

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2002–03 budget estimates

Melbourne – 24 May 2002

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Mr J. Pandazopoulos, Minister for Gaming;
Mr I. Little, Secretary;
Mr B. Lahey, Director, Gaming and Betting, and Director, Casino Surveillance; and
Mr R. Geddes, Director, Gaming Policy, Department of Treasury and Finance.

The ACTING CHAIRMAN (Mrs Maddigan) — I would like to welcome again Ian Little, the Secretary of the Department of Treasury and Finance. Nice to see you again, Ian!

Mr PANDAZOPOULOS — And you can only ask gaming questions!

The ACTING CHAIRMAN — I also welcome Mr Bill Lahey, the director of gaming and betting; Mr Ryan Geddes, the director of gaming policy; and other staff.

Mr PANDAZOPOULOS — I will give some details about the outlook of the portfolio. As minister, I am supported by the Department of Treasury and Finance, the Victorian Casino and Gaming Authority (VCGA), the director of gaming and betting, the director of casino surveillance and the staff of the Office of Gambling Regulation and the Gambling Research Panel. The gambling policy unit within the department is responsible for providing policy advice on all matters relating to gaming in Victoria. As the key regulatory body, the VCGA regulates the casino, gaming machines, lottery draws and minor gaming. It also has a statutory function to act as a source of advice to the minister on gaming issues. The director of gaming and betting and the director of casino surveillance primarily service the VCGA, but they also have specific statutory roles and responsibilities. The authority and the directors are administratively supported by the Office of Gambling Regulation, and the independent Gambling Research Panel conducts and monitors research into gambling and problem gambling.

Functions relating to gaming include the regulation of the gambling output. Gaming regulatory responsibilities belong to the VCGA and the director of gaming and betting and the director of casino surveillance. Key activities under this output include licensing and equipment approvals, investigations and compliance audits and casino regulation. The function of the gaming policy advice output within the department has recently been strengthened by the appointment of a director and establishment of the gaming policy unit. Key activities under this output include day-to-day gaming policy advice, development of policy frameworks and legislative amendments, analysis of gaming research and consultation with gaming stakeholders and strategic planning of gaming's future.

The Gambling Research Panel conducts, monitors and publishes research into the social and economic impact of gambling and the causes of problem gambling, including strategies to minimise harm from gambling. Key activities under this output include 10 research projects covering four themes. The themes include dimensions of problem gambling, community attitudes, prevention, harm minimisation, diversion and effectiveness of services for problem gamblers.

The 2002–03 budget output costs are shown. The gaming policy advice output is \$1.5 million and the regulation of gambling output is \$17.7 million. The Gambling Research Panel has a \$1 million program outlined in the research panel's first annual research plan, which will play a crucial role in providing independent and authoritative policy research to assist the government in balancing the economic benefits of the gaming industry with effective protection for the community from the adverse effects of gambling and problem gambling.

The regulation of gambling, the activities of the VCGA and the director of gaming and betting and the director of casino surveillance under this output are geared towards achieving a fair and crime-free gaming industry in Victoria. Licences comprise mainly the issue of gaming venue licences, special employer licences, minor gaming permits and declarations. Compliance services comprise mainly gaming venue casino audits and investigations, revenue verification audits and casino regulation. The performance measures for the regulation of gambling output relates to the licence target in 2002–03 of processing over 17 000 licences. This reflects a proclamation of the gambling legislation — this latest amendment act of March 2001.

On compliance services there is a target of conducting over 7000 compliance activities such as audits, inspections, revenue verification, operator procedures and rule approvals. On quality figures, less than 0.1 per cent of licences are expected to be cancelled following disciplinary action as a proportion of active licences, and 100 per cent of gambling operations and audit branch functions are processed accurately. In terms of time lines, 90 per cent of all licences and 100 per cent of compliance services are expected to be performed within the target times and the total cost of output is \$17.7 million.

In the past financial year the VCGA and the director of gaming and betting and the director of casino surveillance were involved in ensuring the integrity and probity of the gaming industry and implementing government initiatives which were introduced in previous years. Some of the more

recent work of the director has involved implementing regulations relating to lighting and gaming venues, gaming machine standards, clocks on gaming machines and advertising. In 2002–03 the VCGA and the director will consolidate the implementation process commenced in 2001–02. The policy advice performance measures targets for the department are the quantity, its briefings on gaming policies issued for me and senior executive, including advice on the preparation of the Gaming Legislation (Amendment) Bill 2002 and the Casino (Management Agreement) (Amendment) Bill 2002, and the development of a national research program on problem gambling. This output is also responsible for correspondence relating to gaming and briefings for the ministerial council of gaming ministers and the Australian Gambling Research Secretariat and consultation meetings with key stakeholders, including industry and community groups. In terms of quality, the ministerial service provision rating for policy advice is targeted at 80 per cent for the new financial year. These standards are commensurate with those applying to other policy areas of the Department of Treasury and Finance, and the department achieved this benchmark in the previous year. Timeliness is an important component of quality assurance, and this is particularly so in gambling policy. The expectation is 100 per cent this year, and the department is expected to achieve this target for 2001–02. In terms of recent government achievements, the government has achieved many changes in the gaming policy environment designed to restore balance in gaming. These include: from 2 January 2002, requiring all gaming venues to have adequate lighting; from October 2001, requiring all gaming machines in use in venues, including the casino, to have clocks displayed; and on 28 March 2002, announcing draft player information regulations requiring that gaming machines display the odds of winning and the amount of time and money a player has spent. The draft regulations which are expected to come into operation on 1 July this year will also require printed material such as posters, brochures and what we call talkers to be displayed in every gaming venue. It should also be noted that on 6 September 2001 —

Mr HOLDING — Sorry, what was that last thing? I missed —

Mr HALLAM — I hope it is the last thing!

The ACTING CHAIRMAN — Two more!

Mr HOLDING — What are ‘talkers’?

Mr PANDAZOPOULOS — They are cards attached to each gaming machine. They are like mini-posters that are going to be attached to every single gaming machine.

On 6 September 2001 the independent Gambling Research Panel officially launched its research plan for 2001–02 and has called for public tenders for 6 of its 10 research projects. Four of these projects are currently under way. There are new government initiatives that you are aware of in terms of bills currently in the house. They focus on gaming machine design, cash accessibility and player loyalty schemes. With the establishment of the ministerial council on gambling, it is good that we are starting to get a coordinated approach around the country. There have been agreed outcomes on a national strategic framework on problem gambling, the development of a national research program into the causes and prevention of problem gambling and the Australian Gambling Research Secretariat is located within the gaming policy unit in our own Department of Treasury and Finance. We are pleased that the commonwealth and all the other states agreed that Victoria has got the runs on the board on independent research and the Australian secretariat is based here in Victoria.

Mr HOLDING — What about regional caps? The government announced in April last year the removal of gaming machines from five regions in Victoria where caps had been applied. Can you take the committee through the status of that policy: where we are at, the number of machines that are affected in each region, and what has occurred to date in relation to that?

Mr PANDAZOPOULOS — We did say that we will try to do something that others have not tried, and that is identify the areas that are being hit harder than other areas — areas where there is a combination of a higher concentration of gaming machines, a higher turnover per capita and which also coincide with lower socioeconomic areas. We identified five areas which in effect cover 10 per cent of Victoria’s population. We have not ruled out any further caps, but the areas that we did designate were Greater Dandenong, Maribyrnong, Darebin, Latrobe and Bass Coast. In effect the focus was on saying, ‘No additional gaming machines in those areas’, and it was capped to a number of gaming machines that were in those capped areas as of 30 June 2000. Four of the five areas were required to reduce gaming machines over a period of time. In Greater Dandenong plus — what we

mean by 'plus' is that it is focused on a municipality plus adjoining postcode areas that have similar characteristics in terms of either high turnover or low socioeconomic level to that council area; it is a measure designed to try to include comparable suburbs as they appear demographically and on turnover — in greater Dandenong it is a requirement to reduce 147 gaming machines, and so far 55 machines have been reduced since April.

The ACTING CHAIRMAN — Sorry, how many in Greater Dandenong?

Mr PANDAZOPOULOS — Out of 1540 machines that were permitted in Dandenong, 147 machines were required to be removed and so far 55 machines have been removed since April 2001. Just to remind you, we have given the industry three years to reduce those numbers of gaming machines over time.

The ACTING CHAIRMAN — Okay.

Mr PANDAZOPOULOS — In Maribyrnong plus — —

Mr HOLDING — Sorry, can I just ask how have they done that? To date it has been just through the industry identifying machines that they are willing to — it is cooperative?

Mr PANDAZOPOULOS — It is a plan put together by the Office of Gambling Regulation, so I will ask Bill Lahey to help me answer that.

Mr LAHEY — The plan was, after consultation with the venue operators in the affected areas, the authority decided it would be done over three years. I think it was 20 per cent the first year, then 40 and 40, and where possible the same percentage to come out of each venue.

Mr HOLDING — Okay.

Mr LAHEY — They are to take those machines out and the licences are adjusted on 15 February of each year.

Mr HOLDING — Thanks, sorry.

Mr PANDAZOPOULOS — Just to remind you, the act that was passed, the Gambling Legislation (Responsible Gaming) Act, in May of 2000, allowed up to five years. The Office of Gaming Regulation chose a three-year period. So far 55 machines out of Greater Dandenong and out of Maribyrnong 157 machines have been reduced. So far 32 are out there. In Darebin there was an actual freeze on the number of machines; it did not necessarily require a removal of machines, but just as things coincided there has actually been 20 machines less in Darebin since April 2001. In Latrobe, 35 of 61 machines required to be removed so far — more than half — have been taken out. In Bass Coast, of 41 machines required to be removed, so far 8 machines. So, you know, we are well on target. It sends a positive message about no additional machines in those areas. We are working with industry to reduce those, but in the same way I am pleased that the Office of Gambling Regulation has chosen that all venues will suffer an equal burden in reductions of numbers of gaming machines.

Mr CLARK — I want to refer to the outcome of the negotiations with Crown Casino for the alternative arrangements in lieu of the lyric theatre proposal. You will be aware, Minister, that there is an \$18-million payment to be made to the state by instalments, and that there are provisions relating to an alternative project to be constructed by Crown. However, as I understand it, for the alternative project there is no time limit within which Crown has to undertake it. It seems that they could put it off forever. What I wanted to know was, when was this concept of a cash payment and an alternative project floated? Who or which was the party that initiated the proposal? Who handled the negotiations on behalf of the government? Was it the government's intention that Crown be under no effective obligation to actually construct this alternative project?

The ACTING CHAIRMAN — Is this in the gaming portfolio? I am not quite sure. Are you the minister responsible, John?

Mr PANDAZOPOULOS — Yes, certainly.

The ACTING CHAIRMAN — Yes, okay.

Mr PANDAZOPOULOS — There is a bill in the house at the moment that I have introduced.

The ACTING CHAIRMAN — Okay.

Mr PANDAZOPOULOS — As you are aware, under the Casino (Management Agreement) Act there can be variations made if there is agreement. Crown approached the government about not

wanting to proceed with the lyric theatre based on a study they did that highlighted what they argued was a negative impact on the arts community.

Mr CLARK — When did Crown approach the government about that?

Mr PANDAZOPOULOS — As I recall it was about, possibly, up to about 18 months ago. Crown had proposed that they not build the lyric theatre but instead build a car park. That was not satisfactory to the government. They actually put up a number of proposals that were not satisfactory to the government. The proposal we accepted was that they, in lieu of construction of the lyric theatre — and we were actually being also lobbied, or government was, on the impact of the lyric on Melbourne's historic theatre precinct with the sort of investment that had been going on. Obviously, if Crown was prepared to offer something that was acceptable, that did not harm the arts industry but in effect complemented it, then it was something that we would be prepared to consider. So the proposal we ended up accepting was an \$18 million payment in lieu of construction, over six instalments, and government approve what those projects should be, rather than Crown offering them up.

It is fair to say that the proposals offered up by Crown until reaching this agreement we were not satisfied with. I did not think it was appropriate to build a car park in lieu. What we did want, and the reason we have the bill before the house at the moment, was that they should build an alternative project. We did not want to lose the opportunity of the economic impact of the construction value of the equivalent of the lyric theatre. That was valued: we had an independent quantity surveyor value what they would be, and that was agreed by Crown, so they had to deliver at least an equivalent project. The problem is that these things are done, as you know, by agreement, and the judgment we have had is that that provision should be in the bill so that it binds them. Yes, it does not have a time frame, but it binds them to an alternative.

The other alternative was to not allow them to build an alternative project but simply take their \$18 million. We believe there is more economic value than in just taking the \$18 million. It overcomes the issue they had about building the lyric theatre by 30 November of next year and allows them to proceed with their second hotel project where the lyric was supposed to be placed. That payment is done, but it means that the economic value of construction of an alternative project will still be of benefit to the state some time in the future but it is something that must pass, obviously, all planning laws and be approved by the minister of the day.

Mr CLARK — Did the government recognise that, effectively, because there is no time limit, it was virtually an unenforceable obligation against Crown? Crown could just take forever to do it and the state has got no assurance of getting the project done?

Mr PANDAZOPOULOS — As I said, the choice we had was not actually having anything in the bill. If it was a matter of trying to actually reach agreement then you have got to agree on both sides. Crown would not agree to a time frame; but having it in an act of Parliament creates an obligation and puts pressure on Crown to deliver something at some time in the future. The bottom line is that whatever they do that is approved by government is to be of equivalent value to what the lyric theatre was in current dollar terms. I mean, compare that to what the former Premier said on 3AK in an interview with Gary O'Neill of Crown, where he said that there was an arrangement done that we are certainly not aware of. There is no documentation of it, but he said the lyric would not be built and there would not have to be any payment made to the Crown. In the end, compared to that, what we have got is a pretty good outcome for Victorians.

Mr HALLAM — There was our \$50 000 a day penalty.

Mr PANDAZOPOULOS — The \$18 million roughly equates to one year of fines.

Mr HALLAM — I worked that out myself. Who negotiated the \$18 million?

Mr PANDAZOPOULOS — The \$18 million is part of a process within Treasury and Finance.

Mr HALLAM — Did you negotiate it?

Mr PANDAZOPOULOS — Not me personally.

Mr HALLAM — Do you know who did negotiate it?

Mr PANDAZOPOULOS — We have got individuals in Treasury and Finance and in government. This is obviously — Crown has put up all sorts of — —

Mr HALLAM — I am not interested in that. I want to know who negotiated from the side of government. Do you accept responsibility for the \$18 million price?

Mr PANDAZOPOULOS — I did not negotiate it.

Mr HALLAM — That was not my question. Do you accept responsibility for the \$18 million price?

The ACTING CHAIRMAN — Was it in your portfolio, those negotiations?

Mr HALLAM — Of course it is.

The ACTING CHAIRMAN — I am just trying to determine if it was in his portfolio area, those negotiations —

Mr HALLAM — It most certainly is.

The ACTING CHAIRMAN — Or if it is under the direction of the Treasurer.

Mr PANDAZOPOULOS — The department provided advice to the Treasurer on the value of these things and the department prepared advice to me recommending that it is a pretty good outcome, and we have signed off on that and are prepared to put it to the Parliament.

Mr HALLAM — You have signed off?

Mr PANDAZOPOULOS — We have signed off on preparing the bill for the Parliament.

Mr HALLAM — You, as minister, have signed off?

Mr PANDAZOPOULOS — On these proposals?

Mr HALLAM — On the \$18 million.

Mr PANDAZOPOULOS — I have signed off.

Mr HALLAM — So you do accept responsibility. Was the Victorian Casino and Gaming Authority consulted on this?

Mr PANDAZOPOULOS — No.

Mr HALLAM — Was the Auditor-General consulted?

Mr PANDAZOPOULOS — No. Treasury and finance has obviously been involved. It recommended to the Treasurer that it is a reasonable outcome.

Mr HALLAM — But you have signed off on it. Do you know what the net present value of \$18 million over six years is?

Mr PANDAZOPOULOS — When we look at the alternative of what the previous Premier has told us was going to happen compared with what we have delivered, plus an obligation on Crown to deliver a project of equivalent value, we believe it is a pretty good outcome for Victoria. When we look at the harm also that would have been caused to the arts industry in Victoria by concentrating arts activity down at Crown, we think that would be negative to the arts industry and do harm to projects such as the Princess Theatre across the road and the redeveloped Regent Theatre.

Mr HALLAM — My question was: do you know what the net present value of the \$18 million over six years is?

Mr PANDAZOPOULOS — Obviously NPV is not the equivalent of \$18 million in current dollars.

Mr HALLAM — I know that as well; congratulations! Do you have an idea of what it is?

Mr PANDAZOPOULOS — Again, these things are done by agreement. We believe that a lyric theatre will damage the arts industry; that is the government's position, that it will damage the arts industry. I strongly agree with that. We believe a payment in lieu of the lyric, so it does not do damage to the arts industry, and resources from that going into other arts projects that complement the arts industry rather than disadvantage it, plus an equivalent capital size project, are very good outcomes for Victoria, and that is why we have a bill in the Parliament.

Mr HALLAM — Does the government still hold a letter of credit in respect of that project?

Mr PANDAZOPOULOS — Yes.

Mr HALLAM — That does not change at all. Does the penalty of \$50 000 a day change?

Mr PANDAZOPOULOS — It does not unless Parliament agrees to the bill that is in the Parliament at the moment. It is by agreement, and that means the Parliament has to agree as well. We are prepared to put it up to the Parliament; we think it is a fair outcome. In the end it is in the Parliament's hands.

Mr RICH-PHILLIPS — I take you back to the issue of regional caps about which you spoke earlier. You mentioned on a region-by-region basis the number of machines that are required

to be withdrawn and the number that have been removed. Can you tell the committee how you measure the success of the removal of those machines? Is there a reduction in revenue in those areas? Do you have a way of quantifying the success or otherwise of that program?

Mr PANDAZOPOULOS — In terms of the original policy setting when this was taken up in the election campaign, it was really a measure to stop what communities were concerned about — that is, more and more gaming machine venues in their own local areas and existing venues getting more gaming machines. That is the reason caps were set up. Part of the consequence of that was that we deemed it was appropriate, noting from existing evidence that there were areas that had a much higher concentration of gaming machines compared with other areas, and reasonable to set a limit. The Office of Gambling Regulation determined what the number of gaming machines should be. So the additional consequential benefit was that in some of the capped areas, four of the five, there was a need to reduce gaming machines. Predominantly it is really about discouraging and putting an end in effect to an increase in the actual number of gaming machines, and a discouragement of new venues. That is what the focus was.

Mr RICH-PHILLIPS — It is about machine numbers rather than gaming activity?

Mr PANDAZOPOULOS — It is really about sending a message that, at least in terms of extra gaming machines in those areas, enough is enough for those areas.

Mr RICH-PHILLIPS — The figures you quoted on machines removed from areas — for example, 55 in the Dandenong area — have those machines actually been withdrawn from service or have they simply been relocated somewhere else in the state? Is there a net reduction in machines?

Mr PANDAZOPOULOS — You are aware that we have inherited a cap — by ‘cap’ I mean 30 000 gaming machines which we formally capped, and which included the Crown ones. That means at least with the 27 500 that Tabcorp and Tattersalls have that they can locate any of those machines in other parts of the state. What we are saying for these five hard-hit areas, and certainly for the four where there is a reduction in machines, is that they get taken out of those communities. It is up to Tattersalls and Tabcorp if they want to locate those machines in other venues to use the new mechanisms available under the responsible gambling act, with social and economic impact assessments and councils and communities having a say. They have to be dealt with under the new criteria, and if they get permits they may get relocated to other parts of the state.

Mr RICH-PHILLIPS — Have they been relocated?

Mr PANDAZOPOULOS — The question is more about are 30 000 gaming machines already out there located in venues? Bill may have an answer.

Mr LAHEY — The number of machines in the community has hardly changed over the last few years. The 27 500 cap of machines outside the casino has been effectively been in place over the past few years.

Mr RICH-PHILLIPS — There has been no change in numbers?

Mr LAHEY — It is very minor.

Mr RICH-PHILLIPS — Is it up or down?

Mr LAHEY — I think it would be up by 250 over the last few years.

Mr RICH-PHILLIPS — Up by 250?

Mr LAHEY — I would have to take that on notice to confirm that.

Mr RICH-PHILLIPS — Please do.

Mr PANDAZOPOULOS — You would be aware that the licences we have inherited allow the companies — Tattersalls and Tabcorp — subject to getting permits, to have 27 500 gaming machines out in the marketplace.

Mr RICH-PHILLIPS — You spoke earlier about not ruling out further caps. What is your position on regional caps in the areas of Ballarat, Bendigo, et cetera?

Mr PANDAZOPOULOS — We said we have not ruled them out. We are aware that obviously commitments were made in the election campaign. Work is being done at the moment about what we may do, what other areas we may include. We are looking at current data that gives us comparisons about where you start with the next possible areas if we want to proceed down that road.

Mr RICH-PHILLIPS — Do you have a time frame for that?

Mr PANDAZOPOULOS — Not at the moment, but there is work being done on it. As you are aware, we look at figures on an annual basis in terms of turnover, which we publish, and of course the Gambling Research Panel also is doing some work on the cap policy area. We believe it is reasonable to have an independent research panel to not only research possible measures that we can undertake and also look at impacts but also research government initiatives to see whether they can be improved or how they are working. So there is a research plan being conducted at the moment by the Gambling Research Panel which will form the basis of any future decisions we make.

The ACTING CHAIRMAN — I wish to ask you about some of the measures that were introduced — I have forgotten which bill it was — about clocks and making gaming venues install clocks that people can see in the venues. What is the government doing to ensure that this policy is being put into place? Is there a plan or strategy, and how is that program administered? The issue has certainly gained a bit of publicity in recent times about whether it is happening or not?

Mr PANDAZOPOULOS — We know from research of the Productivity Commission that people feel that a greater sense of time in what they are doing in venues is important. It is one of the ways of providing information. We did not want to wait until we had in effect regulations in place requiring gaming industries to change their gaming machines and display an electronic clock. We thought a good interim measure would be requiring them to place some form of clock on each gaming machine. We have draft regulations out at the moment that will require them to change them electronically. We think that is a better measure, with additional consumer information on those screens for gamblers.

The ACTING CHAIRMAN — Do you have to buy new machines or can you adjust the ones already there?

Mr PANDAZOPOULOS — We gave the industry the choice of doing it by electronic redesign or by simply sticking clocks on. The initial reaction has been to stick clocks on, but we will be moving, subject to my approving the proposed regulations, to have them part of the machine redesign. We are very pleased that at least the venues moved quickly to do so.

The ACTING CHAIRMAN — Do you have inspectors going around checking?

Mr PANDAZOPOULOS — Absolutely. There have been at least on two occasions inspections ensuring compliance. In addition, there are regular covert operations to check on venues in all sorts of areas, including ensuring clocks on poker machines are showing the correct time or at least if there is a variation in time. No breaches of the legislation have been detected, about which we are pleased and thank the industry. Of course the penalty for breaching the clock regulations is 20 penalty units. So it is a bit of a fine; there is a bit of incentive there to ensure that venues make sure their clocks are functioning and that they are displaying the appropriate time.

Mr HALLAM — Do you still maintain the general policy of reducing your reliance on the gambling dollar?

Mr PANDAZOPOULOS — I think it is a very similar question to last year.

Mr HALLAM — Well, let's try the answer.

The ACTING CHAIRMAN — Think of a similar answer!

Mr HALLAM — Think of the same answer.

Mr PANDAZOPOULOS — And you will get the same answer: I am responsible for the regulation of gambling not the revenue side of gambling. I understand that a few questions were asked to the Treasurer at PAEC about the revenue side of that, so I mean I do not have an interest in the revenue side of it. I have an interest in the regulation side.

Mr HALLAM — But you do have an interest in the question of the government's reliance on the gambling dollar. I can quote you chapter and verse of your press releases. That is the thesis upon which all of your reforming legislation is brought to the chamber.

Mr PANDAZOPOULOS — The focus of our legislation is about helping problem gamblers, not getting in the way of recreational gamblers.

Mr HALLAM — Then let me go to problem gambling, if we are going to tackle it from that point of view. This time last year we framed a recommendation that requested a review that you develop a performance indicator that would determine the government's success in minimising problem gambling. Has that been done?

The ACTING CHAIRMAN — This was recommendation 15.8 made by the Committee last year.

Mr PANDAZOPOULOS — We certainly note that. We have put an extensive independent research plan in place. The independent Gambling Research Panel has been provided a million dollars to start doing a whole lot of work — and I am also responding from the previous question from Mr Rich-Phillips about also researching initiatives of the government — because we think it is worth while to research those. It is not easy to find an immediate measure to be able to know that. The focus of what we work on is the precautionary principle, where we are not necessarily totally relying on confirmed evidence that certain measures will help reduce problem gambling, but like in many legal areas a precautionary principle is being applied, where based on work — like, for example, the Productivity Commission did — that some areas are more likely to help and assist problem gamblers whilst research programs are done.

We think that with some of the measures in the new bill in the house, where we will be regulating player loyalty schemes, there might be a possibility — because what we will be doing is accessing in non-identifiable format information on real-time expenditure as part of these programs, which will be made available to the independent research panel so they actually do some tracking about what are the spending patterns of people that we can identify in real data, because at the moment that data is available to the industry and not to us to be able to work out exactly what are people's particular gambling habits — that we identify problem gamblers from these habits.

Subject to legislation passing, these new laws will come into place from next year, where we will start regulating player loyalty schemes. We believe that having access to that information — which is at this stage available to the industry itself — will be very useful in terms of understanding patterns of gambling, working out from that and identifying who are likely to be problem gamblers, and monitoring that data. But there is no magic bullet to help reduce problem gambling, so you have to use a precautionary principle in things that you do.

Mr HALLAM — Let me try and distil all that. Are you saying that you have produced performance measures, or you have not, or that you cannot?

Mr PANDAZOPOULOS — What we are saying is that we have not at this stage, because at this moment we actually do not have data that actually helps us. We will start collecting data if this legislation is passed. But also based on research — on getting independent research done that measures the performance of certain initiatives that the government is doing.

Mr HALLAM — If it is so difficult to establish performance measures, how come it was so easy to give commitments in advance of government in respect of problem gambling?

Mr PANDAZOPOULOS — What we are saying is that our focus is on helping reduce gambling, and part of that is by regulation and part of it is by providing service and support to people who have got problems or are developing problems; and you know that they have been well funded.

Mr HALLAM — Let me go to an even more basic question: have you actually established what it is that constitutes problem gambling?

Mr PANDAZOPOULOS — Again we rely on the work of the Productivity Commission, on their report in 1999 — —

Mr HALLAM — Yes or no?

Mr PANDAZOPOULOS — They highlighted what they believed were problem gamblers. There is current research being undertaken about trying to identify what it means in Victoria — whether the definitions that have been used in the past are the appropriate definitions. And again, we are reliant on research that had not been done in the past.

Mr HALLAM — So you have no performance measures at all in respect of problem gambling?

Mr PANDAZOPOULOS — I told you the reasons that we did not pick up on your recommendation — because at this stage we do not actually have any information that would validate the Gambling Research Panel. In terms that the work they are doing might start identifying some of that, that provides an avenue for us.

The ACTING CHAIRMAN — So in the future you would expect to have performance measures in, when you have got that information?

Mr PANDAZOPOULOS — Subject to them being developed, being available, we will start collecting data from the regulation of player loyalty schemes. So, for example, Crown has player loyalty schemes, Tattersalls also has a number in a number of venues, and we will be regulating those.

Mr HALLAM — So you haven't even started collecting data in respect to problem gambling?

Mr PANDAZOPOULOS — Well, no, there is data being collected by the Department of Human Services, when they actually have people come to see them. You are aware that in effect we have certainly put in two and a half times the amount of funding that was available when we got elected, and in their area — the Department of Human Services — they are reaching out to problem gamblers, trying to flush out problem gamblers, and a lot of information is coming from — —

Mr HALLAM — You were the one who gave the commitment.

Mr PANDAZOPOULOS — Commitments are about a whole-of-government approach. I am delivering part of the regulation side; other parts of government — the Department of Human Services — have the responsibility of providing problem gambling services, and gamblers help groups are gathering information from problem gamblers as well.

Mr HALLAM — You gave specific commitments in advance in respect of assistance and support for problem gambling.

Mr PANDAZOPOULOS — And that is what is happening — and they got TV ads, they got support services, they got gamblers help services, and they got multilingual services available to ethnic communities.

Mr HALLAM — Not one single performance indicator.

The ACTING CHAIRMAN — I think you and the minister might have to agree to disagree on that one.

Mr HOLDING — I understand that the government has recently increased fees for new gaming licence applications as well as altering existing licences. I am wondering if you can provide the committee with some information about the policy rationale behind those decisions.

Mr PANDAZOPOULOS — We were conscious that the gaming machine control fees regulations had not been reviewed since 1992, so the price that industry was paying for things like the granting and renewing of special employee and technicians licences; premises approvals and removal of premises approvals; venue operator licences and renewal of venue operator licences; various types of amendments to existing venue operator licences; and listing on the roll of suppliers did not actually reflect the real cost to government of providing those services, so we chose to review the regulations.

We believe the taxpayer should not in effect subsidise the gaming industry by charging fees as part of regulations that are much lower than the cost of doing the investigation and providing the licence subject to meeting the criteria so we have moved to full cost recovery. It means, for example, a new gaming venue licence costs in the order of around \$2500 and we have put an end to taxpayer subsidies for the gaming industry getting approvals.

Mr CLARK — I want to come back to the subject of the alternative arrangements for the lyric theatre, in particular the alternative project arrangements. I remain concerned that the government, and therefore the taxpayer and the community, have been dudded by the fact that there is no effective obligation on Crown to build this alternative project. I see from the agreement that there was a quantity surveyor doing a costing of the value of the lyric theatre of \$42 million as at March 2001, so I assume that there would be some discussions going on between the government and Crown over the alternative options at that stage. I wonder if you could outline what has been the course of the negotiations by which this alternative project was arrived at, how long was spent on the negotiations, who was on the government's team advising you on the negotiations, what legal advice did you have, what commercial advice did you have, and did your legal advisers tell you that in effect this obligation on Crown was open-ended because there was no time frame before you signed up on it? What are the full details about how we ended up with this outcome?

Mr PANDAZOPOULOS — In the legislation that we have inherited any changes have to be by agreement. I reject totally about taxpayers being dudded. The previous Premier gave his view about what would happen, which was that the lyric would not have to be built, no additional capital

project and no payment made in lieu of it. That is what he said on 3AK, and that is the fact of the matter. Anything above that is a good outcome for the Victorian taxpayer when you use the former Premier's criteria. However, this government is getting payment in lieu of lyric — and the focus was about how you get Crown to make a payment that means it is not obligated to build the lyric, plus whether it is feasible to commit Crown by law to an equivalent alternative project. How we deliver that is something for a future agenda, subject to Parliament passing that bill over the next few weeks. I think we started off on Crown proposing a car park, and we said no. Then Crown proposed a payment of \$1 million per year over five years to support the Melbourne Festival, I believe from the letters they sent us, and we said no, we did not think it was an equivalent and in fact we found it would be an exchange of funding that Channel 9 was providing to that festival. Then Crown offered up \$2 million per year over five years to assist in attracting conferences to Melbourne — because it would be a big beneficiary of that — and we said no. Then we ended up agreeing to \$18 million in lieu, plus an alternative capital project.

We cannot go into the commercial negotiations and details beyond those that are available on the public record. However, the government's agreement to the \$18 million payment would require a whole-of-government approach. Knowing that there was an \$18-million offer of payment that we could put into alternative and complementary arts projects, that was what was decided. Those are the steps by which Crown made its offers and we as the government made rejections until we thought we had a much better outcome.

Mr CLARK — Who was giving you legal and commercial advice on this? Were you advised before you signed up that in effect the alternative project was a completely time-unlimited model and there is therefore no effective away of enforcing it?

Mr PANDAZOPOULOS — As I said, we had two choices. We either let Crown off by simply making an \$18-million payment not to build the lyric or, because of the existing legislation we had — which in effect was legislation of the previous government, where you have no power to vary the agreement according to what government wants, you need to do it by agreement — we chose what we would much rather see, which was that Crown will have to expend capital on an additional project that we could then approve, subject to it getting statutory approval, which was of equivalent value to the present value. In the end Crown has agreed to legislation which provides for an alternative capital project. We think that provides a much better outcome than simply a payment of \$18 million or, even worse, what the former Premier said, which is no payment at all in exchange for not building the lyric.

Mr CLARK — 'Time unlimited' is basically a charade, isn't it? It is just window-dressing.

Mr PANDAZOPOULOS — It is legislation, which means that Crown will have to be accountable. Let us have a look. The previous government put through Parliament the Casino (Management Agreement) Act, which required agreement to occur. Without agreement you do not have these things. Let's say, 'Okay, we will let Crown build the lyric theatre', which we all know will have a negative impact on the Victorian arts industry. We will then have the arts industry saying, 'Why is all this activity concentrated down at Crown to the detriment to the Regent?', which the previous government invested in — a government board has been appointed to that! The investments that are going on in Melbourne are damaging the arts industry. Gambling dollars are subsidising the delivery of theatre programs at the expense of the rest of Victoria.

Mr HALLAM — Are you saying that about the cinemas and the restaurants? Isn't it the same?

Mr PANDAZOPOULOS — The point is that we know that the previous Premier said that they were giving consideration — and if not, a nudge-nudge, wink-wink — to not proceeding with the lyric.

Mr HALLAM — With a \$50 000 a day penalty towards completion of the project.

Mr PANDAZOPOULOS — Again, the former Premier, on his own radio program, has told the Victorian community what he understood of the matter, and that was: no lyric theatre; no payment to the state. We have delivered a different result, a much more responsible result for the arts industry and a good result that will get Crown to have to build project some time in the future, subject to approval.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Tattersalls licence. The Public Lotteries Act requires you to agree with Tattersalls on a premium for the period 2004-07. Can you outline to the committee the status of those negotiations?

Mr PANDAZOPOULOS — You would be aware that the lotteries act required agreement by 30 June of this year, so the commercial branch of Treasury and Finance has been responsible for those negotiations and I am awaiting their recommendations. I think we dealt with this again last year. We could have gone to an open lotteries market in Victoria in 2004. It would have meant we did it three years earlier than the next largest state, which is New South Wales. Its licence renewal coincides with 2007. So we have led the way with national competition policy review, but we note that Victoria would be at an unfair disadvantage from large lottery companies in New South Wales and Queensland if we opened up our market early, but subject to Tattersalls making appropriate payments, then they will be able to have a licence for that extra three-year period between 2004 and 2007 when the New South Wales licence comes on.

Mr RICH-PHILLIPS — I note that last year you gave the same answer, saying that the commercial branch of Treasury was undertaking those negotiations. We have now come 12 months, and you are giving the same answer. There are five weeks left under the legislation until those negotiations have to be concluded. When can we expect an outcome?

Mr PANDAZOPOULOS — The requirement is that arrangements have to be advised to me by 30 June, and I expect that that will be done.

Mr RICH-PHILLIPS — You anticipate that will be met?

Mr PANDAZOPOULOS — My answer is yes.

The ACTING CHAIRMAN — You mentioned in Parliament the other day that the government was going to take action about schemes that some venues were advertising to lure patrons into gaming venues. I am not up to date on what gaming venues are doing about getting patrons. Can you tell us what some of those programs are and what strategies the government has in place to overcome some of the problems perceived there?

Mr PANDAZOPOULOS — We want to have more informed consent among gamblers. We believe that as consumers they are the least aware about the products that they are using, so it is really about consumer consent, informed consent, so that people are better aware of the risks of gambling getting out of hand, better aware of facts about how gaming machines work and the rate of return. Draft regulations are in place to require gaming venues to display printed information about how gaming machines work, about where to complain if it is believed that a venue is not performing to regulations — clocks, for example — so there is a phone number to the Office of Gambling Regulation; posters that get displayed and that there are talker cards such as I referred to earlier in the slide, which do act as a counterbalance. When you go to a gaming venue you get a lot of gambling information and there has been no legal requirement to have information provided to you as a gambler, so the venues will be required to display posters and talking cards as well as booklets. The booklets will also provide multilingual information by linking up with a phone service so you can have the booklet explained in Greek, Arabic, Mandarin or whatever. It is about providing basic information to gamblers — for example, on average to win four credits you have to put in seven coins. It will provide that sort of basic information to gamblers and also information on the gaming machines. We are telling the industry that any gaming machine introduced from 1 January next year, subject to my approval, has to be redesigned to have a screen with features that provide additional information.

The ACTING CHAIRMAN — That earlier information you spoke to, will that be on the screen or will that be in hard copy?

Mr PANDAZOPOULOS — That will be in hard copy, but we also want information provided on the gaming machine — for example, the time shown electronically, the length of time played, odds and probabilities of winning on that gaming machine, spending patterns and those sorts of things which will help gamblers determine what they want to do. We think that is part of balancing the advertising that occurs within the venues.

The new bill before the Parliament will also ban certain forms of advertising and it will tighten up on the advertising regulations. There were no advertising regulations until we passed the Gambling

Legislation (Responsible Gaming) Bill in May 2000. We want to tighten those regulations even further.

The ACTING CHAIRMAN — What sort of advertisement will be affected? Can you be a bit more specific?

Mr PANDAZOPOULOS — Things like vouchers, hot-air balloons, banners, certain forms of ‘wild cash room’ signs and those sorts of things, so we can put in a bit more of a balance. We are broadening out what we consider to be traditional advertising and we are looking at other promotional areas where we can either ban certain things or provide a counterbalance with more consumer information so that gamblers are given the opportunity, firstly, to be better aware; and secondly, to think more often about what they are doing once they are in a gaming venue and about their spending patterns to help them make decisions about whether or not they want to continue. We want people to see gambling as a form of entertainment rather than what, unfortunately, some people see it as, which is as a way to chase losses. We all know that when you are chasing losses the odds are that you will lose more money.

Mr HALLAM — What kinds of activities or purposes constitute community purposes?

Mr PANDAZOPOULOS — I assume you are referring to the new provisions on community benefit statements contained in the bill before the house?

The ACTING CHAIRMAN — That was a nod.

Mr HALLAM — We have a responsibility to determine this.

Mr PANDAZOPOULOS — For Hansard’s purposes, it was a nod.

Mr HALLAM — If you have a different answer, that is fine by me.

The ACTING CHAIRMAN — I was referring to your answer.

Mr PANDAZOPOULOS — We want to get back to the basics. Gambling was introduced to benefit local communities, and we know from submissions made to us as part of the community debate in early 2000 prior to bringing the Gambling Legislation (Responsible Gaming) Bill into the Parliament that the community was saying, ‘We do not know how local venues benefit communities’; we had venues themselves saying, ‘We are good corporate citizens but we believe our competitor down the road is not doing as much as we are, and we are placed at a disadvantage’; and we had many venues recommending that we look at the New South Wales system where clubs have to expend dollars in certain areas of community benefit.

We agree broadly with those areas and we think as a minimum venues should be providing information about how they benefit communities locally, which can then be published on an annual basis. Those criteria will be used as part of the debate we will be having both in the house and also in discussions with the industry itself. The bill has generated some debate about how the venues will meet those criteria, and we want to have a common view about what community benefit is. We want those venues that have really been underperforming in helping the community, to lift their game; we want to encourage those that have been supporting the community to keep doing so; but more importantly, we also want the community to know how the venues claim publicly that they benefit communities. You are going to ask a supplementary?

Mr HALLAM — No, let me ask the same question again; you have talked around it but you have not actually addressed the question. You are going to accept the responsibility to determine from time to time that which constitutes community purposes, but in your response to my first question you have not addressed that at all. Are you telling me you have no idea what will constitute a community purpose under the bill that is currently before the house?

Mr PANDAZOPOULOS — I will not say that now. We have to get the bill through the house. Work is being undertaken and it will be done by ministerial direction. After consultation with the industry and with local government and communities I will provide a ministerial direction that states what we consider community benefit to be.

Mr HALLAM — I read that as your having no idea at the moment.

Mr PANDAZOPOULOS — No, we do not have a definition to give you right now because we have not gone through the consultations with the industry.

Mr HALLAM — Let the record show that I asked you for your outline and you were not able to give it.

The ACTING CHAIRMAN — Let the record show that you and the minister have different views.

Mr HALLAM — Where is the 8.3 per cent of the drop going to go if you determine in a particular case that the community benefit statement does not meet the existing club or hotel ratio?

Mr PANDAZOPOULOS — It goes into the consolidated fund under the bill.

Mr HALLAM — Why doesn't it go into the Community Support Fund where the other 8.3 percentages go?

Mr PANDAZOPOULOS — The club revenue goes into the consolidated fund anyway, so we are just being consistent with that. There have been a lot of arguments about what are called quasi-clubs and as part of the national competition policy review we said we will focus on quasi-clubs, so it is really about ensuring that if you are a club then you return a benefit to the community as well, and if you cannot meet those standards then you pay equivalent revenue into the respective fund in the same way as the hotel industry does.

Mr HALLAM — Do you accept that the direction of funding under the bill currently before the house is inconsistent with the existing rules in respect of the Community Support Fund?

Mr PANDAZOPOULOS — If that is the way you argue it, yes.

Mr HALLAM — Let me find out if it is different. Are you suggesting that it is consistent with the current split between hotels and clubs?

Mr PANDAZOPOULOS — Clubs currently pay into the consolidated fund and that is what they will continue to pay into if they are deemed to have to pay that extra 8.3 per cent.

Mr HALLAM — The hotels pay into the Community Support Fund at the rate of 8.3 per cent of the drop.

Mr PANDAZOPOULOS — All we are doing is being consistent with where they are paying into at the moment.

Mr HALLAM — I suggest you are being absolutely inconsistent, because you are now going to impose on some clubs the regime that currently applies to some hotels, and yet you are going to direct the revenue in a different direction.

Mr PANDAZOPOULOS — No, we are encouraging everyone to pay at least an equivalent standard. Clubs are supposed to be paying more into the community, and if they are not meeting the equivalent standard then they will have to pay that extra 8.3 per cent. That is the principle behind it. They will not have to pay it if they do return a benefit to the community.

Mr HALLAM — It is additional tax going to consolidated revenue.

Mr PANDAZOPOULOS — What we are actually saying is that there is a whole incentive there for those that are not performing to that standard to start performing and have more control about where they put their community contributions, rather than taking it as tax.

Mr HALLAM — But you are also saying there will be an additional tax.

Mr PANDAZOPOULOS — If they do not meet those standards.

Mr HALLAM — Yes, an additional tax — —

Mr PANDAZOPOULOS — Unashamedly saying that they will pay an additional tax if they do not contribute to the community.

Mr HALLAM — Which will go into consolidated revenue, rather than the Community Support Fund.

Mr PANDAZOPOULOS — Because they currently pay into the consolidated revenue.

The ACTING CHAIRMAN — I have a feeling we are going round and round in circles.

Mr PANDAZOPOULOS — We can have it different, but that is where we have chosen to do it.

Mr HALLAM — Can I get some words of comfort then for some of my small country clubs that maybe are dissipating what would otherwise be profit in the form of local employment and do not have a big bottom line from which to find an additional 8.3 per cent. Are you saying that a community purpose would in some circumstances include local wages?

Mr PANDAZOPOULOS — It is one criterion that we are looking at. What we are saying is that the clubs sector in New South Wales has obviously had a community benefit area that it has been required to have by legislation. There has been good experience in the club sector about how it manages that. What we were wanting to do is learn from that, but in the negotiation and discussion

process that we have with venues and communities we are particularly interested in smaller venues. Smaller venues obviously do have less turnover, certainly small club venues turn over less. So those sorts of things will be taken into account in terms of the balance we strike before I set the ministerial direction.

Mr HALLAM — Let me particularly plead the case for those clubs which are employing locals maybe above what would otherwise be justifiable and not worrying about a profit allocation.

Mr PANDAZOPOULOS — We are very conscious of those. You understand that the basic principle is that we have really wanted to ensure that there is contribution, as the intention was, by having a split between clubs and pubs. We would much rather they do not have to pay this extra payment because they are actually dealing — —

Mr HALLAM — So after all that, Minister, you did have some idea about what constituted a community purpose.

Mr PANDAZOPOULOS — What I am telling you is that I have not actually decided on what the details will be. In fairness — —

The ACTING CHAIRMAN — I hate to leave you both in furious agreement.

Mr HOLDING — Following up from the Chair's questions in relation to clocks and advertising and promotions, I would like to ask a little bit about the restrictions on the availability of cash machines and withdrawal limits from cash machines et cetera, which I understand are part of the more recent initiatives of the state government. I think one of the inclusions is a restriction on the capacity to withdraw cash from a credit account, amongst other things. I wonder if you could provide the committee with some information on what impact you would anticipate those measures having on reducing problem gambling?

Mr PANDAZOPOULOS — I think I did say at the PAEC last year that we were urging the commonwealth to take a national approach in relation to ATMs and EFTPOS. Although there has been some movement and the commonwealth, we are pleased, did agree at a ministerial council that it does have some responsibilities it has been having discussions with the banking industry around these issues, we have been concerned that answers from it are not coming as quickly as we would like. We acknowledge that the Productivity Commission said that access to cash availability in gaming venues is a real issue for potential problem gamblers, so it is not only what they take in with them but if they have been able to withdraw at ATM or EFTPOS facilities, either cash or on their credit, that it is a major issue. We did have the commonwealth say that states should have a look at a recently introduced measure in South Australia, where they do limit ATMs to \$200, so that is the measure that we are introducing in the bill, except we are going a bit further by including all EFTPOS facilities as well in any gaming venue so that you can take out only \$200 at any one time. The reason we have not banned it or gone further is that we acknowledge that there are other users of venues, because often gambling is part of an activity at a venue that might also have entertainment, meals and all those sorts of things.

Certainly, as part of the consultations we had about a responsible gambling policy we did receive letters from country communities saying that often ATM facilities are the only bank facilities in some localities. Rather than getting in the way of communities and responsible recreational gamblers, we thought that a limit of a \$200 withdrawal at any one time will assist. Predominantly what will happen is that if gamblers who use what they bring into a venue with them, in their wallet or purse, want to withdraw more, every time they go they will have to basically think about what they are doing.

Mr HOLDING — That is \$200 from an ATM account, regardless whether it is a credit or debit account?

Mr PANDAZOPOULOS — No, all credit withdrawals from ATMs or EFTPOS are banned under the bill.

Mr CLARK — Can you tell the committee how much revenue the government expects to receive over the forthcoming football season from the government's footy tipping competition?

Mr PANDAZOPOULOS — Like all revenue matters, I am not responsible for that revenue. We will see, obviously. I understand that under the licence they provide an annual report, so we will see that. The interest that we have is that we are moving as part of national competition policy to a competitive lottery market. We do have Tattersall out there with products. We have licensed an

additional lottery product, which is what they are calling the footy tipping, or Tipstar. How they perform with that product is really up to them. We are responsible for whether we issue licences and whether they meet the standards that are set under the Public Lotteries Act.

Mr CLARK — This competition was part of your pre-election policies, as I understand it.

Mr PANDAZOPOULOS — It was, in terms of an area that you could license as an additional lottery, subject to it meeting the high standards of getting a lottery licence.

Mr CLARK — Do you have any estimates of the turnover of the competition for the forthcoming season or for the current or next financial year?

Mr PANDAZOPOULOS — No, there is no requirement for the operator of the licence to provide that information to me.

Mr CLARK — I understand that, but if it is a government policy objective, presumably you want to see how effectively your objective is being fulfilled, particularly as you are planning to use the revenue from it for community purposes.

Mr PANDAZOPOULOS — Again if you look at it from a whole-of-government point of view, I am sure the Minister for Sport and Recreation would like to see revenue from it for his sports programs. From my point of view as Minister for Gaming, I am responsible for whether licences are issued and the regulation of lotteries, so that's what we are doing. We are not concerned perhaps in the same way as the sports minister may or may not be about what the revenue is.

The ACTING CHAIRMAN — Save that one for next time.

Mr RICH-PHILLIPS — Last year, Minister, you spoke at considerable length about the growth in electronic gaming machine expenditure in the state. It is a matter you have not touched upon this year. You presented the committee with a chart which showed that projected growth in EGM expenditure in the year 2000–01 was going to be 10.8 per cent, which was roughly three times growth in GSP for that year; and for the current year projected growth was 9.3 per cent, which was also roughly three times economic growth for the state. Given that we have heard this morning that there are an extra 250 machines in the marketplace now and the budget papers suggest a significant growth in EGM tax revenue, can you outline to the committee what the current projected growth rates in EGM expenditure are, and how they compare with your projections last year?

Mr PANDAZOPOULOS — I think you will find what the director of gaming and betting was referring are machines under the current limits that were set by the previous government. What we spoke about last year is on published figures. As you know, I am not responsible for turnover, but figures are published and I was asked a series of questions about those and again the budget papers show additional information. When you look under the rate of growth — this is under the Tasmanian gaming statistics that they collect for all states — in the full last year of the previous government the annual increase was 14.2 per cent. If you look at 2002–03 the increase is expected to be 7.7 per cent. So the rate of growth of the industry is the lowest it has ever been. Whilst revenue is still increasing, it reflects that the industry has not as yet matured, but our measures are focused at assisting problem gamblers, and you are seeing that that growth rate for 2002–03 is 7.7 per cent.

Mr RICH-PHILLIPS — The figures you presented last year for 2000–01 were 10.8 per cent and for 2001–02, 9.3 per cent. You did not provide a source for those figures. Are they Treasury and Finance estimates.

Mr PANDAZOPOULOS — They were the best known figures at the time, I understand.

Mr RICH-PHILLIPS — From Treasury sources or elsewhere?

Mr PANDAZOPOULOS — Treasury sources.

Mr RICH-PHILLIPS — Did Treasury have its own calculations for this year that it can provide?

Mr PANDAZOPOULOS — The actual published figure for 2002–03 I am informed will be available in August. I did refer to a figure of — —

The ACTING CHAIRMAN — For 2001–02, but the 2002–03 figure would hardly be available in August.

Mr PANDAZOPOULOS — The 2002–03 figure I referred to was a figure of 7.7 per cent, which is a forecast figure at the moment.

Mr RICH-PHILLIPS — That is not Treasury's forecast, is it?

Mr PANDAZOPOULOS — Yes, that is Treasury's forecast. What did you say at 2000–01 we were forecasting that as?

Mr RICH-PHILLIPS — That was 10.8 per cent.

Mr PANDAZOPOULOS — The actual figure made available by the Office of Gambling Regulation was 9 per cent growth, so it was actually lower than Treasury was forecasting then.

Mr RICH-PHILLIPS — Roughly around three times gross state product growth for that year?.

Mr PANDAZOPOULOS — You will find that real GSP growth has actually not tripled. But you will find also, as I said, that the percentage growth every year is the lowest it has ever been. It has roughly halved, I think possibly — and I can correct that; since 1997–98 the rate of growth has halved.

Mr RICH-PHILLIPS — Can I just confirm that the figure you are quoting is electronic gaming machine expenditure?

Mr PANDAZOPOULOS — Yes, EGM expenditure.

The ACTING CHAIRMAN — I wanted to take you to gaming licences. You have increased the fees recently for new gaming applications and also altered some existing licences. Can you tell us what the government's rationale was?

Mr PANDAZOPOULOS — That was the same question that I think the honourable member for Springvale asked.

The ACTING CHAIRMAN — I did not hear him — I beg your pardon.

Mr PANDAZOPOULOS — Would you like another question?

The ACTING CHAIRMAN — In relation to the gaming addiction of people and that of other addictions, I know there is various research going on at the moment. Has any research been looked at on the rate of addiction between people in the gaming industry and those who have other addictions such as alcoholism or other areas, do you know?

Mr PANDAZOPOULOS — The independent research panel chooses its own research plans after public submissions, and I am not aware of any of that research being done.

The ACTING CHAIRMAN — Do we know what research it is doing at the moment. Perhaps you can give us that information.

Mr PANDAZOPOULOS — We will identify where that research is and give you details about it. The panel launched its research plan, and I was supposed to assist it in that launch, but my daughter Lucy happened to be born the same day, so the panel launched on its own its 2001–02 research plan. They have been doing research — for example, a scoping study — on the evaluation of the Victorian gambling screen, a problem gambling prevalence study, validation of the Victorian gambling screen, developing a self-administered problem gambling scale, gamblers' attitudes towards harm minimisation measures, 2001–02 longitudinal community attitudes survey, evaluation of the self-exclusion program and harm minimisation measures, empirical trial of harm minimum measures, study of impact of regional caps on electronic gaming machines, best practice in problem gambling services, and the study of clients of problem gambling services. There are eight projects there for this financial year. Some of those reports will be available or published this financial year. Some of those projects are dependent on previous research — for example, project 1B, which is the problem gambling prevalence study; and the validation of the Victorian gambling screen, which is dependent on the project 1A scoping study evaluation of the Victorian gambling screen. So depending what it says, they might go and do additional research, but there is extensive research. They have been advertising in the last few months. They will be recommending shortly what their research plan for the new financial year will end up being as well.

Mr HALLAM — Minister, you were able to cite specific data in respect of trending yields from electronic gaming machines. What other criteria and measures do you use to assess whether the state is more or less reliant upon the gambling dollar?

Mr PANDAZOPOULOS — I will ask Ian Little to answer that.

Mr LITTLE — I would really say that that is an issue for the Treasury portfolio as well. But putting that to one side, we look at generally expenditure and tax as a percentage of the total economy. We also look at how it is in relation to other jurisdictions that have had gambling established for longer than Victoria has.

Mr HALLAM — In the light of that, can you confirm that you rely at least to some degree upon note 2, I think it is, which appears at page 155 of budget paper 2? Is that part of the measure that you use?

Mr LITTLE — Yes, that is an important component of it. That is the figure for gambling which the Auditor-General signs off on.

Mr HALLAM — Then would you confirm for the committee that gambling as part of the total taxation is in fact trending up over the out years included in that chart — in other words, is it becoming a bigger component of the total tax line?

Mr LITTLE — I will take judgment on this, but this is really part of the Treasurer's portfolio. We had quite extensive discussions on that at the Treasurer's portfolio meetings, so I think I have gone as far as I feel comfortable with.

Mr PANDAZOPOULOS — In terms of direct responsibility for me again — in fairness, I am not responsible for revenue measures — obviously there has been increased taxing of the industry following an national competition policy review for which I was responsible that highlighted that gaming companies were making in effect what they called monopoly profits and that is why the Treasurer accepted that there should be a new gaming levy, which is the equivalent \$1533 per gaming machine, so obviously revenue is going to go up.

Mr HALLAM — I do not think that is included in the chart I am referring to.

Mr PANDAZOPOULOS — The only thing that can happen is the alternative — the government not accepting the advice of the NCP review and allowing the gaming companies to take on more profits.

Mr HALLAM — On the other hand you made the point that the chart which has been provided in the budget documents shows that gambling as a line item in total taxation is in fact increasing over the period under review from 17.2 per cent to 18.4 per cent, which is quite different from the evidence which you provided earlier.

The ACTING CHAIRMAN — Total government revenue is increasing at the same time. That concludes the consideration of the budget estimates for the portfolios of employment, tourism and gaming. I thank the minister and all his staff for attending this morning. There are some written responses which we will look forward to getting. Thank you very much for your time.

Witnesses withdrew.

