

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2006–07

Melbourne — 16 June 2006

Members

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Witnesses

Mr J. Pandazopoulos, Minister for Racing and Minister for Gaming;

Ms P. Armytage, secretary; and

Mr R. Kennedy, executive director, Office of Gaming and Racing, Department of Justice.

The CHAIR — I now welcome Ms Penny Armytage, Secretary of the Department of Justice, and Mr Ross Kennedy, executive director, Office of Gaming and Racing, Department of Justice. Minister, could you please give us a very brief presentation, and if you wish your slides can go on the Internet with your transcript.

Slides shown.

Mr PANDAZOPOULOS — The racing portfolio is part of the gaming and racing industry management output, but we deal with racing as an industry and with gambling we focus on regulatory and policy rather than focusing on the growth of the industry; so we have a different focus.

Victoria is lengths ahead in terms of legislation. We thank members of all sides of Parliament for supporting the Victoria Racing Club Bill, which sets the Victorian Racing Club on a new, modern, structural footing to continue to do the great job it does for us all. But race fields legislation is really the thing that has put us ahead of the pack, and we have had commendations from international racing bodies — and we have spoken in the past about what we call cross-border betting, the unauthorised use of intellectual property in racing information by a whole lot of unlicensed providers in other jurisdictions — that has been a challenge for us. The race fields legislation is an attempt to deal with that, and international racing bodies are saying that the model we have should be the standard for other jurisdictions. Certainly other states in Australia are following our lead, as are countries in Europe. We are working closely with the three relevant controlling bodies, because as I have said what we want to do is grow the size of the industry. Obviously turnover is important to them, but there are other industry development initiatives that are also very important to the industry.

The CHAIR — Where the slides are self-explanatory can we take them as read?

Mr PANDAZOPOULOS — Absolutely. Moving along, part the racing industry is part of the gaming and racing industry management output in terms of policy and legislation. So we have gambling policy and strategy, the licence review and the Office of Racing. I want to focus on the Office of Racing. It is responsible for the day-to-day advice on policy issues and options, development of policy frameworks and legislative proposals, administration of racing legislation, the management of government funding programs to the industry, the administrative support for statutory bodies including bookmakers and Bookmakers and Bookmakers Clerks Registration Committee and Racing Appeals Tribunal, as well as liaising with the different stakeholders and controlling bodies.

Racing Victoria is still recognised as the national leader. We have seen significant investment coming into Victoria in recent times while at the same time other states have struggled with their racing industries. It is a key economic driver for us in Victoria. It is a \$2 billion industry. It is part of our social, community and cultural heritage and something that very much needs to be recognised. It employs about 60 000 people, mainly in country Victoria, and as I said it is a \$2 billion industry. A way of growing the industry is by finding new customers, and the growth and interrelation between racing and tourism is a core part. We see that, of course, during the Melbourne Cup carnival, the Spring Racing Carnival and country cups. Getting new visitors and new attendance on track also helps benefit perceptions of the racing product as an event as well as generating new customers through the tote.

In terms of legislative initiatives, we have had the racecourse exclusion orders that have taken place. By the time of the Spring Racing Carnival they will apply to all racing tracks. To date, of those designated tracks under the legislation that the exclusion orders and police powers work on, the total number of individuals excluded from race tracks stands at 34. It is an attempt to highlight that we do not want the sorts of photos we saw of a couple of spring carnivals of people like Mokbel and bookies rings et cetera. There are ways to keep people like that off racetracks and keep the focus on the fun, the entertainment and the family et cetera. That is the sort of experience we want and that has been working quite well. The racing and gambling acts amendment act was also developed to protect the integrity of Victorian racing and put an end to free riding — that is what we called the race fields legislation.

In terms of race fields, I mentioned those legislative initiatives and I will just run through those. In industry development there is a racing industry review that we have been conducting. We are wanting to take an outside-looking-in approach and say what are the opportunities, challenges, threats for racing really over the next decade and what can we do collectively with the industry to strengthen ourselves and protect ourselves. The bookies Internet system is under development from legislation that occurred a few years ago. We have tried to help facilitate the Tabcorp-TAB New South Wales merger. There is a wagering licence review that is occurring and submissions are now publicly available on those, and we have worked closely with Harness Racing Victoria in the

development and approvals for the Melton harness racing track which will give them for the first time a permanent metropolitan home.

In terms of funding support — just winding up here — there is a Living Country Racing program that continues on, again last year and into this year; and the Racing Community Development Fund, which returns money back to the industry. So in terms of budget initiatives, continued government support for the industry and assistance, including responding to the racing industry, since we have been in government now totals \$44.6 million. The priorities though are the Parliament's Economic Development Committee report which has made recommendations in relation to thoroughbred breeding. We are still awaiting the report on standardbred breeding. There is an opportunity for us to grow that side of the racing industry. We will consult with the industry post the racing industry review.

We are looking and working together with Racing Victoria on welfare improvement opportunities for trainers and stable hands because they are the lowest income earners in the racing industry and it is very important that we support them as well as supporting bookies with their Internet betting opportunities. Thanks for the opportunity to report to you.

The CHAIR — Thank you.

Mr MERLINO — Minister, can I firstly take you to page 91 of budget paper 4 and the reference to 'Health benefits levy transitional payments to racing clubs'. Can you explain to the committee the proposed use of the fund, the benefits to the racing industry and future measures to ensure that Victorian racing industry is supported into the future?

Mr PANDAZOPOULOS — We have introduced the health benefits levy which is of course an additional tax on poker machines and we have, with the racing industry, said that we want to return that with increased investment on what we are returning back to the racing industry now to \$18.6 million over two years. The racing industry of course is very keen for us to work on those sorts of initiatives that support capital redevelopment in regional Victoria, because that is where there is greatest need, as well as industry initiatives that help the industry improve its competitiveness. This will benefit all the three racing codes and will be split up according to their market share. There will be a grants-type program that we want the peak bodies to apply for, highlighting their priorities and suggested projects for us to evaluate against criteria that are still under development.

Project proposals will be sought from those eligible organisations and recommendations will be made to me from the Office of Gaming and Racing in relation to what they advise about projects to support. It is important that we work closely with the industry and if taxpayers are putting dollars back into the industry, even though it is a return on a levy to the gaming industry, we have wanted to make sure that racing gets some of that benefit back that is targeted really at the operators and owners of the gaming machines, being Tabcorp and Tattersalls, but of course the racing industry being an income partner with Tabcorp could potentially have a double whammy and that is why we are returning this money. The taxpayer would expect a simple explanation of where those resources go. Capital works are reasonable, but we have highlighted in the press release that we also want to support some industry growth initiatives. The Melbourne Cup has been on tour globally, and the VRC has requested more support to be able to expand that activity offshore. They think it is very important for them that they use the Melbourne Cup to grow the Melbourne Cup's profile through the racing fraternity globally that has links with, of course, Australia but also that it helps sell a Victorian brand, and we have been investing through Tourism Victoria, Invest Victoria as well as Austrade in that, and we expect to do a bit more in that area but also in tourism to be able to build tourism visitation through the spring carnival and through country cups. There are some development issues we will undertake and look forward to receiving applications from the industry.

The CHAIR — Can you take on notice what criteria are to be used to distribute the money over the two years other than to split it according to the various clubs' share, and will one of those criteria include accessibility in the asset? The reason I ask that question is that the Melbourne Commonwealth Games were very much the accessible games and assets had to be developed very much with accessibility in mind. The other component: will you be having as part of the criteria attracting women to becoming involved in the racing industry? You may want to take that one on notice.

Mr PANDAZOPOULOS — Yes. I am happy to make that available. It is still under development at the moment. There have been in the past investments that have helped improve accessibility — take, for example, Traralgon racecourse, where a wheelchair ramp has been put in to let you get up to the grandstand. That was jointly funded between the racing clubs there and through the government's programs.

The CHAIR — But accessibility is not just the built environment; it is also other things.

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — We will get to the Betfair fiasco in a moment. I refer to page 189 of BP3, Gaming and Racing Industry Management, in particular the gaming and racing industry management output group. Could you tell us, firstly, why has it gone from a target in 2005–06 of \$5 million to an expected outcome of \$32.8 million and staying high the following year? Secondly, how much of that management is to do with racing and how much is to do with gaming?

Mr PANDAZOPOULOS — The bulk of it is gaming. What we have had in that period of time is that we have had the gamblers health services transfer across from the Department of Human Services to the Department of Justice. That integrated approach is working very well with holistic approaches — the whole program. The \$27.8 million was transferred across after the budget papers were done, which is predominantly problem gambling initiatives.

Mr FORWOOD — Is the \$27.8 million all problem gambling?

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — So that means that of the \$5 million originally — —

Mr PANDAZOPOULOS — The \$27.8 million is made up of a variety of different things, including close to \$4.4 million for the gambling licence review which came from the Treasurer.

Mr FORWOOD — Now I am getting confused — the difference between the \$5 million and the \$27.8 million is made up some from the Department of Human Services, which was — —

Mr PANDAZOPOULOS — Sorry, about \$23.3 million from the Department of Human Services comes from the Community Support Fund that funds the problem gambling services strategy.

Mr FORWOOD — Is that not funded any more, or is it still funding it but through your output?

Mr PANDAZOPOULOS — Yes, we have integrated all the gamblers help services to be part of the broader gambling and racing policy output.

Mr FORWOOD — So the \$23.3 million is the total amount on problem gambling?

Mr PANDAZOPOULOS — That has been transferred of available funds.

Mr FORWOOD — And that will stay the same in the 2006–07 figure?

Mr PANDAZOPOULOS — There are different programs. If you want to ask when we do the gambling section about how much money we are spending then that is fine, but it is just under \$4.4 million for the gambling licences review that makes up the difference, and of course for racing, that is part of the expenditure for racing, and the racing review comes out of that.

Mr FORWOOD — Am I to take it that the \$3.2 million drop this year is coming from the \$4.4 million? You will not be spending the money on the licence review, is that right — is that why the budget has dropped?

Mr PANDAZOPOULOS — That is basically for the whole review period, so we were given that money, and that is what it will cost us to do the licensing review.

Mr FORWOOD — The question then is: why is the output cost for this group \$3.2 million less this coming year than it was last year?

Mr PANDAZOPOULOS — I am told it is the adjustments based on the increased expenditure, but I am happy to give you some more detail out of session if you want further explanation of it.

Mr FORWOOD — That would be great.

Mr RICH-PHILLIPS — Chair, this is a point of order, I suppose. Listed this session was both gaming and racing, which we are doing now. I am wondering if the minister has only presented on racing. I was wondering if there was a second — are we going to do it separately?

The CHAIR — Yes, we are splitting it.

Mr PANDAZOPOULOS — You said half an hour on racing.

Mr SOMYUREK — Minister, referring to your presentation, you touched on racing and the tourism industries combined. The question I have for you is with respect to the funding allocation for racing events through the tourism portfolio to help build benefits between these two industries. Can you outline to the committee and update on the progress of implementing the racing-tourism plan, including any other sources of government funding available?

Mr PANDAZOPOULOS — I think we did report last year that, in conjunction with the racing industry and Tourism Victoria, a racing-tourism action plan was developed. There are obvious synergies that have been happening more by practice than by big planning. Certainly the racing industry knows that in the need to build up extra brand value and to build up extra visitation, that your tourism traveller is the right sort of target group you will also be investing in, so the racing-tourism action plan has come out of that.

It was quite interesting that the international thoroughbred racing councils are interested in our plan and want to include it as part of the discussions at their international thoroughbred racing conferences that they hold in Paris every year — the synergies between racing and tourism. While it is obvious to us, in the rest of the world racing is challenging itself on how they get new customers. We have been able to do it through our country cups and through the Spring Racing Carnival, but of course we can do more of that. What the racing plan is saying is that the racing industry has got great assets. Imagine if you can get better utilisation of those assets both on race days and non-race days but you also have good product that do not have the same visitation that has the potential to build visitation, say, for example the autumn carnival. I think the member for South-West Coast on the debate on the VRC bill the other day was highlighting that as well, the need to build up the profile of not just the spring carnival but we have a great autumn carnival, so let us build up the profile of that.

Tourism Victoria has made funds available to the Country Racing Council to target some specific country events where we believe we can build up additional brand value over time in visitation, and they have targeted the Yarra Valley food and wine racing weekend, the Kyneton Cup, the Chinese racing festival, the Ararat Racing Club, Wodonga Cup and the Echuca Cup which are initiatives in the short term.

I did highlight earlier on that we have invested in the Melbourne Cup tour that has been going offshore. Just a few weeks ago the Melbourne Cup was in the Baden Baden track, the main race track in Germany. They were in Manchester, they were in London, and later this year they will be in Singapore and New Zealand. That is really about building the profile of the cup. Horseracing is international. We are a leader in the internationalisation of racing. We want to have this growing interest. A lot more of our race events are shown offshore. There is more potential to have them shown offshore and have income-earning partnerships with the growth of telecasting on the Internet and through other betting outlets, so it is another way to capture through brands some revenue for our industry, even though they do not necessarily turn up to the racetracks. It helps build that profile. Also, events like the Warrnambool May racing carnival which has been made a hallmark event this year — we have been working with Warrnambool because we know that there are opportunities to build visitation out of New Zealand.

New Zealand loves the country racing tracks. Warrnambool is our pre-eminent regional racing event, with the three-day carnival. It is one of the few three-day carnivals in the world. Yet Warrnambool is chock-a-block with tourists as is in that period. How do we work with a track like Warrnambool to grow its visitor numbers even more? What creative things can we do to build accommodation in the area? We work with other events like the Wangaratta jazz festival, where a few years ago we worked with them to bring Britz vans and Maui vans — and a local football club — so suddenly we had a few extra hundred beds available in the area that could be sold to visitors. So we have this potential to grow the visitation even of events that are already really, really busy. So it is

really trying to get people thinking: how do you target the tourism customer to get to your racetrack, to leave money at your racetrack, but also leave money in your community? That is what it is really all about. We have got good things that have been done; we can learn from those things, apply them more in regional areas and apply them at those events that we think have more potential. So we are investing more, and the racing industry — I think you will find — will also be investing more in some of these initiatives.

Mr FORWOOD — Minister, can you explain to the committee — I guess this comes under the industry management output group — why the government decided to delay the legislation after it had passed both houses of Parliament before it had reached royal assent, been given royal assent?

Mr PANDAZOPOULOS — We were assured at the time — and I have reported this on a number of occasions — although it is rare, of course, to do, at the end of the day my obligation as a minister is to ensure that, because this is world-first legislation, we do get it right. I had been assured by the racing industry people that they were fully prepared. When we came close to the time, it was revealed to me that — in effect, there were doubts that I had about how fully prepared they were, particularly harness racing and greyhound racing. They were following the lead of Racing Victoria, yet they had not put their structures in place. The thing that concerned me is that what this race fields legislation would do is require temporary approvals to be given to existing licence-holders — it changed the structure of what was already available. Basically there has been a gentlemen's agreement in the racing industry between TABs interstate and other licensed operators in other jurisdictions that simply have not had a licence in Victoria. Race fields legislation would have required them to have had formal approvals, temporarily, to maintain the same focus. The reality is that some of the codes were simply not ready — —

Mr FORWOOD — I have spoken to — —

The CHAIR — Hang on.

Mr PANDAZOPOULOS — We ran the risk that one day someone is allowed under one set of rules to be offering bets on races in Victoria and the next day when the race fields legislation starts it is an offence because they have not received temporary approval. So the focus on me was, 'Let's delay it to be satisfied that every party is ready to deal with an initiative that they have been wanting us to act on'.

Mr FORWOOD — Let me follow this up.

The CHAIR — Right.

Mr FORWOOD — Let me first say: how come you only discovered this after the legislation had been passed through both houses of Parliament, because, let's face it, you had any number of occasions, from the introduction of the bill in May to it passing through the Council on 4 October, or whenever it was — any number of opportunities to let the bill lie over, to lie over between the houses, not to go to the vote in the Council? The second part of the question is: can you give one tangible demonstration of a request from any of the codes — Racing Victoria, the greyhounds or the harness — where they actually asked you to do this, because I have FOI'd you and I have FOI'd the Premier and I have spoken to all the codes, and they did not do it — so!

Mr PANDAZOPOULOS — Okay, two questions. The first bit, why we did not delay the legislation, is that I had received assurances that everything was in order, but at the end of the day, as with a lot of legislation — this is co-regulation; this is not the government setting rules and procedures in the way that independent racing bodies are going to self-manage themselves. Unlike other areas of gambling regulation, racing has a co-regulatory model — a lot of the regulation, unlike other gambling products, is done by the racing codes themselves. I had those assurances, and at the end of the day — as a lot of legislation gets done — you have a period that you are working on procedures. If in that process I am not satisfied that they have not done that, then I am duty bound to say, 'What other mechanism can we have in order to ensure that the procedures are in place?'. You can criticise me for it, but I think I made the right judgment. We have been commended for this, and may I say, not only have we been commended by the Asian Racing Federation and the international thoroughbred racing council but we have got the peak sports bodies in Australia that have now formed an organisation called COMPS — Coalition of Major Professional Sports — saying that our race fields legislation should also be the model for what they call sports field legislation. Because we got it right — —

Mr FORWOOD — Yes, but, Minister — —

Mr PANDAZOPOULOS — Because we got it right — and getting it right was also about delaying it to get it right — now we have others saying this is the model legislation to go globally, but it is also about supplying to sports wagering. Whilst it is unusual — I understand that — and whilst the opposition wants to make issues out of that — I understand that — the reality is that it was the right decision to make.

The second part of the question was: was I requested to delay? There was already concern that the racing industry had, and Racing Victoria had, about the time frame that we were working on. The view we had was, ‘You are the guys who are telling us that you are ready; these are the time frames you have given us; you are telling us you can do it, but then you are getting a bit nervous about it — well, just pull your finger out, basically, and go on to fix up your structures’.

Racing Victoria ended up doing that, but other codes did not do it fully. Racing Victoria also had problems in the way that it applied it in relation to procedural fairness, which also concerned us. So at the end of the day we have got race fields legislation working appropriately; we have got organisations that were unauthorisedly using our information and accepting bets currently not doing so; and there are also, I think, some prosecutions being pursued on some offshore providers who have ignored that. So it is an indication and a show from us that we are prepared to tackle people, because it does have some criminal sanctions about it. When you have some criminal sanctions, I did not want New South Wales TAB or Queensland TAB, because they were not given provisional approval, to suddenly be acting illegally a day after they were acting legally.

Mr FORWOOD — Okay. Shall we finish the topic?

The CHAIR — Yes. The second part was answered, the demonstrable request — —

Mr FORWOOD — Yes. The minister is on the record as saying he was requested to do this; none of the codes have done that and he has never produced one skerrick of evidence to suggest that any of the codes did it. In fact what we have got, through FOI, is who were the interim approvals and the one organisation that was not granted an interim approval, haven’t we? What I put to you is that, at the end of the day, it was not the racing industry, the harness racing industry or the greyhound industry that asked you to stop this; it was Betfair.

Mr PANDAZOPOULOS — You are wrong in that. The fact of the matter is there were a whole lot of corporate bookies who were expressing concerns as well, because what they wanted to do was, in good faith — —

Mr FORWOOD — Look, I have FOI’d it; there is no evidence of this.

Mr PANDAZOPOULOS — You do not have to write about it; you can read some of the media comment about it. The fact is that people were acting, wanting to act — corporate bookmakers. There has been this big challenge — and we have reported it to you in the past — around the major problems around cross-border betting. Victoria has been leading, we have been getting this cooperation from other states. How do we deal with all these guys in the Northern Territory and the ACT — let alone offshore — who basically bet on our products, and we do not get a cent back of it? We cannot manage and regulate the integrity of the way they run their businesses. They threaten our reputation because, at the end of the day, they mainly bet on our events. How do we deal with these guys? What has been happening is that you have a lot of these corporate bookies who are saying, ‘We are prepared to come into the fold. There might have been a lot of politics and history in the 1980s and 1990s’ — when these guys were formed — ‘We are prepared to come into the fold, but this has just been thrust upon us, and we do not want to be acting illegally from the day after’. And when it was not very clear that some bodies either had done procedural fairness or had not put their systems in place, it is not unreasonable — —

Mr FORWOOD — Demonstrate that! Demonstrate it — give us one skerrick of evidence.

Mr PANDAZOPOULOS — I have already reported that Harness Racing Victoria and Greyhound Racing Victoria did not have any procedures in place.

Mr MERLINO — The minister is reporting to PAEC, Bill.

Mr PANDAZOPOULOS — So at the end of the day the thing that was overriding us was that some of the bodies were not prepared.

Mr FORWOOD — Who advised you of that?

Mr PANDAZOPOULOS — The biggest concern was that there were those bodies that were wanting to act in good faith and reasonably but not break the law, being existing providers interstate. I can tell you that there were not provisional approvals given by some of the controlling bodies for existing approved racing which would have made it illegal on day one of us proclaiming that legislation. At the end of the day they wanted this legislation. They were not ready for it. In order not to have criminality occur unintentionally by some of these bodies we delayed it, and that was exactly the appropriate thing to do. I would never turn back on that decision I made; it was a tough decision. I would never turn back on that decision. At the end of the day maybe you will find yourself a minister or whatever in the future.

Mr FORWOOD — In heaven?

Mr PANDAZOPOULOS — In the future. At the end of the day it is a thing that weighs on your mind. With racing one of the things we have done — and a lot of the legislation we do is about regulation of integrity; sometimes we drive that. A lot of the others are done by cooperation. Sometimes, for good or for bad and as good as our racing industry is, they do not all click together at the same time. As frustrating as it is, when we try to put things in place that support their initiatives to get legislative backup, sometimes they slip up. The judge for me has to be whether at the end of the day — I am trying to help them out — it is the right initiative, and if it means that I have to make a tough decision I am prepared to make it.

Mr FORWOOD — Will Betfair be able to bet the field on Victorian racing?

The CHAIR — We have had 11 minutes on this. We have covered the two components of your question over the last 11 minutes. So, Ms Green.

Ms GREEN — Minister, I refer you to page 188 of budget paper 3 relating to the Living Country Racing Program grant applications processed as a measure there. Can you outline to the committee what benefits accrue to regional Victoria from this program, and what has been the response of successful applicants to the program?

Mr PANDAZOPOULOS — This program has been around since 2000. It is acknowledged that since the TAB was privatised in 1994 there has not really been any funding going back into capital development of race clubs. Smaller race clubs in particular were getting overlooked. Picnic race clubs do not get revenue flows back. They are non-TAB meetings, they do not get capital programs, they are run by voluntary committees; whether it is the Balnarring picnic races or Hanging Rock et cetera. They were not getting funding from the racing industry's own resources. These picnic meets were important to local communities. Some of them were tourism events, but a lot of them were non-TAB events, and they were not earning revenue except for what was occurring at the gate. Some of them would be held on public reserves such as Hanging Rock. Others, like Balnarring, were held on their own designated racetrack. So we decided to form this small grants program which recognises that there are things that need to be done. Some need health and safety upgrades. We have had a growth in the number of women riders in harness racing and women jockeys, and facilities had not been created for them. We have community facilities and we want to encourage the use of those racing facilities by the broader community, not only on race days but when race days are not occurring. Take the Pakenham Racing Club: there is a lot of new housing around it and there is a new playground there now because of some of the funding we have put in and the club has put in.

There are funding upgrades for people with disabilities. When you are running on the smell of an oily rag, having a bit of money to help you out and do a few things means that suddenly you can achieve things. That is basically the design of it. We have been able to fund 195 different projects across 95 clubs with \$2.5 million in grants since the year 2000. About \$80 000-odd has gone into improvements to facilities for women and female jockeys. These are small initiatives that make a difference — for example, female riders at harness racing clubs that had to go and use public toilets to get changed and that sort of thing, rather than having their own space. There is \$266 000 that has gone into upgrades to support facilities for families and children; normally play equipment et cetera. About \$128 000 has gone into upgrades for people with disabilities. I referred earlier to the upgrades at the track at Traralgon and a few other facilities. We will continue this. These are very important initiatives, they are very popular, and it just shows that sometimes a small amount of money goes a long way.

Mr CLARK — Minister, with the new legislative regime you referred to in your — —

Mr PANDAZOPOULOS — The new what?

Mr CLARK — The new legislative regime we have just been talking about.

Mr PANDAZOPOULOS — Race fields?

Mr CLARK — Yes. Can you explain to the committee in succinct terms what are the criteria which determine whether or not an applicant is given permission to use our race fields, and who are the party or parties who ultimately make that decision?

Mr PANDAZOPOULOS — The key focus of race fields is that the controlling bodies determine their own future. They run the events, they take the risk on the events, they run the integrity around those arrangements as part of co-regulation, and they own the intellectual property rights to those events. Race fields is about saying that you should not be offering, bets or use the race fields information unless you have approval from those controlling bodies as the owners of the businesses.

They determine it, and there are published rules they have all published as guidelines. They have their own committees that make those assessments. A number of interim approvals have already been given. There are a number of applications that I understand they are considering. But the key thing about it is that we know that those organisations we were concerned about — Betfair included — as soon as the legislation was proclaimed took off their web sites our race fields information. So that has worked. What we are saying is that if anyone wants to offer bets on information they do not own, they should seek approval from the controlling bodies under the guidelines the controlling bodies have. The controlling bodies have two guidelines. One is around economic benefit, and the other is around integrity. I support their decisions to do that because part of the argument has been to ask, ‘What other business allows its product to be on sold and not earn any revenue from it?’ and, ‘What is a reasonable return on revenue?’. You cannot sell a can of Coke except at roughly the prices that Coca-Cola tells you to. Why should the racing industry offer their product at, really, no price.

Mr FORWOOD — It is called retail price maintenance.

Mr PANDAZOPOULOS — The other one of course is around integrity. What is of concern to the racing industry, particularly with the growth of technology, betting options and product options, is that there are some products that have a greater risk to integrity than others. Maybe over a period of time there are ways to deal with integrity issues, and technology may provide some solutions for that, but the controlling bodies themselves need to be satisfied that that is the case. That is why we have this COMPS organisation saying that at least racing has this long evolution of heritage of co-regulation and stewards and rules et cetera. In sports, because sports betting was a smaller product when it was legalised basically back in the 80s, now it is a fast-growing product, yet the sports bodies themselves do not have the same abilities as has the racing industry over a period of time. That is why we have these peak sporting bodies saying, ‘We want this type of race fields legislation to apply to us so that we can be the masters of our own destiny. We have to have our own integrity structures, our own internal rules, our own internal enforcement procedures that meet the type of sport we need, but we should be determining that’, and that is entirely appropriate.

Just to finish off, there is an appeal mechanism to the minister. If they do not get approval from a racing body and they feel there has been a denial of natural justice, they can appeal to the minister, and the minister can go and seek additional independent advice. But it is an appellate type of arrangement, not bypassing the racing controlling bodies themselves and coming to the minister.

Mr CLARK — For example, if the greyhound industry decided they were willing to approve an international betting exchange to use their race fields, could they just give that permission and then that international betting exchange would be entitled to use their race fields?

Mr PANDAZOPOULOS — If they are satisfied that they meet the integrity and economics structures that they have in place it is up to them. That is exactly what we are doing. It is not the government deciding.

Mr CLARK — That is what I want to clarify.

Mr PANDAZOPOULOS — It is the controlling body.

Mr CLARK — It is the controlling body that makes a decision.

Mr PANDAZOPOULOS — Absolutely, if they can be satisfied that they are prepared to pay whatever policy they have on economic contribution, they can satisfy them on integrity, at the end of the day the racing

bodies are really concerned about their integrity because it is their reputation that they rely on and they want to make sure that punters have the confidence to bet. That is what integrity is all about. If they are satisfied with whatever integrity rules they have and therefore allow someone to use racefield information, that is up to them, but we want to make sure they have thorough integrity models, and we know they do.

Mr FORWOOD — Has Betfair met the probity integrity qualifications?

Mr PANDAZOPOULOS — I do not know. All I can do is read in the paper that it is applied to Racing Victoria and it is up to the Racing Victoria people to determine that themselves.

Mr FORWOOD — So it has not yet been determined about Betfair?

Mr PANDAZOPOULOS — Well, that is what I understand. There is no involvement of the government in that.

Mr FORWOOD — Has anyone appealed to you yet against the decision made by any of the three bodies?

Mr PANDAZOPOULOS — No.

The CHAIR — Thank you very much, Minister. Thank you to your departmental officers who provided the information on the racing portfolio. Now we will move to the gaming portfolio.

Mr PANDAZOPOULOS — The focus I will have is on the gaming portfolio outputs, gambling trends, gambling strategy and our achievements in 2005–06 and priorities 2006–07. Gaming and racing makes up 1.8 per cent of the justice portfolio budget. We have details of our output figures there and have answered one of those, why there are variations, and they are predominantly for the licence review and the transfer of problem gambling services. In terms of regulation of the gambling output we seek to achieve a fair and crime-free gaming industry and I think we do quite well in that. The Victorian Commission for Gambling Regulation activities include licensing and equipment approvals, investigations and compliance audits, casino supervision and fostering responsible gambling.

In terms of our outputs, the gambling policy and strategy includes a problem gambling strategy, policy and legislative proposals, gambling research and stakeholder engagement. The gambling licences review includes the lotteries licence awarding process, which is nearing its end at the moment, and then we have EGM, Club Keno and wagering licences overall.

In terms of gambling trends it is important that we look at some of the trends that have been seen in Victoria. While there is a lot of debate and assumptions about the expansion of gaming, these tell you a very different story. The reality is we have turned the corner on growth in gambling expenditure. In the previous three years of the last government we saw EGM expenditure increase at a rate of 16 per cent, and in the first three years of this government it has increased at 1 per cent. So that phenomenal double-digit growth in turnover has ended with a whole lot of initiatives that have occurred. I think I have said in the past that our approach was through different policy initiatives to help the industry mature at a quicker rate. There are a whole lot of things that we have done. If you look at the forecast expenditure trends for Victoria, the blue line actual versus the trend rate, that tells us a very different story. If we had grown at the 16 per cent trend we would have had significantly a lot more gambling revenue losses in Victoria than we do have at the moment.

The CHAIR — Minister, you have got 1 minute!

Mr PANDAZOPOULOS — You do not want to hear the good news! If we take examples at the localised level, such as the city of Monash and the city of Ballarat, that gives you a localised view. In the city of Monash spending was 61 per cent lower than otherwise would have been the case at that trend rate. In Monash as well we have seen a drop in the number of EGMs and a cap on part of the area. There were 11 24-hour gaming venues and there are no more 24-hour gaming venues in that area and we have this legislative limit of not operating for more than 20 hours a week which has seen 16 000 less gambling hours available. In Ballarat there has been a 32 per cent decline on what those trend rates were, with no 24-hour gaming. The point I am trying to make is that there have been a number of different things that have happened, and we have arrested that growth.

The next table tells us about the density of gaming machines. That tells us that outside Western Australia, Victoria has the lowest number of gaming machines on a per 1000 basis than any other state.

The CHAIR — Do you want to highlight the top of each of the remaining pages so people can ask questions?

Mr PANDAZOPOULOS — In terms of the work that has been done, the gambling trends from the latest research say that prevalence has halved from about 2.14 per cent to 1.12 per cent. Our problem gambling counselling and focus on services and expansion of those services has seen a growth in the number of people using them, so we are reaching out to people who were problem gamblers who had not sought support in the past. Household consumption spent on gambling, which you have asked us about in the past, has declined from 3.8 per cent between June 2002 to 3.3 per cent in 2005–06. So with household expenditure less is being spent on gambling as a share.

The CHAIR — That will have to be it for the overhead presentation.

Mr MERLINO — Further to your presentation, Minister, if you could talk about gambling taxes; the 2006–07 budget indicates gambling taxes are expected to grow by 3.9 per cent or \$59 million. Could you inform the committee about what this says of the success of the government's gambling initiatives?

Mr PANDAZOPOULOS — I did indicate in the table in relation to gambling trends — 16 per cent growth in the last three years of the Kennett government and 1 per cent growth in the first three years of the Bracks government. We have seen — and if you look at those tables they tell us that we have slowed down the rate of growth, introduced smoking bans and bans on 24-hour venues and advertising bans have recently kicked in about a year ago — a lot of those sort of initiatives that have helped reduce the growth and now we are roughly growing at 3.9 per cent which is gambling tax receipts compared to the financial year. It is in line basically with the estimated growth of household final consumption expenditure. We are basically on par with household final consumption expenditure. Of course not every dollar spent on gambling, as we need to remind ourselves, causes harm, and it can be very confusing for some people, but I guess a real good measure of what has occurred recently is that South Australia reduced gaming machines by 2200 after their first year of introduction and actually increased their revenue even though they had fewer gaming machines. It is a reflection more on the economy — if it is strong people, have more money; and if they have more money, some people will end up in gambling, but we have arrested that growth and that is what that tells us.

Unashamedly we have increased taxes on gaming. We tax the gambling industry higher than other industries around Australia. The reason we have done that is that we are aware that the way the industry has been structured is that unless we take a greater share of tax out of the industry to put back into the community, basically gaming companies will retain that revenue. Other states have tried to increase their tax rates, having looked at what we have done, but at the end of the day — I think the Interchurch Gambling Taskforce highlighted this — if you are going to have a legal industry we get the money to go back into the community. Unashamedly we tax higher on gambling products. In 1998–99 gambling taxes constituted 7.1 per cent of all government revenue, but in 2006–07 they constituted 4.8 per cent.

Mr CLARK — Is that before or after GST?

Mr PANDAZOPOULOS — But since I do hear about dependence on government revenue, one is that the share is less than we inherited, but also that 4.8 per cent does not necessarily indicate —

Mr FORWOOD — That is such a spurious argument.

Mr PANDAZOPOULOS — The 4.8 per cent does not indicate that you are dependent, even though we have increased the share of gambling taxes. We have introduced a number of initiatives that have helped reduce that growth that we have seen and that I have referred to. They have all had some revenue effects, but at the same time we are not just having these regulatory measures. We actually boosted our resources for problem gambling services because they are an essential part of dealing with people that have the problem compared to dealing with the expenditure, which is only one measure in the community. As far as the gambling share of taxes is concerned, we get less of household final consumption. It is smaller than we inherited, but we are the highest-taxing state, unashamedly, on gambling products. If we were to reduce it to the national average, yes, we would be collecting less taxes. Would that mean less of a problem in terms of the way it appears in the budget papers? Obviously not,

but, simply, the beneficiaries will end up being the gaming companies themselves rather than communities that we capture the revenue for on their behalf.

Mr FORWOOD — I want to turn to the slide, if I could, on problem gambling trends. You talk in percentages, but I would be interested to know, in the first dot point, how many people were the 2.14 per cent in 1999 and how many actual problem gamblers is 1.12 per cent in 2004? Rather than talking in percentages, what is the actual number, seeing that the king of statistics is sitting in the audience?

Mr PANDAZOPOULOS — The 2.14 per cent comes from the Productivity Commission, and it measures that as 2.14 per cent of adult population. The latest research from the now disbanded Gambling Research Panel is — —

Mr FORWOOD — Adult population?

Mr PANDAZOPOULOS — Is 1.12 per cent.

Mr FORWOOD — From the Productivity Commission, too?

Mr PANDAZOPOULOS — From the Productivity Commission to the now disbanded Gambling Research Panel report, which indicated the prevalence rate for Victoria; the Productivity Commission report was for all of Australia, so we just assumed that that applies to Victoria as well. You said the number of problem gamblers.

Mr FORWOOD — In order to — —

The CHAIR — It was a clear question, so we are looking for the number.

Mr PANDAZOPOULOS — The number of problem gamblers, based on 1.12 per cent of adult population, I am told, is 55 695.

Mr FORWOOD — So the 2.14 per cent is of the adult population in Victoria in 1999?

Mr PANDAZOPOULOS — The 2.14 per cent is of Australia — Productivity Commission data. It is whole population, is it?

Mr KENNEDY — Adult population of Australia.

Mr FORWOOD — But the 1.12 per cent is only Victoria?

Mr PANDAZOPOULOS — Correct.

Mr FORWOOD — So the first half we are comparing with Australia; the second half is Victoria?

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — When it comes to the next part of the slide, the increase in the proportion of problem gamblers in counselling, I presume you have hard data on that because these are people in front?

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — So 4.47 per cent, how many people were fronting then?

Mr PANDAZOPOULOS — In 1999–2000 in terms of what the gamblers help services told us, they saw 4735 clients. Now, they see in 2004–05, which is the last available data, 7745 clients.

Mr FORWOOD — So the 4.7 per cent was how many people in 1999 — or was it 2000?

Mr PANDAZOPOULOS — It was 4735.

Mr FORWOOD — Did you say for the year 2000?

Mr PANDAZOPOULOS — For 1999–2000, which is the last available data.

Mr FORWOOD — And that is 4.7 per cent of what? The slide says ‘Increase in the proportion of problem gamblers in counselling’, so your 4.7 is the proportion of people in the earlier category, is that right?

Mr PANDAZOPOULOS — Yes. The Productivity Commission was the first that tried to measure prevalence. It is not an unreasonable report, and basically what the gambling research panel did is test that report by trying to get some data for Victoria. That is some good research that is available around the country. When we extrapolate the Productivity Commission data versus ours, we have invested more resources into problem gambling strategy because a lot of people, we know from our work, were not aware there was a service there, and they were not confident to use it, and the service was not available when they needed it. We have been able to build confidence in people who have problem gambling to go and seek support at services, and that is really what that is about.

Mr FORWOOD — Just to round this topic out, because I can do the sums now because I know it is 4.7 per cent of the others, earlier we were talking about the \$23.3 million for problem gamblers that has come over from DHS.

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — Are you saying that the total amount of money spent on problem gambling in Victoria in 2005–06 is 23.3 and that the total amount spent on problem gambling in 2006–07 is also going to be 23.3?

Mr PANDAZOPOULOS — The money transferred would be money that was accumulated, I guess — unspent from them; it was accumulated unspent moneys and that basically funds a whole lot of problem gambling strategies. The gamblers help service is one of those, education campaigns is another, what we call community partnerships is another. The research is another part of the problem gambling strategy, so that problem gambling strategy is made up of a whole lot of things as well as gamblers help services that people have available in the different regions where they live.

Mr FORWOOD — Can I rephrase the question, then?

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — What is the amount of money in this coming budget that will be spent on problem gambling and will all the accumulated money that came over be spent in this one year?

The CHAIR — Do you mean just in counselling services or do you mean in advertising as well?

Mr PANDAZOPOULOS — It will be \$26.7 million between 2005 and 2007, plus \$8 million for the communications strategy, which is the TV campaign.

Mr FORWOOD — So which output groups are they?

Mr PANDAZOPOULOS — It is at the end of the budget papers, and it is part of that total output cost in there which you were referring to earlier about there being less in 2006–07 of \$3.2 million than there was in 2005–06.

Mr FORWOOD — The output cost is \$29.6 million of which we know some relates to other things.

Mr PANDAZOPOULOS — Yes.

Mr FORWOOD — You just told me two figures. One was 26.7; the other is 8. That adds up to 34.7 which is more than the 29.6.

Mr PANDAZOPOULOS — Yes, but it is over two years.

Mr FORWOOD — Not in the output group, it is not.

Mr PANDAZOPOULOS — You have asked us how much money we have got available, and I have told you what our budget is of the resource we have over two years. Again, if you want further clarification on that out of session, I am happy to provide it to you.

Mr FORWOOD — I just want it year by year.

Mr PANDAZOPOULOS — We will have to break down figures for you of what we spent last year and the whole strategy and what we intend to spend next year.

Mr FORWOOD — That would be excellent.

Mr PANDAZOPOULOS — Okay.

Mr RICH-PHILLIPS — The 34.7 is for two years.

The CHAIR — Sorry, what was that?

Mr PANDAZOPOULOS — The 34.7 is over two years, I am told, plus whatever has accumulated before that has been unspent. We will give you all that detail; don't worry about it.

The CHAIR — Mr Clark has a supplementary on this, and so has Mr Baxter.

Mr CLARK — I want to clarify the source of the gambling research panel data that you referred to in answer to Mr Forwood's question about the slide. Is it publicly available and if so, what is the title? And if it is not publicly available could you provide a copy to the committee?

Mr PANDAZOPOULOS — All the research is on the DOJ web site. It is called Gambling Research Panel Victorian Longitudinal — sorry, the 1999 Productivity Commission Australia's Gambling Industries 1999-2004, Gambling Research Panel Victorian Longitudinal Community Attitudes Survey 2004. That latter one is on the GRP web site. Is the Productivity Commission report on the web site as well? It is not on our web site.

Mr CLARK — It is on their web site.

Mr PANDAZOPOULOS — It is on the Productivity Commission web site.

Mr CLARK — The longitudinal study 2004, that is the latest one that is available?

Mr PANDAZOPOULOS — Yes.

Mr BAXTER — The third dot point on that slide talks about household consumption spent on gambling. That obviously includes all forms of gambling. Is there any split-out of what the figures are for EGMs?

Mr PANDAZOPOULOS — The budget papers only refer to it in the aggregate, so I am not sure on that, but if we can find it in the future, I am happy to try to find it, if we can aggregate it for you.

Mr BAXTER — That would be appreciated. It seems to me the concern in the community about problem gambling is particularly directed towards poker machines, so it would be interesting to know in that dot point whether there are figures which might give us a better handle on whether the decline is across the board or it is lumpy.

Mr PANDAZOPOULOS — Yes. I agree in the sense that the community is focusing on problem gambling, but I remind us that we are as a community sometimes a bit hypocritical in the sense that if you are a young male, you are more likely to have problem gambling from wagering than from poker machines. Whilst community opinion is around the pokies, and it is a genuine issue around the suburbs, the data we have shown is that we have turned things around, we do have the lowest per capita, we are targeting areas with higher concentrations and lower socioeconomic factors, but we should not forget that we do not use the same arguments about young males who have problems at racetracks. We do not sit there and say, 'Let's close down racetracks, because we will have less problem gambling amongst young males'. At the end of the day it has really got to be a multi-pronged and multifaceted approach. I agree with you, if we can get that household consumption data broken down to different product areas it could be very useful, if those measures are available for us.

Mr BAXTER — Indeed. I accept there is some validity in what you say, but on the other hand the young males are not putting their household budget on at the racetrack, because they have not got a household. I think that is where the community concern is; it is the household budget that is going down the throat of the pokies.

Mr PANDAZOPOULOS — At the end of the day I think we have all got to be concerned about getting proper messages out to people so that they think about what they are doing and services are available for people irrespective of why they are problem gamblers. But of course people perceive pokies venues as being closer to home, and that is why they are much more focused on that. That is why a lot of our focus has been around pokies venues, where we have banned advertising, we do not have 24-hour venues outside of the casino, we have banned credit access, we have limited cash access and we have changed signage at venues so they do not become mini Vegases. Our focus has been a lot on pokies as well.

Mr BAXTER — They are all laudable initiatives. That is why I am trying to establish in your third dot point whether they are actually delivering.

Mr PANDAZOPOULOS — Yes, so if we can find the data for you, we will. Obviously it is generated from other source data rather than ours.

The CHAIR — Minister, by way of a follow-up from me, the briefing paper that has been prepared for us says the Productivity Commission estimated that 22.6 per cent of weekly users of electronic gaming machines were problem gamblers and 42.3 per cent of net gaming machine revenue came from problem gambling. Does the research undertaken by your panel come to the same conclusion?

Mr PANDAZOPOULOS — By memory, I do not think it measured the same things. When we have the next gaming ministers meeting I would like to see the Productivity Commission come and revisit its report. I think it would be very valuable to do so. I am not a big fan of the Productivity Commission, but at least it did some work in this area, and if we can use the same methodology — there is a whole lot of work that many jurisdictions have been doing, and certainly Victoria has been doing a lot of it that others have been following. It would be really good to be able to have another sort of independent report or assessment using the same methodology to see whether we come up with different data. I think it would be a very valuable exercise, and I would encourage the Productivity Commission and the federal government to do that. It would be a really valuable exercise.

The CHAIR — In what were probably the five follow-up questions to the original one from Mr Forwood you did undertake to give us the problem gambling initiatives in the forthcoming year.

Mr PANDAZOPOULOS — Last financial year and new financial year, in terms of dollar spend in those, yes.

The CHAIR — Just clarifying that.

Mr SOMYUREK — Minister, during your presentation, you mentioned the problem gambling strategy. Can you please inform the committee of the success of this strategy in improving reach and accessibility of problem gambling initiatives?

Mr PANDAZOPOULOS — There is certainly a lot more investment in service delivery and in the broader strategy, and the service delivery in terms of direct problem gambling programs has increased from \$7 million to \$22 million in 2004, but combined with a whole lot of the initiatives to date as a government we have spent about \$111 million to help address problem gambling, so it is Gamblers Help, it is awareness and it is partnerships with communities. We have done some really good work with community groups, because we know from our early research that part of the challenge for people to access services was not only the availability of the services when they needed them, it was also about building up their confidence and capacity. As with a lot of addictions, people find it hard to talk to different people about it and maybe use their networks. We have been able to fund some really interesting initiatives with community groups. For example, in the Chinese community it is a bit of a taboo issue, and it is very important to break down barriers and build confidence in how they manage it.

We have done partnerships with certified practising accountants. At the end of the day if you have got financial problems, the chances are your accountant is probably going to be one of the first people you confide in on that. It was very important that we work with the Victorian branch to reach out to their members so they can support and advise their clients. We have done really good work with the Country Women's Association, because in rural areas part of what the research tells us is that women who are isolated are more vulnerable and at risk for problem gambling. We are working through these organisations to break down those barriers and get people talking about the issues. One, you get education; two, you get service awareness increased and people build up their confidence to go and use those services.

We have spent \$111 million to date compared to \$13.9 million spent by our predecessors between 1993–94 and 1997–98. Over the last four years alone we have spent \$74 million, while we have seen our predecessors spend \$13.9 million. That is an indication that we have had to invest and need to invest more to reach out. You are not going to deal with problem gambling by regulation alone. At the end of the day you need to deal with it, like other addictions, through service delivery, education and partnerships with the community. We have been able to increase the capacity of Gamblers Help Services to set itself up to have extended operating hours, because the reality is problem gamblers are not all out of work. A lot of them are still in work and have periodic problems and need to be able to get to services when they are available to do so. We have been able to help increase the capacity.

The ‘Think of what you’re *really* gambling with’ was a great campaign started by a previous minister, and we are now at the next phase of that. The focus of that is to be able to build up confidence and capacity. Initially it was really about building up awareness of the services that are available; secondly, building up confidence and targeting those at greatest risk. Now the focus is targeting those who are not only at greatest risk but also those who are vulnerable to risk. We try to reach people a bit earlier before they get to a crisis stage. That has been the evolution of that sort of campaign and service delivery. We are at phase 4 of the campaign, and it is working quite well.

We have found that there have been increases in call activity to Gamblers Help of up to 60 per cent and that up to 96 per cent of Victorians are aware of the campaign and the services that are available. That awareness obviously is very important, and we will continue to invest in these areas. We have a good partnership with Gamblers Help Services. We have tried to encourage as part of its education campaigns to reach out to communities, not necessarily just to wait for the phone calls and for people to book appointments but to use their time to also get out in the communities to educate and develop partnerships at that localised level.

The CHAIR — We have got supplementaries, but they will have to be quick, please.

Mr SOMYUREK — Minister, in terms of ‘vulnerable to risk’ and ‘at risk’, obviously there is a distinction. Can you tease that out a bit or can you define ‘vulnerable to risk’ briefly?

Mr PANDAZOPOULOS — The initial campaigns have predominantly focused on, as I said, building up confidence and then targeting those who have actually got a problem. Now we are doing this focusing of messages that get to people — for example, ‘Are you spending more money than you can afford on a regular basis at gaming venues? Are you thinking when you are not at gaming venues about going to gaming venues on a more regular basis? Are you hiding information from your family or your loved ones about your financial problems that might be the result from gambling?’. That is for the risk group who we can potentially help out earlier on. It resonates well for those who also have a problem, so we are trying to increase that depth of people that those campaigns really relate to.

Mr CLARK — Minister, could you outline to the committee what the current position is in relation to the tender for the lotteries licence, and secondly, the process of review of the gaming and wagering licences and what are the time lines for the completion of the tender and the gaming and wagering licences review? What are the time lines for the tender process on the one and the review process on the other two?

Mr PANDAZOPOULOS — The lotteries review is reaching its final stages where the review team invited more than one applicant to formally apply. They are currently considering those formal applications. The key things that they need to look at are the type of products that they are offering and how they relate to our responsible gambling objectives that we have built in for the first time in the licensing process, the technology also, distribution methods and how they meet those different objectives.

There are also the integrity and probity issues. Obviously we have to go thoroughly through the associates that are involved because it is part of the normal process in relation to potential licence-holders. Once they finish those they will advise me and will announce who the successful tenderers are for potentially more than one public lottery licence. We are wanting to have competition if we can have that. Obviously this is an opportunity to test whether the marketplace can bear that.

We have set conditions. I think it has gone through the legislation in Parliament that licence periods will be 10 years, and some of those things. I expect really in the next few weeks to have advice about who will be successful in that area.

In terms of the other review for EGMs, wagering and Club Keno, you would be aware submissions have closed and for the first time all submissions that relate to the terms of reference that do not have commercial-in-confidence issues in there — I think there were one of two that had commercial in confidence that they wanted excluded because it was more about the company business — they have been publicly available on the web site. We think that that is very important.

We have wanted that to be out in the marketplace because, one, it is transparent, and two, it will help inform discussion around what those submitting are saying both from different views from the industry, different views from the community sector, and a whole lot of views from local government as well.

The reason for that is that you have Peter Kirby who will be commencing a review at the public consultation stage in July. He will be inviting submissions from the community and he will be having some forums where he will be inviting feedback as well. He will present a public report to government in September on what the community consultations say.

We have also provided funding to the Victorian Local Government Association in partnership with Communities Against Pokies Problems in order to ensure that the community sector has access to being able to participate in the debate.

We are very conscious that, while gaming interests have a lot of resources behind them and they need to be involved in the discussion, the community needs to also be involved in the discussions and that resourcing has been made available, and there will be advice to government available early in 2007 about what the future structure of EGMs, wagering and Club Keno should be post 2012. That advice should come to government in 2007 about what the structure would look like, and then whatever happens after November will determine of course what the process is in relation to applications to apply. But we did say to both the wagering and the EGM sectors that we wanted to give enough notice as possible. If a change is going to occur, you need to be able to give some reasonable implementation time around that, and also we wanted to assure the community sector, because there was some concern in the community sector that commencing reviews very late in the piece might favour the existing incumbents and operating models, whereas if you have a longer period of review not only do you give industry time to change but you also can build up confidence in the community sector that this is a genuine review that does not necessarily favour or not favour incumbents.

The CHAIR — We have time for two quick questions. The one I would like to take you to is PAEC's 2004–05 estimates report where we recommended, and I have a copy of it here, that:

The Department of Justice ensure that:

- (a) appropriate performance measures and targets are established, which enable an assessment of the project costs, time lines and implementation outcomes of the gambling research panel or its successor ...

The government's response indicated that a new Responsible Gambling Ministerial Advisory Council would replace the Problem Gambling Roundtable. Could you please tell us what action has been taken to develop the performance measures and targets for the Responsible Gambling Ministerial Advisory Council and what reporting framework is in place to disclose that?

Mr PANDAZOPOULOS — I think I did report on a new research arrangement structure last year. The deficiencies with the way the gambling research panel operated is that it did not necessarily do all research projects in forms where you could help inform policy. Having longitudinal trends and all that are very important on their own, but a focus on helping government determine initiatives and regulatory initiatives have an impact on helping reduce problem gambling; we need to focus our activity in relation to that. What we decided to do is set up a subcommittee of the Responsible Gambling Ministerial Advisory Council, which was a new group also formed around that time, and the subcommittee is the one that is advising government on what the research priorities are. We have also put in place, and what the GRP did not have in the past, unlike a lot of other research reports, there were methodology problems with some of their research reports because they had not been independently peer reviewed.

For most research and scientific research you have a peer review process because by its nature, research can have problems if you cannot reach enough of the target group. If you survey a number of people there could be large statistical variations if you are only interviewing 20 or 30 people, so it is really important to have an independent peer review process to advise, as they have been doing, and that has been chaired by Bruce Singh with a team, the

subcommittee of RGMAC, if they want to pursue certain research areas, advising them of the potential of that research and also the limitation potential of that research. We know in terms of problem gamblers, as a jurisdiction — and I referred to this before — there are very few problem gambling researchers in the country. You could call it an industry on its own in that regard. There are capacity issues in that research industry as well. One of the difficulties they face is reaching out to problem gamblers who are prepared to be surveyed in detail about their habits. A lot of people are reluctant, even though they go to services, to engage in those sorts of things and relive some difficulties in their time, so they are real limitations.

Having been aware of the limitations of research could assist you in terms of determining a research agenda. What the ministerial council wants, and the advisory committee, is to have the resource we have got, some of it to be available for research to be conducted with the advice of that subcommittee, but also some that we go out to the marketplace and run a grants-based program on research to involve the community broadly. I am just about to tick off on it, so I am really pleased to be able to announce that half a million dollars will be available as a grants program on research, following the advice of the research subcommittee, because we want to not only have the committee itself say, ‘This is the sort of research we should do and these are our priorities’; we should also go out to the community and have some resource available in that broader sense, because we might be able to get a broader field of research activities that could help inform public policy outcomes. We are already in place. Those guidelines will be prepared in the next few weeks, and we will probably advertise for that.

Mr BAXTER — Minister, my recollection is that prior to the last election the government had a commitment to introduce a number of regional caps for EGMs. So far as I am aware that commitment has not been entirely implemented. What progress has been made and will it be implemented before this Parliament concludes?

Mr PANDAZOPOULOS — Yes, we did commit to — in the first term we put some regional caps. In terms of the regions, the regions were not just regional Victoria — there are five different areas that are capped at the moment that cover 10 per cent of the population.

Mr BAXTER — I was using ‘regional’ not in the rural sense, yes.

Mr PANDAZOPOULOS — Okay — just clarifying that. We have committed to additional regions. If you look at the policy, there are a lot of other local government areas, and we are highlighting other areas to extend caps into. We were doing two things. One is that the Gambling Research Panel was authorised to commission some research in relation to effects and limitation of the potential of regional caps. We were awaiting that, and we have appointed a backbencher group to go and consult local government stakeholders on that. That report has been made available to government. The government now is working through those recommendations and the technicalities of those recommendations, and I would hope to have some announcement to be able to make soon around that.

Mr BAXTER — So you expect it to be implemented prior to the election — the commitment that was made last time?

Mr PANDAZOPOULOS — We certainly expect that we will start that. The implementation of caps occurs via the gaming commission itself, when you look at the legislation. Certainly it occurs on the basis of ministerial directions, but they will determine, based on the directions we have, not only what the localities will be, but if there are to be gaming machine reductions in those areas, what those reductions will be and what venues they come from will be implemented by them.

Mr BAXTER — Who constituted the backbencher committee?

Mr PANDAZOPOULOS — The members for Bentleigh, Narre Warren North and Ballarat West.

The CHAIR — That concludes the consideration of the budget estimates for the portfolios of tourism, gaming and racing. I thank the minister, departmental officers and to those who are not here at the hearings, we also extend our appreciation to them. The matters you have taken on notice will be sent to you, as well as some questions from a briefing paper prepared by the secretary. Thank you very much.

Committee adjourned.