



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

TUESDAY, 13 MARCH 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.

WITNESSES

BURCH, MS JOY, Minister for Community Services, Minister for the Arts,
Minister for Multicultural Affairs, Minister for Ageing, Minister for Women
and Minister for Gaming and Racing **29**

JONES, MR GREG, Chief Executive, ACT Gambling and Racing Commission,
Economic Development Directorate **29**

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Amended 9 August 2011

The committee met at 2.01 pm.

BURCH, MS JOY, Minister for Community Services, Minister for the Arts, Minister for Multicultural Affairs, Minister for Ageing, Minister for Women and Minister for Gaming and Racing

JONES, MR GREG, Chief Executive, ACT Gambling and Racing Commission, Economic Development Directorate

THE CHAIR: Good afternoon, everybody, and welcome to this public hearing of the Standing Committee on Public Accounts and its inquiry into the Gaming Machine Amendment Bill 2011. On behalf of the committee I would like to thank you, Minister Burch, for appearing today in relation to your portfolio responsibilities for gaming and racing. I would also like to thank officials of the Economic Development Directorate and the ACT Gambling and Racing Commission for appearing here today.

I remind witnesses of the protections and obligations afforded by the parliamentary privilege statement and draw your attention to the blue coloured privilege statement before you on the table. Can you please confirm for the record that you understand the privilege implications of the statement?

Ms Burch: Yes.

THE CHAIR: Thank you. I also remind witnesses that hearings are being webstreamed and broadcast live. Before we proceed to questions, minister, would you like to make an opening statement?

Ms Burch: Thank you, chair, just a very brief statement.

Thank you for the opportunity to come and talk about the draft legislation. As the committee may be aware, last week I addressed a meeting of ClubsACT members at the Gungahlin lakes club. As part of my speech I went to the bill currently before the Assembly. It may therefore be of some interest to the committee that I table that speech, and I am quite happy to do that. As I signalled, the government will consider changes in light of the feedback that we have received, submissions to this inquiry and certainly and most definitely the report from this committee.

I do not propose to go into those changes as they are not finalised until the government responds to your report. However, I want to signal the government's understanding of the role that clubs play in supporting our community through job creation and community contributions. We also recognise that problem gambling poses a significant cost to our community. This bill seeks to achieve both those objectives—maintaining the important role of clubs in our community and addressing problem gambling.

THE CHAIR: Thank you. This may be a matter which you referred to in your speech, but I saw some press reports recently that the government was looking at doing something different in terms of providing pokie licences for new areas. Gungahlin and Molonglo were the ones mentioned. Is there anything more you can tell us about what is proposed?

Ms Burch: The draft legislation sets out some clear guidelines about the ability of larger clubs to move machines between venues but also to establish at existing sites. So that is the draft—

THE CHAIR: The press reports—

Ms Burch: That is the draft legislation.

THE CHAIR: The press reports certainly implied that the government was looking at doing something more than what is in the current legislation, which was the point of my question.

Ms Burch: Chair, I provided a copy of the report. I have also said that I think we are here today to talk about the draft legislation that is before us. I understood that that is what it is. I also want to go back to a phrase in your question. Did you make mention of “poker machines” or “pokies”?

THE CHAIR: I think I used the word “pokies”.

Ms Burch: I would seek that you do not use that terminology, thank you.

THE CHAIR: Certainly.

MR SMYTH: Why not?

Ms Burch: I do not particularly like it, and I think it is connected to a term of pokie barons and things like that, that I do not think do the clubs a good lot of credit.

MR SMYTH: So why raise it?

Ms Burch: Pardon me?

MR SMYTH: So why raise pokie barons then?

Ms Burch: Well, I was making reference to Ms Le Couteur’s turn of phrase.

MR SMYTH: I have never heard a witness address a committee and tell the committee what words they can and cannot use. I find it quite extraordinary.

MR HARGREAVES: I find it a very reasonable thing that a witness would actually say, “Please, would you mind doing X, Y and Z?” I think it is quite reasonable, indeed, that we understand that clubs can suffer by the misuse of language. I have a question, when you are ready.

THE CHAIR: To be clear, I think what you are saying is that the government may or may not be thinking about any changes, but you are not going to talk about them now. Is that basically what you are saying?

Ms Burch: What I flagged is that I have had a number of conversations with the sector, and certainly there have been a number of submissions through to this inquiry.

Greg Jones may want to talk to some of those submissions. But what I have said is that we have draft legislation that has now come before PAC. The intelligence from the submission and from the PAC report clearly, as ought to happen, informs the government's response.

MR SMYTH: But are you currently considering amendments or withdrawing the bill?

THE CHAIR: Yes, are—

Ms Burch: I am here to talk about the tabled legislation .

MR SMYTH: All right. Are you considering amendments to the tabled legislation? If you are considering amendments, you are wasting our time if we do not know what the amendments are.

Ms Burch: Well, Mr Smyth, I have not seen the PAC report. I have not—

MR SMYTH: But—

Ms Burch: Well, Mr Smyth—

MR SMYTH: It is not an unreasonable question: are you considering amendments?

Ms Burch: In the absence of getting the report from this committee, there is nothing active in front of me, Mr Smyth, other than saying to the clubs industry that there are good, argued positions and, as a government going through this open process, we are bound to pay attention to them.

THE CHAIR: Mr Hargreaves.

MR HARGREAVES: Thank you very much. What I heard you saying, minister, was that the arguments put forward by the club industry in fact were substantial and worthy of further consideration in the context of going forward with the legislation, but that you also want to see the report from the PAC in the same vein—that is, if a viable but different position is offered up in the context of the report and the submissions, the government does not close the door on those sorts of considerations. Is that correct?

Ms Burch: Anyone who understands Assembly inquiries understands that a commitment from the government needs to go into this to consider the findings of the inquiries.

MR HARGREAVES: Okay. At least two-thirds of this committee actually go regularly to the club scene and will be bringing a broader perspective, I would suggest, to considerations. I am concerned about the future of the small and medium-level businesses in the context of the reduction of the cap, but also I am particularly concerned that, if we apply the cap across the town the way it is at the moment today, we will have an issue when the township of Molonglo emerges. Who knows what will happen in the future on the western side of the Murrumbidgee down near

Tuggeranong? Who knows what will happen at Kowen? I am a bit concerned that we might lock a policy decision into place which will see a detrimental effect on the medium and small players to the eventual elimination and extinction of those players to the benefit of club groups. Do you have some comments on how we can see that going forward? I thought the legislation was a bit harsh in that respect.

Ms Burch: Just in an overview before I go to Greg, the current legislation clearly sets out the allowance of machines between venues with a particular mind to greenfield sites. But I also note your interest in capping. I think the language used is a medium to long-term aim of the reductions. These are going back to figures that I think are 2009 or thereabouts, but a reduction of 4,000 machines will still be over everybody, all other states, bar New South Wales. So we will still be over Queensland, for example, and the Northern Territory. But Greg may go to some of the other—

Mr Jones: Perhaps, Mr Hargreaves, if I could just give you a little bit of background on where the bill is going to the way it is being considered at the moment. Historically, small to medium clubs have not opened up new clubs in new areas in greenfield sites. Treasury did a lot of work in preparation for this bill in terms of which were the active clubs in seeking expansion or whatever. There has not been a lot in recent times, but over the last 10 or 15 years there have been no small to medium ones. So the bill as currently drafted puts the practical application of expansion into greenfield sites with the larger group-type clubs where they would have the financial capacity and the member capacity to support the development and the opening up of a new club in a greenfield site.

It would probably be unusual for a relatively small club or a new club to have sufficient capital or to gain sufficient financial support to construct a brand new club of a sufficient size to have the momentum, if you like, to operate in today's competitive environment. Thus, the bill as tabled provides a system where group clubs that have access to large numbers of machines, finance, expertise within and numbers of members would have the ability to develop and open up new greenfield sites.

Your point that the small to medium clubs are perhaps disappearing from today's landscape I think is more of a reflection of the competitive nature of the industry and the economic reality. I do not know that this bill, particularly with the cap set as a long-term goal of 4,000 without having a time frame to reach that long-term cap, would necessarily be detrimental to small to medium clubs.

MR HARGREAVES: What I am concerned with is that perhaps we have a cause and effect going on, though. For example, a hypothetical, the Irish Club, because it is situated where it is, thought that it might like to have a satellite of itself in the Molonglo area because it is in fairly close proximity. That, in fact, is the way the Vikings Group emerged to the extent which it is now. The Irish Club does not have the number of poker machines where you could halve them and send them off to another locality.

So, given the cap, would that not preclude them from even thinking about opening a satellite, because there is no bank in the place that would advance money unless it sees a viable revenue stream? If it was able to access the same number of machines as

it has got now out of a different pool, the bank might be more prepared to advance money to build a clubhouse. If we keep restricting it down, are we not saying to the Irish Club, “Sorry, mate, you can’t play in this paddock”?

Mr Jones: Yes, that is a valid point. I guess the other thing is that if the Irish Club, as the example, could produce sufficient commercial terms in terms of going to a financial institution to loan, then they would probably get that loan based on those terms. But it is difficult for a club of that size to expand and to move into a brand new site. The capital involved is quite substantial, as we all know. That would be difficult.

Historically, I do not know what the time frame is but it is at least 15 years—it could be longer—since a small or medium club has opened up. In fact, it could be a hell of a lot longer than that. I think in the last decade there has probably only been one real greenfield site open up that I can think of off the top of my head, and that was with Eastlake down at Calwell.

MR HARGREAVES: It is hardly greenfield when you have got the Southern Cross Club with a presence and you have got the Vikings Group with a stranglehold. It was hardly a greenfield. But I think it has been a while since we opened up a fully fledged town centre with 25,000 homes in it. Perhaps, in fact, it is a slightly different perspective.

Using that Irish Club example, I do not think the Raiders group would have any difficulty at all in being able to pop up a club in the Molonglo set of suburbs, because their group is of such a size as to be able to carve off a certain number of machines and hand them over. The bank would say, “Yes, sure, not a problem.” But if someone was to set up a bowling club, for example, in the Molonglo area, they would not have a prayer of getting any, would they?

Mr Jones: I think that is a bit of a reflection on the viability these days as well.

MR HARGREAVES: Under the current regime, if a community group decided to establish a club—a bowling group or for any other communal activity, for that matter—and wanted half a dozen just because it is an amenity, would they be able to do it?

Mr Jones: If there were machines in the pool, under current legislation, yes, they could. At the moment there are, I think, two machines in the pool. It has been government policy for a number of years that as machines pop into that pool, they are removed by instrument from the cap. So if there were machines in the pool, yes, they could. While there are no machines in the pool, for practical allocation, no.

MR HARGREAVES: So possibly this legislation might actually improve things rather than having the regime that we have at the moment with respect to those. In the liquor inquiry the other day, we heard from the food and wine club. They do not have any poker machines. They have existed in this town for something like 30, 40 or 50 years. If they decided that they wanted a couple of poker machines for the amenity of their members, right now they could not get them. What about under the new legislation? Could they get them then?

Mr Jones: No, not as currently drafted.

MR SMYTH: Just to follow up on that, under the legislation that is proposed, there would be no new independent clubs allowed into the scheme?

Mr Jones: That would be correct, yes.

MR SMYTH: Could we go to the science of the cap or the logic of the number of machines—the 4,000. How was that determined?

Mr Jones: In some ways, there is not a lot of magic to 4,000 but there is logic behind it. It is really comparing what is happening in other jurisdictions and particularly what the per capita is. It is normally measured as number of machines per thousand adults. The ACT at the moment has the highest per capita number of machines in Australia. It is something like 19.6 or in that order. The closest one is New South Wales, which has about 18 machines per thousand.

Reducing the number from the current 5,024 to 4,000 reduces the per capita number to below New South Wales, and a reasonable amount below—it takes it down to about 14½ or something like that. It brings it fairly close to Queensland, South Australia and a few of the others. But it is still above the national average, if you think that the Australian national average, which is about 11½, is a useful benchmark. Again, I do not think there is anything magical about the Australian average. It just happens to be what it is across Australia.

To get down to the national average, if that was deemed to be your goal, we would have to reduce our number of machines to about 3,000, which we think would be clearly devastating for the industry. So 4,000 as a long-term goal without a time frame is considered reasonable and allows the industry time to adapt.

MR SMYTH: If you reduce from 5,024 to 4,000, what percentage decrease do you expect to achieve in the number of problem gamblers in the ACT?

Mr Jones: We do not have a number on that. In general terms, the access to or availability of a gambling activity is considered to be one of those factors which is important in encouraging problem gambling, if you like. The easier the access to gambling activity and the easier access to cash or money are two of the big indicators. It is not really possible to have an estimate that the number of problem gamblers would drop from X to X minus whatever percentage. What it does is that it sets up reduced access to the number of machines available out in the industry. It is not just the number of problem gamblers; it is those that are at risk which is important, too. Most of our harm minimisation strategies are aimed at those that are at risk, those that are teetering on the edge, if you like, or have that potential. Reducing access or availability would certainly be of assistance to those that are at risk.

A dedicated or an addicted—if I can use those terms—problem gambler is going to find access to a gambling activity—gaming machines or otherwise—no matter how far you reduce them. So with respect to the number of problem gamblers, there would probably be a reduction by a small amount. I do not have any numbers on it. I think that would be very difficult to try and measure as an estimate. It is more likely to help

those that are at risk.

MR SMYTH: But you do not know that for a fact?

Mr Jones: All the indicators are that reducing the level of access assists those that are vulnerable. Do we have a quantifiable estimate? No, we do not. But in general terms, access to the activity and ease of access to cash are two of the big indicators in terms of the vulnerability of the community.

MR SMYTH: Do any of the other jurisdictions record the number of problem gamblers per capita?

Ms Burch: I think it is in the Productivity Commission report. It has been documented in various reports.

MR SMYTH: But we do not know what the ACT's is. We do not know where we are starting and we do not know where we will finish, but we are willing to reduce the cap from 5,024 to 4,000 for, I think you just said, a small decrease?

Mr Jones: We do have estimates of the number of problem gamblers, if that is your measure. Our prevalence study, which was published in November 2010, came out with an estimate. It was in the order of 1.5 per cent. It is about the middle of the road. I think in Queensland it was 1.3, in New South Wales it was about 1.5, in Victoria it was about 1.7. So we know how many problem gamblers there are, based on survey. We also know what percentage are at risk, and each state does its own measuring as well. So we know that figure.

MR HARGREAVES: What is it in Western Australia?

Mr Jones: It is very low. I think it is less than one per cent but they have not done a prevalence study for some time.

MR SMYTH: One problem gambler is one too many, but if we are in the middle of the road and we have the highest number of machines, wouldn't that indicate that the number of machines in the ACT is not the problem and that there are other factors at play here?

Mr Jones: Determining what makes a problem gambler is extremely complex. Number of machines is just one of what could be 10, 20 or 30 factors. To isolate just one factor, the number of machines, is probably putting too much faith in one level.

The government's harm minimisation strategies are deliberately a scattergun approach. The more that you have, the more likely that you are going to assist some people. You are not going to assist everyone with just one approach, otherwise that would be the silver bullet and that is what we would do. So it is a multiple approach. Controlling access and the number of machines is just one approach, and having a cap is one of those approaches.

MR SMYTH: Again, if we have the highest number of machines in the country per capita and we are in the middle of the road in terms of number of problem gamblers,

doesn't that tend to indicate that access to machines, which you said is one of the great contributors to problem gambling, is not necessarily so prevalent here in the ACT?

Ms Burch: Or it could mean that the other support services through that scattergun approach to finding different recipes for different concerns could be working well.

Mr Jones: That is exactly right. There are some other funny statistics with the ACT as well, as there are with most things. We have the highest per capita number of machines. We have the second highest expenditure per capita on gaming machines. It is pretty high in New South Wales. It is miles ahead of everyone else. But in terms of revenue per machine, we have the lowest in Australia. So that tells a little bit of a story in that most of the gambling in the ACT is on gaming machines. We have a lot of machines but not all of them are used as heavily as they are interstate. So it is a combination of all of those factors.

MR SMYTH: What conclusion do you draw from that and how do you then relate that to the special circumstances of the ACT? It strikes me that with our diverse population area and the low density, perhaps the ACT is more akin to, say, a large country New South Wales area. Say, in Wagga, you might have a large number of machines that service a huge surrounding area but you do not necessarily have the impacts that the southern suburbs or western suburbs of Sydney might have. Have the actual geographic nature and the special factors that we all know about that contribute to making Canberra what it is actually been taken into account or have we just picked 4,000 because 4,000 is a neat number?

Ms Burch: I think they are two slightly different points. The gambling prevalence study, the work done through the ANU, was quite extensive regarding the environment that we are in, who the problem gamblers are, what their characteristics are and what their numbers are. I am sure you will find the numbers in there regarding those that play on a weekly basis and the percentage of those that are actually at risk of problem gambling.

MR SMYTH: I do not know what that means.

Ms Burch: I hope I am not paraphrasing you incorrectly but you talked about our physical environment and you noted that we could be more of a regional centre and then referred to how that is justified in our number. I referred you to the review and research done by the ANU that provided quite an extensive picture of gaming here in the ACT and those who are at risk of problem gambling. You asked in one part of your question about what the environment looks like, and I have referred you to that report. You then made the comment about 4,000 as the number. I go back to the point that 4,000, as Greg Jones mentioned, puts us more back into the pack of numbers, for the reasons that he stated.

MR SMYTH: Again, I am not sure that I understand what you have just said and I do not think I need to. I will ask the question again: has the special spaced geographic nature of the ACT been taken into account when you came up with the 4,000?

Mr Jones: When you look at the number, you look at the situation of the ACT

compared to, to use your possible comparison, a regional area of New South Wales. It is quite compact geographically in terms of population density compared to, say, a major country town in New South Wales with a large rural area. That means you do not have to go very far from one venue to find another venue, which means that the ability of people to move from one venue to another is quite apparent. Therefore there is the accessibility issue. Even though you have to be a member, it is quite easy to be a member of a particular club, and move from one venue to another. So in the broadest perspective, that has been taken into account, as well as expenditure, population size and doing some benchmarking by looking at other jurisdictions.

MR SMYTH: So have we done work on people's movements? Do people play at a regular place or do they play everywhere?

Mr Jones: The prevalence study—

Ms Burch: Is that in the study?

Mr Jones: Yes. The prevalence study gives an idea of frequency of play and things like that. Clearly, there is a whole range. Some people might play once a year or less frequently. In fact, there is a reasonable number—I think it is about 30 per cent—who do not gamble on gaming machines at all. Others play fairly regularly—once a week or more. I think the prevalence study indicated that those at risk or that score fairly high in the problem gambling criteria are playing at least once a week and are betting about \$40-plus per week. So there is that whole range, and that is all outlined in the prevalence study.

THE CHAIR: Significant concern has been raised by clubs about the lack of certainty in the proposed transfer scheme. Can you explain how it works? Can you address the concern that we have heard from some of the clubs that, when they try to transfer the machines, they might not succeed? They hope that they can, but they may not.

Ms Burch: In many of the discussions I have had with clubs individually and through ClubsACT, it is very clear they are aware that, if the mandatory pre-commitment trial comes through, there is an environment overlay for clubs here that other jurisdictions will not have. One of the consistent things is around this legislation, just to be clear through the legislation once we finish with this PAC inquiry and we debate it. But there will certainly be certainty across all forms of whether it is regulation, commission practice or policy development and partnership about how we—what is our space around working within one diversity as well. But the social impact statement, you may be able to work on that one, Greg.

Mr Jones: Yes. I am not really not quite sure about the source of the uncertainty, because I think the legislation is fairly clear in what needs to be met to allow a successful transfer. The fundamental ones are meeting the social impact assessment, and that is outlined in a very prescriptive manner both in the act and particularly in the regulations. That clearly goes into fair detail in both the social and economic impact of what moving machines from one part of the community into another part of the community would be and, secondly, meeting the needs analysis, which means that there would have to be a clearly demonstrated need for those additional machines in

the new venue.

Typically, what that means is that the club that is seeking additional machines or the recipient of those additional machines needs to prove that during peak time there is an excess of demand over supply. So they would have to be able to demonstrate that during certain peak periods their members need additional machines to satisfy the demand there. To summarise, what I would anticipate might be some of the uncertainty is meeting the criteria or putting in a detailed social impact assessment as well as meeting the needs assessment.

THE CHAIR: I think clubs are just concerned that they put a number in and they could get a number that is less than that out.

Ms Burch: Yes, and I am quite happy to work with the commission about how we go through those processes. Clearly, we need to have the social impact statement. I do not think anyone is arguing about the important role for that. It is a bit of: at what point does this assurance come in? Certainly, clubs I would imagine for their own business decision making need that assurance at the front end of the game rather than at the back end.

THE CHAIR: Yes, that is basically it.

Ms Burch: Yes, they are points that have been certainly well made—

THE CHAIR: Yes.

Ms Burch: and we can certainly look to that.

THE CHAIR: There is a flip side to this. We have theoretically a cap of 4,000. We just talked about here that we are going to be giving clubs certainty. What in the legislation is actually going to reduce the number of machines?

Ms Burch: I think at the moment we are not mandating claw-back—what is the term, Greg?

Mr Jones: Surrenders.

THE CHAIR: You are not surrendering?

Ms Burch: The machines are being surrendered, but we are not going in, as Greg commented earlier—the reduction is something that we will do. But to take it down to the national average is just a little rich—it goes too far. To take 2,000 machines out of the club sector would have an absolute impact on them.

THE CHAIR: What active measures are there to actually reduce the number, whether it is to 4,000 or the lower number, which would be an average? There is not anything that is really going to reduce the number of machines. If clubs want to continue doing what they are doing—

Mr Jones: Yes, the reduction is proposed over time through surrenders and

cancellations. If somebody decides to do a commercial valuation on what the cost-benefits of all their machines are and they find that they could have just as much revenue with 10 machines less and they do not have the cost of those 10 machines, then they could surrender those machines and move on quite happily. So that would be a surrender of 10 machines.

It could be a small or medium club that decides to close its doors for whatever reason. It could surrender its licence if no-one wishes to purchase it or whatever. If the commission takes disciplinary action against someone and cancels a licence and that decision is firm or finalised, then those machines would be removed from the cap as well. It is a gradual process. If the industry did absolutely nothing and there were no cancellations then, yes, the number would remain static for some time.

THE CHAIR: What are the sort of costs in having a machine that would encourage someone to actually decide that they did not want to have it?

Mr Jones: A machine—

THE CHAIR: I would not have assumed that they were very high.

Mr Jones: It is probably higher than you might think. A brand new machine is worth in the order of \$25,000. There is ongoing maintenance in terms of keeping it up to date. A gaming machine is basically a computer, like a PC. It needs upgrades and things like that. So there is ongoing maintenance for things like that. Clearly, there is electricity, there is staff to run them, to empty them, to count the money, to do all the meter checks, that sort of thing. There is that money tied up. If you need to borrow money to buy a machine or upgrade a machine, clearly there are interest costs and things like that. There are reasonable costs involved. If you have a finite number of members, for example, just doubling your number of machines is clearly not going to double your revenue.

THE CHAIR: No.

Mr Jones: I guess there is an economic optimum number of machines per venue. Indications are that based on revenue and number of machines right across the ACT we, the ACT, on average, have too many machines compared to other states, if that is what your benchmark is.

THE CHAIR: Does the government charge a licence fee, an annual licence fee?

Mr Jones: No, it is just a tax.

THE CHAIR: Because that would be another mechanism which might be more pointed if you want to reduce the number of machines.

MR HARGREAVES: Largely irrelevant, too. In terms of the clubs industry itself and the viability of an industry, given that we have such a low revenue return, which would suggest to me that there are many machines which are underutilised, some of them not utilised at all—which goes to what Madam Chair was just talking about—is the number of 4,000, therefore, largely irrelevant, but the issues of locations of the

machines and the ability to trade the asset not more of an issue for the clubs? What is the government's position in relation to the viability of the industry as opposed to the problem gambling issue?

I know we have a lot of concentration on the subject of problem gambling for what is essentially, I think, about 1,600 people, and we have got how many people employed in the club industry. It is a heck of a lot more than that I would imagine. What is the view around whether the figure of 4,000 is largely irrelevant if you are not using that many machines? I would almost guarantee you from my own observation—I suggest out of the three of us, the most extensive observation—that, if the clubs were of a mind, they could probably do with 15, 20 per cent less and it would not touch them. It would not touch them. But the viability of the industry is another story. What is the view on the location and the application from an asset perspective to the machines?

Ms Burch: I think the draft legislation sets out the ability for clubs to transfer in recognition, but understanding the need to make sure we do not concentrate all machines in a particular area of disadvantage. Certainly, the draft legislation sets out the ability to move machines around. Underutilisation and capping I think are two separate things. As has been articulated here, we believe that a reduction in machines is a strategy around addressing gaming machines.

On club viability, every club I have spoken to understands that gaming machines are part of their revenue, part of their business, but they are all talking about what is the next generation of clubs, what do they look like, how do they diversify and how do they become more attractive to the generations coming through. How do they become more attractive to their local suburb that may have undergone a change as well? All of them, rightly so as independent businesses, are certainly looking to that. I have said to them that I am quite happy to help, as a government can in that policy arena, about supporting them to diversification as well.

Whilst this is around gaming machines, and there is a lot of community conversation around problem gambling linked to gaming machines, you cannot turn the tele on and watch a sporting game without somebody putting an odds on, whether it is a footy match or a boxing match—even a tennis match or a game of golf. There is a generation of gambling, of betting, that I do not think many of us have really quite cottoned on to. You can have apps on a smart phone. You can sit on the bus and play poker through a venue out the back of beyond that is not controlled or regulated in any way to Australian standards. That is something that I think the clubs industry and all gaming and gambling industries are facing. That is another conversation altogether. But as far as supporting the clubs to diversify, that is something that they have all got their eye to. I have certainly said that we will help as we can.

MR HARGREAVES: In the context of machines being an asset, we know that if any group, large or small, wants to build some more premises, they go to the bank and say, “Look, give us the money.” The bank will say, “What’s your revenue stream?” If it is a club, they are going to ask, “How many poker machines do you have?” They say X number, and it is going to lean the bank towards lending you the money or not.

Ms Burch: Yes.

MR HARGREAVES: As I understand it, what we are talking about in terms of movement of machines from point A to B, it is within a club. If a club changes its entire premises, they can follow. If a club group wants to transfer machines from one club to another one in the group because they have got surplus to requirements there but they need more over there for their own business needs, that is actually just moving the machines from point A to B within itself. But there is no application of the notion that the machine itself represents a value in itself. For example, if a smaller club wanted to diversify its interests and wanted to sell the poker machines to another club and use the money returned from that sale to diversify and therefore make it a more viable business, that is just not possible at the moment. Will it be possible in the future?

Ms Burch: It is certainly not possible within the existing legislation but it certainly is part of the conversation. We are sitting here quite openly. It is part of the conversation that clubs individually or collectively have sought to go to. It is the same as the argument in an environment of a reducing cap—how do you create a pool for those greenfield sites? This is all part of the argument that, no doubt, has been put forward to you as a committee. That is why I have said that these arguments are not ill considered or ill informed. They all have complications at various levels but I have certainly put great effort into listening to the sector and will be listening to what this inquiry comes forward with about how we move forward.

THE CHAIR: Mr Smyth.

MR SMYTH: In the tabling speech, the then minister said that the government believes that, over time, the total number of machines operating in the ACT should be reduced. Over what time frame are you hoping for this reduction to occur?

Ms Burch: I do not think there was a definitive time frame put in, because we were looking to natural surrenders, and we did that quite deliberately; that is my understanding. Correct me if I am wrong, Greg, please. We did it quite deliberately, because we did not want to impose a negative on the club sector, which is going through its own change and has its own challenges as they move through.

MR SMYTH: If there is no dramatic move down to the 4,000 total, will the government change its stance?

Ms Burch: At the moment, we have said that we have a medium to long-term goal of 4,000 machines. I also note that there are some submissions that ask whether that can be reviewed in one or two years time. I think it was even put forward by ACTCOSS that it be looked at. But at the moment our position is medium to long term.

MR SMYTH: What sort of time frame is medium to long term?

Ms Burch: I would have thought it was a number of years.

MR SMYTH: Clearly it is going to be a number of years, yes. That is very astute. But what are those years? Is it five and 10, is it 10 and 20, is it 20 and 50?

THE CHAIR: Is it decades?

Mr Jones: My understanding, Mr Smyth, is that the government deliberately has not put a time frame on it because, in the absence of a mandatory surrender scheme so that you could then have a particular target which you could reach within a particular time frame, this is deliberately open ended. Between surrender and cancellations, which have deliberately not been in control in terms of numbers and time frame from the government's perspective, it is not possible to put a time frame on it. We say medium term because, with long term, we would be thinking very long term, and that is in the realms of the completely unknown and so many variables could happen between now and then.

MR SMYTH: It sounds very evasive.

Mr Jones: Given that the government is not doing anything to either encourage or put a time frame on it, there is not much more that it can do. It is not an "it'll never be changed forever" type target, but this is what the government has stated it has in mind in the medium term. If you want to put a ballpark on it of five, 10 or 15 years, perhaps that is your best estimate. But it is a matter of not having anything that it is going to be particularly targeting to reach it by a particular time frame. So time frames are not really relevant in terms of the target of 4,000.

THE CHAIR: It is an aspirational goal.

MR SMYTH: We will think about that. Can you talk us through how the actual trade in gaming machines will work? One of the fears put to the committee is that a club might apply to transfer 100 machines and the government will approve 60 machines and harvest the other 40.

THE CHAIR: Yes, I asked that question.

MR SMYTH: You are guaranteeing that that will not happen?

Mr Jones: Sorry, can you run the scenario by me again?

MR SMYTH: A club might ask to transfer 100 machines and you might approve 60 and keep the other 40. You are guaranteeing that that will not happen?

Mr Jones: I do not think the bill as currently drafted says that the club that is, let us say, giving up the 100 machines gives those up 100 per cent, irrespective of what the outcome is. I would have thought that the machines that go from club A to club B within the group would be what is approved for transfer. For example, if, subject to the social impact and the needs assessment, the commission, based on the information that was before it, decided not to allow any transfer, clearly, it is not going to just grab those 100 machines and say, "Well, you gave them up, but club B doesn't get them." My understanding of the way it is drafted is that the number of machines that end up at the recipient club would be the ones that would be reduced from the donating club; let us put it in that way.

THE CHAIR: So the total number of machines will stay the same; it is just a question of which club they are in? There is no expectation regarding which premises

they are in? There is no expectation of any reduction out of transfers? Is that what you are saying?

Mr Jones: Under the current bill, yes.

MR SMYTH: So under the current bill, the only way you will get machines back and reduce the cap is either a voluntary surrender or when a club closes?

Mr Jones: Or a cancellation; that is right.

MR SMYTH: That is the only way?

Mr Jones: Yes.

Ms Burch: So the social impact statement—

THE CHAIR: Is irrelevant, because you are not going to lose any.

Mr Jones: No. It decides on whether machines go from A to B, and that depends on the local area that they are going to. If that already has a high concentration with low socioeconomic values or criteria, that may make it more difficult to have the number of machines approved.

THE CHAIR: But you still get to keep the machines; there is no mechanism to reduce at all?

Mr Jones: The way the bill is drafted now, there is no six to one or five to one surrender as part of a transfer, no.

Ms Burch: So it is based on the social impact statement.

Mr Jones: And the needs assessment.

Ms Burch: And the needs assessment.

THE CHAIR: But I think you said it is more than that. If I want to move 100 to an area that you think does not want it, and you say, “No, not a good place to put those 100,” I could get to keep the 100. There is no reduction.

Mr Jones: There is no change.

MR SMYTH: When a club seeks to move machines, will they be required to do a social impact study in every case?

Mr Jones: My understanding is that they would, yes.

MR SMYTH: So every transfer of machines between every location will require a new social impact statement?

Mr Jones: Yes, because the principle is that it is moving machines from one local

community area to another, and the impact on that new local community area needs to be assessed.

MR SMYTH: How do we define “local community areas”?

Mr Jones: That is defined in the gaming machine regulation. I think it is a three-kilometre radius around the venue that they are going to.

MR SMYTH: Is there consideration that a social impact study be done for all of Canberra so that we understand the impact of moving machines in and around Canberra beyond the three-kilometre radius, thereby making it easier for the clubs to move machines?

Mr Jones: Under the current regs, a social impact assessment has to look at both the local community area and the broader community area. So it already covers both. If it was relevant to cover the whole of Canberra as the broader community area then that should be done already.

MR SMYTH: Therefore, wouldn't it be logical just to do a single social impact study for all of Canberra? These are not cheap.

Mr Jones: No, they certainly are not. Treating the ACT as the broader area, that is one point, but that is in the absolute broadest area. I think what the legislation or the current regulation contemplate is something that is a little narrower—for example, north side Belconnen, inner north, south, Woden, Weston Creek, as a broader area as an interim. I think that jumping from the local community area with the three-kilometre radius to the whole of the ACT is a bit of a broad jump. It would be more useful as part of the assessment to have something in the interim, such as whether it is the Tuggeranong valley rather than the whole of Canberra. Really, to be honest, what happens out in western Belconnen does not have a large impact on Tuggeranong.

MR SMYTH: But that gets back to one of my earlier questions about Canberra being geographically dispersed and quite different from, say, Campbelltown or parts of Sydney. I made the point that perhaps we are different in that regard. Then you said we were not that different, but now you seem to be saying, “Yes, we are different.” So the impacts in Tuggeranong would be different—

Mr Jones: I think it was a different context. I think on this one you are talking about moving from one club to another and what the impact is on the recipient club and its local and more general area. The previous conversation we were having was comparing the ACT with other jurisdictions on a much broader point. So I do not think your comparisons are valid there. But I think what the current gaming machine regulation does contemplate with a social impact assessment is that it requires an assessment of the local area, which is defined as a three-kilometre radius, plus the broader area. That is deliberately left open, because the broader area is going to vary depending on the circumstances. That is a matter for the author of the social impact assessment and the commission's assessment as to whether that is sufficiently covering those areas.

MR SMYTH: How many of the existing club groups have venues within three

kilometres of each other?

Mr Jones: I do not know off the top of my head. I do not think it would be very many.

MR SMYTH: If any. I cannot think of any that would be within three kilometres.

Mr Jones: I do not think—

THE CHAIR: Woden—

Ms Burch: Tuggeranong.

THE CHAIR: In Woden there are two—the Hellenic and the Southern Cross.

Ms Burch: Southern Cross—

MR HARGREAVES: No, they are not in the same group.

MR SMYTH: But the Southern Cross Club is not likely to transfer to the Hellenic.

THE CHAIR: I thought you meant clubs in the same area.

MR HARGREAVES: The Southern Cross Club did have that when they had the Yamba club operating. You've got to go to these places, guys. Get with the program.

Ms Burch: One of the things that I have picked up is about our process around transfer, so that the system is streamlined. We will have a look at it and make sure that certainty is provided at the front end rather than at the back end, which makes sense. Certainly we will see what we can do. The clubs industry employs 2,000 people. There is over \$80 million through the clubs industry benefiting broader Canberra. So we ought to be doing what we can to make some of those processes more straightforward.

MR HARGREAVES: On the social impact statement, the requirement is that, if I am going to transfer machines from club A to club B, I have to have a social impact statement around the district of club B?

Mr Jones: Yes.

MR HARGREAVES: I think at one point in time there were two sports clubs in different groups in Kaleen—Maribyrnong Avenue, if my memory serves me correctly. I defy members to now tell me the street name of the clubs that they are members of. I am not sure if they both operate; I think one of them was either going to close or has closed. In the hypothetical event that one of them did, that would remove quite a deal of community support for that particular three-kilometre radius. So it would be not too far fetched to consider that there would be a detrimental effect if a club remained operational but the machines left. Is there a requirement to do a social impact on a community where the poker machines have been removed, and should there be?

Ms Burch: I do not think we do. But Greg may be able—

MR HARGREAVES: I am pretty sure we do not.

Mr Jones: I do not think there is. You are saying, for example, for a surrender—

MR HARGREAVES: Yes, for example, in the case of a small club—let us say the Buffaloes club or one of the sports clubs in Kaleen—they do not have very many machines—20, 30, tops, that kind of thing. But an amount of their revenue goes into supporting the junior teams in those areas. Now, it is not too far fetched to consider that if they stopped operating, someone else is going to have to pick up the tab for those junior sports teams. That is a negative social impact as a result of that club getting out of poker machines in that particular area, and we would not know the extent of that negative social impact, would we, unless we did such an impact statement?

Mr Jones: No, I do not think it does. In fact, I am absolutely sure that the legislation only requires a social impact for an increase in machines or relocating to a different area. But I guess it could be problematic for a venue if it decided to downsize its number of machines from 100 to 80, or whatever, because that was a reflection of what its members needed or wanted. I think if you did a social impact and it came out that there was going to be an overall detriment to the area, then that would mean, presumably, that the government would say, “Well, no, you can’t surrender those machines; you must operate them no matter what,” even if it was the wish of the members not to operate them. I do not know that that would be the right outcome for that club.

Ms Burch: But I think it highlights the point that every machine does not equal a problem or does not equal a negative for the sector.

MR HARGREAVES: Yes, exactly.

Ms Burch: Community clubs by their nature have been born in and grown by the communities which they serve, and one of the things with the more national conversation has been quite negative for the community clubs. The benefit of community clubs in their entirety is about a venue for celebration—where do you have your birthday, where do you meet up with friends, and all of that. It has been in many ways a negative. I am quite happy to do what I can as the minister to recalibrate that conversation to recognise the clubs for what they are.

MR HARGREAVES: The genesis of my question came from a recollection I have of when the smoking regime was imposed. Nobody in their right mind would oppose the imposition of those regimes, but poker machine revenue did drop, and it dropped by something like 17 per cent or something of that order. It had a corresponding effect on the extent to which community grants came out of the club scheme. Therefore, you have got a negative social impact which would have to be recognised and either bad luck for those recipients or the government has to pick up the support for that sort of activity.

At the moment, everyone’s a winner, as it were. I accept that Madam Chair has had a really bad experience with a poker machine—you can see it. I can see a social impact

through a significant reduction in a particular premises, either through the playing numbers or the machines themselves. Somebody is going to have to pick it up. I do not know whether we have had a sufficient conversation around that at this point. We might do that.

THE CHAIR: If you do not have any comment on that, I will move on. Earlier in conversation with Mr Smyth, we were talking about the impact of numbers on problem gambling, and it was not totally clear. Given that it is not totally clear, are there other things you are doing to reduce problem gambling?

Ms Burch: There are a number of initiatives that the clubs do themselves and within their own groups. But, certainly, the Mission Australia contract is a significant contract of about \$700,000-odd.

THE CHAIR: There is nothing else in this legislation, though, that would reduce problem gambling?

Ms Burch: One is the ATM withdrawal, which is limiting it to \$250, but we do not believe you have to put every program and every activity into the legislation. But, Greg Jones may be able to talk about the range of activities that we do around problem gambling.

Mr Jones: Yes, the rest of the legislation, other than the technical detail, virtually mirrors the principle of the federal government's \$250 per card per day withdrawal. There are some slight differences to the bill that has been put out as an exposure draft by the commonwealth which will be looked at obviously for consistency.

In terms of other harm minimisation areas, we are currently doing some fairly intense and very targeted research with ANU about how to target problem gamblers and those at risk and trying to work out why such a low rate of people seek help or assistance or counselling. We have some research ongoing at the moment which is going to inform us about that. Once that indicates how we can best target these people, it will be developing in cooperation with Mission Australia some very specific targeted programs to increase awareness and to encourage early intervention for those for whom counselling or other intervention would be of assistance. We are working on that, but we are waiting until we get the research behind us before we expend further funds on that.

Ms Burch: But individuals can self-exclude as well. Each club has a designated gambling contact officer, so they work the floor. They work with other staff within the building about problem gamblers. Certainly individuals can self-exclude and form groups. It is worth exploring with the clubs how broad that self-exclusion can go. If someone is putting their hand up and self-identifying, that is exactly the time when you need to start to work with them about their issues.

THE CHAIR: You mentioned the ATM—

MR SMYTH: Sorry, before you move on, the question was, though: how much does the government spend on addressing problem gambling? How many programs have you got and how much did the government spend in the last financial year?

Mr Jones: It is a broad range of approaches. As you are well aware, we have got one of the best mandatory codes of practice in terms of covering harm minimisation aspects, and that has been in place for nearly 10 years now. We are just starting a review of that to make sure it is up to date. We have got other various aspects in different acts—the Gaming Machine Act has got a number of things in it and the ATM restriction adds to that. It is not possible to put an instant dollar figure on what the strategy is. As we outlined before, it is a very broad, scattergun approach to make sure we cover as many people as possible because different things are effective with different people. Some are actually at no cost but are useful assistance or deterrent.

MR SMYTH: Could that be taken on notice, please? How much does the government actually spend on addressing problem gambling?

Ms Burch: We can bring back what information we can. But it is also worth noting that the industry itself recognises its own responsibility and invests in that as well. Clearly, I would not be able to provide that, other than what is in their annual reports.

MR SMYTH: The government received \$37 million from poker machines last financial year?

Mr Jones: Yes.

MR SMYTH: We tax things so that we can often ameliorate the impact of those things. We have registration so that contributes towards road safety, for instance. So of the \$37 million that you got from poker machines, how much did you spend on the downside of poker machines?

Mr Jones: Well, it is not earmarked. The only particular amount earmarked is the problem gambling assistance fund, which is the 0.6 per cent, which is about \$1.1 million a year. That is a dedicated fund to assisting problem gambling. So there is \$1.1 million. The commission spends out of its own budget allocation in the order of \$180,000 to \$200,000 a year on research, so there is about \$200,000 there.

The commission spend a lot of time on other activities which would be almost impossible to try and quantify in terms of talking to people on the phone, producing brochures, handing brochures out, talking to Mission Australia, so we spend a lot of effort. The number of hours we as a commission spend on that would be extremely difficult to quantify. I am not quite sure how successful we are going to be doing that.

MR SMYTH: If you could, that would be good.

Ms Burch: It will only be what we can identify, because through the Community Services Directorate and health and education and other directorates, there would be programs of counselling and family support that would obviously be going to problem gambling and those with gambling addiction. So we will bring back, chair, what we can.

THE CHAIR: Thank you. You mentioned the \$250 ATM limit.

Ms Burch: Yes.

THE CHAIR: I understand that does not include EFTPOS machines.

Mr Jones: I think that is correct.

THE CHAIR: Why not? The Productivity Commission recommended that it should. It seems a bit of a loophole.

Mr Jones: I do not know that it is a loophole. The EFTPOS requires by definition an interaction between two people, and that interaction enables the staff of the venue to make a judgment on whether a person is perhaps overexpending or whatever. Given that all staff involved in dealing with gambling activity have training in terms of assisting or identifying people, it was considered that it was not necessary to go as far as putting restrictions on EFTPOS where there is that human transaction. With an ATM, where it is effectively anonymous with a card, that was considered to be a much higher risk area. That is why that has been targeted. Clearly, the federal government have the same approach, given that they proposed it first.

MR SMYTH: On the \$250 limit, has any work ever been done to work out in the ACT what percentage of withdrawals is spent on gambling and what percentage is spent on other things—for instance, food or drink?

Mr Jones: No, we certainly do not have that. We have not looked at that. All we can go by is what the Productivity Commission recommended, and that was something like 85 per cent of withdrawal amounts are less than \$250. So the federal legislation and our component in the bill are based on that.

MR SMYTH: But that is an Australia-wide figure?

Mr Jones: Yes, it is.

MR SMYTH: So we do not know what percentage is spent either on gaming or on other, and we do not know what percentage is spent within the venue where the money is withdrawn and what percentage is taken outside that venue?

Mr Jones: No, we do not. We have never done a survey on that so we do not know that, no.

MR SMYTH: One of the small clubs raised with the committee the fact that part of their cash flow is the fees they make from people using the machine as the local bank. Has that sort of practice been taken into account when putting this limit on in the ACT?

Mr Jones: Yes, it has. But I think if you look at the bigger picture and the public interest in terms of limiting the amount of cash that can be withdrawn at a gaming venue, it was considered that the benefits that that would bring to problem gamblers and those at risk outweigh what were considered to be the relatively small—although possibly important for a small club—fees they may earn from an ATM.

MR SMYTH: Right.

Ms Burch: I think there was a report done a number of years ago that seemed to infer what most of the larger withdrawals were from problem gamblers. We take your point that \$250 can go for gambling but it can also go for that meal as well.

MR SMYTH: But we do not have information specific to the ACT?

Mr Jones: No.

MR SMYTH: There are some commonwealth reforms that start next year, and these reforms are slated to start this year. Minister, I note you have tabled your statement, and you spoke about this at the ClubsACT lunch the other day. Is it your intention to bring the two dates into alignment?

Ms Burch: The one which has the ATM withdrawal of \$250, I think there was only a month's difference in it, so it certainly makes sense for the sake of simplicity and ease to align those should that be agreeable to all parties. That is certainly something we would look at.

MR SMYTH: All right. So are you having that amendment drafted?

Ms Burch: We are not at the moment. I made the comment because that was the first time I had seen the federal legislation. It was only tabled last week or the week before. That is when their time lines became clear.

Mr Jones: In fact, it has not even been tabled just yet. It has been released as an exposure draft.

Ms Burch: Yes.

Mr Jones: We are not sure whether it will actually be tabled.

THE CHAIR: There are no more questions. On behalf of the committee, I would like to thank you, Minister Burch, in your capacity as Minister for Gaming and Racing, and Mr Jones. This public hearing is now adjourned.

The committee adjourned at 3.14 pm.