately has to come out of this 4,000 cap? Does that mean there is no chance in the wide world of that actually happening in Molonglo? We will have a significant sector of our community which is disadvantaged.

Mr House: Right now, where the cap is at 5,046, so more than a thousand more than what is proposed, there are two sites, one of which has not sold for the last two years. The Casey site will not sell. There will not be a sale of land for a club in this town from this point forward unless the regime changes.

MR HARGREAVES: My last question on that—we have to go down here; it is a question of fairness—is: do you think that the bill ought to have a provision in it so that, where a new town centre emerges, the provision of machine opportunities is outside the existing cap? And do you think such a thing would work?

Mr House: Certainly, I think that would not be a bad way to go, because at some point the government has to address the fundamental reality that there are currently areas of Canberra that are not serviced by a club, and there will be new areas of Canberra such as Molonglo that will not be serviced by a club under the current regime. And even what is proposed will not lead to club development on greenfield sites.

THE CHAIR: I put it to you that that is probably not the only reason. I know that in Gungahlin there has been considerable local opposition to the idea of a club, regardless. The other comment I would like to make is that I sit on the planning committee, and territory plan variations are often associated with clubs no longer wishing to do what they historically did. We are going through 307, which is three bowling greens, basically. You were talking about west Deakin and that you wanted to make money out of the site. I am just not sure what sort of level of commitment there is to do the other things you were talking about, given what seems to be happening.

Mr Cameron: I am sorry; the level of commitment to?

THE CHAIR: I suppose you were saying that the reason we should have the clubs is for other services. I was reflecting on the fact that, with respect to the other committee that I sit on, we spend our time looking at territory plan variations which are about clubs no longer providing these services. So I am not sure that it makes a lot of sense.

Mr Cameron: I mentioned west Deakin. We are trying to incorporate a development with the bowling greens. As Jeff mentioned in his opening remarks, the government has clearly said to clubs: “You need to change the way you run your business. You shouldn’t be relying on poker machines.” One of the clear ways to do that is that you need to purchase income-producing assets or develop income-producing assets—property, land. That is the obvious way to do it, apart from what most clubs are into, which is essentially the food and beverage business. So that is the dilemma that you have with a site like west Deakin. We do want to develop that site. In 20 years time that site will not be as it is now, regardless of whether the Hellenic Club owns it or somebody else owns it. Something will happen with that site.

MR HARGREAVES: Can you tell me of an asset-generating opportunity that is going to return 12 per cent per annum into your coffers? I would like to know about it because I have got 50 grand that I might use it on. I can’t think of anything. The real estate game is not going to return you the kind of money that you need, for example, for the RUC’s continued viability, is it?

Mr Wilcox: No. All we have got there is 1,000 square metres, 500 of which we currently use, and probably five storeys of air space above us.

MR HARGREAVES: Five storeys of air space?

Mr Wilcox: That is our only opportunity to diversify, really.

MR HARGREAVES: You are not going to get 12 per cent on your money, are you?

Mr Wilcox: No, not 12.

Mr House: Some clubs are reinvesting in giving their core purpose. Weston Creek Labor Club have spent a lot of money on their bowling greens. So some clubs are investing in those services. But there are a lot of facilities that used to be funded by clubs—golf courses, to name one—that do not continue to be funded because the revenue that clubs receive has been falling.

With respect to the major contributor to that, and it is something that clubs supported at the time, the revenue from gaming still has not recovered from the impact of the first round of smoking legislation. So there is a context to the reason why clubs are actually offloading some assets, because they are expensive, and clubs can’t support them anymore. I guess I would say that you can’t have it both ways and say, “You’ve got to move away from gaming,” and still expect to be supporting the very expensive assets which clubs traditionally support. You just can’t do both.

Mr Cameron: Just reinforcing Jeff’s point, that is 2006. Our revenue is below 2006

levels. If your wage was the same now as it was in 2005-06, you would be way behind the eight ball. That is how we find ourselves in our business. I can honestly say that we are operating a lot more efficiently as a business, food and beverage-wise, and it is probably a good outcome for the industry. I think we are all operating more efficiently. But, as Jeff says, there are other areas too that are suffering, and from our point of view you would not say it is suffering but we will look a lot more closely at the money that we will provide to the Greek community—to the preschool, to the old-age home and those sorts of things.

MR HARGREAVES: Your contributions collectively to the community sector through grants opportunities, support in kind and that sort of thing, are they running at 2006 levels as well?

Mr House: Ours is about half.

MR HARGREAVES: So it has actually shrunk because of—

Mr House: Yes. They go up and down but they have trended down over the last few years. The commission reports on this annually. There was some fairly interesting reporting on it when they issued their last report, because there was a reduction. The point is that it is still well above the minimum required by law, but it is going to continue to reduce. Clubs can't beat the laws of economics.

Mr Cameron: I think ours have come from somewhere over 800 to close to 600 or 700.

MR SMYTH: Is it clear to the clubs how the actual transfer process will work, from what has been detailed in the bill?

Mr House: There are certainly some questions about how it will work, and mainly relating to the ability of the gambling commission to approve a transfer of a lesser number than has been applied by a club to transfer from one venue to another. That delivers a degree of uncertainty which needs to be clarified.

MR SMYTH: It is a reasonable presumption that, if it is going to go from 5,000 to 4,000, therefore for every 100 machines you transfer the government is going to harvest or claw back 20 machines, logically.

Mr House: That is our concern.

Mr Hawkins: That is probably our major concern. The draft bill is basically silent on the methodology to achieve that 4,000. We would really like some certainty so that, if we were applying to transfer some machines, we would know what the outcome might be, rather than just getting a letter back saying, "You can move 10 out of the 50," and with the other 40 we do not know whether they go back into the pool or disappear, depending on what the methodology is. So in our view it gives too much expression to the commission to arbitrarily do something without any sort of certainty in the outcome.

MR SMYTH: Is there a threshold now for a new club when it is built? Is there a

number of machines that you would need to have when you went to the bank to say, “We want to build a club; we need X machines to pay off X debt”? What is the ratio there?

Mr Hawkins: With small clubs—and we have been talking about it a little bit today—it is becoming more and more difficult to do. At the moment, with the question marks about the industry and poker machines, the bank is not going to lend you any money at any rate. If they were to do so, I think for a small club now it is probably 100 machines.

MR SMYTH: How readily available would 100 licences be? If the Molonglo valley community golf club wanted to set up a club, where would they get their 100 machines from?

Mr Hawkins: Under the existing legislation, the only way to do it would be for one whole club to move from somewhere in Canberra to Molonglo.

MR SMYTH: But that means an existing club—

Mr Hawkins: An existing club would have to shut down.

MR SMYTH: But if a new community group wanted to set up a club, under this legislation can they access machines?

Mr Hawkins: No, it is not apparent to me that they can.

MR SMYTH: So in the new areas, if a new interest group did appear—and they do—the bill if it is accepted would exclude any new players from the scene?

Mr Hawkins: It would seem to, yes.

MR HARGREAVES: It would be possible, would it not, for a large group to erect some premises, say, in Molonglo and then shave a certain number of machines off existing operations and put them into the new club? Under the legislation that is possible, isn't it?

Mr Hawkins: Under the draft one, theoretically, it would be massively risky to buy a piece of land—

MR HARGREAVES: I do not disagree with that but under the legislation it is possible in that context. But is it not also the case that, if you are going to move it from one part of your group to another, you would be lucky if you can get 50 per cent of them to travel? If my mathematics are right, let us say the Raiders Group decided to build or acquire some premises in the new suburbs in Molonglo and decided to shave off a few machines from the existing club system that you have and put them out there. You would have to shave a minimum of 200 off your group's holdings to operate 100 out there, and you just could not do it. Is that correct?

Mr House: That is correct.

MR SMYTH: The alternative is to purchase, but under what is proposed no licences will be available for purchase unless we go to a trading scheme.

Mr House: That is right. The other flaw in relation to the transfer of machines to new sites is the parallel process of a club applying in a competitive process for the purchase of land and applying to the commission for the transfer of machines. The commission, in assessing an application for a greenfield site, says they will give consideration to the infrastructure spend that a club proposes for a new site. The club will not know that based on the business model that they cannot yet actually finalise because they do not know the outcome of the applications to transfer machines. So we do not know how that is going to work.

THE CHAIR: Mr House, unfortunately, we have run out of time. I know I have more questions, and I assume—

MR SMYTH: Can I just ask one final question on the \$250 cap?

THE CHAIR: Well, the problem is—

MR SMYTH: It will be quite quick. The harm minimisation proposals may start early in 2013, yet the proposal here is that the cap would come in late this year. Is there any sense in limiting through the bill the restriction when we are going to have a trial under different circumstances that might start just a couple of months later?

Mr House: I think it would be folly to bring in a significant regulatory change a month before the trial of pre-commitment is due to commence. I certainly would be recommending that, particularly in light of national discussions on that subject, the regulatory regime in the ACT not change a month before a trial is due to start.

THE CHAIR: As I started to say, we still have questions to ask. I still have many questions, so we will be forwarding some questions. We have run out of time. We will have a brief intermission before the next witness.

MR HARGREAVES: While we are still on the record, I would like to declare an interest. I am a member of about eight different groups of clubs in the ACT and can go and enjoy myself in about 25 different venues. I would like to thank the industry for keeping me off the streets.

Mr House: The industry thanks you for your custom.

LLOYD, Mr BOB, Vice-President, Canberra Southern Cross Club

MITCHELL, MR GREG, Chief Executive Officer, Canberra Southern Cross Club

BEHRENS, MR CHRIS, Director, Canberra Southern Cross Club

THE CHAIR: On behalf of the committee I would like to thank you, Mr Mitchell and Mr Lloyd and Mr Behrens, for appearing today on behalf of the Southern Cross Club. Have you read the privilege card?

Mr Mitchell: Yes.

THE CHAIR: Thank you. And you understand the implications of it?

Mr Mitchell: Yes.

THE CHAIR: The hearing is being webcast live, and this is a public hearing. It is also being recorded by Hansard, and a transcript will be provided in a few days, which the secretary will send to you. If there are any issues with that, you can correct them.

Do you have any opening statements?

Mr Mitchell: We do.

THE CHAIR: Would you like to make them?

Mr Mitchell: Yes. Madam Chair and committee members, I thank you for the opportunity to appear before the committee today. In the interests of time, I will focus my comments on a few key areas: firstly, the machine reallocation scheme. While we welcome this initiative, we would like to highlight some refinements for the committee's consideration.

Firstly, if group clubs wish to relocate gaming machines between their venues, they will be required to submit a social impact assessment and conduct a ballot of their members seeking endorsement of the application. The Canberra Southern Cross Club questions these measures on the following grounds: as the machines are being reallocated, there is no net increase in the number of machines in the ACT. We do not see the need for a social impact assessment to be conducted such as is carried out under an application for new machines. The costs of a social impact assessment combined with a ballot of members—in our case we have 85,000—are sizeable. From my experience under the current criteria for new machines which this is based on, very few clubs have been successful in gaining new machines over the last 12 years, from memory.

We view the machine reallocation scheme in its present form as unnecessarily complex due to the fact that group clubs in question are not gaining any more machines and the ratio of members to machines remains the same.

As far as the reallocation scheme is concerned, we would be happy to give back one in every four machines reallocated to the government if this was accompanied by a set of less stringent criteria within the legislation. In addition, if a group club is required to close a small venue, then the machines should be able to be reallocated without loss

to other venues within the group and without excessive criteria.

On the issue of the Legislative Assembly's intent to reduce the maximum number of gaming machines allowed on all licensed premises in the ACT to 4,000, we are not sure how this figure was derived. It would seem detrimental to the scheme if the regulator was influenced to achieve an arbitrary reduction when considering the assessment of gaming machine reallocation applications.

Finally, the bill proposes a \$250 limit for people wanting to withdraw money from the ATMs in venues licensed to operate gaming machines. Whilst this matter is still being discussed between the government and the states and territories, I would ask the committee to consider deferring its decisions on this issue.

That is all I have to say, thank you. We would be pleased to answer any of your questions.

THE CHAIR: Thank you very much. Your views are pretty clear in the submission, but, given the issues of problem gambling, what other alternatives do you think would be better than the proposals?

Mr Mitchell: Other than the machine reallocation scheme?

THE CHAIR: The reduction and the ATM thing. These are all basically a reduction to deal with problem gambling, in my opinion. Have you got better ideas?

Mr Mitchell: At the moment, the Southern Cross Club, as do all the other clubs, abides by the code of conduct in respect of gambling. In actual fact, the Southern Cross Club going back a number of years was the first to instigate the initiative of dealing with problem gambling before even Club Care was introduced. So we have already been for a long time addressing problem gambling.

To answer your question, I think if the machine reallocation came in and there were less stringent criteria for reallocation machines, we would be willing to reduce or give back the one machine in four that was reallocated, which would give some certainty in the ability to reduce the cap.

THE CHAIR: But you cannot see anything else, apart from reducing machines?

Mr Mitchell: There is nothing else in the bill that says that.

THE CHAIR: Yes, and there is nothing else that you think that would be relevant?

Mr Mitchell: No,

MR HARGREAVES: On the ATM issue that you just mentioned being capped at \$250 and how it will affect a lot of people who are not using the ATMs to access the gambling opportunities, whether it be TAB or whether it be gaming machines, there was a change where clubs could not distribute \$50 notes and the machines could not take \$50 notes, and the claim then was that those changes would reduce the incidence and severity of problem gambling in the ACT. Have you noticed any reduction in the

number of problem gamblers that came to your attention over that period?

Mr Mitchell: When that came in, we, like every other club in the ACT, shifted all our machines that did not dispense \$50 notes, because they obviously could not go in the machines. We did not see any change. In actual fact, we reverted back. In our main clubs where we have two ATM machines, one now issues 20s and the other one now issues 50s. So it highlighted to us that a lot of the money that was coming out of the ATMs was not going into the gaming machines at all; people were either taking it home for their own personal use or going to our food and beverage outlets.

MR SMYTH: Do the mechanics as outlined in the bill give you certainty in your planning into the future as to how you would go about running the group?

Mr Mitchell: No, not at all. We have six clubs at the moment. There are two small clubs that are leased premises; one is due at the end of next year and one the following year. In our business plan it is highly likely at the moment that we cannot afford to continue on those leases past those two times. They are small clubs; their revenues are not going up but all the expenses are. And with the main clubs it is the same thing. At some stage the main clubs' cash flow is not going to be able to afford to carry the small clubs as they have done in the past, as they have done over a lot of years. It is always the large clubs that carry the small clubs. At some stage in the future, it is not going to be able to happen. There is no certainty. We would certainly like at those times to be able to reallocate the machines in those small clubs back to our other venues.

MR HARGREAVES: Does that mean that the specialty clubs are particularly at risk? You have talked about bowling clubs, but I am aware that the Southern Cross Yacht Club, for example, has as its *raison d'être* support for the yachting community of the ACT. That is a small club by anybody's reckoning. The number of poker machines in that club is not extensive yet the activities are supporting the yachting community. Does that put that particular yachting community at risk—the viability if we go down this 4,000 cap reduction?

Mr Mitchell: I was listening before when Mr Ian Cameron was mentioning his small club. I can tell you that the three small clubs that we have do not make a profit. They do not make a profit at all.

THE CHAIR: Do they make a loss?

Mr Mitchell: Yes, a considerable loss. They do not make a profit; yes, they do make a loss.

MR SMYTH: They are making a loss.

THE CHAIR: It is not break-even.

Mr Mitchell: No. This is not even a break-even situation. There are considerable losses.

Mr Behrens: We want to continue to support as many of the small clubs as best we

can, particularly the yacht club, obviously. This bill that we are putting in a submission about is about an administrative process. We have tried to address that, so we have not focused on problem gambling issues, which are obviously important. But we have put in a proposal which we think is a new proposal and something that you might wish to consider in terms of the hand-back.

The more transactions that occur in terms of transfers, the more machines are going to be back in the pool and available for other purposes. We see that as being consistent with a broader objective of reducing the overall number of machines as a measure of addressing problem gambling. But in terms of more specific problem gambling responses, that is not the focus of the bill and it is not the focus of our submission. We can have a general discussion about it, but that is not what we thought we should be focusing on today.

Just to come back to your point, Mr Hargreaves, we would certainly see this bill and our comments as being important for the overall viability of the organisation, which will then enable us to continue to support iconic venues like the yacht club, which is incredibly important for us, even if those venues are not themselves terribly financial.

MR SMYTH: The 4,000 limit—is it reasonable to compare the ACT to New South Wales? The gaming law in New South Wales, for instance, is considerably different from that in the ACT. Is the number 4,000 based on fact? Is it a real number? And once that limit is reached how do we progress as the population grows?

Mr Mitchell: One issue is that there is nothing in here to say how that number is going to be reached. I did say there that the regulator, if it was 4,000, may be somewhat influenced to be able to achieve that in some of his decision making in the application process. That is a real worry.

MR HARGREAVES: Does this go on from what Mr House was saying—that you can go a lesser amount but you do not know how he is going to arrive at that lesser amount or what that might be?

Mr Mitchell: It says if the regulator believes that a lesser amount is able to be transferred, which is fine, but it does not actually say what happens to the other part. If you wanted to relocate 50 and the regulator says, “No; we think that you can only relocate 25,” the question is: “Do the other five go back into the pool or do they remain in the current premises where they started from?”

MR HARGREAVES: So if you have indicated that you can actually operate with a lesser amount there might be a temptation on the part of the regulator to say: “Good on you. Thanks; I’ll take that.”

Mr Mitchell: Yes. “You’ve told us that you can operate with 50 machines left. Good. We’ll transfer 25 and we’ll keep 15.”

MR HARGREAVES: And there is nothing in this bill that describes it or prevents that sort of unscientific approach?

Mr Mitchell: I cannot see, under the current scheme, where we would be willing to

risk actually trying to relocate machines, for fear that something might happen that would upset our whole business plan in how we manage our machines in respect of everything that we do.

MR SMYTH: So the way the bill is presented may in fact stymie the trade because people will not take the risk?

Mr Mitchell: That is right.

THE CHAIR: Would it make more sense to have effectively a taxation system which says that you are going to lose X per cent of your machines each year until it gets down to the cap, so that it is not related to the transfer?

Mr Mitchell: Again, what is the cap and what is the reason for lowering the cap? There has been no discussion on the logic of reducing the cap to 4,000, 5,000 or whatever.

THE CHAIR: My assumption is that it is all about problem gambling, whether or not 4,000 is the correct number. Whether or not this is the best methodology for harm minimisation I think is an excellent question.

MR HARGREAVES: Am I correct, Mr Mitchell—just to summarise what you have been saying—in saying that one of the problems with the bill is that it does not show the logic behind the decision to reduce the number from 5,046 to 4,000; it does not show the criteria the regulator will apply to approving machine transfer from one location to another; and all of that uncertainty means that all the club industry is going to do is tread water until that logic does emerge?

Mr Mitchell: That is right. There is no certainty in it at all—in how it is going to be able to work.

MR HARGREAVES: When, as you mentioned, and I know a bit about this, we talk about the clubs themselves being proactive about addressing problem gamblers, having people encouraged to self-identify, self-ban and all of that—does this mean that all this uncertainty will provide a disincentive for clubs to actually move forward with other initiatives of problem gambling because you do not know the environment you are going to be operating in?

Mr Mitchell: We are travelling in a very bad environment at the moment, of uncertainty going forward. The pre-commitment, this bill and the economy make business planning very difficult.

MR HARGREAVES: I have one last question on problem gambling things. I am curious about the scale. I am not particularly interested in hysterical responses not based on logic. I know that the club groups and the clubs themselves are very proactive in identifying from their membership those people who do have problems with their gambling and give them all sorts of support to get out of it. But we also know that the Southern Cross Club group has 85,000 members in it. What sort of numbers of problem gamblers are we dealing with in the club group?

Mr Mitchell: I had a look at some statistics yesterday. In the last 12 months, there were 14 self-exclusions from our group.

MR HARGREAVES: The whole group?

Mr Mitchell: Fourteen.

MR HARGREAVES: Out of 85,000 members you have got 14 self-exclusions?

Mr Mitchell: Self-exclusions. And at the moment we have 21 self-exclusions that are active.

THE CHAIR: Do you do anything to identify problem gamblers, apart from self-exclusion?

Mr Mitchell: We abide by the code. All our staff are adequately trained to identify problem gamblers and we do react to it. We do not need problem gamblers; we do not survive on problem gamblers.

THE CHAIR: I am interested in that statement: “we do not survive on problem gamblers”. Everything I have read suggests that most profits from pokies come from problem gamblers. Do you have some information to back that statement up? If you do, it would be really worth while putting it out in the public arena.

Mr Mitchell: No, because what we do is, if we can identify the problem gambler, we deal with the matter.

THE CHAIR: Do you have evidence that suggests that you are only getting a small amount of money per gambler and you are not getting significant amounts of money from any individuals? That is effectively what you are saying. All the evidence seems to be in the other direction.

Mr Mitchell: How we identify problem gamblers in our venues is purely by verbal aggression or physical aggression, because mostly that is about the only way in the premises that you can identify a problem gambler. That we deal with. We have very little aggressive or verbal abuse in our premises in that regard because we deal with it. Anybody who shows any degree of verbal or physical activity, we deal with that matter there and then.

MR HARGREAVES: Mr Lloyd is going to add to that.

Mr Lloyd: I was just going to carry on with that, the identification of problem gamblers. With privacy laws it is not easy to do. It is purely from the training that we have been given and the guidelines that we can identify people that may be having problems, but you still can only do so much. For somebody that may be putting in \$10 it may be a lot of money, the same as it is for somebody who may be putting in \$1,000. We follow all the other rules and regulations. As Greg said earlier, with our initiative with Lifeline, right from the very beginning we have always been on the front foot to deal with problem gambling as best we can.

I would just like to mention one other matter regarding the viability of the clubs. As Greg has already pointed out, we have two or three that probably may go by the way on renewal of leases. It is not only the small clubs; it is the big clubs. For our whole group, which has assets of over \$40 million, to get a return of less than one per cent is not great. It does not take much in our revenues to come down before we all have to close the doors. I do not mean to be scary about that. I was just backing up what Greg was saying. Things are evenly tough at the moment.

THE CHAIR: Mr Smyth?

MR SMYTH: I just want to go back to the issue of social impact studies. How effective are they in a city like Canberra? When you do a social impact study, what is the reach of the area that you have to include in the study?

Mr Mitchell: We did one two years ago, I think. It is around the club that you are going to, within five kilometres or something around that, and you identify all the clubs, machines and public amenities in that particular area. I think at the end of the day it becomes a bit of a judgement call on the regulator's behalf as to how they see the social impact assessment. As I said before, over the last 12 years that I have been here there has not been that many clubs that have got new machines—four or five perhaps at the most. It is very difficult.

MR SMYTH: Is it time for a Canberra-wide social impact study to be done? Mobility is not an issue in the ACT for most people. If you look at, say, the eastern suburbs of Sydney, the population of Canberra would be lost in that. Are the social impact studies effective in truly identifying what the effect of a poker machine is, given the way Canberra is so spread out and given the rapid mobility of most of the population?

Mr Mitchell: I do not think it is effective at all. That is why I said in the submission that we have 85,000 members spread across Canberra and we have 680 machines. It should not make any difference as to where they are located.

MR HARGREAVES: What worries me is the number of problem gamblers. There are too many; we all accept that. One person that has a problem with any addiction of any type is an issue for us all, and we accept that. But against that background, if you have got 20-something self-exclusions active at the moment out of 85,000 members then it is not impossible to suggest that the actual number of people with problem gambling issues in the town is going to be less than 1,000.

Mr Behrens: No.

MR HARGREAVES: I do not think that is too unreasonable to assume. If that is so, is the fact that we reduced the number of poker machines down from 5,000 to 4,000 going to impact one jot on those? Even if it is 2,000, is it going to impact? They will merely go to where the 4,000 are, won't they? The only way, in fact, we will address that issue of the one person is to eliminate poker machines altogether in this town.

Mr Behrens: That is right.

MR HARGREAVES: Because they will follow machines where they go, won't

they?

Mr Behrens: I am sure that is right. We feel the best response is the targeted response—that is, you identify the individual and you attempt to deal with it. We have a committee that deals with those people. Where there is behaviour that indicates there is a problem gambler, they are required to meet three of the club directors to discuss it and work out a solution. They are usually suspended, referred to Mission Australia, and we deal with that.

THE CHAIR: Given you said that the way you identify is by people getting aggressive, verbally or physically, that surely does not cover everyone who is having problems with gambling—the statistics of how much money is lost and the stories that we have all been reading in the papers about horrible effects on people’s lives.

Mr Mitchell: It just gets back to that it is very hard to identify. On the premises it is very hard to identify. What I was saying was that there are only two obvious avenues where we can identify them.

THE CHAIR: There are other avenues, obviously. If you see a person there all of their waking hours, you could probably see there is a problem.

Mr Behrens: We do not do financial analyses to try and work out who the problem gamblers are.

Mr Mitchell: We do have members who spend a lot of their time in the club, not playing poker machines but taking advantage of the facilities that we have—TVs, free papers, social interaction with other members, bingo. Many members spend a lot of their time there. We know the ones that come in. We know the ones who spend a lot of time there and we know what they do.

THE CHAIR: So you probably do have a bit of an idea who the problem gamblers actually are.

Mr Mitchell: We know what they do.

Mr Lloyd: But identifying which ones are the problem gamblers is sometimes difficult.

MR HARGREAVES: But the answer is not to reduce the number of poker machines across the 65,000. The answer really is to look at how we can piggyback on the things that Mr Mitchell was saying about how your staff know your patrons. If your staff are trained, they know—and I know this quite well—a lot of the family details, they know their work history and they know whether they are up or whether they are down. Those flags come with all the experienced staff that you have in the club. You know these customers—

Mr Mitchell: We provide free tea and coffee and soft drink to all our poker machine players which enables us to get fairly close to the people playing the machines. That is one avenue where we can identify or keep very close to our members in that regard. We keep very close to them.

THE CHAIR: I am sure you have an awful lot more information, but you said that you do not seem to be using that information to address problem gambling unless your patrons are aggressive. That appears to be what you are saying. I suspect you actually do have an idea of who has problems, who is actually losing a lot of money, but you do not address that issue.

Mr Mitchell: We follow up. If we think—

THE CHAIR: From what you have said, it is only if people are aggressive.

Mr Mitchell: As part of the code, if we think that someone may have a problem, where we can, we can do the analysis of how much money they are putting through the machines, but then again it is only if they are putting their card in the machine that we can track them. If they are not using their card it is very hard to track how much money they are putting in the machine.

MR SMYTH: The question there is: \$20 for a pensioner might be a huge loss, whereas \$20 for a SES-level officer in the ACT is not huge.

Mr Mitchell: It is very hard to make that judgement call.

THE CHAIR: You have just said that you know your patrons. If that statement is true, you probably know what their incomes are.

Mr Mitchell: We try to keep very close to our patrons in that regard, and our regulars. We can tell any change in behaviour.

THE CHAIR: But you do not do anything about it, from what you say?

Mr Mitchell: If there is any change in behaviour, we do.

THE CHAIR: What do you do?

Mr Mitchell: We can then discuss with them what the problem is and make a judgement call on the result of that discussion. If we need to take it further, we then discuss it with the family. Currently we are discussing it with a son who has a problem with his father. We are going through that problem.

THE CHAIR: You have 85,000 members. I do not know how many of those people gamble at all. How many people are you having ongoing discussions with because you have identified some problem?

Mr Mitchell: At the moment, we have only got 21 active self-exclusions. There is nothing in between. There is no paperwork that we keep for people who have been identified. But, then again, under the code, we do need to actually note if we have identified someone who may be having a problem. We do note that. I did not bring that statistic with me.

MR HARGREAVES: Along those lines, have you got numbers of people who have

alcohol addiction issues and problems? If you see a regular patron who is starting to get to that point where they are going to become destructive to other clients and possibly harm themselves—I know there are initiatives in the club to intervene—presumably you have similar regimes to help clients over that hump.

Mr Mitchell: We do exactly as you say. We try to keep very close to our members in respect of when they have had too much alcohol.

MR HARGREAVES: Do you have a handle on the numbers we are talking about out of the 85,000?

Mr Mitchell: No.

MR HARGREAVES: I will bet you it is a bit more than 21. I guarantee it is more than 21.

Mr Behrens: Can I respond to your earlier point and pick up what Ms Le Couteur has said about problem gambling, which is clearly a serious issue we have to continue to be focused on? We did not come here today with a whole lot of proposals on that. We have offered you a solution—it is not in the bill—for reducing the number of machines to the cap because that has been, for some considerable period, thought to be an appropriate way of dealing with the issue. Perhaps it is superficial.

I guess to some extent the opportunity to use machines will affect problem gambling but really we see that as a separate issue to the transferability discussion that is the subject of this debate. There may well be merit in a further review of the existing code and looking at other ways in which the clubs can use the data they have, the knowledge they have, to target and improve responses to problem gambling. But we did not see that as the subject for today. We are not saying that is not an important discussion but we have not prepared a submission on those issues. That is why we are not really in a position to say that.

MR HARGREAVES: We are going down that track because there is a mad Tasmanian devil trying to get around the place and wreck the industry.

THE CHAIR: Unfortunately we have run out of time. I suspect that there may well be some questions the committee would like to send to you because we are still interested in this. Thank you very much for appearing today. A proof transcript will be sent to you when it is available so that you can check it for any corrections.

MR SMYTH: Thank you for your recommendations.

MR HARGREAVES: Thank you.

MORRIS, MS BERNIE, General Manager, Casino Canberra

CURSLEY, MR PETER, Director of Marketing, Casino Canberra

THE CHAIR: I thank the representatives of Casino Canberra for appearing before us today. You may have heard my remarks to previous witnesses, but I trust that you have seen the blue privilege card and that you are happy to abide by that?

Ms Morris: Yes.

Mr Cursley: Yes.

THE CHAIR: Thank you. It is a public hearing and it is being broadcast, and there will be a transcript available in the future which will be there for you to correct. Before we ask questions, do you have an opening statement?

Mr Cursley: Yes, we do. We believe that the public accounts committee should recommend to the ACT Legislative Assembly that any change to the Gaming Machine Act should include a gaming machine cap for the casino of at least 200 machines. The current policy on gaming machines threatens the casino's viability, prevents job opportunities for young Canberrans, reinforces the nationally held perception that Canberra is boring and has no nightlife, restricts the economic benefit from tourism, cheats Canberra ratepayers out of a recurrent revenue stream, and will increase problem gambling in the territory.

If the justification for reducing the number of gaming machines in the ACT is based on responsible gambling then there is an argument that the only place machines should be is in a dedicated gambling venue and not in suburban-based, family-friendly community clubs. The casino, however, does not hold that view. We simply believe that some of the unused machines should be transferred to the casino.

There are more gaming machines in the ACT per capita than in any other state or territory in Australia. Walk into any big club, and there they are—most not being played. Why? Because in the ACT we also have one of the lowest per capita spends on gambling in the country, when you take into consideration that Canberrans have the highest disposable income in Australia. Adult Canberrans spend just \$647 a year on gaming machines, whereas in the state that surrounds us, New South Wales, adults spend \$880.

The ACT government is getting rid of machines that are not being played. How will this reduce problem gambling? In fact, it is possible that it will increase problem gamblers' problems. How is that, you might ask? Currently there are plenty of unplayed machines for problem gamblers to choose from. But if every machine is being played, do you think that the problem gambler is going to leave that machine to take a break, have a meal, go to the toilet? No; because they will be scared that they will not be able to find an unused machine when they return. The result will be that they will stay seated and end up playing more. Worse still, they may decide to gamble at home on their computer, where there are no advisory signs, no gambling contact officers, no self-exclusion policies and they can gamble on their credit card.

Proponents of the current policy argue that revenue from club-based gaming machines

goes back to the community. Yes, much of it does. However, the casino would ask: if our original \$19 million licence fee, our annual licence fee, which is now around \$800,000 per annum, and our gaming tax, which is \$2 million per annum, do not go back to the community, albeit via the government, then where do they go? If the casino was granted a licence to operate 200 gaming machines, we would estimate that those machines would generate a further \$4 million per annum in recurrent revenue for the government. In total, that would be nearly \$7 million per annum going back to the community via the casino in payments to the ACT government.

Another argument against changing the policy is that Casino Canberra signed an agreement not to have gaming machines. This is true, but it was 20 years ago. Twenty years ago, the Soviet Union was all-powerful. Twenty years ago, it was still illegal in some states of Australia to be gay. The point is that things change, and Casino Canberra's market environment has changed dramatically in 20 years. When the casino signed the agreement, the ACT government was promising to develop the casino end of town as a tourism hub. This has never eventuated. In fact, most of the development is up the other end of town. The most popular car park for casino patrons 20 years ago was sold off by the government and is now an office block.

Our interstate premium player market has been eroded through fierce competition between interstate casinos that were not there 20 years ago. Their gaming machine revenue subsidises most generous offers to attract premium players at table games, to the extent that Casino Canberra can no longer attract premium players to Canberra. Casino Canberra can no longer afford to compete in this segment of the market.

Gaming machine revenue would enable Casino Canberra to offer programs to table play gamers from interstate and overseas, in a bid to attract them to Canberra. Our ability to offer such programs will be critical in attracting business once the Canberra international airport starts receiving direct flights from Asia. As the Productivity Commission has identified, many casino patrons are from interstate and overseas. In fact, nearly half our patrons are in Canberra either on business or as tourists. In being able to compete with interstate casinos, our casino would benefit, hotels would benefit, tourism generally would benefit and the ACT economy would benefit.

The positive economic impact of permitting gaming machines in the casino will not stop at tourism. We estimate that 190 new jobs will be created, with additional income to government through payroll tax and the flow-on effect from the casino purchasing from local suppliers to meet the demand of our growing business. The casino currently employs 270 people. That is down from a high of 620. We want to employ more people. We do not want to keep cutting jobs.

There is no valid reason why the territory's casino should be prevented from operating gaming machines. In fact, all government inquiries, local and federal, have come to that conclusion. The Productivity Commission found:

There is no policy rationale for the current prohibition on the Canberra casino from operating electronic gaming machines.

The Productivity Commission also identified casinos as the safest place for gambling. As well as being a safer environment for gambling, casinos offer a much better return

to players, with most casinos in Australia keeping about eight per cent of gaming machine revenue, whereas locally ACT clubs keep about 13 per cent. The committee may also be interested to know that roulette keeps just 2.3 per cent and blackjack just 1.8 per cent. We run a table game operation that is the envy of most other casinos, but with low margins, high mandated staffing levels and no gaming machine revenue, we struggle to be viable.

The committee must take the opportunity to make changes to the Gaming Machine Act that allow for a casino cap in the ACT of at least 200 gaming machines.

THE CHAIR: If this change happens, would you figure that your licences should come from existing licences or are you suggesting that there be 200 new licences?

Mr Cursley: From existing licences.

THE CHAIR: So you support the cap down to 4,000 and out of that—is that where you are going?

Mr Cursley: We do not really see the need to reduce the cap, because those machines are not being played anyway. We are suggesting that the cap remain as it is—5,200 or whatever—because I do not think reducing that is going to affect problem gambling one bit, and that some of those machines that are in the clubs that are not being played be transferred to the casino as a casino cap.

MR HARGREAVES: You were talking about roulette returns. Do you have electronic roulette machines? Other casinos do; they have banks of them.

Mr Cursley: We have a form of roulette machine, which still does have a dealer. It is called Rapid Roulette. So it is not the roulette machine that you might see in clubs, where there is no dealer and everything is automatic.

MR HARGREAVES: There is a flat table system—I have seen it in other casinos—where there is not a dealer in sight and people will actually lay their bets out. It looks like a poker machine to me, yet it is actually a roulette machine.

Mr Cursley: That is classed as an electronic gaming machine in the ACT and we are prevented from—

MR HARGREAVES: So we do not have any of those out in the club system. They have got them in every other casino that I have ever been to, yet you guys are prevented from having them. You can have a manual roulette machine?

Ms Morris: Yes.

MR HARGREAVES: But you can't have an electronic one. That makes a lot of sense, doesn't it?

Ms Morris: That sort of game is in limbo, I guess you could say.

MR HARGREAVES: Yes, you can bet on that!

MR SMYTH: It has been put to me that if you guys got gaming machines then why shouldn't the clubs have some of your games as well. Is there a reason why you would not let some of the facilities that you have go to the clubs?

Mr Cursley: A casino is a dedicated gambling venue. Why prevent it from having the most popular form of gambling? Clubs have a different role to play. They are not gambling venues per se. They are community clubs.

MR SMYTH: You say in your statement that a casino is the safest environment for gaming machines where harm from problem gambling can be minimised. How can you justify that?

Mr Cursley: I do not need to. The Productivity Commission came up with that.

THE CHAIR: Given the environment that you would potentially have if there were these licences, what would you do to make it the safest environment?

Mr Cursley There are a number of differences between ourselves and a club. One is our staff to patron ratio, which is very high. Currently, with security alone, we have one security officer for about 147 people We have a surveillance room that is manned by two people 24 hours a day, even when we are closed. Those people are trained to spot problem gambling. So there is a range of initiatives that make that a safe environment along with the normal things, such as staff training and so forth to identify people that may have a problem.

THE CHAIR: You said your current people are trained to identify problem gambling. How do they identify that and what do they do?

Mr Cursley With regulars you can see a pattern emerging. If their regular bet is, say, \$100 and it starts to reduce to \$80 and then further to \$50, that would ring alarm bells.

THE CHAIR: And what would you do then?

Mr Cursley Then our gambling contact officer would be alerted and we would have a discreet word to them, and if we felt that they did have a problem, we would encourage them to self-exclude.

MR SMYTH: How many do you currently have under self-exclusion?

Mr Cursley Probably around about 100.

MR HARGREAVES: Hang on a second. In a non-poker machine environment and as a single-premises operator you have got 100 exclusions and the Southern Cross Club has got 85,000 members with poker machines and they have got 21 exclusions.

Mr Cursley I think that highlights how proactive we are in identifying problems.

MR HARGREAVES: Indeed. But it also shows, does it not, that problem gamblers are not heading off to the poker machines but somewhere else, like a range of other

different opportunities?

Mr Cursley I think if you have a look at Lifeline stats over the years you will get an idea of how many of the problem gamblers that present themselves to Lifeline come from a casino-based problem as opposed to machines, horses and so forth. Casinos are very low on the radar.

MR HARGREAVES: Yes. It sounds to me, though, that you have got 100, and we are talking about a club group like the Southern Cross Club that has got 21. That figure I was talking about earlier of about 1,000 or 2,000 topping out is not that far from the truth.

Ms Morris: I think it proves that with the staff to patron ratio we are better equipped to notice when people's habits change. That is all part of the training and such that you do with the staff.

THE CHAIR: Presumably if you had pokies, you would end up with the same sort of problems in terms of staff ratios and identification of problem gambling as the clubs have. Why would it be better for you?

Ms Morris: Simply because we have these minimum mandated manning levels with the number of security officers and the number of table staff as well who would be on the casino floor. There would likely be a minimum number of machine attendants, and our surveillance area is mandated to have two people in there 24 hours a day, and they are actively watching what is going on throughout the casino.

Mr Cursley: If you have a look in the ceiling of the casino and see how many cameras there are, you can see that we can keep a very close eye on patrons.

MR HARGREAVES: I thought it was just a nice bit of sculpture up there. On that camera thing, you said you have two people looking at it 24/7. Presumably 200 machines is not a big area to put them in—not big at all. That would mean, in fact, that there are people who are not engaged in providing services to people—either through food and beverages or through gaming and all of that—and that all they are there to do is to look at the behaviour of the patrons. So you have got a 24/7 look at potentially these 200 machines by people who are not distracted by anything else, which is something the clubs do not have.

Mr Cursley: Yes.

THE CHAIR: What impact do you think it would have on the pokie machine behaviour in the rest of Canberra if you had 200 in your premises? Do you think it would increase the level of use of poker machines, or are you really talking about diversion of patronage from existing poker machines to your poker machines?

Mr Cursley: We did some research some years ago to see if the casino had poker machines whether we would attract players from ACT clubs, and that research was very clear in saying no. People were not prepared to drive past their club to come to the casino, for a range of different reasons.

I think it is important to remember that casinos are still tourist attractions, and we have a very large number of tourists. Currently they come to the casino expecting there to be gaming machines, because all other casinos have them. They leave very disappointed, and I think that reflects badly on Canberra.

MR HARGREAVES: You said that 50 per cent of you patrons are interstaters.

Mr Cursley: Just under, yes.

MR HARGREAVES: Is it too long a bow to draw to say that 50 per cent of your patrons would also be on the gaming machines therefore? But the other 50 per cent would be people who are actually on other forms of gaming in the casino, because they are actually going there to wager. That is their whole reason for going there.

Mr Cursley: That is right. Where we would benefit, for instance, is if there is a couple, and let us say the male is interested in playing blackjack, the female will be quite happy to go and play the gaming machines. Because there are no gaming machines, they go back up to their hotel room and Canberra loses out basically. Revenue that would normally stay in Canberra does not stay in Canberra.

MR SMYTH: You said there was some evidence that you would not draw patronage from the clubs. Is it possible for the committee to have that?

Mr Cursley: Yes, by all means.

THE CHAIR: That would be interesting.

Mr Cursley: It is about 10 years old, but I think it is still quite relevant. It goes into the reasons why people do not want to spend money on a taxi to come in from the suburbs to the CBD; they would rather put that money through the pokie or use it on something else. If they go to their local club, they can have a few drinks and sneak back home, whereas if they come into the casino and drive, they run a risk. There is a whole range of reasons like that.

MR HARGREAVES: But is it not more about that people belong to clubs for a community experience?

Mr Cursley: Certainly.

MR HARGREAVES: People go to the casino to take some money off you.

Ms Morris: For a different type of entertainment, certainly.

MR HARGREAVES: They do not go there for a community approach. They actually go there the same way they go to the races.

Mr Cursley: Yes.

MR HARGREAVES: Yes. So it is a completely different *raison d'être* for people being on the premises. So we need to have a different approach legislatively and in

policy terms.

Mr Cursley: Yes.

MR HARGREAVES: You must be sick and tired of the comparison.

Mr Cursley: Well, they are two very different markets. In one way it is unfair to—

Ms Morris: I think we do get a little bit caught up in comparing ourselves to clubs in the ACT and not to casinos throughout Australia.

MR HARGREAVES: You said, though, that the introduction of the gaming machines would actually assist in the growth of the business. You have already been into significant contraction as you indicated by how the staff numbers have shrunk. Will that increase in business mean that you will outgrow your current premises?

Mr Cursley: Look, that would be great. That would be excellent. We are faced with a problem that we rely very heavily on business from the convention centre. If the convention centre moves, we have to move with it, otherwise it is all over. That is probably more likely to happen than we outgrow our current building.

THE CHAIR: Thank you very much for your attendance. We will send you a copy of the transcript in a few days for you to check and see if there are any corrections.

This public hearing is now adjourned.

The committee adjourned at 10.56 am.