

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 16 May 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr M. O'Brien, Minister for Gaming,

Ms P. Armytage, Secretary,

Mr R. Kennedy, Executive Director, Racing and Gaming,

Ms C. Carr, Director, Gambling Policy and Research, and

Mr S. Condon, Chief Finance Officer, Department of Justice.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2012–13 budget estimates for the portfolios of gaming, consumer affairs and energy and resources. On behalf of the committee I welcome the Honourable Michael O’Brien, MP, Minister for Gaming, Minister for Consumer Affairs and Minister for Energy and Resources, and from the Department of Justice: Ms Penny Armytage, secretary; Mr Ross Kennedy, executive director, racing and gaming; Ms Cate Carr, director, gambling policy and research; and Mr Shaun Condon, chief finance officer. Members of Parliament, 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 gallery that they cannot participate in any way 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 to provide information to the minister, by leave of myself as chairman. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind TV camera operators to remain focused only on the persons speaking and that panning of the public gallery, committee members and witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament’s website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee’s website immediately following receipt, to be replaced by verified transcripts within five days of receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the gaming portfolio.

Mr M. O’BRIEN — Thank you very much, Mr Chairman, and good morning to you and the committee. The gambling industry in Victoria and nationally is going through a substantial period of change at the moment. We are seeing major structural reform in Victoria with the issuing and take-up of new gambling licences in keno, in wagering and in electronic gaming. We are also seeing the federal government take an interest in the policy area of gambling, perhaps for the first time. It would be fair to say that that has led to some increasing uncertainties in terms of how state operations may play out. We are also seeing the growth of new gambling products and new ways to gamble using interactive and online technologies. In this environment the coalition government is committed to enhancing the probity and integrity of the industry and minimising the harm that is caused by problem gambling. This presentation outlines the government’s priorities for the gaming portfolio and provides details about the budget and progress to date.

Overheads shown.

Mr M. O’BRIEN — Mr Chairman, you will see that the gaming area in terms of output costs is a relatively modest proportion of the justice budget at around 1.8 per cent. However, we do believe it has very important outcomes for both government and, more importantly, the community.

Our key priorities are tackling problem gambling, reforming gambling administration and transitioning to the new gambling industry arrangements. In particular we are tackling problem gambling through the establishment of the new Victorian Responsible Gambling Foundation. I will be pleased to discuss that important reform with

committee members in due course, but I note the fact that we have appointed Professor Bruce Singh, assistant vice-chancellor at Melbourne University, former head of the school of psychiatry, an eminent person in the field in relation to problem gambling and a former chair of the Responsible Gambling Ministerial Advisory Council. He was in fact appointed by my predecessor to that role. Professor Singh is an excellent leader of the new foundation. We also have three members of this Parliament, which I think is certainly a welcome attempt to ensure that all voices do get heard.

In terms of reforming gambling administration, we have seen the creation of the new Victorian Commission for Gambling and Liquor Regulation, bringing together those two important sensitive areas of regulation under the one roof. That new commission has started off very, very well indeed.

In terms of the transition, we have the new wagering licence coming along in August this year. However, because that is remaining with Tabcorp or a Tabcorp entity the transition challenges there will be less challenging than for the move to the new electronic gaming machine model where Tatts and Tabcorp are removed as operators and instead we will see 27 500 or so electronic gaming machines owned by individual pubs and clubs.

In terms of minimising gambling-related harm, we have progressed the implementation of voluntary precommitment. I should say that we have done this notwithstanding what is happening at the federal level. The federal position does seem to be moving around depending on the numbers in the House of Representatives from week to week. We went to the election with a very clear commitment in relation to precommitment, and the Victorian government's intention is to go ahead with those measures.

We have also moved to prevent circumvention of the forthcoming ban on automatic teller machines in gaming venues. That ban was put in legislation with bipartisan support a couple of years ago and is to take effect on 1 July this year. However, we have already seen various operators with new technology seeking to circumvent that ban. The government is strongly of the view that that ban needs to be adhered to and it needs to be effective. We have taken legislative action to ensure that the ATM ban will not be circumvented by new technology.

I have issued interim bans on what is known as isolation audio technology — or, as others might call it, earphones or headphones — which has operated in other states. We have actually seen people plugging themselves into pokies. That is not what we want to see here in Victoria; that completely undermines our responsible gambling policies, and we have banned them.

We have also issued a new order banning moneyless gaming machines. These are essentially things that were poker machines or look like poker machines where you can play them without winning any money. Some might say that is the perfect practice for actually playing the real pokies, but the danger with those moneyless gaming machines is they could have been put into amusement parlours and exposed young people to essentially a form of gambling even if there is no prospect of a return. Again, we felt that undermined the Victorian government's responsible gambling policies and have banned them. We have also prescribed new plain signage.

Moving on to our commitments, with the creation of the Victorian Responsible Gambling Foundation, which will commence later this year, it is the single biggest investment not just of the Victorian government but I would say of any Australian government in tackling problem gambling. The former government's Taking Action on Problem Gambling policies averaged \$26.5 million over its five years. Under the Victorian Responsible Gambling Foundation, the funding will be \$37.5 million each year over four years — that is a 41.5 per cent year-on-year increase. That is a demonstration of exactly how serious this government is about tackling problem gambling and demonstrates that we are putting our money where our mouth is in very difficult financial times because we believe that the community wants more and expects more to be done to tackle problem gambling, and that is what we are doing.

In relation to the budget impact of EGMs, the budget papers record the amount of money which is coming in as a result of the payment of the EGM entitlements auction process. That was covered in great detail by the Auditor-General in his report which examined that. The Auditor-General found that the former government had sold off the lucrative 10-year gaming entitlements for \$981 million when in fact the fair market value for those lucrative entitlements was \$4.1 billion, so in effect Victorian taxpayers lost \$3 billion as a result of the former

government's bungling and incompetence in relation to issuing those lucrative 10-year gaming entitlements. The Auditor-General found that in fact that resulted in a transfer of wealth from taxpayers to largely large hotel operators.

This chart shows the amount of money which on an accrual basis the budget papers reflect will be coming into the budget over the next four years, and that is the blue bar. The red bar reflects what would have been coming into the budget on an accrual basis had the fair market value of those entitlements as assessed by the Auditor-General actually been achieved. So instead of getting \$85.8 million in year 1, we could have got \$358.75 million. Already, just in the next financial year, we are \$272.95 million worse off as a result of the failure to achieve fair market value for those entitlements.

Going to the next chart, it indicates that it is even worse from a cash point of view, because while the budget papers record the EGM entitlement payments on an accrual basis, in reality the gaming venues are paying them on a cash basis because even though the licences are for 10 years, the payment terms are over the four years, so when you look at the cash that is coming in, or that could have been coming in, the position is even starker because you will see that in year 1, \$98 million will be coming in in cash compared to \$410 million which could have come in — a difference of \$312 million, and then for the out years we see \$196 million coming in over the forward estimates compared with \$820 million coming in, so a difference of \$624 million each and every year over those forward estimates. That is the cost of the former government's failure to achieve fair value for those lucrative gaming machine entitlements, so that will obviously affect this budget and budgets for the state of Victoria for many years to come.

I have alluded to the Victorian Responsible Gambling Foundation. As I said, it is \$150 million over four years, the largest commitment to combat problem gambling in our history. The foundation will provide an integrated approach to problem gambling research, communication, education, treatment and counselling. At the moment, as minister, I personally sign off on the ads that the government runs to tackle problem gambling. I personally sign off on the research grants that are issued. I personally sign off on the funding for counselling and treatment services. Frankly, we think there is a better way. We do not think that the Minister for Gaming is necessarily the best person to be making those decisions, so we have created a new foundation — an arms-length foundation — with bipartisan representation and with eminent people on that board, and they will make decisions as to the priorities of those fields and will do so in a way which is better funded than ever before.

In relation to the commission, it commenced operation on 6 February this year. It is located in Richmond. It is a commission-style decision-making body, which I think is regarded as being better practice. It has certainly demonstrated that they have already hit the ground running; they are doing an excellent job in terms of assisting with the transition to the new gambling arrangements and the new licensing arrangements, and certainly this will act as a one-stop shop for those many venues that have both liquor and gambling licences.

In relation to other transitions, the new keno licence commenced on 15 April this year with Tabcorp. That seems to have gone quite well so far. The new wagering and betting licence will commence on 16 August. The monitoring licence was awarded in September last year, and that will also commence on 16 August.

With those words, I thank the committee for its time and am very happy to receive questions.

The CHAIR — Thank you, Minister. The remaining time until 10 o'clock is available for questions on the gaming portfolio. Minister, I ask: given the key growth in efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity and achieving efficiency gains within your portfolio, and in your response could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas?

Mr M. O'BRIEN — Thank you, Mr Chairman, for the question. In relation to trying to improve productivity, one of the things we have done is to create the Victorian Commission for Gambling and Liquor Regulation. We believe that there will be more effective outcomes for both industry and the community as a result of the creation of the new VCGLR. To give you one obvious example of that, under the old system you had liquor licensing inspectors or the compliance directorate from the liquor space. The Victorian Commission for Gambling Regulation would have gaming inspectors. In order to have a gaming licence in this state, to have a venue operator's licence, you must have a liquor licence. It is not possible — I think with perhaps one minor exception — to have a gaming licence without also having a liquor licence. So we had this, frankly, bizarre

situation where a gaming inspector could attend a premises, a gaming venue, to inspect for compliance with the Gambling Regulation Act, and the inspector could observe breaches taking place of liquor licensing laws and essentially be powerless to do anything about it other than perhaps return to the office and file a report, and hopefully that report would be sent through to liquor licensing. Vice versa, liquor inspectors could be attending a premises for the purposes of education or compliance, could observe breaches or concerns with the operation of gambling laws on that premises and were powerless to do anything about it other than simply try and pass on a message.

By creating an integrated regulator covering both liquor and gaming and being able to skill up the workforce, skill up the inspectors from both areas to be able to be across both liquor and gambling regulatory issues, we are now in a position where essentially we have doubled the size of the workforce that can assist with inspection and education, so we are getting far more bang for our buck that is of benefit to industry, which might have one set of inspections instead of two sets of inspections. I have had it reported to me that gaming venues would have, by coincidence, gambling inspectors coming in one day, and the next day liquor licensing inspectors would be coming in. Now it can be one set of inspections done comprehensively, and this will assist in both the coverage of inspectors, because there will be more inspectors who are skilled up to do both tasks, but it will also help industry through streamlining procedures. There is also, obviously, the opportunity to reduce some duplication of administrative and other functions there. We believe that this will have some immediate benefits but also that those benefits will increase over time.

The commission will very much take a risk-based approach. Under the former government there was a comprehensive move to check every single venue — and we think that was probably appropriate at the time — but in terms of where the community concerns lie, we think that rests on the more serious offences. Yes, it is important that venues display their responsible-service-of-alcohol signs, and no-one is suggesting that is not important, but it is probably more important that they do not serve kids alcohol. We think that is more important, and we will be expecting the commission and the commission has flagged to the government that they certainly intend to be taking an approach which will focus on those more serious issues, because we think that is where the greater possibility of harm lies. I think that is where the community would expect the regulator to focus most of its activities.

We think that through that action in bringing together the regulator, we have seen some improvements there. There are also opportunities to streamline some of the back office functions. This is probably more in the consumer affairs area but it does cover the regulator, but because we have been reforming licence types, there are opportunities to reduce the level of paperwork and double handling and requirements to have different types of fees and different types of licences for essentially what could be covered by the one licence and the one fee. They are the sorts of activities that we are undertaking.

In terms of monitoring, I say that one of the benefits of the commission has been that it has been working very closely with industry. The commission does reach out to understand what industry's concerns are, where they think there are issues, and on that basis I think we are able to monitor the effectiveness of that, both informally through those stakeholder consultations but also through the reporting functions both of the commission itself and through to me as minister.

The CHAIR — I think you have essentially covered it, but is there anything you would like to briefly add in relation to any impacts on the industry and community stakeholders as a result of the initiatives?

Mr M. O'BRIEN — Thank you. I think in terms of some of the responsible gambling activities that we are seeing being stepped up, there are some opportunities there for better outcomes for the community. As I said, I think that, frankly, taking the minister — and not just me personally but anyone who is the Minister for Gaming — out of the idea of personally signing off on advertisements is probably a good thing. I think that while we have done some terrific work, and my department has done some terrific work in relation to the advertising — and I hope I have the chance to speak about our online gambling campaign a little bit later — frankly, I think there are better ways to do it and the community is better served by having appropriate structures in place that do not have all the power over this sort of decision making residing there with the minister. Having an independent, arms-length board is a better way to make decisions about those services — the counselling, the treatment, the education and the research.

Mr PAKULA — Minister, I am referring to page 202 of budget paper 5, and this talks about the end of licence arrangements. I am just reading the last paragraph under the heading ‘Gambling licences’. It says:

After considering the end of licence arrangements in the Gambling Regulation Act 2003, the previous government formed the view that neither Tatts Group nor Tabcorp will be entitled to compensation after the expiration of their current licences.

Last week the racing minister was here and indicated that there was a potential \$1.2 billion liability to government as a result of the end of the duopoly. The budget papers refer to the view of the former government. You have now been in government for 18 months. I recall it said the same thing last year, which was a bit odd, but you had been here only six months at the time. You have now been in government for 18 months, and so my question is: has this government formed its own view, and if so, what is it?

Mr M. O’BRIEN — That is a question that is appropriately directed to the Treasurer.

Mr PAKULA — Well, that is, I have to say, Minister, an extraordinary answer. You have been in government for 18 months, the racing minister says there is a potential \$1.2 billion liability and the budget papers refer not to this government’s view but to the previous government’s view. My question is: given that you believe that there is at least the potential for a \$1.2 billion liability — I mean, you are the gaming minister — have you sought your own advice? And if you have, why is it not reflected in the budget papers? Why are you still reflecting on the views of the previous government?

Mr M. O’BRIEN — Mr Chairman, I just note that of course the advice of the previous government, which I suspect your deputy was sitting around the cabinet table for, is something which is not available to the current government. I would note, as I flagged earlier, that the end-of-licence arrangements are set out in sections 3.4.33 for the Tatts group and 4.3.12 for Tabcorp of the Gambling Regulation Act. These sections are administered by the Treasurer, pursuant to the Administration of Acts — General Order, dated 22 February 2011. Given that I do not have carriage of the relevant sections, I reiterate my advice that the member has misdirected his question and he should have asked the Treasurer, who is responsible for those matters.

Members interjecting.

The CHAIR — Thank you. Ms Hennessy.

Members interjected.

The CHAIR — Thank you, Mr Angus, for your help.

Mr MORRIS — Minister, I refer to budget paper 3, page 202, and in particular the statement that part of the gaming output includes ‘management of problem gambling’. I am wondering, can you outline to the committee how spending on problem gambling communications is assisting access to Gamblers Help services?

Mr M. O’BRIEN — Making sure that we can get information out to the public at large but also those particular segments of the public who are at risk of becoming problem gamblers or in fact have become problem gamblers is absolutely essential. This government funds terrific services for problem gamblers or at-risk gamblers and for the families of those, who may be living with at-risk or problem gamblers, but we need to make sure that people are aware of the existence of those services and how to access them.

In 2011–12 the budget for problem gambling communications was \$7.4 million, which was up from \$6.9 million in 2010–11. On 15 September last year, I launched an Australian-first campaign which warns of the risks and consequences of excessive online gambling. We have seen that online gambling has become a very popular way of having a bet. It is very convenient for a lot of people, but that convenience can also lead to potentially greater problems. You can now download apps for gambling companies onto your smart phone, onto your iPad or your tablet, it is available on your laptop — essentially you can gamble 24 hours a day on anything. Again, convenient for some, but poses a risk to others.

We wanted to try and get ahead of that and we ran — certainly as far as we are aware — an Australian-first campaign that specifically targeted issues around online gambling, and we are very pleased with the success of that campaign. I think I might actually have a chart to show the committee the effect of the campaign in terms of people who accessed the gamblinghelponline.org.au website, which was heavily promoted through the campaign, and to a lesser extent the 1800 858 858 Gambler’s Help number. Because we were targeting online

gamblers, for the first time instead of promoting the telephone number as the first port of call, we promoted the website. That has led, as you can see from those figures, to some extraordinary results. We timed this to start for the football finals and went right through to the conclusion of the Spring Racing Carnival. It was exceptionally successful, as measured by the number of hits on the website and the number of calls to the Gambler's Help line.

Interestingly, we thought that there may have been a greater interest in it from country areas or areas which perhaps did not feel that face-to-face counselling was as accessible in effect, but in fact we found that there was a broad spread of interest in accessing these services both from people in metropolitan areas and people in rural and regional Victoria. We saw a 27 per cent increase in people accessing online counselling services. So people were not just visiting the website to have a look around, they were then taking the next step and actually accessing those counselling services. We also saw a 25 per cent jump in calls to the Gambler's Help line. So this was a very successful campaign, I think, by any stretch of the imagination.

Responsibility for running campaigns of this type will be with the Victorian Responsible Gambling Foundation, from its creation later this year. I note that we have appointed Mr Michael Ball, AM, as the deputy chairman of the foundation. Mr Ball has had, I would say, an outstanding career in the advertising and communications industry. He was international vice-president of one of the world's largest advertising firms and he has been very significant in terms of the Australian advertising industry. Having somebody with that breadth of knowledge and that skill set we think will be absolutely essential to making sure that the foundation has got the expertise and the knowledge to be able to run even better campaigns into the future.

Certainly we think that this is an example of what is very effective in terms of trying to get ahead of new forms of technology which are encouraging people to gamble. We do know that only about 3 per cent of Victorians gamble online, but that number has been rising exponentially. So it is a serious issue, it is an increasingly important issue, and I think it is helpful that the government has identified that early, got a campaign which has been very well received by the public, as the chart indicates, and we look forward to the foundation building on that very important work.

The CHAIR — I should advise the committee that I have been advised that the deputy will take all the questions in this portfolio for the opposition.

Mr PAKULA — I will ask them.

The CHAIR — You can ask all the questions for the opposition.

Mr PAKULA — Yes.

The CHAIR — You may not have the answers you would wish to have, but you can ask the questions.

Mr PAKULA — I have no doubt I will not. Minister, I just want to refer back to your presentation and the comments you made about preventing the circumvention of the ban on ATMs in gaming venues. There is at least one company out there — and I am sure there is probably more than one, but one company, CashPoint ATM — which is advertising now that they have developed a CashPoint EFTPOS solution. In their material they state that it was developed after discussion with the VCGR — they say VCGR; I am sure they mean VCGLR — and they describe that as 'specifically designed to be as convenient as an ATM' which, they say:

... will ensure your customers have easy access to their cash within your venue within the new guidelines.

That is post the legislation that has been introduced. Given that already organisations are moving to get around the new narrowed loophole, will you now move again to further close that loophole to ensure that these devices, which are clearly designed to circumvent the ATM ban, cannot operate in licensed venues?

Mr M. O'BRIEN — I thank Mr Pakula for his question. There is a fundamental principle which differentiates EFTPOS from ATMs. EFTPOS requires human interaction before a decision to withdraw cash is actioned; ATMs do not. That has been the government's view, and I believe it is generally accepted that that is the distinction between what is EFTPOS and what is an ATM. There is a very important reason why we have strengthened the prohibition on ATMs to cover these issues, and that is because research has demonstrated it is that anonymous withdrawal of cash which has been found to be a factor in problem gambling. If somebody is able to go up to the alcove of the pub or the club and quietly withdraw cash four, five, six or seven times a night

and go back into the gaming room to keep playing, that is far more likely to be detrimental and there is less of a brake on that conduct than if somebody has to front up to somebody behind the bar and withdraw cash four, five, six or seven times a night.

I also note that this government has funded venue support workers who are engaged to help train and explain to front-line gaming staff what are the potential signs of problem gambling and how those staff may be able to offer assistance. We think having that personal face-to-face contact is very important. The legislation which is before the Parliament establishes more this fundamental principle that the ban will apply to any cash access device which does not require face-to-face contact before the decision to withdraw cash is actioned. Certainly we think that is the bright line, if you like, between what is an ATM and what is EFTPOS, and we expect that that distinction will be vigorously enforced by the commission. Certainly we will keep a watching brief on new forms of technology, but any form of technology which allows somebody to withdraw cash from a gaming venue without face-to-face interaction with a staff member first will not be permitted.

Mr PAKULA — Just a brief follow-up, Minister. I suppose my issue with the answer is that clearly these devices are not EFTPOS, because if they were just EFTPOS, there would be no marketability to them; I mean everybody has already got EFTPOS. They describe it as specifically designed to be as convenient as an ATM, and I understand that some organisations are starting to develop a device where in fact there will be mobile access — there will be someone who is able to walk around, like those mobile TAB meter maids that they have at the races, and allow people to withdraw cash that way. Will you as minister ensure that these ‘as convenient as an ATM’ devices do not get to the point where there will be people walking around with mobile devices enabling people to withdraw cash that way, given that in those circumstances they fit within your definition of being okay in that there is human interaction?

Mr M. O'BRIEN — Look, certainly the legislation is quite clear as to what is not permitted, and it is not permitted to have any sort of device which allows the actioning for withdrawing of cash without any face-to-face contact with a staff member first. As I say, we will maintain a watching brief as industry develops. There are different ways in which responsible gambling obligations can be imposed, including through responsible gambling codes of conduct which venues are obliged to sign up to. So we will certainly maintain a watching brief, and certainly we have already identified concerns about venues seeking to circumvent the ban — that is why the legislation is before the house — but given the rate at which technology is moving I do not think any government can say that once you have passed one law it will always be fully effective into the future, so we will certainly maintain a very active watching brief and monitoring of the situation as it develops.

Mr ANGUS — Minister, I refer you to budget paper 5, page 164, where it notes the outlook for gambling revenue, and I want to refer back to a letter that you touched upon in your presentation and that is in relation to the auction of gaming machine entitlements. In passing I note that the Auditor-General in his June 2011 report concluded, and I quote in part:

The revenue obtained from the sale of the entitlements was around \$3 billion less than the assessed fair market value of these assets. As a result of this very significant difference, the allocation largely failed to meet its intended financial outcome of capturing a greater share of the industry's supernormal profits.

So, Minister, I ask: can you advise the committee what the impacts on the budget has been of the auction of gaming machine entitlements and the finding of the Auditor-General's review of that auction process?

Members interjecting.

The CHAIR — Order! Thank you, colleagues, thank you very much. Mr Angus has concluded his question and the minister, I am sure, is keen to answer.

Mr M. O'BRIEN — I thank Mr Angus for his question. This was not a once-in-a-generation but certainly a once-in-a-decade opportunity to ensure that Victorians receive fair value for what, by any stretch of the imagination, are extremely lucrative licences. The former government had the responsibility to issue 27 500 electronic gaming machine licences for 10 years. The former government made the decision to break the duopoly. That was a decision that was open to it — it had the right to do that — but it also had the responsibility to do it in a way which was in the best interests of the Victorian community. Given the Auditor-General's report, which found that the midpoint of fair market value for these lucrative gaming machine entitlements was

\$4.1 billion, and given that the government received less than \$982 million for them, it is I think nothing short of an economic crime against the people of Victoria.

Mr PAKULA — Who should we have collected it from?

Members interjecting.

The CHAIR — Deputy, this is not a debating society. Mr O'Brien!

Members interjecting.

The CHAIR — Deputy, this is not a debating society.

Mr PAKULA — I thought it was. I thought Parliament would have had debates.

Mr D. O'BRIEN — If it was, you would have lost — \$3 billion!

Mr M. O'BRIEN — Mr Chairman, I think Victorians are entitled to mourn the hospital wards that will not be built, the police stations that will not be built and the trains, trams and buses that will not be purchased, because there is \$3 billion that we now do not have. Mr Chairman, when you look at the Auditor-General's findings in the report you see that he found that, for example, the gaming machine auction actually concluded while people were still bidding. It is just extraordinary that anybody would conclude an auction while people were still willing to pay more money. You would not do it with your own house. If you were selling your own house, you would not stop the auction halfway through while there were still bidders because you wanted to pop inside for a cup of tea. You would maximise the value of your asset. That is the responsibility of government, and the former government failed to discharge that and Victorians are \$3 billion worse off.

I was asked about the budget impact. I did flag that in my presentation, Mr Chairman, but I should say that the figure of \$982 million is a gross figure for what the entitlements were sold for. That does not include the legal and administrative costs of the process. Those total costs may not be known for some time, but certainly they will be very substantial. The sort of money that was paid to design this auction process, which turned out to be a complete debacle — —

Mr PAKULA — It was designed by the Liberal and National parties.

Mr D. O'BRIEN — Rubbish!

Mr ANGUS — Cut it out! Don't blame us for your government.

Members interjecting.

The CHAIR — Order! Colleagues, order! Deputy, order!

Mr PAKULA — Is that the dump button?

The CHAIR — Yes, it is the dump button. Just contain yourself.

Mr M. O'BRIEN — The auction was stopped while bidders were still placing bids. The Auditor-General criticised the setting of the reserve price. The reserve price for the gaming machine auction was set based on the worst performing machines in the worst performing club in the state. It would be the equivalent to auctioning your own house based on the worst house in the worst street in your suburb. Is it any wonder that the process lost Victorians \$3 billion at least?

It is a matter of fundamental frustration for me as gaming minister that I have to report on what is essentially a fairly paltry amount of money that is coming into the budget over the forward estimates compared to what a competent government could and should have achieved, as found by the Auditor-General. Victorians are entitled, I think, to be angry and to be upset as to this once-in-a-decade opportunity, which has been blown as a result of the actions of the former government. This is one mistake of the former government this government cannot fix, but certainly Victorians will be living with the consequence for the next 10 years.

The CHAIR — Deputy, I am sure you have a question.

Mr D. O'BRIEN — Large venue operators rather than community operators are the beneficiaries of this windfall gain.

The CHAIR — Mr O'Brien, thank you. Order!

Mr PAKULA — Minister, again just referring to the Victorian Responsible Gambling Foundation, which you have made reference to in your presentation, the legislation which you introduced not that long ago specifically ensured that the foundation has no advocacy or policy role. Until last week advocacy was carried out by the Responsible Gambling Advocacy Centre, but on federal budget day you closed that as well. In your election policy you promised a community gambling advocacy office at \$3 million over four years within the Victorian Responsible Gambling Foundation. My question is simple: will you now make good on that promise and create the community gambling advocacy office within the Victorian Responsible Gambling Foundation, or will Victoria be left without a state-funded gambling advocacy body?

Mr M. O'BRIEN — I thank the member for his question. The Victorian Responsible Gambling Foundation has a critical role providing counselling and treatment services to problem gamblers and at-risk gamblers and their families and support for them. Ensuring that the appropriate research is conducted into the causes of problem gambling and how they can be minimised into the future is essential. The sort of communication and community education campaigns that I referred to earlier, which advise people where to get help, advise people what are the signs of at-risk gambling and what are the signs of problem gambling, are critical functions of the foundation, and that is what the legislation provides for the foundation to focus on.

I am the Minister for Gaming and I am responsible for the policy. I am happy to be criticised or praised and enter into debate with any of the vast number of interested stakeholders when it comes to gaming policy. I do not think that the Reverend Tim Costello or Senator Nick Xenophon or any of the other myriad voices in the gambling policy debates are likely to be affected one way or another by the decision of the government to establish the Victorian Responsible Gambling Foundation. As I mentioned in the second-reading speech to establish that foundation, the foundation will have an entity within it entitled the Gambling Information Resource Office, and the GIRO will act to provide information to the community and in fact to people who wish to take up positions in relation to gambling policy.

This idea that a government body should be, with taxpayers money, acting as an advocate itself is not one that I think is appropriate in these circumstances. What is appropriate is that government bodies such as the foundation provide information to the community. The community should be the advocate, not the government advocating to itself. So that is what the foundation will be doing. The GIRO will be providing information to the community, to stakeholders, to local governments, to anti-gambling groups and to those who perhaps — like a netball club — want to get some pokies. There should be an organisation, an entity, where people from the community can get unbiased, balanced, factual information about the Gambling Regulation Act and how it applies.

The Gambling Regulation Act is the single largest statute on the books of this Parliament. It is enormous; I think at last count it was about 1100 pages and counting. It is probably more than that now. It is very hard to wade through. I am a former lawyer, and it is a great test of your patience and concentration to wade through it. It should not be that hard for the community, which has a legitimate right to be heard on matters regarding gambling policy, and that is why the foundation, through the GIRO, which will be established as part of the foundation, will be providing information to the community so that it can advocate as it sees fit rather than government paying to advocate to itself.

Mr PAKULA — My follow-up is relatively simple, Minister. You have specifically legislated so that the Victorian Responsible Gambling Foundation has no advocacy role, yet a specific commitment — it is not a wishy-washy commitment — in your pre-election gaming policy was the creation of a community gambling advocacy office within the VRGF. You are now saying it is not appropriate. My question is: what has changed?

Mr M. O'BRIEN — Mr Chairman, I thank the deputy for his subsequent question. I would just make the point in relation to the Responsible Gambling Advocacy Centre that it has done some very good work and a lot of that work will be taken on and built on by the foundation. I also make the point that the RGAC was only funded for three years by the former government. It was set up — —

Mr PAKULA — No, I am asking you about the advocacy office that you promised.

Mr M. O'BRIEN — It was set up to be funded for —

The CHAIR — Allow the minister to complete his response.

Mr PAKULA — I am asking you about your election promise.

The CHAIR — Deputy, allow the minister to complete his response.

Members interjecting.

The CHAIR — Deputy, I will move on if you do not want to hear the minister's response.

Mr M. O'BRIEN — It was funded for three years by the former government. That funding is to conclude on 30 June this year, and that is what will be happening. I think it is important that titles are accurate, and with the title that was used in our election policy I think there was a risk that people may have perceived that to be a body which itself advocated rather than providing information to the community so the community can advocate.

Governments should be advocated to by the community. They should not be advocated to by themselves. So to make sure there is an absolutely crystal clear understanding, we are establishing, through the foundation, the Gambling Information Resource Office. It will provide resources to all in the community who wish to be advocates in relation to the area of gambling policy. It will provide the factual information that will lead to a better informed public debate and a better informed community understanding of how gambling legislation and regulation operates. It will not be government advocating to itself; it will be government empowering the community so the community can be a better advocate in its own cause.

Mr D. O'BRIEN — I would just like to follow on from Mr Pakula's question to you earlier in relation to budget paper 3 and a statement on page 202 of the gaming output that includes the regulation of the gaming industry and the responsible management of problem gaming issues. As I just said before, I do that in response to Mr Pakula's question as to who will be the beneficiaries of the \$3 billion loss. I refer him to page 8 of the summary of the Auditor-General's report that says:

Large venue operators, rather than the community, are the beneficiaries of this windfall gain.

So there is your answer.

Mr PAKULA — Thank you, Minister!

Mr D. O'BRIEN — I now ask the minister: in relation to the ATM bans — —

Ms HENNESSY — Mr O'Brien, you can just leave the room — we have another Mr O'Brien here!

Mr D. O'BRIEN — In relation to the ATM bans, can you advise the steps the government is taking to ensure the policy intent behind this ban is not undermined by emerging technologies, and particularly if you could elaborate further on what you said in relation to that watching brief?

The CHAIR — Before I call the minister I will advise Ms Hennessy that if she wishes to ask a question, she is at liberty to do so. But in the meantime I call on the minister to respond to Mr O'Brien.

Mr M. O'BRIEN — Thank you, Mr Chairman, and I thank Mr O'Brien for his question. As we flagged previously, from 1 July this year ATMs will no longer be permitted inside gaming venues. I just make the point that there has been a lot of discussion publicly about what the federal government is proposing in relation to gambling policy and precommitment and associated measures. The federal Labor government position, which was agreed to by the Greens and agreed to by Mr Wilkie, is far weaker than Victoria's position when it comes to ATMs. The federal Labor government is quite happy for ATMs to remain in gaming venues. All it is seeking is a particular daily withdrawal limit.

In Victoria we believe — and I think it is on a bipartisan basis — that the more responsible measure is to actually remove ATMs from gaming venues, and that will be happening on 1 July this year. As I flagged in relation to Mr Pakula's question, there have already been some industry moves to seek to work around this ban. The government is determined to make sure that that principle that distinguishes EFTPOS, which is permissible,

from ATMs, which will not be, is upheld. There has to be human interaction, because we do not want to see people being able to anonymously keep withdrawing cash from within the venue and going back and making adverse decisions for themselves. Making sure that ATMs are outside the venue will provide a break in play.

If someone does wish to withdraw cash anonymously, they will have to leave the venue to do so. If they wish to withdraw cash in the venue, it will have to involve human interaction. The Productivity Commission has found that cash withdrawal via interaction with venue staff is less risky for gamblers. In relation to this forthcoming ban, we have asked Swinburne University to conduct an evaluation of the impact of the policy.

The Auditor-General undertook a report on the former government's responsible gambling policy called *Taking Action on Problem Gambling*. To summarise, the Auditor-General found that it is very difficult to assess whether any of Labor's policies were useful at all because no baseline data had been established to determine what happened before a particular policy was implemented versus what happened after the particular policy was implemented. So it was essentially a lot of guesswork as to whether particular measures were effective. We do not think that is appropriate; the Auditor-General did not think that was appropriate. So we have asked Swinburne University to undertake research both before the ATM ban comes in to place but also after the ATM ban comes into place so that we can actually measure, as best we can, what the impact of that ATM ban is.

It will be a difficult adjustment for some venues. There is a provision in the act for a venue which is in a country area where there are no reasonable alternative facilities to seek an exemption from the Victorian Commission for Gambling and Liquor Regulation from the ban, but my advice is that to date that has not occurred. We do expect this ban to be a comprehensive one. It will be a very different way of operating for people and for venues, but we think this will make a real contribution to promoting responsible gambling in this state.

Mr PAKULA — Minister, again back to your presentation. You talked about the awarding of the monitoring licence to Intralot. Are you able to confirm for the committee that the amount paid by Intralot for the monitoring licence is somewhere in the vicinity of \$19 million but that the amount paid by them to Tatts and Tabcorp for the six-month legacy system fee, for want of a better word, exceeds \$20 million?

Mr M. O'BRIEN — Chair, it is an interesting question from your deputy, because I am sure he was in the cabinet at the time when the legislation was put in place to establish the conditions under which the monitoring licence was to be issued. I am sure that your deputy would be aware that in fact the legislation contains a provision which states that no premium payment is payable for the issue of the monitoring licence. So this is under Labor's legislation. Under Labor's legislation, the monitoring licensee is not required to pay the state a premium for the monitoring licence.

Mr PAKULA — So they are paying nothing?

Mr M. O'BRIEN — The way that Labor set up the system — and of course remember this whole system started under Labor. It was their legislation under which the monitoring licence process was commenced. You may well wonder why that was. Perhaps members of the government at the time who made that decision could shed some light on it. When I asked about this when I was in opposition myself, my understanding is that their view was that they wanted to try to reduce the level of costs as much as possible to venue operators and that putting a premium payment on the monitoring licence would simply be passed on to venues. So it was a question of reducing the cost to venues, by which they put in the legislation as a prohibition that there cannot be a premium payment. So I am not sure I can take Mr Pakula's question much further other than to note that if anybody from the Labor Party is concerned about the fact that no premium payment is payable, they probably should have spoken up around the cabinet table when they were in government.

Mr PAKULA — Well, Minister, you can tell you are a lawyer. What an exercise in sophistry! I did not ask you about the premium payment; I asked you whether it was a fact that they have paid Tatts and Tabcorp more than \$20 million for the six-month legacy system. You talk about 'pass through'. Can you confirm that that payment made by Intralot to Tatts and Tabcorp will in fact be passed through to pubs and clubs, and can you tell us whether that will be a pass through on a pro rata basis or as a flat rate?

Mr M. O'BRIEN — I thank the member for his subsequent question. Can I say that in February 2009 the former government made public commitments to award the monitoring licence in, and I quote —

Members interjecting.

The CHAIR — Members of the committee! The minister has been asked a comprehensive question, and I am sure he will give a comprehensive response.

Mr M. O'BRIEN — In February 2009 the former government made public commitments that they would award the monitoring licence by, and I quote 'late 2009/early 2010'. That was in a document subtitled *Statement of Outcomes II*. So they are going to award the monitoring licence by late 2009 or early 2010. When I came to be sworn in as the minister and had my initial briefings, it turned out that in fact the government had not met that timetable. In fact, far from having awarded the monitoring licence by late 2009 or early 2010, the former government had only issued the invitations to apply for the licence four days before the caretaker period started for the 2010 election. This was another bungled licensing process — —

Mr PAKULA — Tell us the terms now.

Mr D. O'BRIEN — He is telling you the answer.

Mr PAKULA — He is just engaging in political rhetoric.

Mr ANGUS — No, he is not. He is giving us the full background that explains another mess-up from you guys.

Mr M. O'BRIEN — So this was another bungled licensing process visited on the people of Victoria by the former government which I inherited. Having been sworn in as minister, we then set about trying to get this process for the awarding of the monitoring licence concluded as promptly as possible, consistent with all probity requirements. In the end, that was done in September, I believe it was, 2011. We went from having a process where the invitations to apply had only been issued four days before the caretaker period started before the 2010 election. We actually got the licence awarded by 2011, in September. As a consequence of that and the delays which the former government had imposed, obviously it was very difficult for the new monitoring licensee, whoever that would be, to be able to be in place by 16 August 2012 and to conduct monitoring from day one. That has necessitated the successful monitoring licensee, in this case Intralot, to negotiate with existing operators, being Tatts and Tabcorp, for access to their monitoring systems for a period of time. They are referred to as the legacy monitoring systems.

There are discussions that are certainly going on. As I am sure Mr Pakula would be aware, there is a process under the Gambling Regulation Act whereby a monitoring pricing panel provides advice on the appropriateness or otherwise of proposed monitoring charges. All I can say is that while those processes are ongoing, the legislation is certainly being complied with. The legislation established by the former government, I should say, is being complied with. As soon as matters are concluded, I am sure they will be communicated.

Mr PAKULA — And the pass through?

The CHAIR — Thank you, Minister. That regrettably brings us to the conclusion of this session on the gaming portfolio, and I thank Mr Kennedy and Ms Carr for their attendance. We will take a short adjournment.

Witnesses withdrew.