

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 21 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr A. Robinson, Minister for Gaming,  
Dr R. Kelleher, Acting Secretary,  
Mr R. Kennedy, Executive Director, Gaming and Racing,  
Mr A. Clayton, Project Director, Gambling Licences Review, and  
Ms J. Shinn, Executive Assistant to Executive Director, Gaming and Racing, Department of Justice.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolios of gaming and consumer affairs. On behalf of the committee I welcome Mr Tony Robinson, Minister for Gaming and Minister for Consumer Affairs, Dr Roslyn Kelleher, Acting Secretary of the Department of Justice, Ross Kennedy, executive director, gaming and racing, Alan Clayton, project director, gambling licences review, and Jennifer Shinn, executive assistant to the executive director, gaming and racing. Departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee’s proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording procedures in this room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence being given today is being recorded. Witnesses will be provided with proof versions of the transcript. The committee requests that verification be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice the transcripts and PowerPoint presentations, and any documents tabled, will then be placed on the committee’s website. Following a presentation by the minister, committee members will ask questions related to the budget estimates. Generally the procedure follows that relating to questions in the Legislative Assembly. There are no supplementaries, and you are meant to try to keep to 4 or 5 minutes in response, Minister. I ask that all mobile telephones be turned off, and I invite the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the portfolio of gaming.

**Mr ROBINSON** — Thanks, Chair and committee members, for the chance to be here. I am going to start with a qualification — I think we got some technology problems.

**Dr KELLEHER** — We do. We are dependent on the paper.

**Mr ROBINSON** — We do have some technology problems.

**The CHAIR** — But you have handed out something to us, and I am sure we will be able to carry on.

**Mr ROBINSON** — I will discuss briefly the gaming portfolio outputs, then I will turn to some gambling regulation issues, the gambling licences review, developments in responsible gambling policy, the government’s actions in addressing problem gambling, and then I will just conclude with an overview of priorities for 2008–09. The gaming and racing portfolios, as you would be aware, are supported by the Department of Justice. My comments will be confined to the gaming component of that portfolio. I understand the Deputy Premier is before you next week, and he can deal with the racing issues. The portfolios account for 2.2 per cent of the department’s total budget — 3.6 billion. The budget for the gaming and racing portfolios in 2008–09 is 72.2 million, and two-thirds of that is dedicated to funding the VCGR — that accounts for 19.5 million — and taking action on problem gambling policy, 27.7 million.

Other funded activities include policy and research functions, including national gambling research activities that are administered by Victoria, and funding for the gambling licences review. The VCGR continues to be regarded as one of the pre-eminent gambling regulators in the world. That is something we are determined to maintain. Its budget, as I said, for 08–09 is 19.5 million — that is a rise of about half a million. The commission’s activities are geared towards achieving a fair and crime-free gambling industry in Victoria — something I think all of us would acknowledge it has done a very good job at over the past 15 years or more — which is operated in a responsible manner. The commission regulates commercial gambling activities, including electronic gaming machines — poker machines — lotteries, the casino as well as community and charitable gaming, such as raffles, bingos, lucky envelopes and the licensing of venues and employees. The commission comprises a chair, deputy chair and a full-time executive commissioner, supported by staff from the Department of Justice.

Just as a rough guide, there were some 522 gaming venues across the state as at 30 June last year — and the casino, of course — and the VCGR in the last year conducted 1651 gaming inspections. So if you want to work in averages, that is about three inspections per venue. The gambling licences review is the major focus of the Office of Gaming and Racing’s work in 2007–08 and will continue into next year. As you would be aware, last October we

announced the outcome of the lottery licence process, and we are now in the transition phase. From 1 July lotteries will be run by two companies in this state — Tatts, which will maintain the block lottery products and Intralot, the new entrant which will run the instant or non-block lotteries, or the ‘scratchies’ as we say.

In April this year we announced the reconstruction of the remaining gambling activity — wagering, Keno and gaming. I will not go into great detail, but I think you are all aware of the decisions there. We will have a single Keno licence beyond 2012; we will have a venue-based gaming model; and we will have a single wagering and betting licence. There is a lot more work to be done as we go into transition, not just through to 1 July with the lotteries but through to 2012 with the remaining gambling activity.

On responsible gambling activity, I am sorry we do not have the slide, but we did present some material here about Victoria relative to other states. I just want to make a brief comment there. Victoria still maintains the lowest number of gaming machines per 1000 adults after Western Australia, which has only machines in the casino. New South Wales has 100 000 machines, nearly three times as many gaming machines per 1000 adults as Victoria. They have a ratio of, I think it is, 19.7 machines per 1000 adults, compared to Victoria, which I think at the moment is about 6.8. Because we have got a fixed number of machines and the population is growing, by the end of the new gaming arrangements in 2022 we anticipate that that density will shrink to under six to about 5.8.

We have the highest taxing arrangements for gambling revenue in Victoria; we make no apology for that. About 82 to 85 per cent of those taxes find their way into the health services. Problem gambling expenditure in Victoria in 2006–07 — the last time we have been able to actually get comparable figures together — was just under 20 million; New South Wales, 11.3; Queensland, 3.8. A further comparison, just in policy measures, on ATMs precommitment research on problem-gambling counselling we are well ahead of those other jurisdictions.

Further announcements in the current year in terms of responsible gambling policy, we have announced policy on precommitments, so all new machines that come into the market after 2010 in Victoria will be required to have a precommitment feature. We also made a further announcement on ATMs. We had in place a policy through legislation last year that would limit the amount that could be withdrawn per day from ATMs at gaming venues to \$400 per account, but in fact we have now gone further and said that all machines would need to be out of all parts of gaming venues by the end of the current licensing period. What you will find is that in effect at the end of next year a large number of machines will be pulled. So we are setting the pace on that policy.

Taking Action on Problem Gambling has total funding of \$132 million, and work is progressing in a number of the action areas. The total expenditure in 08–09 under Taking Action on Problem Gambling is close to \$28 million, and in the current year it is in excess of 20 million. We look forward to the coming year — and I will just finish on this — and obviously the gambling licensing arrangements will continue to receive our attention. We will continue to fund, with even more funding this year, the ‘Taking action on problem gambling’ action areas. There will be a new provider for the Gamblers Help telephone, and web-based problem gambling services will be extended. The centre for problem gambling research and treatment will take the next stages in its development. We will be launching a new problem gambling community awareness and education strategy, and we will be doing some very active work, I anticipate, with other states and certainly with the commonwealth, as we see the COAG gambling council reactivated, welcomingly, after about an 18 months hiatus. We hope to have that next meeting in Melbourne because we believe we have got a good story to tell.

**The CHAIR** — Thank you very much, Minister. I have asked the department previously about subsidies and concessions et cetera, and I think it is going to provide any further information that it has. That is probably more relevant to other parts of the department.

**Mr ROBINSON** — I have got some advice on that, Chair, if you would like.

**The CHAIR** — Yes, sure.

**Mr ROBINSON** — I anticipated this question. The only obvious response to that in the gambling portfolio would be the differential in tax treatment between clubs and pubs. Pubs pay the 8.33 per cent and clubs do not. I think the budget papers account for this differential in budget paper 4 as about 67 million, I think. That is what we estimate is the differential. There are other red tape reduction measures. That could be a later question we could address you on.

**Mr WELLS** — It is question 6.

**Mr ROBINSON** — Your question 6? You are doing well to get six questions, Kim.

**The CHAIR** — Keep going, Minister.

**Mr ROBINSON** — We have anticipated a review of bingo arrangements. We have some draft regulations out on bingo, and they will reduce the red tape burden, especially for some retirement homes and church groups. We are also doing some work on a very old rule in pubs and clubs, the sign-in rule. We are not sure that that has any real relevance today. It is a burden on clubs in particular, and we will be looking at that as to whether that could be updated to reduce the burden.

**The CHAIR** — If you could expand on that and give us a written response on that in detail, it would be good.

**Mr ROBINSON** — Sure.

**The CHAIR** — Particularly when we are trying to work out what subsidies and concessions there are, including some implicit ones like the one you identified. It is quite large; \$67 million is really quite considerable, particularly when you are going forward in your policy, which is obviously is not going to come in for a number of years, there are going to be further differentials between the clubs and the pubs in respect of gaming.

**Mr WELLS** — Minister, I am just looking at your ‘Addressing problem gambling’ and the announcement in 2006 with total funding of 132.3 million. That is over what period?

**Mr ROBINSON** — Five years; it is through to 2011, I think.

**Mr WELLS** — Which leads me into the question I wanted to ask. This committee recently reported that the government’s problem gambling communication campaign was actually cut between 05–06 and 06–07. How much will be allocated to that particular campaign in 08–09 and the forward estimates?

**Mr ROBINSON** — I would take issue with you to say it was cut. I think it was an underspend as to what might have been estimated before. It was not actually cut. I do not think a decision was made to actually cut it. The actual figures you were looking at were a product of what was actually placed in the market in terms of advertising. Advertising is a key component of the suite of problem gambling measures. Estimates are made about the per annum spend, but the actual spend depends on a range of factors. The advantage of having a program that runs over five years is that any underspend or in any year where we do not meet the projected spend, that money is carried forward. So it is not lost to the program; it is actually carried forward and it is a resource that can be applied in the following year.

The 08–09 spend is likely to be around \$3 million; it might be slightly more. It will coincide with a new advertising campaign and tougher in-venue messages. What we do formally in advertising complements a lot of what is done outside that strict advertising spend. The focus increasingly with advertising is to identify the timeslots both through the year when gambling expenditure is on the increase — because it is cyclical; it goes up and down through the course of the year, and that is a well-established pattern — and by deduction problem gambling goes up and down a bit through the year. Also the trick with advertising is to try to place it at the best times during the week. So if you are like me and you happen to listen to the races on the weekend, you will find that 927 has a lot of ads over the course of a Saturday afternoon. I think it has one between most races. I think we place about 2500 spots with 927 through the course of the year. There are also some practical issues that confront the people running the programs about where to place ads — for example, in last year’s federal election you just could not get spots between about September and December; you just could not buy spots at all, and if you could have found one, it was probably going at three times the rate because of the demand from other sources. I am happy to let Ross Kennedy provide a little bit more advice, if you like.

**Mr WELLS** — Yes, it is just, I guess, the spend over the forward estimates period on this campaign.

**Mr KENNEDY** — As the minister said, we have a five-year time frame for ‘Taking action on problem gambling’, and within the budget we have a dedicated component for community awareness, of which advertising is the major feature. The spend will be up and down according to the sort of advice we get on the best timing for awareness campaigns and the availability of media from time to time. The commitment is therefore full expenditure over the period.

**Mr WELLS** — How much will that be for advertising?

**Mr ROBINSON** — Over the course of the whole five years or the remaining part of the program?

**Mr WELLS** — For starters, over the five years, how much — —

**Mr KENNEDY** — Over the whole five years it is 37.5 million.

**Mr WELLS** — And the 08–09 is 3 million?

**Mr ROBINSON** — Three million. But I think the figure Ross is quoting from probably includes advertising and some others.

**Mr KENNEDY** — It does. It is the whole promoting package.

**Mr ROBINSON** — There is no dedicated action area there that just talks about ads placed, because ads placed, by themselves, are not a firm enough guide as to what you are doing in activity in the area. You can run lots of ads, but if you do not have the counselling services for people to connect into, the ads themselves are less meaningful.

**Mr WELLS** — So it is \$37.5 million over the next five years.

**Mr ROBINSON** — In that relevant action area.

**Mr KENNEDY** — Promoting healthy communities is the action area.

**The CHAIR** — What is the five-year period?

**Mr ROBINSON** — Through to 2011, so that is in the remaining part of — —

**Mr WELLS** — But with regard to the problem gambling communication campaign, are we talking the same — —

**Mr ROBINSON** — No, my understanding is the communication campaign talks about ads and others, does it not? It is not just ads.

**Mr KENNEDY** — It is the promoting healthy communities action area of ‘Taking action in problem gambling’. A component of that is the communications campaign. A large part of the communications campaign is the media buy, but there are other elements. The total campaign cost is 37.5 million over five years.

**The CHAIR** — But there are also some community grants in this I know for local action, which might be sort of getting diversion tactics — —

**Mr KENNEDY** — That is right. We can break that down for the committee.

**Mr ROBINSON** — It includes an education component as well.

**The CHAIR** — Maybe you can give us something in detail on it.

**Mr WELLS** — Can we just clarify that the 37.5 million is for the healthier communities?

**Mr ROBINSON** — That is for the action area.

**Mr KENNEDY** — The action area promoting healthy communities.

**Mr WELLS** — How much is just the advertising campaign?

**Mr KENNEDY** — Which is part of that, which I will have to come back to you with a breakdown.

**Mr WELLS** — Right. Can we have that on notice, on how much that will be? Also how do you assess the success or otherwise of the ads that you are placing? What strategy do you have in place to check whether it has been successful or not?

**Mr KENNEDY** — We are into the fourth phase of the community awareness campaign, and after each phase we commission an independent evaluation of the effectiveness of the campaign, largely measured by awareness levels. Each of the three phases to date at the evaluations has led to refinements of the subsequent phase, but confirm the effectiveness in each case.

**The CHAIR** — I might add that our report on the financial performance outcomes has a recommendation seeking to strengthen the evaluation processes of advertising campaigns. We expect a response from the government within the next few months.

**Mr ROBINSON** — I might say, Chair, I had a discussion with Jenny Macklin briefly last week because she has been asked by the Prime Minister to provide the gambling ministers or gaming ministers forum, and there is a meeting I think foreshadowed in July. One of the things I think we will be advancing quite strongly to the commonwealth is that there is the opportunity to try to develop some standard methodologies across the states, because we put some information together about the comparison of problem gambling expenditure, and we are very confident we are miles ahead of the other states. But in fact there are no common measuring tools here, and I think ultimately that is what we need in this country. We need to have a debate in which we can compare best practice.

**The CHAIR** — I think we are all pulling in the same direction on this.

**Ms MUNT** — Minister, you touched briefly in your presentation on gambling licences review, and if I could just refer you to budget paper 3, page 162, under notes, no. (i), it says:

The 2008-09 budget includes funding for the gambling licence review.

I would just be interested if you could give me some more details on the post-2012 industry structure.

**Mr ROBINSON** — Fine. It has been a huge component of the work of the Office of Gaming and Racing, supported by the department, over the last three or four years, but particularly the last year, and it will continue to be a huge component of the work going forward. The government's decision was based on — and I say this to pubs and clubs; I am doing a lot of forums at the moment with them explaining the announcement — essentially the four Cs. What we have adopted is a more competitive environment. We had the national competition policy review of the gambling industry in Victoria back in 2000 or 2001 and it concluded — and it was made public at the time — that a duopoly was not as competitive in terms of the outcomes and the benefits delivered to the community. We said at that time that we would have a more competitive environment, so heading to a venue model and also allowing for the Keno operations to be hived off and offered as a sole licence. Currently they are not. It does provide for that competition. Similarly, offering the wagering licence to the market and allowing bidders to compete for that business is good.

With lotteries, I think we said last year that the value of competition to taxpayers over the course of the next 10-year period can be measured in hundreds of millions of dollars. Typically in Victoria what we have done since the 1950s — governments of both persuasions — when Tatts first came in, at the end of any licence period, Tatts was invited to the back room, cup of tea, scone, licence extension, money paid over. No-one ever knew whether that was good value. We have clearly said competition going forward is a key component so that taxpayers can be more confident about the value they are delivering. These licences or entitlements are worth something and taxpayers expect us to deliver best value.

We also said that the changes going forward deliver control and certainty to the gaming industry, to pubs and clubs. One of the weaknesses of the gaming system as it is currently constructed is that the operators own the machines, so they get to decide where they will be moved. It does not matter what your relationship is with a gaming company, in a pub or a club, you can have the company ring you and say, 'You are doing a good job, but we are moving them'. In fact there are some clubs which will pick up the paper and read that there is some proposed development. In fact the machines are coming from them. Under the system going forward from 2012 pubs and clubs will have the ability to secure entitlements, and if they have entitlements they will have control and certainty about those for the full 10-year period. They will have the ability to trade them. It is also about community where removal of the licensed operators means in the first instance their share of the revenue is available to the pubs and clubs. Ultimately under the model we are proposing, more of the benefit of gaming activity rests with the community. We think that is a positive.

At the moment we have just gone through lotteries and we are transitioning through to 1 July with the wagering, Keno and gaming. There is a lot more work ahead of us. In the first instance we have consultations with the racing industry. We gave an undertaking that we would do that and that is to get to a point where we have had discussions about what constitutes 'no worse off' for their funding stream beyond 2012. We are also doing some post-announcement work. I am talking to pubs and clubs. We will have a formal communication program beyond that with all stakeholders, because it is important with the independent review panel in place that all stakeholders are treated equally and have equal access to information, so that will be done formerly once we get into June or July. We will move towards a registration of interest stage for the Keno and the wagering licences, and that we anticipate in the second half of this year. We anticipate that will probably take about 12 months or 18 months to work through to conclude those matters. We are also doing a lot of work in formulating the policy around the transition through to venue and pub ownership of the machine entitlements. That will require a lot more intense work and modelling; we have to work through what the appropriate sliding tax scale will be. There is a lot more work in the second half of the year and we are going to have a very, very active time.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the Merkel review and how it is funded. The budget allocates 9.1 million for the gambling licences review. Does that include funding for the Merkel review, as apparently it did last year, according to Minister Andrews? What funding is provided for the Merkel review going forward each year, and how are the members of that panel remunerated; is it on a per-meeting basis or a fixed fee?

**Mr ROBINSON** — I will just say briefly that the Merkel panel is doing a very good job. The Merkel panel under the legislation, I think, has delivered three reports to the Parliament and will continue to deliver reports to the Parliament. It can do so at the panel's volition ; it does not need our permission to indicate it wants to make a report ; it has that unilateral power. The staffing components are separate. In terms of the funding required, pretty much the funding that is required, as is indicated by the panel is needed, is provided; we do not have arguments about that because it has got an important job to do. The actual panel's operation, I think, through 07–08 cost about 700 000.

**Mr CLAYTON** — Seven hundred and fifty.

**Mr ROBINSON** — Seven hundred and fifty. There is a larger allocation made for the whole gambling licences review. That is a much larger team of people, and again we make no apologies for that because this is a monumental piece of work. But I might let Ross Kennedy and Alan Clayton, who heads the steering committee, comment.

**Mr CLAYTON** — The point about the 08–09 budget is it is an aggregate budget, which would include costs for the IRP, the independent review panel, and the gambling licences review. There is no set break-up in the aggregate figure, so the budget figures that you have got of \$9 million allocated in the 08–09 budget going forward and equally the independent review panel costs were taken out of the overall budget for the gambling licences review in 07–08, the current financial year.

**Mr RICH-PHILLIPS** — The minister said it was 750 000 for 07–08.

**Mr ROBINSON** — I think that is right.

**The CHAIR** — That is the expected cost, is it, at this stage? There are still a few months to go.

**Mr ROBINSON** — Yes, for this year, for the actual independent review panel.

**Mr RICH-PHILLIPS** — For the Merkel panel. Do you anticipate that will be consistent going forward?

**Mr CLAYTON** — If I could answer that, Minister?

**Mr ROBINSON** — Yes, sure.

**Mr CLAYTON** — It is not easy for us to anticipate what the expenditure will be because, as the minister said, the independent review panel will determine when it is going to report. So it is not clear to us at the start of the year how it is going to report and when it is going to report. As the minister said, the funding for the independent review panel will be made available as needed, but at this stage we do not have a forward plan in terms of the budget because they will determine, as the review proceeds, as the licence allocation process proceeds, at a number

of points along the pathway when it is going to report, and how much work it takes it to report is really a matter that crystallises as it goes.

**Mr RICH-PHILLIPS** — So how do they obtain the relevant funding? If Merkel decides that he wants to report on issue X, he then has to come to the department seeking funding to actually go through the mechanics of reporting?

**Mr CLAYTON** — He submits his costs. As he goes he submits costs.

**Mr RICH-PHILLIPS** — So he does not need to seek — —

**Mr CLAYTON** — He does not seek clearance, he just submits costs.

**The CHAIR** — So you make a reasonable estimate.

**Mr ROBINSON** — That is important. In order for people to be confident that he is doing his job in an unfettered way — and the reports he is delivering are certainly frank and fearless — it is important that he does have that discretion, much as it is at odds with what we would consider to be established practice in controlling costs. He has an important job to do and to this point in time he has been able to do that very well and we anticipate that arrangement continuing. He will be delivering reports for some time yet.

**Mr RICH-PHILLIPS** — The other part of the question was the remuneration of members of the panel. What are the arrangements there?

**Mr KENNEDY** — It is prescribed on a daily sitting basis, but I do not have the figures with me; we can certainly supply them.

**The CHAIR** — Okay, we will take that one on notice.

**Mr PAKULA** — It is per sitting?

**Mr KENNEDY** — Per sitting, yes.

**Mr RICH-PHILLIPS** — And can you tell us how many sittings there have been of the panel?

**Mr KENNEDY** — We can come back to you with that.

**Mr PAKULA** — Seven hundred and fifty thousand bucks worth!

**Mr CLAYTON** — We do not keep a record of that and I do not know whether they do. The only way that we can really — —

**Mr RICH-PHILLIPS** — Presumably if they are claiming per day they would have to submit the number of days that they sit.

**Mr CLAYTON** — The only way we could provide advice to you on that is what their aggregate expenditure is for the period that you would request advice on, so, as we said, what the expenditure was up to this stage. We would just receive their costs as they go and then account for it at the end by aggregating out what its expenditure is for the year.

**Mr RICH-PHILLIPS** — Would they not be making a daily claim — if they sit 10 days, for 10 times the sitting fee? Would not the department hold that information?

**Mr ROBINSON** — I think what you will find is their sitting arrangements vary depending upon the load. There was a lot of work in the lead-up to the lotteries decision. But through the course of the year their workload will ebb and flow a little.

**The CHAIR** — Okay, if you provide what information is available to us on the basis of that information we would appreciate it.



**Mr SCOTT** — I refer you to budget paper 3, Minister, pages 180 and 181, and the ongoing enhancement of the regulatory environment. Can the minister update the committee on the government's overall problem gambling strategy and how it will be progressed through this budget?

**Mr ROBINSON** — Thanks for the question. Again, I am sorry, we do not have the slide. There is a lot going on in terms of problem gambling strategies and the regulatory environment. I think that is what you are asking about in particular. We do intend to increase the expenditure under the program in 08–09 to 27.7 million. So a number of areas in this program have been scaling up through the course of it. Of that, around 11.8 million has been provided to the gamblers help agencies and to statewide initiatives promoting enhanced services for culturally and linguistically diverse and indigenous communities. Treatment services are very much at the fore of taking action on problem gambling, and the gamblers help service system is undergoing significant reforms through the course of this year, including a raft of new service enhancements that ensure problem gamblers and their families receive the most effective treatment options. We have significantly redeveloped the gamblers helpline service. It is the intention it will be able to offer scheduled therapeutic counselling, self-help materials, online counselling, 24-hour-a-day, seven-day-a-week, face-to-face appointment scheduling for gamblers help services. These new service enhancements are intended to complement the current service provision of the telephone counselling services across Victoria.

Last September we launched the Melbourne University and Monash University joint centre for problem gambling treatment and research. That was through an allocation of \$4 million, and we look forward to that developing. I might briefly speak about some of the things that will be doing. It is headed by Professor Alun Jackson from Melbourne University. It also has a centre director, Professor Shane Thomas, from the faculty of medicine at Monash University; two senior research fellows, two research assistants and an administrative officer. The centre intends to undertake internationally competitive gambling research to look at things like the epidemiology of gambling forms, risk and protective factors in relation to problem gambling, longitudinal studies of youth gambling, family violence gambling, and how people cope with depression in gambling, an important link in the chronicity of problem gambling and the phenomenon of natural recovery. We really look forward to that being advanced further in the coming year.

We have other legislative changes. We had legislation passed through Parliament last year that required major industry participants to have in place responsible gambling codes of conduct. Both of the licences that came out last year with lotteries for the first time have responsible gambling conditions in them. Responsible gambling conditions will continue to be part of the licences going forward, from Keno. We also have the Responsible Gambling Ministerial Advisory Council. I will be seeing them again at their next meeting, and we look forward to them doing some work with us on the ATM policy. We have invited them to help us work up what an acceptable exemption policy would be for small towns where the ATM in the gaming venue might be the only ATM in the town; they will do some work on that. I have spoken to Professor Singh, who is the chair, and invited him to assist us in working on our policy of precommitment and how we might find a suitable standard of precommitment mechanisms for all machines. There is a lot happening at the moment, and we are going to have a very active year ahead.

**Dr SYKES** — My question relates to the lottery review. As I understand it, the budget papers forecast a 10 per cent increase in lottery taxation revenue compared with 07–08 — up to 354.8 million. What is the sensitivity of this forecast to any failure by Intralot to be up and fully operational by 1 July? The background to that question is that there is a rumble in the jungle out there amongst —

**The CHAIR** — You do not trade rumours, I am sure.

**Dr SYKES** — The Nationals member for Northern Victoria Region is out there on his tom tom beating his drum. That will be picked up in a moment by the slower thinking members. The issue is that we are particularly concerned about the \$10 000 up-front fees. It has been estimated by some people in the industry that they may have to generate an extra \$60 000 worth of sales to cover the additional costs. What is the impact if Intralot does not get up and running; and what are you doing to address these concerns that appear to be soundly based about increased costs for the operators and therefore the potential impacts on their profitability and access of these products to small communities?

**Mr ROBINSON** — That is a fair enough question. We are conscious of some anxiety amongst agents. I have met now with the Lottery Agents' Association, I think, on three occasions. I met with them early this week, or

it could have been late last week. Our license of course is with the lottery companies, not with the agents directly; their relationship is with the lottery company. What we said as a general statement to all — we say this to lottery agents and we say this to some clubs that I have spoken to about the changes in gaming — is that the government's first obligation is to taxpayers right across the state. We make decisions in the case of lotteries [inaudible] particularly the value we can return to taxpayers. The decision as I said last year to go with two lottery operators is one that will, on our best estimate, return far more to the state than if we just kept with one. The agents have had a number of complaints. In the first instance there was some disquiet about the way Tatts was handling its arrangements with a number of the lottery agents. There were a small number that only sold lottery tickets, not in mixed businesses as such, and there was some toing and froing between Tatts and those agents about their ability to sell Intralot products. We have worked through that and got a satisfactory resolution. We are pleased about that. Eighty-five per cent of lottery sales are actually Tatts products. That is where the bulk of sales remains.

We have also had some more recent issues with the way in which Tatts and Intralot will share counter space, if you like. In part, this is about two companies just getting used to each other. There is a bit of chesting — young bucks on the paddock testing each other out. The agents in more recent times have had some concerns about Intralot's preparedness for the changeover. We signalled to them that — and I am in the process of writing to Intralot about this — we expect them to fulfil their obligations to the state to have things perform up to the standards that we set. If they are not, we have the ability to fine them, and we have indicated that the state will not be shy about doing that if they have made commitments and cannot deliver on them.

There will be a requirement for lottery agents to equip themselves under the agreement they have with the new licence holder, Intralot, with the right equipment and machinery to undertake those sales. What that involves is really a matter for Intralot and the agencies; it is not something we get involved in. As we said to some agents, the licences were going to be renewed. From 2008 onwards we were going to have a different scene, so the arrangements to support that, including what they would be required to undertake with the new licence holder, were there for everyone to see. There would be costs to be borne. We will continue to work with lottery agents to try and ensure that the transition works as smoothly as possible. I know there are some concerns about the way in which Tatts will withdraw some of its scratchy products before 30 June. We are approaching Tatts to talk to the agents directly, to try and assure them. I think some of the claims around some of the anxieties are probably a little misplaced, and we will be able to deal with those.

The entry of a new player is the other thing. Sorry, there are two things. As we go to 30 June, the requirement that tax withdraw products will probably mean that they will have some bonus draws and have to distribute the pool winnings so they do not have anything left over by 1 July. Similarly, the new entrant from 1 July would probably be foreshadowed with a fairly strong advertising campaign. So I think it is swings and roundabouts in all of this, but we are confident both for agents going forward and for taxpayers generally that the decisions we have reached are in everyone's best interest.

**Dr SYKES** — Chair, just a clarification: do you expect Intralot to be fully operational by 1 July?

**Mr ROBINSON** — I do not know that we said they had to be fully operational. I think we required that they have their full range of products available but, Alan, you might want to talk about this.

**Mr CLAYTON** — There is a plan that is contained within the licence about how the games will go forward, so there are certain dates for certain games in the plan. I think, just adding to what the minister has said, both Tatts and Intralot were required to put a transition plan to the VCGR for their consideration, and the VCGR has approved Intralot's transition plans, so the progress is on target in the context of what the licence conditions require.

**Dr SYKES** — Chair, just clarifying the general answer that the minister gave: as I understood it, Minister, you are saying the primary responsibility is to all Victorian taxpayers?

**Mr ROBINSON** — Correct.

**Dr SYKES** — But if the implementation of a new system results in substantially increased cost, and operators are going to need to generate at least \$60 000 more income to cover those costs, is that not discriminating against small operators and therefore, by default, small communities, and particularly in my case, rural communities?

**Mr ROBINSON** — An agent in the city might run the same claim as an agent in a rural town. I do not know that there would be any difference based on that.

**Dr SYKES** — Yes, there will be small operators in the city but there will also be a lot of small operators in small country communities.

**Mr ROBINSON** — Any transition will require readjustments. One of the things that we have done is agreed to an Intralot arrangement where they will offer a higher commission on some of their products than is currently the case with Tatts — I think 10 per cent commission rather than 9 per cent commission. I am not wanting to get into the absolute nuts and bolts of what Intralot's arrangement would be with agents. I think there is probably room for negotiation, and Intralot needs those agencies as much as the agencies will be requiring Intralot. I think some of the claims you hear might be accurate, some may be inaccurate. There is a lot of anxiety but we are confident that as we move through the transition phase, we will get to 1 July and some of these concerns will have been allayed.

**Mr PAKULA** — Minister, you talked earlier in the answer to one of the previous questions about some discussions you have had with Jenny Macklin. You also, on page 180 of budget paper 3, talk about the establishment of consultative processes. In that context I am wondering if you can just outline to the committee in some more detail what provisions you have put in place for working cooperatively with both the commonwealth but also with the other states over the forward estimates period in some of these areas?

**Mr ROBINSON** — One of the things I have been keen to do as a relatively new minister in this portfolio is to try and advance this discussion but at times it is a pretty set-piece discussion — you have got people who are opposed to the industry, people within the industry. I think actually we have got to accept that gambling activity is a legitimate activity. It is very much a big industry. It employs I think some 50 000 Victorians. It employs a lot more people around the whole country and it needs to be regarded as that. But what the community wants, not just in Victoria but elsewhere, is to see that we are constantly attentive to the need for it to run responsibly, and I think it is difficult to do that if we do not have a ready interchange with other states. The COAG forum, the gaming ministers forum, is the appropriate place to do that. We were pleased to hear that the commonwealth was wanting to revive this because we think that it can only deliver good. It can only deliver a forum in which states are more readily comparing themselves to each other.

As I said earlier, we have got a good story to tell. Decisions over the last few months in particular, I think, have placed us firmly at the forefront of gaming policy in the country. I was just talking the other day to the AHA. If you compare us with New South Wales, where this is a public health matter — we are talking about the smoking bans, it is not strictly a gaming matter — they moved to smoke-free venues, like we did, but then they allowed outdoor smoke areas. Now we to some extent allowed that, I guess, but they have gone to that in a big way. Now they have allowed machines to be moved out into the smoking areas. That is just backsliding on a huge scale. They just do not take that public health message or the connection with problem gambling at all seriously. We think that is a regression, not a progression. The fact that they do not have to get into a forum and be asked as to why they are doing that is not good. We would like to see the ATM commitment. I suspect over time that will become the national standard — the removal of ATMs from all venues. Is that my phone? I do apologise for that; it is normally on silent.

I am strongly of the view that precommitment is going to become a national standard, and that is because of the technology that is emerging. You can either go two ways on this: you can put your head in the sand and think that the world will somehow leave you alone, or you can engage with other governments, look at what is best practice, try and bring your community with you. We are very hopeful that this forum will accelerate gaming policy development across the country. We will also be lobbying the other states to join us regardless of the outcomes of the ministerial council forum in adopting, as a broader standard, the precommitment mechanisms. Every five years or so, there is a national standard drawn up. We are prepared to go it alone on a standard for machines in Victoria beyond 2010 but it would be in everyone's interest if a precommitment feature is mandated across the country.

**Mr BARBER** — Minister, what standard of precommitment would you be pushing for?

**Mr ROBINSON** — I have been not mischievously but deliberately a little open on that because I do not want to come out today and prescribe that it must be system X when system X may or may not be the best that is on offer. We want a system that does not allow people to simply play on one machine and walk around the corner and

start on the machine next to it. You would be aware, Mr Barber, that there are all sorts of people out there who tout for business — we get emails and other approaches from them regularly. I do not want to give them any comfort by saying that the system they are offering would be the best. I just think that this is an area in which technology is emerging at a furious rate. We want to adopt a standard that serves our purposes well, and serves our purposes well through the period beyond 2010.

**Mr BARBER** — Minister, I guess I was asking not about the technical standards but the features of it in terms of is it compulsory and is it linked across every machine?

**Mr ROBINSON** — Every machine in Victoria would have it, yes.

**Mr BARBER** — But is it linked between every machine and is it compulsory for everybody who plays a machine?

**Mr ROBINSON** — My intention is that it would be. Unless I get advice that that would not work, that is the direction we would take. I am conscious that I am not a technical expert in this field and if I go out and say, 'It should feature A, B, C and D', not knowing what A, B, C and D are in a technical sense, it could be horribly misinterpreted. What we have said to Professor Bruce Singh at RGMAC is that we would invite him to travel to Nova Scotia later this year, because Nova Scotia is broadly recognised as probably the most progressive jurisdiction in this field. I understand that they have rolled out a precommitment variety of machine. We would want to have a look at what that does and whether that is suitable here.

Similarly, we also want to lobby the other states because we think this is a great opportunity to join us on this and ultimately, if people who are going to run machines in venues are dealing with manufacturers, it would be better if we had one standard in Australia, with all machines in Australia featuring a precommitment feature, rather than different standards. I cannot be any more specific than that, except that we will be guided in large part by the advice we get from Professor Bruce Singh and the departments and agencies in other jurisdictions.

**Mr NOONAN** — Minister, I just want to go back to the regulation of gaming, which is referred to at page 180 of paper 3, and specifically to get you to elaborate on the impact of a couple of the dot points of your presentation here in relation to the precommitment mechanism on the machines, and also perhaps the impact of the ATMs. If you could give the committee a feel for how many venues currently have ATMs — I do not know if you can do that — and also give us some further information on the caps on gaming machines going forward?

**Mr ROBINSON** — With the caps, the second phase of the caps policy was rolled out late last year and that resulted in another more than 500 machines being moved out of targeted municipalities. We have a series of caps in place. We are not intending to change that; we think the caps work quite well. If you look at some of the gaming turnover figures from capped municipalities, there is quite a substantial drop this year, after those changes the year before. We think, certainly listening to some of the commentary from the business community, that caps are having an impact. One of the reasons that they are projecting that gaming companies' revenues are slowing is because of the caps policy, so I think the caps policy is a valuable addition to the range of policies we have. I should preface it by saying that the thing about gambling policy and problem gambling in particular is that there is no one solution. I think some years ago perhaps people were inclined to think that there was one simple solution and in fact there is not. Certainly in Victoria our faith is in the diversity of policy approaches we have and we believe collectively they get much closer to where we want to be than by focusing on just one policy. So caps are working and will continue to apply.

With ATMs, we had earlier announced a policy where we would limit from early 2010 the amount that was permitted to be withdrawn from a gaming machine in a venue. I think that was \$400 a day. What we started to receive from venues in the last few months was advice that providers of ATMs were saying that this was going to increase the cost of reprogramming machines for that measure. Subsequent to our decision in March that in fact by the end of 2012, the end of the current licensing period, they would all be removed from all parts of venues, including car parks, the advice has strengthened to say that really, in a large number — I think it is roughly about 600 ATMs in gaming venues across Victoria — or a majority of those cases, it just will not be feasible for the gaming venue to pay what is required to get the machines reprogrammed for only a two-year period.

We have had some approaches to say, 'Well, given you've made this rule about banning them all from 2012, why don't you just relinquish the earlier decision about the changes from 2010?'. We have not accepted that; we are sticking with the changes. One of the repercussions of that will be that from late next year, probably — I would not

put a number on it, but I suspect in a very substantial number of venues in Victoria — the machines will go and they will not be replaced. We think that is good policy ultimately. As I said, I am confident that this will become a national position at some point in the future, so it is important that we get ahead of the game on that. With the precommitment — as I said, work will start this year. Work towards the national standard was scheduled to start between the different gambling offices in the different state jurisdictions. That will continue but our input to that of course will be predicated on us adopting a precommitment standard and we will separately be doing that work through RGMAC and the Office of Gaming and Racing — probably the VCGR — about what we actually input to that new standard.

**Mr DALLA-RIVA** — Minister, I refer you to the budget paper 3, service delivery, page 180. In the third paragraph it says:

Consultative processes are established to encourage input from a wide variety of persons interested in the gambling sector, including direct stakeholders and the broader community.

I understand from one of your overheads that in relation to addressing problem gambling, there was action taken in 2006, with total funding of \$132.3 million? Of those, I note that most of the action there has been complete, there are only two ongoing, with the third one —

**Mr BARBER** — Problem solved.

**Mr DALLA-RIVA** — I do not know if the problem has been solved, but it appears that we have got these programs finished. I am curious, because the community advocacy on gambling project, which I gather was one of those funded and established in 2006 under the VGLA, had an initial two-year period. I am just trying to work out, given that there was funding in 2006 for an advance for a period of time, are there funds provided in the forward estimates in the 2008–09 budget to continue projects like I have just mentioned, or are these types of projects virtually finished now, given that at the time VGLA made it very clear that this is one of the conduits of providing a clear channel for the state government to listen to community concerns about gambling? I am trying to get a feel, in terms of the forward estimates, for what componentry of some of those previous problem gambling areas are ongoing, given that a lot of them have been completed, and are projects like the community advocacy on gambling finished?

**Mr ROBINSON** — The presentation in the slide there is a simplistic presentation. When we say, for example, that we are ensuring a more socially responsible gambling industry, that is largely complete in the sense of the legislative changes we have made and announced through the transition to the new model. That is the model that we are going forward with now. Obviously in order to successfully undertake the very massive transition through to a venue-operator model, you cannot thereafter be changing — announcing further substantial reforms to that industry structure, otherwise you would never get the thing started or stopped. We are in a position with the independent review panel, and certainly one of the things Mr Merkel reports on, is the quality of access to all the information that is available about industry restructure matters. That is largely complete, compared to where we were. We do have an ongoing capacity to deal with the sorts of things you are talking about. The community advocate on gambling was established in, I think, 2006. It has had an interesting genesis, and the person in the position left after 18 months or so. I might be wrong there.

**Mr KENNEDY** — Eighteen months, I think.

**Mr ROBINSON** — We had some dialogue about that. I will be seeking further advice on that, and I have spoken to a number of people about that in the last few weeks. I want to be sure — and the funding is available in a continued position, as I said, but I want to be sure that everyone understands what that position is there for. I am reading through the genesis of it and the work that was done, and the fact that the person left, I am just not clear in my own mind what was intended, and I want to be very clear about what was intended before we just say, ‘Here is some more money, off you go’. People interpret the role in different ways. One of the things that the advocate did was assist councils in making submissions to the Kirby report. That is well and good, but I do not think you need to establish a separate office of the community advocate just to help councils make submissions to a public inquiry. The councils are very capable of doing that themselves. I would be looking for a more defined and significant role than just something that might help councils do what I anticipate councils are quite able to do themselves. We need to have a bit more of a think about that and seek some input in the second half of the year. But that funding continues, that funding is available.

**Mr DALLA-RIVA** — To follow up, in 2006 it was \$132.3 million? Have those moneys been extended?

**Mr ROBINSON** — No, continuous — —

**The CHAIR** — We had a question about that before.

**Mr ROBINSON** — To 2011.

**The CHAIR** — It is over a five-year period, remember? There is \$28 million next year.

**Mr DALLA-RIVA** — And of that will there be a component for this?

**Mr ROBINSON** — Yes — —

**Mr DALLA-RIVA** — Of a variation — I guess what you are saying is — of a variation of this particular advocate?

**Mr ROBINSON** — Yes, and the advocate's role within that is a very small component. But the advantage of a five-year program is that the moneys are to be contained in that program. They are not sort of remitted back to Treasury every year and then you have got to argue separately. The money is there and any underspend in a given area in a given year provides — that resource carries on and is available to us going forward. It does give us a fair bit of scope as to how we can apply the resources going forward. This is a field in which knowledge is improving all the time. If you went back, 10 years ago most of what is being done now was not even being attempted. It was being done in a pretty half-hearted measure, either the actual content of policy or the resourcing of it. We have come a long way. We are very confident that Victoria is positioning itself now well ahead of the pack in Australia, but there is more work we need to do and we have a capacity in this program — —

**Mr WELLS** — More to be done?

**Mr ROBINSON** — There is more to do.

**Mr WELLS** — More to be done?

**Dr SYKES** — More to do? A new version!

**Mr ROBINSON** — Do you like that? You heard it first here.

**The CHAIR** — Thank you, Minister. I assume on that one there, to clarify, 'Protecting vulnerable communities', that there will be action under 'Promoting healthy communities' in that respect?

**Mr ROBINSON** — Yes.

**The CHAIR** — Like, for example, providing support for reducing gaming dependency in certain communities, like the Chinese community, for example.

**Mr ROBINSON** — A very active program is going on there. We will provide you with more information. If you want, I can provide you with copious detail of the sorts of work that goes on within those projects.

**The CHAIR** — The other final comment before we have a break and switch over to consumer affairs is that I notice in your output measures in terms of quantity that there were lots of briefings. It is interesting that the department of education has dropped this because it felt the briefings were not of strategic concern. No doubt Treasury and Finance may well look at the outputs and the types of outputs in the future and discuss that with departments?

**Mr ROBINSON** — Chair, I am sure that will be a source of endless debate and discussion.

**The CHAIR** — Yes. Thank you very much, and I thank the officers of the department.

**Witnesses withdrew.**