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THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS MET IN THE BOARDROOM, ROYAL ON THE PARK, BRISBANE ON MONDAY 26 JUNE 2017.

DISCUSSION WITH **Mr DOUG FLOCKHART**, CEO; AND **Mr DANIEL NIPPERESS**,
WORKPLACE RELATIONS AND COMPLIANCE OFFICER, CLUBS QUEENSLAND

CHAIR (Mr Gaffney) - Welcome, Doug and Daniel. Thank you for coming along and giving us your time. Would you like to tell us who you are and what you do and then we will ask you some questions?

Mr NIPPERESS - I am the workplace relations compliance officer with Clubs Queensland. My role is to head up workplace relations arm of the service. That involves advising all of our club members on broad aspects of workplace relations. The other side is the compliance: advising on all aspects of operations for clubs – liquor, gaming, privacy, discrimination, anti-money laundering. I head up a team of another two and we provide that service 24/7 to our members, only during office hours. But we are always there to advise our member clubs after hours on those such issues.

Mr FLOCKHART - I am Doug Flockhart, the CEO of Clubs Queensland which is the peak industry body for the community clubs sector across the state. We have just on 500 members, with more than 18 per cent of those with gaming machines. There is a team of approximately 16. Prior to joining Clubs Queensland, I was also a member of the Gaming Commission in Queensland. I resigned that after obtaining the job at Clubs Queensland.

Ms COURTNEY - How long have you been at Clubs Queensland?

Mr FLOCKHART - Nine years now.

CHAIR - When you say 'Clubs Queensland', can you give us a definition of what that involves?

Mr FLOCKHART - Clubs Queensland was originally formed, and still is, as a union of employers which gave us automatic representation in the industrial relations courts. Primarily, that was the reason it was founded. It has grown over the last 30 years to provide representation in the areas Dan mentioned - unfair dismissals and so on. We provide education and interaction with government as to sharing with both the incumbent and the opposition government on the challenges in the community clubs sector. Also, legislatively where it should go, given disruption and competition challenges. We run events and education. We own a third of a consulting firm called Dickson Wohlsen Strategies in Club Training Australia. That firm does the majority of club training across the state, such as responsible service of alcohol, gaming, et cetera. There is a staff of approximately 40.

CHAIR - Specifically, regarding electronic gaming machines, what is your relationship with government when it comes to working out the cost, impact and revenue with EGMs? Ours is slightly different and I am interested to know how your model works?

Mr FLOCKHART - It has been in place for a long time, so inevitably the government has facilitated - I will take a step back. Our system in Queensland is a two-fold system: one for

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hotels and one for community clubs. Originally the Goss government saw the benefit in the introduction of poker machines into Queensland on the basis there was an enormous amount of leakage across the border into northern New South Wales. Twin Towns and all of those clubs were doing very handsomely with the drift of patronage and dollars across the state. The state also saw an opportunity for community clubs, being granted gaming time, the money was going back into the communities they represented. Given the objectives of community clubs are there for the members and the community. There is no profiteering. All the money, in essence, goes back with the exception of surpluses derived for reinvestment in the business for rejuvenation, new carpets, growing facilities, et cetera.

The pubs got involved and started lobbying government in those days and there was a two-tiered system. Originally, entitlements in the club and pub sector were by way of application with no fee. Seven or eight years ago, the government introduced a fee for the gaming entitlements for clubs. You could buy via tender an entitlement, or you had to purchase an entitlement. It was no longer given to you by way of application.

In the club land environment now, you can buy an entitlement from an existing operator, anywhere across the state. You can lease an entitlement, not that that is done much. But it is available and the government also has tenders. In comparison to the hotel sector that has been paying a premium for entitlements for a long time which underpins on the balance sheet the net worth of the hotel operation. I suggest they can have a maximum of 45 entitlements. At one stage in Brisbane, they nearly reached \$300 000 per entitlement.

Ms RATTRAY - For one entitlement?

Mr FLOCKHART - For one entitlement. It has wound back - recently it was \$185 000 for a recent round of purchases in the hotel sector. They are very different sectors. You can see there is a higher net worth in the asset of the gaming entitlement on a hotel. We have endeavoured and successfully achieved a low cost base from entitlement of a community club. The ethos of a community club is just that, they are there for the community. If you need to grow, you may not necessarily have \$200 000 per entitlement to invest versus an hotelier.

CHAIR - How does the relationship work between the alcohol, gaming boards and commissions?

Mr NIPPERESS - In Queensland the Office of Liquor and Gaming Regulations is a state arm that regulates both liquor and gaming licences in Queensland. They oversee for both community clubs and hoteliers, both for gaining gaming licences. They provide advice to licensees, but they are also the regulator. They will assess compliance with the Liquor Act in Queensland, which is one piece of legislation. Then you also have various pieces of state-based legislation that governs things like gaming machines, the Gaming Machine Act 1991, Keno operations, wagering, terminals and specific to community clubs as well, the Charitable and Non-Profit Gaming Act 1999, which regulates things like member's draws and Art unions. That is how it is structured in Queensland. There is one regulator that oversees all of them.

CHAIR - Is it a statewide regulation?

Mr NIPPERESS - That's right. All licensees in Queensland will come under the Liquor and Gaming Regulation as the main regulator.

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CHAIR - If somebody new wants to open up a new venue, whether it is a club, how does that operate? Do they go through the state body?

Mr FLOCKHART - No, they would start the process by way of looking for a site, making an application to LGR for a liquor licence, with an intention for gaming, if that was to be the case, and it goes through the normal process. It is assessed. There is community input; local members provide input as to their opinions or views and benefits or not in that operation. Police are asked, everyone contributes, and the gaming commissioner makes a determination based on the merits of the application.

CHAIR - Is that the same sort of thing as a community interest test?

Mr FLOCKHART - Yes.

CHAIR - Is that a written document? A tick box sort of thing?

Mr NIPPERESS - Yes. There are a lot of classes of liquor licences specific to clubs. They are called 'the community club liquor licence' versus a commercial liquor licence you would see at a hotel. There are a lot of restrictions on who community clubs can sell alcohol to legally. That is when you look at things like members, guests, visitors, et cetera.

When making an application for a liquor licence, or even an application to vary a liquor licence, there are a lot of mandatory guidelines to meet in doing a community impact assessment. You need to look at those sorts of things, to actually qualify for that application or variation of the operative licence if, for example, you are changing your trading hours, something like that.

Ms COURTNEY - I would like to get a bit of a sense of the clubs landscape. We have found a lot of differences between different states; between Tasmania and New South Wales. The 500 clubs you represent, are they all the clubs that have gaming machines in them? Are there other clubs that are technically clubs that have gaming machines that are not represented by your peak body?

Mr FLOCKHART - We represent everyone whether they are a member or not.

Ms COURTNEY - Regarding the restrictions around any EGM licences, and the price for competitive tenders against, effectively, the clubs' mechanism for getting them. What is stopping commercial operators from structuring their organisations to be able to be commercial over here? Such as a club looking after our members here writing a constitution to make it conform to being a club, and therefore able to get EGMs more cost effectively, run on a more beneficial tax regime from a liquor licensing perspective, run those profits through there to help improve the facilities, as you mention carpets and like. What is stopping that? As a commercial operator that would be very lucrative.

Mr FLOCKHART - I call that model privateers, and it exists somewhat in Queensland. The model was founded on the basis of an ailing club about to close looking for some expert management assistance. A privateer comes in and says, 'You are about to close. We will buy the asset at a market value. We may well contribute some significant working capital - \$3 million, \$4 million or \$5 million - to renovate the business and make it current and relevant; upgrade the gaming offer, et cetera'. That would be a purchase and they become the landlord. A market rent is established, qualified by LGR as being acceptable or not. They would get a management fee

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for running the business, a commercial fee again provided oversight by LGR as to the acceptance of that fee or not.

The uniqueness is that there is still a community club board in place. The management company works for the club so they are a landlord, a rent separately and management agreement. Inevitably they answer to the board of the community club, which is made up of members of the club relevant to the constitution. Therefore surplus derived in excess of the management costs, stays with the club. The profiteering comes by way of growth and capital value of the asset property and there is yet to be a divested picture of management rights, where there is a sum apportioned to that sale.

Ms COURTNEY - How big are the clubs your members have that have gaming machines? What would be the median number of machines that they have?

Mr FLOCKHART - For those with gaming machines, approximately 70 per cent have less than 40. In the club pool, there are 24 703 available. Of that, I think there are just over 23 000 machines in the club pool in play in Queensland, so you can see - and of that number, about 407 have gaming machines.

Ms COURTNEY - Is the pool of EGMs for clubs finite?

Mr FLOCKHART - Yes, it is capped, as is the hotel's.

Ms COURTNEY - Has that moved much in recent years? How was that determined originally? Was that an arbitrary thing that parliament decided, or was it something that came through the gaming commission?

Mr FLOCKHART - To be honest, I cannot tell you.

Ms COURTNEY - That is fine. It is interesting in regard to our terms of reference.

Mr FLOCKHART - It has never changed, not that I am aware of.

Ms COURTNEY - Is there advocacy for it to be increased at all over time? Or is it so generous that it is never even tested?

Mr FLOCKHART - I will not say it is generous. We have just over 23 000 in the field now, with a cap of 24 700, so you are not far from the cap. That said, we are seeing the decline of community clubs across Queensland - somewhere between 13 and 20 closing annually - as a consequence of commercial pressures and competition. You have drought, which has been significant in Queensland. We have had a resources downturn, which has been very challenging for a lot of regional and rural Queensland, and you have a shift in consumerism. Millennials, for example, unless they are young kids with families and they enjoy the sporting facilities, community clubs often have an air of hokeyness. It is for older people.

Ms COURTNEY - Like a bowling green?

Mr FLOCKHART - Yes, it is not sexy for the youngsters. There are issues there - you have digital technologies where there is significant leakage on wagering and gambling and social games that you can play. Therefore, the on-premises offer, not to mention that on every other

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corner there is a coffee shop or there is a new restaurant opening, someone thinks there is good money in hospitality. Go back 20 years and competition has gone up 3000-fold. There are no new customers though.

Mr ARMSTRONG - Excuse me, did you say 20 to 30 clubs annually closing?

Mr FLOCKHART - I said 13 to 20.

Mr ARMSTRONG - Thirteen to 20 - and that is in rural areas mainly?

Mr FLOCKHART - Right across Queensland; it could be in the south-east corner as well. In fact, we have just had a new club open which is North Lakes Sports Club, and that is the first new club to open in Queensland in 20 years, built from scratch at a greenfield site. That was a consequence of a change in tax regime, making it more attractive for a larger club to look to diversify into a greenfield site area. Instead of amalgamating or grouping the tax across the whole licence, it was allowing each site to be taxed individually and thus it could grow organically.

Ms RATTRAY - Is that a new area where there is housing and families and there is some growth there?

Mr FLOCKHART - Yes, significant growth.

Ms RATTRAY - With young families who would use the sporting facilities that would come with the club?

Mr FLOCKHART - The club does not have any sporting facilities adjoining it but it is underwriting all the sporting facilities in the area. It is mowing the ovals and contributing to the soccer teams and so on.

Ms RATTRAY - That is probably the way they were able to gain that social licence?

Mr FLOCKHART - Community need.

Ms RATTRAY - Yes, community interest.

CHAIR - Can you talk a little bit more about the length of the gaming venue licence and the allocation of those licences, how that works?

Mr FLOCKHART - It is in perpetuity, in essence. Once you have the licence and the entitlements, you have them.

CHAIR - With the 13 to 20 clubs that close, what happens to their entitlements?

Mr FLOCKHART - They can either sell them to another community club throughout the state that is looking to grow -

CHAIR - Can they sell them to a pub?

Mr FLOCKHART - No. Our pool is our pool; pubs are pubs.

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CHAIR - Okay, so if they do not sell them to another, do you buy them back?

Mr FLOCKHART - No, they would revert to the government.

Mr NIPPERESS - Surrender to the government.

CHAIR - Then does the government put them back into your pool?

Mr FLOCKHART - That is right, yes.

Ms RATTRAY - Is there any compensation for that?

Mr FLOCKHART - Not if it is surrendered to the government, no.

Ms RATTRAY - When you relinquish, you relinquish.

Mr FLOCKHART - Yes.

CHAIR - Do you think that is a good process? Are there any other times you have suggested there could be improvements to the current situation or are you happy with what happens in that space?

Mr FLOCKHART - A little while back, when the government introduced a fee-based model for community club entitlements they were zonal, so you could not trade. If you were in western Queensland and you had some entitlements for sale, someone from western Queensland had to buy them from you.

Going back to the discussion around droughts and resources downturn, there was no market for it. Then there would have been issues, going back to your point about caps in certain areas. The south-east corner is the prominent area of growth in Queensland by way of populous, so it might have been more challenging. The government saw fit, based on our discussions with them, to open up the state so gaming entitlements could be traded or sold right across the state, which improved that issue.

CHAIR - I am interested in how you guys feel about the relationship that the government has with clubs, pubs and casinos regarding EGMs. Do you think that is an equitable one, is there parity, or do you have some concerns that casinos are favourably looked after?

Mr FLOCKHART- My members would say casinos are favourably looked after. We are currently battling the government on additional casino operators coming to Queensland. I will leave with you a copy of this report, the Synergies consulting report, that we commissioned independently.

Ms RATTRAY - Thank you.

Mr FLOCKHART - Is that right? Is that the appropriate way to do it or should it go through -

CHAIR - No, that is good. Thank you.

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Mr FLOCKHART - This came out of ASF looking to establish a second casino on the Gold Coast. We currently have four casinos in Queensland with a population of 4.7 million people. Sydney has 7.5 million people with one casino, and a table games casino coming in Barangaroo. Victoria - 5.7 million people with one casino. Tasmania - 515 000 people or thereabouts -

CHAIR - On a good day.

Ms RATTRAY - Yes, on a really good day.

Mr FLOCKHART - with two casinos, and our friend at MONA looking to establish a table games offer. To answer the question, casinos derive the predominance of their custom from locals in Queensland and in east coast Australia. Somewhere between 60 per cent and 80 per cent of all patronage is locals. We have a new Queen's Wharf casino coming up on the river here, which will be a spectacular development, a \$3 billion investment with 50 new restaurants and bars and 2500 poker machines.

The rain shadow effect of that offer will be felt as far north as the Sunshine Coast, west of Toowoomba and south to the northern Gold Coast, noting the incumbent also owns Jupiters on the Gold Coast. That is going to have a significant effect. They will run coach businesses daily to seduce patrons from clubs and pubs to play at the facilities.

Ms RATTRAY - Free meals as well? Do the whole lot.

Mr FLOCKHART - There will be inducements in some form. The argument on the casino debate has been that it is all going to be international tourism that drives these developments, and high-roller business and so on. In my mind, and I might be wearing the hat of self-interest, but pragmatically, that is a nonsense. There is no new custom. It is as if I opened a new coffee shop between your four and I am only going to steal it from someone else.

I think that in the gambling environment where it is saturation and therefore caution and the business case appropriately need to be considered - which, frankly, from the government's perspective, often is not - if we have a developer who wants to spend \$3 billion, quick, sign them up before they leave. Whether what they are telling us is right or not really is not in my interest to investigate fully, as long as they meet probity in terms of being an appropriate person. Their business case is theirs. If they fail, they fail.

CHAIR - You mentioned all the money that comes from clubs goes back into the community. The cynic would argue you are taking from people in the community who can perhaps not always afford it and you justify it by saying it is going back into the community. What auditing process is undertaken to ensure the funds raised from the club are going back into the club? Whose responsibility is it for the checking to ensure the club is fulfilling its end of the bargain?

Mr FLOCKHART - In terms of the issue about affordability and responsible gambling, Queensland formed the Responsible Gambling Advisory Committee many years back as an interface between industry, community groups and the government to come up with best practice initiatives. That was seen, and has been seen for many years, as leading the way. I am currently the chair of that committee. Every other year it is a community group and an industry representative. Queensland runs a regular household gambling survey. There is a new one soon to be released. The last one showed the problem gambling rate in Queensland was around 0.48 of

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1 per cent of the adult population, which equates to about 16 000 people deemed to be problem gamblers.

I use the analogy, if people are going to gamble or they have any propensity, whether it be golfing, alcohol, drugs, recreation sport, concerns, travel, shoe shopping in the case of my wife -

Ms Rattray - And myself.

Mr FLOCKHART - you are not going to stop it. I keep asking the question of responsible gambling. We work hard at it; there is no benefit in people wasting the money. It is not good for us because we are about local and I mean it. Most of the people who would walk into a community club, even big clubs with 30 000 to 40 000 members, are known to the door staff. They are welcomed, their fishing stories about the weekend, the children and everything else are known. The regulars are lining up at 10 o'clock when the doors open every morning. It is not in our best interests for people to be hurt and responsible gambling has really worked.

I keep asking myself and raising the issue. I will use the analogy; if you have a 50-foot boat designed with a cruising hull with a 150 horsepower engine in it, it is designed to cruise at 8 knots. If you take out the 150 horsepower and put in 300, it will still only do 8 knots because that is all the hull is designed for.

I keep wondering if we are hitting that mark in that percentage and wonder if it will ever get better. It doesn't mean we shouldn't stop trying, but I think we are there. Whatever you do, other than chaining people up, won't change the statistic. The leakage in these things is by way of people being seduced into opportunities, whether it be Lottoland or any of these inducements that keep coming your way.

I have a young boy who is nine who plays Minecraft and other games where you buy tokens to play. You might win some credits - not money - but credits to play the game. You can see there is this social interaction, whether we like it or not. The second part?

CHAIR - How does your organisation ensure a club is putting its profit back into communities? What auditing processes are in place to ensure that happens?

Mr FLOCKHART - They have their objects of what they are supposed to do as part of their constitution. If I use surf lifesaving, for example, BMD Northcliffe Surf Club on the Gold Coast may generate a \$2 million surplus annually. Other than a depreciation amount that matches their budget being retained as surpluses, or if the board is embarking on a redevelopment project or a diversification project that requires funds to be held back, virtually everything else goes to the surf lifesaving club. That might be \$1.2 million or \$1.3 million annually to run the surf lifesaving club with the volunteers on the beach. It is audited annually - they have an independent auditor and oversight is provided by the board. That is done by multiple people. That was suggested so an individual cannot hijack the show. Any club with more than 50 gaming machines reports annually to the OLGR - Office of Liquor, Gaming and Racing - as part of its annual process.

Ms RATTRAY - Taking you back to your Responsible Gambling Advisory Committee, can you give our committee some outline of those programs? What they are and how they are funded is of particular interest to the committee.

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Mr NIPPERESS - In addition to what Doug mentioned as to the advisory council, there are a number of local responsible gambling committees around south-east Queensland. There is a committee on the Gold Coast, which is probably the longest and most established. There is one in Brisbane north and recently one was set up in Brisbane west, out to Ipswich. Those meetings are designed to bring together government, community groups such as Relationships Australia or Lifeline - those who have a responsible gambling focus and are providing that service to the community - as well as industry groups such as Clubs Queensland and individual licensees. It is to bring everybody together to talk about available training, the responsible gambling code of practice and how in-house facilities at licensees, such as the customer liaison officer, et cetera, are working and to table any particular issues they are seeing as an industry.

To touch on the responsible gambling code of practice, for example, that is a self-regulated code that has been in place now since around 2002 or 2004. It was a voluntary code that was adapted by the industry. A lot of that is backed by legislation, so a lot of the provisions in that code are set out in the Gaming Machine Act. A lot of it is an industry-accepted code that you don't see in the legislation, but that is a benchmark the industry wants to hit. The sorts of things you see in that code are things such as provision of player information, to understand what the odds of winning are in a particular game, or who the in-house customer liaison officer is at that venue. If I feel I have a problem with gambling, I know who I can go to at that venue who can put me in contact with Relationships Australia. Other things in the code are how the physical environment of a venue is set out, for example, the location of ATM facilities and all those sorts of things. It is a very successful code and a model that has been looked at all across Australia as a good example of how community groups, industry and the government can come together and set out these sorts of expectations.

Ms RATTRAY - What about the funding for the organisations that support those people who identify with a gambling problem?

Mr NIPPERESS - For example, a community liaison officer internal to a venue would be funded by the venue as their dedication to meet the benchmarks set out in that code, and generally the industry. Then you would have resource sector funding for community groups coming from state government grants, such as for Relationships Australia.

Ms RATTRAY - So there is no percentage of the gaming income that comes into the government coffers that is put back into the community to address any of those social issues that might arise?

Mr FLOCKHART - A portion of the taxes obtained in the gaming industry fund the grants provided to Relationships Australia and Lifeline, et cetera. I can't tell you what the percentage is because I do not know. In addition to that, a percentage of tax revenue goes into a community benefit fund that community groups can apply to for funding, whether it be a special school requiring a new canteen or lighting facilities for different things - mowers, whatever. It is fairly diverse.

Ms RATTRAY - We can find out the quantum of those sorts of things. It is probably not that important because you are on a much different scale than Tasmania in a lot of ways. How involved does the industry become with Relationships Australia and those groups in providing programs and initiatives? You said they come together as part of that Responsible Gaming Committee, so do you sit around and say, 'We're going to put some focus here or we need to put some focus on a self-exclusion model' - how does that work?

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Mr FLOCKHART - A committee perspective is different to the coalface. The processes at the coalface, by way of the relationship between the community service provider - there can be chaplaincies, there can be Lifeline and so on - is a mature relationship and it is all about relationships. Right across Queensland, they will know each other and regularly converse, not only formally via the RG Net meetings, LIAG meetings, but informally meet and regularly talk about the issues in the town and the social challenges that are facing them, inclusive of the police at times, with challenging misdemeanour, crime, et cetera.

At the committee level that is a mature process where over the years that committee has worked through challenges like the code - I think it was last year or the year before - was updated. That was a team effort of the committee to work through the code and look at raising the bar in terms of best practice. It also allows the minister of the day to invite the committee to provide opinion to the government or consider an issue that the government might be looking at, independently almost as a working party, and then provide recommendation or comment back.

Ms COURTNEY - I am interested in the fact that you have a sliding scale for taxation for clubs. Could you tell me about how appropriate you think that is and particularly compared to other taxation regimes across the industry for non-clubs?

Mr FLOCKHART - With the hat of self-interest, we would like to see it less, frankly, but it is not likely though, I suspect. I will reverse-engineer the answer. Where you have a mature gaming industry, which we do have in Queensland, the revenues have continued to grow in terms of volume. Our return to player here is set between 85 per cent and 92 per cent, and return to player is best defined as time on machine, in my mind. If you were offering a 92 per cent return to player, your \$50 invested would last you a lot longer than an 85 per cent return to player.

When gambling was first introduced, the return to player was down at 85 per cent. That is where the maths of the game was pitched and therefore the surpluses retained before overheads were more substantial. We have seen a shift, a creep, in that return to player in Queensland is averaging, let us say, 90.5 per cent or 90.7 per cent, closer to 91 per cent.

Ms COURTNEY - Is that regulated?

Mr FLOCKHART - It is regulated within the band. The operator can choose an RTP but, more importantly, that is often determined by the game manufacturer of the optimal performance of the maths of the game.

What has happened is, over the years, these tax thresholds have not changed other than when the LNP won government under Campbell Newman and introduced another threshold to assist with budget solutions to raise more tax. Other than that, the thresholds have not changed since they were first introduced. Now, as a consequence, you see more volume in gaming turn-through, return to player has risen, which means that the percentage retained is less, and overheads continue to rise. You have labour costs rise, insurance is more, regulatory requirements are always going up. Therefore, with the surpluses retained, it is starting to become like a McDonald's business; it is nickel and dime business. You count every napkin because it's worth something, if that makes sense.

Ms COURTNEY - Could you argue, though, that the squeezing of the margins is just an outcome of the fact it is an industry that is mature and whatever widget you are selling, if you are

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an industry where demand is plateauing and you are not able to generate any more revenue, it is natural your margins will be squeezed? If it is an industry that is mature - and there are arguments from a lot of people that it's an industry that is starting to go into a decline, or have a finite life over the next generation effectively - is it the government's role to continue lowering taxes so you keep getting your revenue or is it just a factor of commercial markets where you get squeezed out and one day somebody says, 'It's not profitable for us to have our EGMs anymore'? I am just playing the devil's advocate there.

Mr FLOCKHART - It is a good question. One counter would be, there should have been indexation on the tax thresholds, no different than personal income tax because there is bracket creep. Also, in a competitive market, you are competing against those who aren't necessarily paying tax. How is that fair? Uber is an interesting example of that. When Uber came to town, it was illegal under legislation but it was 'We don't care, we're going to do and we will pay the fines if we're caught'. It has changed the landscape and Queensland is trying to play catch-up in that example.

You are right, statistically, gambling in Queensland has flatlined or declining - I mean gambling, not just poker machines. Lotteries and wagering is all going down. It is going down because the younger markets are interested in other things, they have other social pressures and the digital economy is upon us. People aren't paying full price anymore, for anything. For example, in our household for Christmas this year, we bought every Christmas gift online from all around the world at between 40 per cent and 80 per cent off - delivered to the door, often gift-wrapped ready to go, so Santa looked pretty good.

Once you are in this competitive set, you never get it back again. From a gambling perspective, I think we are in that competitive set where you have Northern Territory bookies on the wagering front who pay a little bit of tax but nowhere near that. They don't contribute to the race offerings with prize money, so therefore the whole model is stressed and under challenge. Do you just let them go out of business? You have to come back to what is the social interaction of what our venues offer. Social isolation can become more and more prominent. I go back to my nine-year-old sitting at a computer screen playing Minecraft and enjoying it, instead of out playing cricket on the street like we used to when I was a kid. It is different now, but is it right? That is not the question; that is just what it is. It is important moving forward that community clubs are appropriately supported - not subsidised but supported - to ensure that disruption isn't to the detriment that it is just closure and as cut and dried as that.

Ms COURTNEY - I want to turn your mind to compliance of operators. There is a monthly self-assessment check list; how well does that work?

Mr NIPPERESS - The self-assessment check list is simply that. It is a method that licensees can use to assess themselves against the compliance.

Ms COURTNEY - Can use or are forced to use?

Mr NIPPERESS - I don't think it is mandatory but it would probably be their downfall as to Office of Liquor, Gambling and Racing doing its checks on the licensees. OLGR can do checks on things specific to gaming and also on the liquor side of things. They would go through and check off those compliances - not just for EGMs but across the board as to the wagering and keno offerings, as well as their charitable and not-for-profit activities such as their member draws. It

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would be a self-assessment tool that OLGR put out that says, 'Gauge your own level, this is to assist you with your compliance so you can comply with the legislation'.

Ms COURTNEY - Is non-compliance a big issue? Do you find you have clubs that find it challenging to maintain their compliance?

Mr NIPPERESS - I don't think so. Broadly community clubs rank very highly in terms of the compliance under the Gaming Machine Act and other legislation. Certainly, smaller licensees, which may be run by one or two employees, in regional Queensland for example, would probably struggle more so than a larger community licensed club in Brisbane. All in all, they rank quite highly in terms of their compliance.

Mr FLOCKHART - They are also monitored. Daily monitoring of their revenues, et cetera, and their weekly revenues for tax payable are swept automatically by the government out of their accounts. There is a short space of time where inevitably the regulator will see something that is an anomaly and would allow them to react pretty quickly.

Ms COURTNEY - Thank you.

Mr ARMSTRONG - What is the minimum number of machines you can have in a club?

Mr FLOCKHART - One.

Mr ARMSTRONG - You can go down to one single?

Mr FLOCKHART - Yes.

Mr ARMSTRONG - How do your members manage the procurement and maintenance of EGMs? With the venue control - does this activity deliver benefits for the venues as opposed to the centralised system in Tasmania? Would your members suggest any changes to your system?

Mr FLOCKHART - When they were originally introduced in Queensland, you rented the machines supplied by the government. This was changed reasonably quickly to allow the operator the ability to purchase the machines. They purchased the machines in the market via the gaming companies, on the basis of the merits of that machine or the success of that game in the market at the time. For example, right now Aristocrat is at the top of the cycle with its two machines. It is a free market. The price is set on the equipment, and people negotiate no different than any other purchase. Does that answer it?

Mr ARMSTRONG - Yes, but would you suggest any change to that?

Mr FLOCKHART - I think it works well, frankly. Also you have larger clubs when they are trading out or reinvigorating their floor. The methodology would be every year you look to replace 20 per cent of your machine floor so you have currency. Over a five-year cycle, 100 per cent of the floor has been replaced. They will often donate a gaming machine to a smaller bowls club down the road not able to afford the latest technology. There is some recycling, not for profit, within the industry that works well.

The maintenance in Queensland is different from what happens in New South Wales. Here our monitoring organisations provide the maintenance service, not the gaming manufacturer. The

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reason was to stop opportunism of pricing of that maintenance model. For example, to fix machine X in Brisbane and same machine in Longreach with the same problem, is the same cost. In the New South Wales model, the gaming companies can repair the machines. As a big club with 300 machines, I could say, 'Well, if I guarantee to buy 50 machines annually, you throw in the maintenance for nothing,' that does not help the smaller club in Longreach. The intent from day 1 was a level playing field in maintenance costs, which is different specifically to New South Wales.

Mr ARMSTRONG - How does Treasury oversee that?

Mr FLOCKHART - It is monitored by LGR and there are currently two licensed monitoring organisations, Odyssey Gaming, likely to be bought by the Federal Group, and Maxgaming. They are empowered under legislation to provide a monitoring service. This not only monitors every dollar and transaction in a machine, reported in live time through their system to the government, but they provide servicing facilities as part of the licensing requirement they paid for.

Mr ARMSTRONG - Thank you.

CHAIR - We have an interesting aspect in Tasmania, and wondering whether it is the same in Queensland where it seems some of our lower socio-economic groups have the most EGMs in the local government areas. That is a concern. How does that work here? When a new pub opens up and it wants to put in so many machines, do people look around the area and say, 'Hang on, there are five clubs and 15 other pubs here already and it is a low socio-economic group?'

Mr FLOCKHART - The oversight is provided normally as part of the application process by the government. LGR is part of the documentation and review of same. Their recommendation to the commissioner whether that should be approved or not, would take into account the demographics and saturation of current machines available within an area.

CHAIR - For example, if you had two clubs in an area, one had 10 machines and went under and the other club had 40, can the government say we are not going to let those 10 go over here or would this club then be able to pick up those 10?

Mr FLOCKHART - By way of applying and asking for an increase, if it was granted they could take those.

CHAIR - Even though they were there if the government said, 'No, we do not believe it is in the best interests of the community for you to have those extra 10,' they could just say no.

Mr FLOCKHART - Yes.

Ms RATTRAY - The cost of a club licence is an annual cost?

Mr FLOCKHART - They pay a liquor licensing fee annually.

Ms RATTRAY - No, but -

Mr FLOCKHART - Not for gaming. There is no fee attached to gaming. You have to have a liquor licence to be able to have gaming.

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CHAIR - The fee comes with the machine.

Mr FLOCKHART - Once you have bought the entitlement it is in perpetuity. The tax is the ongoing fee.

Mr ARMSTRONG - If you increase your number as in you bought those extra 10 machines you would then have to pay?

Mr FLOCKHART - I would pay the club selling the 10 an agreed fee. It might be \$5000 per entitlement, and then the machine is extra on top of that, yes.

CHAIR - Thank you very much. I hope you have not found it too onerous, but it has been very helpful from our point of view. If there are further questions we can contact you and we are charged with getting the report finished by September.

DISCUSSION CONCLUDED.

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DISCUSSION WITH Mr DEREK TUFFIELD, CEO OF LIFELINE DARLING DOWNS AND Mr IAN LAW, CEO, RELATIONSHIPS AUSTRALIA

CHAIR - Thank you very much for helping us as a committee understand the relationship you have and the work you undertake in Queensland. We have this as a hearing so we can use anything as evidence, as part of our report. Due to our rules, it is easier to be able to use material to make recommendations to our Government.

Around the table, we have Stuart, the secretary of the committee; and Sarah is a member of the lower House for the Liberal Party. We have two apologies today - Scott Bacon, the Labor member for the lower House and Andrea Dawkins for the Greens from the lower House. Rob, Tania and I are all members of the upper House and independent members. We are charged with several terms of references and we wanted to come to Queensland to ask further questions about your role. If you do not mind, we will ask some questions about some of the responses you give and some of the areas we need more information.

We have been charged with looking at our situation and other jurisdictions to see how we can do better. If someone would like to give an overview and we will go down that track about what you do, your role and relationships.

Mr TUFFIELD - Thank you. I joined the Gambling Help network in Queensland in 2000, so have been part of the statewide network for 17 years now. I am currently the Deputy Chair of the Queensland Responsible Gambling Advisory Committee. Doug and I just said a quick hello and will catch up later.

I have been on the RGAC about two years but have been Chairman of the Gambling Help services in Queensland for a number of years on and off, Deputy Chairman as it has rotated. I go right back to when it was originally called Break Even, when the first gambling help service was established in 1993 in Queensland. The reason why we changed the name to Gambling Help around 2000 or 2001 was when problem gamblers and people suffering gambling-related issues went looking for help they went looking under G in the yellow pages, not under B for Break Even. That is the reason for the name change.

The Queensland government identified as far back as 1993 that you needed a form of gambling help services to assist people. Not only for those directly affected, but the family members of those who might have problem gambling related issues to seek help, support and understanding about what was going on for their loved ones.

Funding started and initially it went out to an open tender process, so Relationships Australia Queensland - and I am going back on my memory - won about seven of the sites throughout the state and as you know it is a very big state. Lifeline Darling Downs run one for Toowoomba in the south-west areas. You have Lifeline; Community Care, Cairns and Fraser district, and the Drug and Alcohol Foundation, so a consortium of different funded NGOs came together and formed the Gambling Help Service. On top of that, the Gambling Help Line was, at that point, run by an organisation called Turning Point in Melbourne. They won the contract to run the 1800 858 858 number. That has changed over the last few years and RA runs that now.

My role with the Gambling Help Services - we were initially funded as an executive to meet and receive reports from the members of the consortium and then to make recommendations and

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feed them back up to the RGAC. We would have one seat on the RGAC, which is the seat I hold now as the Gambling Health Services representative. I can have an observer with me so that there is a rotation that takes place as well.

Is that the type of information you are looking for?

Mr LAW - Ian Law, CEO, Relationships Australia. As Derek was saying then, Relationships Australia Queensland is a major player along with other members in the sector, particularly Lifeline, Derek's organisation.

Relationships Australia would run the majority of the gamblers help services throughout the state. In addition to that, as Derek said, we also run the Gamblers Helpline and we run that 24/7. We also have a website we are about to launch later next month. That online service will have web chat capabilities. Relationships Australia took on the Gamblers Helpline.

We have discovered that the key in such telephony services is picking up the phone very quickly. People with a gambling help problem will not let it ring as long as people with other problems, which we know from the recording hang-up rates, for example. The conversion rate between us talking with somebody on the phone and then linking them in to face-to-face counselling; the quicker that happens the more likely they are to attend. The non-attendance rates for face-to-face counselling is higher for problem gambling than it would be for some other problems. The sense you might make of that? Basically, people in crisis reach out for help. People do not reach out for help when they are not in crisis. When people are in crisis through a gambling situation, often the window of opportunity might be smaller than for some other problems. Help services need to be calibrated to that factor, that reality.

There are some common urban myths in the Australian wider community that gambling problems can be explained as biologically determined phenomena when the research suggests that they are not. They are very much within a socio-political-economic context. For example, the research we are engaged in is looking at the correlation we know already exists, by examining the correlation between family and domestic violence and problem gambling. There might be other socially related issues we might look at as well. You might see some correlations if you look at where machines are located and link them with social disadvantage, and that is worth paying attention to.

We have a cohort of people that get into trouble with gambling, a cohort of people who are already significantly disadvantaged. That might be through abuse or violence issues. It might be through trans-generational disadvantage. They are not the only people who get into trouble with gambling, but there is definitely a cohort for whom we know gambling is an attempted solution to a problem that then becomes an even bigger problem. Does that make sense?

That needs to be paid attention to when we are looking at services. We're not just looking at a small percentage of people we need to provide a service to and if we manage that small percentage of people then everybody can gamble happily and responsibly. That isn't what the figures tell us. We need to take care around those sorts of issues. Many people in the academic context suggest we take, say, a problem drinking approach to public education and apply that to problem gambling. We are looking at the number of people who don't slip into serious problem gambling but are clearly gambling more than they can afford. That is a significant portion of the population.

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What I am encouraging you to do - and I am sure you know this already - would be not to look at this as being a small number of people with a biological issue with gaming machines and other forms of gambling. This is much more of a structural issue within our culture and society. That needs to inform the sorts of services you might provide.

Ms COURTNEY - Ian, are you CEO of Relationships Australia or Relationships Australia Queensland?

Mr LAW - I am the CEO of Relationships Australia Queensland and I sit on the board of Relationships Australia National.

Ms COURTNEY - From that board perspective, I am interested in whether you have an insight into the challenges around problem gambling and the way it is addressed by governments or by the community sector differs from state to state? Sitting there in your Queensland hat, do you think Queensland has the best form of harm minimisation, or whether it is South Australia or Western Australia? Do you have a view on whether some states do it better and what they are doing that allows that outcome?

Mr LAW - Derek will also have his view on it, knowing a national perspective for NAGS (National Association for Gambling Studies) and Gamblers Help across the nation. Relationships Australia is an organisation that has its history and basis within counselling and relationship counselling particularly, I think there are different flavours. There might be some slightly different models but I don't think there is one that is demonstrating more effectiveness than the other. There are some differences but I don't think there is any one stand-out model you would look to as to as what we need to be doing. Part of that also is because we are all working with the people who find a way to us or are encouraged to come to us. We are not dealing with all the people who may have an issue or identify with an issue of gambling. There is a structural issue there. We are dealing with people who reach out for help and we are most effective when we make sure we grab hold of that hand when they reach it out and that we do it quickly. There are plenty who don't find their way to services.

Mr TUFFIELD - It also varied from government-to-government. I have seen some governments that have encouraged gambling because they want the revenue that comes from that. They have said they want to see an increase in gambling in the state.

Ms COURTNEY - I am interested in that point from a Queensland perspective and from a government of the day, how do they do that? If it is regulated as an agency that is at arm's length, how does a government encourage more gambling?

Mr TUFFIELD - By increasing more access to casinos and approving more licences in the state. Our EGMs are not at maximum capacity. We are probably 4000 to 5000 below the cap. It was actually Gambling Help Services that applied the cap when they head up around 59 000 machines a while ago. Gambling Help Services can influence, definitely, through the RGAC, the impact on gambling. With the note acceptor limits too, we brought it back down to \$20 and it is back up to \$50 now.

What I was smiling at before was the fact that Victoria at one time was leading the way, I think, in the way they were tackling gambling help. That is because they were also doing very punchy ads, very hard-hitting, in your face, almost like the Grim Reaper ads of the 1980s that you will probably remember. They were having some pretty big impact on people's awareness and

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creating awareness of the impact of problem gambling. In Queensland, because the rates are high, it has become water off a duck's back to a degree.

In Toowoomba, where I live, if you look back at the media 10 years ago when I said we were gambling \$3 million a month on poker machines, there was a public outcry of 'How can that be happening?'. We do about \$6.5 million a month today and no-one says anything about it.

Ms COURTNEY - Why do you think that is? We've seen that there is quite a high degree of community interest in our inquiry in Tasmania and there are a lot of stakeholders and people in the community who have come forward with varying views, particularly on EGMs. Looking at your example, do you think the community is more accepting of EGMs now and therefore there will be an underlying problem? I am interested in teasing that idea out.

Mr TUFFIELD - I think you have to add the sports betting onto the EGMs. Ten years ago EGMs were the big focus whereas now I can gamble off my phone while sitting in the waiting room ready to come into this meeting if I wanted to. I could be laying bets and you would be none the wiser of that taking place. Not that I did, needless to say. That is where the market has shifted. The ACT did some really good work on problem gambling and awareness. The community education that Ian is talking about is paramount. You have to get that education in at an early level, not at a later level. You can go to Suncorp Stadium here and watch a soccer match and young fellows will have two mobile phones, one on each leg and will be gambling at the same time off each mobile while they are actually watching the soccer game take place in front of them.

The EGMs are still popular. The take-up rate in Queensland keeps showing slight growth rates at the moment as far as their turnover, but they are probably not the bigger threat in regard to people's accessibility and encouragement of online sports gaming at the moment.

Ms COURTNEY - If you had a magic wand and could bring in either regulation or areas of compliance or more counselling services to help address the challenges around problem gambling, what would you do with your magic wand - apart from taking EGMs out completely? Being the devil's advocate, the EGMs are still there in hotels and clubs. What would be most effective, in your mind, to would address and offer support for problem gamblers?

Mr TUFFIELD - In Queensland, you will not find any ads on television that are promoting a greater awareness really, in my opinion. During Responsible Gambling Awareness Week we have a bit of a run of ads, but there are no TV ads running to say that excessive gambling is a real problem in this state. Gambling Help Services are not funded to run those ads either, so you cannot actually put them out there.

Ms COURTNEY - Is there anything within hotels and clubs in terms of the actual -

Mr LAW - Just to break in, you have a caveat in terms of not reducing licences, but I do think you might need to look at where machines are placed. There are communities that are clearly disadvantaged. If you look at the Australian Bureau of Statistics, it is there, it is clear evidence, data, black and white. If you then looked at the prevalence of gambling opportunities in those areas, you could look at rejigging that, even if you wanted to keep the total number of licences, for example, as a quantum intact.

Would that solve the problem? No. But it would take away one of the avenues for the expression of that social isolation that many people in those communities experience. What you

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would replace it with would probably be place-based services and also some structural attempts to address disadvantage in those disadvantaged areas. We could probably talk for a whole day about what that might look like and what that might do.

You would need to address what are some of the underlying drivers for not just problem gambling but a host of other social issues. We should not just see problem gambling in isolation, in my view. Then, if you look around some of the pubs and clubs in those areas, you wander through, you look at the number of mobility scooters that are parked at the door, you look at the number of people that come in because they like a free biscuit, the cup of tea, the staff there are nice, they are friendly to them, nobody hits on the women. It is a safe, nice, not a community centre, it is a place to be but it costs you a lot of money. There are not alternative places to be for those people, so I would address that in a two-pronged way.

Would that solve all problem gambling? No, but it would certainly start to address some of those social issues for the most disadvantaged.

Ms COURTNEY - Thank you.

Ms RATTRAY - We have been provided with a copy of the Code of Practice.

Mr TUFFIELD - Yes.

Ms RATTRAY - I am interested in understanding, Derek and Ian, how the venues work with particularly the responsible gambling organisations. It pretty much seemed to me that they were the ones at the forefront of identifying people that potentially have a problem, and maybe giving them some advice about where they might go. Is that pretty much how this works? It is almost the venues -

Mr TUFFIELD - The LACs in each of the venues have a responsibility to observe people who are showing signs of excessive gambling, not doing breaks in play. No doubt you have spoken about breaks of play and the importance of those at the meeting, yes? Do you know about that?

Ms RATTRAY - No.

Mr TUFFIELD - A big thing to help - again, it goes in line with what Ian was saying - a break in play is an opportunity to make someone move away from the machine when they are really gambling heavily, go outside the gaming room and then often they tend to walk away. But if they stay on the machine, they will keep going. That is why we have clocks now to say, 'Look, you have been on this machine for two hours'. But a break of play, to go and have a cup of tea and biscuit and rethink about what is going on, is really important.

What the LACs do is that they will often make a referral to the Gambling Help services when they have someone who they are identifying is showing repetitive signs of coming and gambling large amounts of money. They say, 'Come over here, can you meet with us, can you work with them?' I need to say in some venues that will vary from venue to venue because if they have high budgets to achieve turnover in those venues for a week, or whatever, they will slow down their need to act. It just happens. That is not everyone, but it does happen. The code says - and it is a voluntary code - that you will do this.

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When we first started up we were the enemy. We were frowned on, 'You don't go there', but over the years that relationship has improved to where we do engage and we will go to the venues and work with them. Probably the bigger thing is the exclusion issues in Queensland. I think New South Wales are more advanced on their exclusion rates than what we have here. It is an ongoing saga; it has been debated the whole 17 years I have been part of it. RA has done some significant work with success in different parts, but it is not functioning across the state here.

I was actually part of the code, to be honest -

Ms RATTRAY - The original one - and the review?

Mr TUFFIELD - Yes, I was. I didn't know what I was getting into, to be upfront. I just want to be honest, I got called into a meeting and next minute you are talking about gambling.

There are couple of things I can touch on - I am conscience we have limited time. Gambling Help services - we set up in shopping centres - we don't tend to do that anymore because people won't come near us. They will walk around us, we are like the plague. So we don't tend to do that. I wanted to share that with you.

When poker machines first came into Queensland, David Ford said at a meeting 17 years ago - and I have never forgotten his words - 'Poker machines are the fairest way the Queensland government could come up with for people to lose their money'. That is probably the same statement for me today. But gaming has moved on far beyond poker machines at the moment.

Do not forget in your research the importance of the family member connected to the person who is either gambling or, as Ian spoke about, that percentage of people who are not problem gambling but are heading that way at a fairly rapid rate. That is even a bigger cohort to be aware of in the work you are doing at the moment.

Ms RATTRAY - The funding of your organisations? Is it adequate? I know no funding is ever adequate for any organisation, if you ask, but do you get enough money provided to deliver enough programs for the community to understand? Derek, I know you talked about the fact that there is not much TV - you have a very good program running, a TV advertisement, called 'Know your odds' in Tassie at the moment. It says, 'This is what you will get for your return'.

Mr TUFFIELD - It reinforces.

Ms RATTRAY - I don't have a problem with gambling but I know a lot of people do.

Mr LAW - We may have slightly takes on this, Derek, I don't know. From my point of view it is not about the issue: is there enough money for working with problem gamblers because, again, you are looking at the percentage of people who would then reach out when they have fallen to the bottom of the cliff and you are scraping them up again. If you are looking at that, then probably the funding is fine. What we are not doing is that we are having an effect on what it is that are the drivers and levers for somebody falling into that position. I think if we were to do that then it might be a freeing-up, perhaps, or a different understanding of what the funding could be used for, and then what gets to be counted as a productive output in your contract. If you are able to look more at a place-based approach, a community-based approach rather than an individual counselling for somebody who has already identified themselves as, 'Yes, I've got a

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problem', then I think more funding could then be used and it could potentially be more productive.

Mr TUFFIELD - One of the things that changed over the past 17 years was that originally, as I mentioned, you had the consortium of Gambling Help organisations and there was a group called the Directors. The government, when it originally started Gambling Help services, funded that group by about \$60 000 a year. Out of that we had to make sure we had an annual conference where we brought everyone statewide together to discuss over two days, three days - gets some keno speakers in. The network functioned much better then, I have to say. What happened, there was a change of government and it killed the money off overnight, disbanded the Directors, basically, and said, 'You just do this by teleconference now'. It doesn't work. There was the best intention by all the parties but people get distracted on teleconferences, and so it fell away.

I don't believe that as a consortium we are as well united and mobilised and making good ground. We established web sites, we had research papers - that's not to say, it's not - I am just saying as a network we had research papers happening. We knew all our members. They had log-ins. We had gone a long way and just one decision to change funding had a fairly devastating effect on that.

The other thing we are seeing at the moment, up around Toowoomba, we are seeing an increase in the number of people presenting with gambling-related issues this year, more than ever, which is really interesting. Our stats are up at the moment. That is not just family members bringing a loved one in, that is people actually physically identifying that, 'Hey, I'm out of control here'. The other part of that, we don't stop people physically from gambling. They can go to GA and if they want to stop gambling we often get their gambling under control. We reduce the rate of gambling, we give them back their lives, we show them you can actually enjoy life without gambling on a regular basis - it is not everything. So the community education part, our counsellors - the face-to-face counsellors - who are working with the venues and your coverage. Luckily in Tasmania you are more of a contained area. With us, some of my staff are driving 12 hours to deliver services in the south west.

Mr ARMSTRONG - You said there are virtually no anti-gambling adverts on TV, is that right?

Mr TUFFIELD - That's right.

Mr ARMSTRONG - In Tasmania there is the community support levy - is there such a thing in Queensland? I think it is 4 per cent of the turnover.

Mr TUFFIELD - Is that like a grant?

Mr ARMSTRONG - It's legislation, as far as I am aware. It is 4 per cent of turnover or profit, I'm not too sure, that goes into a levy. Then that is distributed and pays for the advert -

Mr TUFFIELD - The levy pays for the Gambling Help services in this state, it doesn't pay for the advertising.

Mr ARMSTRONG - Then the rest of that money is distributed to the community -

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Mr TUFFIELD - Yes. We now have the Gambling Community Benefit Fund, so a percentage goes into that.

Ms ARMITAGE - Same thing.

Mr TUFFIELD - A percentage goes into that.

If Lifeline Darling Downs were RA on their own bat and fell apart - and we have done over the years - when we run our own Gambling Help Awareness ads we still have to get approval from the state government before we put them to air. We can't just do it and put them to air, they must sanction them. Then you have to pay for it, not from within Gambling Help funds, but from your own organisation resources.

CHAIR - You are on the Australian board of RA - do Western Australia have a member on that board as well?

Mr LAW - It is a federated system so effectively each state has representation, yes.

CHAIR - I wonder because that is the state that doesn't have EGMs, pubs and clubs, whether the feedback from that state is markedly different about gambling addiction that they experience in the west compared to all the states in the east? Do you have a comment on that?

Mr LAW - I would have to take that one on notice. I wouldn't claim any particular knowledge about that.

CHAIR - We are planning on some of it.

Mr TUFFIELD - I can respond a little bit on the fact that I have been there recently a couple of times to have a look. If you go to the casinos there, they are flooded. The car parks are just a sight to behold, the amount of people who are gaming there. So, yes, you can't get gambling within the state but those who want to access it are definitely accessing it. There is no doubt there would be a cohort of percentage problem gamblers that will be associated to those casinos. Any ships that sail up the coast - you can't do any form of gambling on the ships until you pass into Northern Territory waters or you pass into South Australian waters. That is how tight they have it there. But I think you will find the numbers will be less because your accessibility is less.

CHAIR - The idea about having the casino venue to identify - we have a role where people can self-exclude and we don't have that many places, I suppose, in Hobart for them to go. But in Queensland you can go from one venue to the next, to the next and it wouldn't work unless you really wanted it to work yourself.

Mr TUFFIELD - Obviously we work with the pubs too and facial recognition is coming into the pubs here. But that is more about safe-night-out strategies rather than gambling strategies. I know in Victoria they have facial recognition in the venues at the moment so that if you have a problem gambler come in who is excluded from that particular venue, then you can know straightaway.

The staff in venues turns over fairly quickly. If they have 23 photos on the wall, how do they remember who is excluded from that venue. But you are right, you can be at the Royal Hotel in

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Toowoomba, be excluded from there, and drive down to the Sports Club and gamble there if you are not excluded from the two venues. That is exactly right.

Mr LAW - I don't have experience of WA but I do have experience of South Australia. I was a counsellor and therapist in my former life before management and I was actually working as a therapist and counsellor in South Australia just prior to the introduction of gaming machines and then just after the introduction of gaming machines there. I was working with financial counsellors at that stage, before Gamblers Help, and what we noticed immediately thereafter was that poker machines actually led to gender equity in gambling. It meant that women were able to find a safe space, what they experienced as a safe space, to go and gamble, where previously there wouldn't have been a safe space for them to gamble outside a casino context. So there was a huge increase in gambling as a result of women being able to spend the money in that context.

CHAIR - Thank you very much.

Mr TUFFIELD - I hope that's helpful.

CHAIR - It is. If you don't mind, we reserve the right to contact you again if there is something we want to know once we read the *Hansard*. That would be helpful.

Mr ARMSTRONG - We never mentioned keno. How do you see keno?

Mr TUFFIELD - It's creeping - not creepy, but creeping. Its popularity is creeping quite regularly at the moment. It has had a change of ownership recently; I think there are new owners of keno in Australia. It is just another form. I noticed last night on television that Lottoland is saying that now you can do keno online 24/7, which I haven't seen before. That's fairly new. Whether that's keno in Australia or keno offshore, I am not sure either, so I need to do a bit more looking. I only noticed that on ads last night that they are offering that.

Mr ARMSTRONG - I just wonder because you can go into a bar where the EGMs are not there but there is a screen on the wall. I know at home you walk in and see people walk straight up and put a keno ticket on.

Mr TUFFIELD - I guess any benefit about keno to some degree compared to EGMs is that it takes three minutes for a game. So you have to sit and wait for the game. The EGMs are high revolution results - you are tapping the button and getting high revolution.

Mr ARMSTRONG - That varies from state to state, I think.

Mr TUFFIELD - We haven't had low-intensity machines here since the one-arm bandits so we would go back 20 years since we had those. These are all high-intensity machines in Queensland, you would be hard pushed to find a low-intensity machine. There are probably one or two around in venues but you will pick them because they have the lever, where you have to pull the arm down and it takes time to roll, where now it is electronic. So obviously your turnover is much faster.

The last bit, which I am not sure it has been touched on, is that the maximum bet on EGMs in Queensland is \$5 - is everyone aware of that? There is a push to push it to \$10. I am not sure how far that has gone yet but we are against it going to \$10. That would be \$10 per rotation, so it would be \$10, \$20, \$30, \$40, \$50. That is how quick it would go.

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CHAIR - Thank you Ian and Derek

DISCUSSION CONCLUDED.

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DISCUSSION WITH Mr BERNIE HOGAN, CEO, AND Mr DAMIAN STEELE, INDUSTRY ENGAGEMENT MANAGER, QUEENSLAND HOSPITALITY ASSOCIATION

CHAIR (Mr Gaffney) - Welcome, gentlemen. Regarding the roles and functions, what are your members' views of the current regulatory framework surrounding EGMs?

Mr HOGAN - There are some strong regulatory frameworks around it. Our members look at the EGMs - and not every one of our members would have them in their business - as one of the revenue lines within their business, along with the traditional beer, retail sales, food and entertainment. Each venue has a wide range of revenue streams, but they would definitely see it as an important one. The regulatory framework is very strict. We have a limit of 45 EGMs per licence holder and that is well understood. Because of the way it is divided in Queensland, there are three different regions we work for EGMs. It is defined and they know there is a certain cap of EGMs in the state and they know they are the parameters of the market they're working in.

Mr STEELE - We have had gaming machines since 1991. The Gaming Machine Act is state-based legislation, as I am sure you are aware. It is a mature and well established industry. The legal framework is well known and compliance is high. When you hear from the Office of Liquor and Gaming Regulation later you will hopefully ask them about some of the measurements they take in commitment to the code of practice and things like that. We have an extremely high level of commitment compliance to the legal framework. The obligations are well known; the obligations of licensees, employees and even the patrons are well established. It is a mature environment, well known and well established.

You will see from our household gambling survey statistics, in the incidence of problem gamblers, for example, we are one of the lowest jurisdictions in the state. It is a collaborative environment in working together for harm minimisation practices across the different sectors. Clubs and hotels work together. We have our well established code of practice for the Queensland Responsible Gambling Strategy. We also have the Responsible Gambling Advisory Committee, which is unique. I am not sure how many other jurisdictions have that. We come together in that tripartite agreement with government, industry and the community and work together to have an open dialogue around any potential issues.

CHAIR - How do your members feel about it? From the outside it looks as though the clubs, pubs and casinos operate under different rules, entitlements, costs, et cetera. How is that relationship?

Mr HOGAN - To be brutally honest, the fact there are three different rules - and our guys don't even look at casinos; they just know they are a different business model altogether - our members look at it and say they don't like the fact there are more preferential tax treatments to one business, which is essentially offering the same services as they are. However, we work together a lot. From our perspective it is always about wanting a level playing field. It is not about making someone else pay the same as us, more than us, or get us a sweet deal; it is just about making it level. That is probably where we stand.

CHAIR - Do you make many presentations to the government, the commissioner or the regulatory board toward reassessing?

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Mr HOGAN - As the opportunity rises. It is not unusual that we do. That might be tax treatments through the Treasurer, and other changes or movement to the regulation is through the Attorney-General. It is funnelled through the Responsible Gambling Advisory Committee. That may be more about the introduction of a certain game or the mechanics of cashing in and cashing out. Things such as that will go through the RGAC. We talk to the Treasurer on that on occasion, but there is a wide range of things they are looking at.

Ms RATTRAY - We have been told there is a push for an increase in the bet limit in Queensland. Is that something your organisation has been driving?

Mr HOGAN - We have a \$5 maximum bet in Queensland. I believe it was raised when we had a bit of a red tape reduction and industry consultation process with the previous government. It didn't come to fruition. We have had gaming machines since 1991 and the maximum bet has been \$5 since 1991 - as to cost of living and the value of \$5 then. Look at New South Wales, it is a different jurisdiction that has a \$10 maximum bet. Often some of our clubs and hotels on the border, for example, feel that difference in the playing field. To answer your question, it's not something we have been actively campaigning for.

Ms RATTRAY - There has been a push in Tasmania for a \$1 bet limit on EGMs. I am interested in how you arrived at that limit.

Mr HOGAN - It was established at that.

CHAIR - I have a few questions on entitlements. Each of the jurisdictions we come across are slightly different. The question was asked: does the model requiring both a venue licence or licence for individual EGMs provide particular benefits, in your view? Is the five-year period of a gaming venue licence reasonable? What is the optimum term, in your view, and why?

Mr STEELE - For a venue to hold a gaming licence, initially they go through the application process, meet the probity and community impact statement requirements and are granted a gaming machine licence. That is underpinned by having a liquor licence. That licence is renewed every five years - the ability to have a gaming licence is the starting point. Having an approved number of EGMs attached to that licence varies between hotels and clubs. Currently, hotels can have 45 machines as a maximum. Attached to that licence, clubs have 300 at their main premise and up to 150 with other sideline premises.

As to entitlements and authorities, the club system calls them entitlements, in the hotel sector they are referred to as authorities - gaming machine operating authorities. The process is -

- (1) to obtain your gaming licence;
- (2) to seek approval for however many machines are to be attached to that licence; and
- (3) to acquire those authorities through the tender pool.

In Queensland, the hotel sector is capped at 19 500 authorities. We have reached that cap. They are all on issue and operating in the field. Leading up to that point there were authorities whereby the government could tip into the three different geographic pools. That is the structure of the system. It is a market-based system and it shows genuine intent for people who are getting

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into that part of the business. There is a capital investment required and it is an important part of making sure you run that part of your business compliantly because there is an inherent value attached to that as well.

CHAIR - With the hotels, you are unable to trade across?

Mr HOGAN - You understand the three regions we work with in that. There is the south-east, the coastal and the west - what I call the rest - but they cannot trade between regions, so it is capped inside the region. The tender system comes up several times a year. It may be a situation, which has happened, particularly in places like the west, where a tender will come up but there are no EGMs available because they are not being surrendered or moved. That is well understood by our members. I don't hear any huge issues with the system. From a business perspective, they would like to see a floor price put into the tender so there is some sort of certainty in what to expect. It is a pure market-based system. That seems to have worked well in the past but as we now have a capped limit it is not now. It is not as if they are going to keep on growing the limit and we are not asking for that, we are asking for a cap to be put in there. It will encourage people who may have these authorities, who may have thought of putting them on the market but haven't, so there is some sort of guarantee.

Mr STEELE - I am not sure how relevant this might be for Tasmania but the policy intent for the geographic size of Queensland is to have these three distinct regions. They are intended to stop a migration of machines from everywhere else to the south-east; the major population centres. I know the Office of Liquor and Gaming will say it worked both ways. One was to stop that gravitation and the other was to ensure regional and remote locations had the ability to benefit from gaming machines as well, not having them moved.

CHAIR - I know you said there was a good relationship between clubs and pubs but the competitive disadvantage you are under, only having to be able to have 45 machines compared to 300 or 400 in a club, must irk the organisation?

Mr HOGAN - You said that, we haven't. Of course it does. On an individual level, if you have a pub on one side of the street that is capped at 45 and an enormous RSL on the other side with 300, without doubt there are those situations. There are many of those situations across the state of Queensland. You would imagine they were all in the same marketplace. Having said that, each venue has to go through that probity process of proving they can have those machines operating in that area. We are working within the system that is there.

Ms COURTNEY - My question leads on to differentiation of rules with regards to EGMs, the different tax regimes for hotels versus clubs and levies. What are your views on the differences? Is there merit in having different models and are they appropriate?

Mr HOGAN - Our perspective on that, I alluded to before, is they should be level. At the present time, as you would know from your research, the hotel sector pays a substantially higher level of tax and also contributes to the health services levy on top of what anyone else in the market does. To our wider membership that seems unfair. They have fewer machines and pay greater tax and that doesn't sit well, I have to be honest with you on that. Our association's view is if we are all in the same market, and realistically the concept behind it was a community club. These community clubs are no longer the pure bred - what we could think of as a Rotary Club or a charity club. They are large organisations in their own right competing with our market in the food, the retail trade, the entertainment and also in the wagering and gaming space. It is difficult

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for us to reconcile that they would have the same offerings and yet get a preferential treatment. We would like to see it more uniform.

Ms COURTNEY - If you had to go with one model, the sliding tax system versus the system that you have, which one do you think is better? It is a leading question but it is interesting to know. If you are going to have a level playing field, what is the level playing field that you are looking for that still has, from a government perspective of the tax we want the same coin, which they often do?

Mr STEELE - An equitable approach is certainly a sliding scale because the bigger venues - bigger in terms of greater amount of revenue and net - are putting their shoulder to the wheel equally in proportion to that greater revenue. A sliding scale has more merit and it sort of rolls in a little bit with that argument that you have a community club with potentially 450 machines under their banner. Look across to New South Wales, for example, and that analogy we sometimes use for the Penrith Panthers, which has become an absolute monolith.

I have worked in clubs as well and I understand the fantastic community support they give but you sometimes get a situation where they become longline trawlers. There is a kill zone around these clubs, not just for competing hotel businesses but every business - the local restaurant or the local this - because they have that inequitable advantage of a massive advantage in terms of the taxation. They have a cheaper entry point into getting those numbers of machines under the scheme and not a market-based scheme like ours. The revenue for the government is not proportionate to that in terms of that. It does sometimes have negative impact on other businesses.

To Bernie's point, how much revenue of profit is needed to underpin your primary purpose as a community club? Is it for veteran support? Is it for the local football team? Is it for the local surf club? Absolutely well and good, but there comes a point where they are morphing into almost commercial enterprises in some respects, divesting into functions, accommodation, golf courses - off-premises activity which may arguably get away from what the intent is for those benefits they receive.

Ms COURTNEY - Could I ask you about the health services levy that you mentioned? Do you have any comments around the quantum of the levy? Also, how is it directed and do you have views on the quantum and whether it is appropriate? How is it used and is there a more appropriate way to spend that money?

Mr STEELE - Things like the Community Benefit Fund are good examples of that money being used positively. Historically that fund funded the redevelopment of Lang Park/Suncorp Stadium when it was the major facilities fund. Under the health services levy, I think at the very least there should be a distinct proportion of that money that goes to resourcing the gambling help service providers, for example. Something we are discussing now in an RGAC working party is, how can we improve the self-exclusionary regime to make that friendlier for someone who is needing some assistance to be able to get that help, whether that is through remote exclusions or online exclusions. One of the challenges we face is the funding for that model. It is sometimes disheartening when we know how much money is being collected that a designated percentage does not go back to the gambling help supports.

Ms COURTNEY - Who decides how that money is spent?

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Mr STEELE - I am assuming that is the Treasurer.

Ms COURTNEY - So that is kind of an arbitrary decision that is handed back to the government of the day, rather than at arm's length?

Mr HOGAN - At different times - as we said before, talking about tropical Cyclone Debbie coming through - funds can then be reattributed to look after those areas that were most affected this year. The round where the grants are made will be where we will concentrate on, say Logan and the Whitsundays, which is where the two areas were -

Ms COURTNEY - It is quarantined for community grants?

Mr STEELE - It is a good question to determine.

Mr HOGAN - It does not go into consolidated revenue. It is quarantined.

Ms COURTNEY - It is quarantined but it can be used, I guess, with the oversight and the discretion controlled by the government of the day?

Mr HOGAN - Correct.

Mr ARMSTRONG - So you could use it for putting community infrastructure back in place if there was a cyclone?

Mr HOGAN - Yes, it can be used for exactly that. There are parameters about what they can use it for. The Community Benefit Fund's last round is up to \$35 000 per grant. It has to have a local component. Say, the local school's tennis courts were ruined and we want to replace them, things like that. There has to be a local benefit and a local component.

Ms RATTRAY - I am interested in the EGM licensing process and you have just touched on that a little. Is there a community impact statement done with those?

Mr STEELE - Yes, for every greenfield site, you have to have your initial application in to get the gaming machine licence.

Ms RATTRAY - You have a new, big greenfield site or club arrangement opening up somewhere?

CHAIR - They mentioned a major club and they are building another one, like a sister club.

Mr HOGAN - That would be North Lakes, just north of the city.

Mr STEELE - For the initial gaming licence application, you need to do a full community impact statement - CIS. There are two types of CIS, a standard and a full one. To my understanding, the full CIS has much more robust requirements of surveying the demographics and justifications.

Once you have that licence, then for any increases for hotels of more than 10, requires a full CIS, and for clubs with an increase of more than 20 requires a full CIS. If it is less than any of those respective numbers, it still requires a CIS but just the standard CIS.

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Ms RATTRAY - Tell me about the casinos; when they do their community impact statements.

Mr STEELE - We have totally different legislation - the Casino Control Act - the casinos operate under. That is why their differences in the products they can have, the bet limits for actual product, et cetera, whereas clubs and hotels operate under the Gaming Machine Act.

Ms RATTRAY - Effectively, a government of the day can give a tick to a casino and there is no community impact statement undertaken for what impact that might have on the community. Is that fair to say?

Mr HOGAN - It would be if there was a community impact statement that is done in that process. They can make comments and community objections. The consultation is done but there are very rarely issues. Quite literally, we have had the same casinos in Queensland for at least 25 years and it is the most recent one here, so it is very rare that they would actually be approved anyway, but a full consultation and impact statements must be done.

Ms RATTRAY - There is a level playing field in some respects around EGM licences for casinos, pubs and clubs.

Mr HOGAN - A level playing fields within their groups. It is not between pubs and casinos or casinos and clubs. There is no level playing field, they are all three quite discrete and different systems. It is not that a pub can gain an authority back out of the same pool as a club, there is none of that changeover, or compete with a casino. They are very discrete pools.

Mr ARMSTRONG - Do the casinos pay a health services levy?

Mr STEELE - They contribute to the Gambling Community Benefit Fund. I think that comes particularly from the four licensed casinos - Jupiters, Treasury, Reef and Townsville. They do contribute towards that. I am ignorant of the actual specific percentages.

Mr ARMSTRONG - Do the other venues - the pubs and clubs - contribute too?

Mr STEELE - We contribute to the health services levy; clubs do not.

CHAIR - They say it is wrapped up in putting money back through the community.

Mr STEELE - Yes.

Ms RATTRAY - Like the surf lifesavers or the bowls club?

Ms COURTNEY - But there is no regulated minimum amounts put back into their community or charity?

Mr STEELE - There is no percentage of that amount.

CHAIR - The casino here, the Tasmanian Federal Group, tend to offer their community grants to different groups. They select the ones more so than going into consolidated revenue and

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the government choosing. Here, there is a casino, they come up and say they contribute x amount to this -

Mr STEELE - There is an independent group that assess the applications for funding through the Community Benefit Fund, so that changes that board.

Mr HOGAN - Each application is de-identified obviously, so you do not really know where it is. Each quarter they then have however many applications are in. They know how much money they have to spend, and they allocate it.

Mr STEELE - It is independent of the casino, to answer your question. It is an independent entity that chooses who gets the grants.

Mr HOGAN - The grants money. They do not direct it straight out from there.

CHAIR - Do you guys work together with the clubs and pubs? We have a good media one at the moment, TV and radio, about knowing your odds. Do you have that capacity?

Mr STEELE - Yes. All that information comes from the Office of Regulatory Policy or through those gambling help services. Those same consistent messages are promoted through clubs and hotels, absolutely. In terms of harm minimisation environment, yes, we both sing from the same songbook. We are both subject to the same mandatory responsible service of gaming training for gaming nominee licence training. Both QHA and Clubs Queensland are providers of that training, and it is the same course for staff, whether they are going to work in a hotel or club. There is a lot of consistency across both of us, because it is the same act in terms of the harm minimisation obligations and responsibilities.

CHAIR - A person comes around to check on your members' backs of the doors where there is a sign saying 'Gambling'.

Mr STEELE - Exactly.

Mr HOGAN - What needs to be displayed in each venue is the same, because that is the harm minimisation. That must be uniform.

Mr STEELE - We will work together on things like the code of practice, which you have probably seen. With the resource manual, there is a hotel specific one, and a clubs specific one, both underpinned by the same consistent responsible gambling strategy of Queensland.

Ms RATTRAY - Overall, we have Network Gaming which supplies the machines and then looks after the compliance and provides their reports to the Treasury and the licensing and gambling arm. You have two in Queensland.

Mr HOGAN - Yes, we have two LMOs.

Ms RATTRAY - Odyssey and -

Mr HOGAN - Odyssey and Maxgaming. They just call themselves 'Max' now. There is another licence out there.

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Mr STEELE - It has been approved, but it is not operational.

Mr HOGAN - Approved. It is an open market if you wanted to, if they wanted to come in and work into that market place, they could. They provide the exact same service. Every gaming machine is linked in Queensland that provide those -

Ms RATTRAY - Into some central port.

Mr STEELE - Absolutely.

Ms RATTRAY - As a venue operator, you choose whether you go with Max or whether you go with Odyssey?

Mr STEELE - Correct.

Ms RATTRAY - So your system is plugged into their central -

Mr HOGAN - Yes, and it reports to both. You can download the reports of how the performance may be going. That also centrally reports back to the government, so they know exactly what is on and what levels of spending and all the payments are correct, et cetera.

CHAIR - When you say 'the government' are you saying the Treasury or -

Mr HOGAN - Yes, it goes through LGR. You have to confirm which part of them it actually sits under, LGR being under the Justice Department, but I am sure Treasury is very keen on the numbers.

Ms RATTRAY - Given Queensland is such a large state, has a lot of machines and only two operators, would your assessment be it is such a specialised field, you are not going to get too many takers to get in that space?

Mr HOGAN - We are dealing with something electronic, so how big the region is immaterial. The fact of the matter is if two - it is actually about getting them up and running. For them it is a sales network they need. Whether it would be the same as having a sales network for the alcohol industry - they have to have people out there seeing each pub or club. Because it is electronic, once you are connected in, which you must have to have an EGM anyway - the old tyranny of distance does not really make any difference when you are dealing with electronic gaming.

Ms RATTRAY - In your view, the system you have in place with the two is an open market?

Mr HOGAN - For the licensed monitoring operators, yes.

Ms RATTRAY - There is another licence, that works well for Queensland?

Mr HOGAN - Indeed.

Mr STEELE - It is well established. Initially, we had five or six LMOs and natural attrition over time has resulted in two. Max has roughly 80 per cent of the market and Odyssey 20 per cent, but as a venue operator it is purely a commercially based decision. The costs of monitoring

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are comparable. Often it is just a question of service and is the challenge when you need a repair job or game conversion, how well do they service your site in terms of a technician coming on site. That is the other challenge to the model.

It is challenging for a new interest to come into the business, because you need that critical mass of EGM numbers to make the numbers stack up. With 19 500 in the hotel sector and clubs approximately 23 500 machines, that is your quantum to try to make that a viable business. For a third operator to come in, it is probably going to be difficult.

Mr ARMSTRONG - What was the other one, Max and?

Mr STEELE - Odyssey Gaming. It works well. They sweep the accounts monthly for the tax obligations and assist with the compliance, monthly paperwork, et cetera.

Ms RATTRAY - Given your clubs and pubs own their own machines, it has not always been that way, has it, and in the initial stages government owned the machines?

Mr HOGAN - Government sold the licences.

Ms RATTRAY - They never owned the machines?

Mr HOGAN - The individuals owned the machines.

Mr STEELE - With the hotel authority pool, authorities do not actually own the box, but they use the authority system where there is now a capital value attached to that authority. Initially, as you correctly say there was not, when it opened up. Initially for the price of the application fee you got approval for x number of machines, then you would have to buy the boxes from the gaming manufacturers.

Mr HOGAN - You have to separate the box from the licence to operate it.

Mr STEELE - But when they introduced into the hotel sector the authority scheme and overnight the capital value on the number you already had of authorities, then new entrants had to acquire those authorities through that tender process established. The government gets one-third of the average sale price for each tender. There is a mechanism there.

Mr HOGAN - Every time there is a change of hands of that authority say - \$90 000, \$30 000 goes directly to the government.

Ms COURTNEY - So turnover is good for them.

Mr ARMSTRONG - Your members are happy with how that process works?

Mr STEELE - It depends if they are buying or selling. It is purely a market-based thing, supply and demand. Currently roughly in the south-east the average is about 120, the coastal is about 100, and the west is around 50. Now that we have reached saturation point of all of our machines on issue, supply for those tenders has only come in from venues either decreasing or relinquishing. It is a bit of a circular argument, as those prices may rise that may encourage some of those people to decrease their holdings, to cash in their chips, mindful they are going to lose one-third in the process. It has been a fluctuation and historically peaked in November 2006

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when there were 283 in the south-east. They have never gone near that, but it is the market forces with the chain groups coming into the market.

Mr ARMSTRONG - The system in Tasmania is completely different. Network Gaming controls all the machines.

Mr STEELE - They can lease them out to a venue, correct?

Mr ARMSTRONG - Yes.

Mr STEELE - That trading only happens within those three distinct geographic regions.

Ms RATTRAY - Can I ask your view about your biggest competitor, online gaming?

CHAIR - Or is it your biggest competitor?

Mr HOGAN - It certainly is an enormous competitor. Our view of online gaming is to go back to the point of a level playing field, they do not have the requirements at a base level of costs our members have. Nor do they have the requirement of compliance, of harm minimisation, contributing back to the state from which that money was earned. We do support, and have spoken to the Queensland government about a classic consumption tax that would assist in levelling the playing field. It is not just in the EGM space but particularly in the wagering space. They are far more able to offer inducements, which is simply impossible for our members to compete with and our other industry partners, being the wagering and gaming companies.

Ms RATTRAY - But there is a way for that type of gambling to have some contribution back to the community?

Mr HOGAN - We believe there is and it can be done effectively. We will have to see what the shape of that place of consumption takes.

Ms RATTRAY - There almost needs to be something for the whole nation.

Mr STEELE - Absolutely, it is a challenging area and the Commonwealth legislation, the Interactive Gambling Act, is looking at that. It is very difficult as to how you put barriers on accessing the World Wide Web. It is more the illegal offshore sites, which is a very difficult to try to regulate. There is no harm minimisation or taxation.

Mr HOGAN - Or if something is registered in the Northern Territory but operates nationally. It is something that needs to be considered.

Ms RATTRAY - As a country we can chase down William Hill, but how do we chase down some of those others?

Mr HOGAN - That is how we look at it, particularly on the harm minimisation. Anyone in this room can have a casino in their pocket on their mobile and be on there in 30 seconds, but there is no harm minimisation. There is no requirement for them to have that whatsoever. Whilst we are representing businesses that offer gaming and wagering, you have to make sure there are the right controls.

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CHAIR - You obviously meet and chat with your members frequently about issues or challenges or future challenges. Tania just highlighted the online, but that is not part of our remit. It is such a big space. With the EGMs, what are some of the issues for improvement or future challenges with your industry in Queensland?

Mr HOGAN - We represent the businesses themselves. A lot of the challenge they see is keeping up with technology in innovations used elsewhere in the world and the speed at which it takes to get something approved to be operated in Australia, or Queensland, is quite expensive. If we are not offering near to the best in the industry, you are driving people to other markets, to online. For us, we also look at it from their point of view. From the businesses point of view, we have to make sure we have strong and robust legislation. However, it cannot be a barrier for people to enter. It is always a very strict line and is probably the major issue I hear from them. That and the actual delivery of certain types of products, whether that is an EGM or in a casino - 'There are new games being used throughout the world, how can we look at implementing that in Queensland?'

Mr STEELE - Trying to keep our world relevant to the new generation coming through. I often ask for comment regarding in 20 to 25 years time will patrons want to come into a physical room and sit in a front of a physical box and tap away. That emerging technology, having a supportive regulatory framework that does that - without being facetious, there is no safer place for harm minimisation to gamble is within a physical environment. We have the five-minute maximum bet, strong protocols of training, supervision, and people to help. The last thing you want to do is create an environment of not keeping people on the premises in an environment where they have social interaction. It is interesting years ahead.

CHAIR - We heard earlier about the percentage return to the house from, 85 per cent to 92 per cent.

Ms RATTRAY - They thought it was about 90.2 per cent average.

CHAIR - How do your members fluctuate that?

Mr STEELE - Different product is set at different return to player. Often things such as the linked jackpots, the way the mass of the game is structured where you have a four-level jackpot, a certain percentage of that RTP goes to driving each of those jackpots. Without getting too technical, some of the newer product needs to work at a higher return to player. As to the equity argument, it is a little bit difficult for a hotel that has only 45 precious pieces of real estate, compared to a club that may have 300, to offer that variety of product on your floor - to not cannibalise yourself, if that is the right answer.

Mr HOGAN - The typical player of a gaming machine will know. They would be able to tell you very quickly - not necessarily what number they are set at - which machines are at what returns and which work better.

Mr STEELE - It is robustly legislated. Those games are approved by the regulator at these different versions, different denominations, the different return to player and when you are a licensee and your sales representative from Aristocrat tells you they have this game and you can have it in variation 1, 2 or 3, you select the variation it is installed in and that is how it sits. If you want to change that you go through the appropriate conversion process.

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Mr ARMSTRONG - Variation 1, 2 and 3 will give you different returns?

Mr STEELE - Correct. This might be set at 87 per cent, it might be 90 per cent or 92 per cent. You pick how you want that to be on your floor. It is often a commercial decision.

CHAIR - We have heard through the evidence that there are different types of machines available and the machines out now are more addictive in nature. No doubt you are aware of the Monash case. We heard that the machines they use in WA are slightly different to the machines you use on the east coast. Do you have any comment to make about machine quality or that situation?

Ms RATTRAY - Plain label in WA apparently, or a type of plain label.

Mr STEELE - I'm not aware of that. In my opinion it has become more difficult to have certain machines approved because of the perception that you have control. I use the example of the old jackpot carnival, where you have the feature of the clown and you push the ball thinking you have some control over when that ball releases to land at a different level. My understanding is that games such as that may struggle to be approved in this current environment. Anything that gives you a perception of control is deemed to be misleading. I am surprised by any suggestion that it is becoming easier to gain approval.

Mr HOGAN - There is probably more harm minimisation in there, more on-screen interruptions, more signage and the requirement to have breaks, where somebody has to walk in and physically interrupt the gaming experience. We find it hard to believe that is moving in that direction. In the design of the machine, as Damian says, you cannot be given the idea you have control because that would be misleading.

Mr STEELE - We may want it to go the other way to have some more products available in our environment to compete with casinos such as your multi-game terminals, the roulette in which you may have a number of multi-games with the one product. We have restrictions in the kind of product we can access.

CHAIR - How does it go when you have an hotelier, a brand new hotel is built and they want to have the same number of machines? Is there much community interest, are there objections, and how does that happen within the club or the hotel industry?

Mr STEELE - Any application for a new site requires mandatory advertising, so they have to have a physical sign outside for 28 days. It is the same as any development application. It has the specifications about how you can lodge objections. It is a pretty robust process.

Mr HOGAN - We are not dealing with a club that is backed by any sort of community need. A pub, as a commercial entity, won't receive funding if there is not the ability for them to justify exactly what the returns will be.

CHAIR - Do you find any of your pubs are removing EGMs? For example, WA don't have EGMs in their pubs and their music scene seems to be robust. I think King Island chose to relinquish their EGMs?

Mr HOGAN - Generally there is not that push in Queensland. Although you do have some who do it, undoubtedly, and some people who have never had it. You are right, you will hear it

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put out that there has to be either EGMs or live music. We have many members who would contend that you can happily have both. This concept that it is a binary system of one or the other is not supported by our membership. Most of them want their food, their EGMs, their wagering and their entertainment. They want to make sure every square metre of their venue is being utilised.

CHAIR - When was smoking stopped in your pubs?

Mr HOGAN - It was some time ago.

Mr STEELE - I am pretty sure it was 2009, roughly. It came in in three tranches, which helped everyone adjust. It was one-third of your gaming area, two-thirds and then the whole venue. It has been quite a while and it is well established now.

CHAIR - With all due respect to the Hoteliers Association, as soon as that was introduced it was claimed to be a disaster and that everyone would go bust. Many of those venues would not want to go back.

Mr STEELE - Yes. There was definitely an 18-month dip in revenue. When the total ban came in there was a direct impact on gaming, and it took 18 months to get back to where we were and carry on our normal growth path. There certainly was an impact but due to the resilient nature of the industry we made it through. It is hard to fathom having smoking in a venue now. If you go to Vegas, it hits you like a cloud of smoke.

Ms COURTNEY - I have a question that may be difficult to answer because it is probably more about anecdotal feedback from your members. Do you have a sense across your membership base, which I imagine would be broad, for how many of your members would the profitability of their entire proposition be predicated on having the revenue from EGMs? That is, how many of your members do you believe would go under if EGMs were ripped out?

Mr HOGAN - It would depend how long they had them. You are dead right. If any business had - and I rattled off before the different lines - one complete line of their business taken I would say they would go under. They are geared to know they have a certain amount of funding. There would be a significant number who would really struggle after that point. However, there is an amazing amount of resilience in there, so I would suspect -

Ms COURTNEY - It was across the board, so it was not -

Mr HOGAN - Across the board, it is difficult to say. If you were in a small country pub and they disappeared, I do not think it would make an enormous difference to them because there are far more issues for a regional pub than simply whether they have gaming. It is a sheer fact of the number of people. If you talk to a business on the main strip of Brisbane and they lost it, they would be deeply concerned but they have the population there. They can support their business in other ways, reshuffle the mix.

When you have some venues that change their mix of offering, they would do that with their eyes wide open knowing they were going to experience some sort of pain. I suppose, yes, there would be a proportion who would be solely and completely reliant upon it. Those venues probably have endemic issues as a business, rather than that they need gaming. The fact is, they are not a well-run business.

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Ms COURTNEY - Good answer. Thank you.

Mr ARMSTRONG - You would be talking about a small country town with one hotel where it would not be affected?

Mr HOGAN - Yes, different locations. There would be some in the suburbs of Brisbane where it would have no effect.

Mr ARMSTRONG - Do most of your hotels with EGMs also have Keno? Is it part of the licence?

Mr HOGAN - No, there are two completely separate licences and you can have one without the other.

Mr ARMSTRONG - How do you think Keno helps the venues here? Is Keno popular or big in the -

Mr HOGAN - Keno is very widespread. It has had 20 years in Queensland this year and -

Mr ARMSTRONG - It started before the gaming machines came in.

Mr HOGAN - Just after, I believe. It is very widespread across pubs and clubs and it has almost been part of the fabric of pubs. It is probably seen as part of the entertainment in a venue. I do not think it is intrinsic to most of their businesses but they often use it. Every square metre counts in a pub but it is definitely part of the entertainment offering in most pubs.

Mr STEELE - It is relatively benign and passive. Many venues promote it better than others but it is a part of the furniture. It is a bit of a glorified bingo. It is a very low risk, low impact type of gambling and is another part of the service suite, but it is not something that has been a dynamic revenue stream for venues.

Mr ARMSTRONG - They do not seem to attract the same -

Mr HOGAN - It is a very different customer for the Keno, the wagering and the gaming. They are all very distinct groups.

Mr STEELE - It is often incidental, you are having a meal and you are there with the family and you put it on or it is something you have in the background. Generally speaking it is not your action point or your primary activity while you are there.

CHAIR - Thank you for your indulgence. Any thoughts about the sinking lid happening in New Zealand? The sinking lid policy on gaming venues in Christchurch will remain despite doubt that it is reducing incidence of gaming. Since 2009, the Christchurch City Council has had a policy in place that prevents any new class for gambling licences - that is licences allowing gambling in pubs and clubs. The policy has halved the number of venues available from 184 to 92, and the number of pokies machines has fallen from 2386 in 2003 to 1343. They are not renewing licences for pubs and clubs to try to take more EGMs out of the community. You are now at the stage where you are fully capped. We have an issue in Tasmania in some communities with lower socio-economic groups where there are more machines there than anywhere else. It

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might be that once a venue gives up its machine licences that they sink, it is a sinking lid. They are moving the gatepost. Has there been any demand for that here?

Mr HOGAN - No, generally not. It will not surprise you that as an association we do not support that issue. If it works for our friends in Christchurch then good on them. It also depends on the intent of that policy. If the intent of the policy is to remove that form of gambling from the community, we do not support that. One of our major tenets is that we support personal responsibility. That does not mean to limit your exposure to things. It means to support people to handle the big bad world. That is why a policy like that, where they have decided these people who live in this area need more mothering than those over here who are far better, we do not support that. That is identifying people as more or less capable to live in the outside world and that is not something we support. There is no push for that in Queensland at present.

CHAIR - Do you think the Queensland population base is a different mixture to most of the other states, where you have such high tourist numbers?

Mr HOGAN - We are probably more like New South Wales in that we have a very broad mix in the agricultural sector. Queensland is the most de-centralised state and as I like to tell people we have people who have long, fulfilling and rich lives in Townsville and never feel the urge to come to Brisbane. Whereas in most other states the attitude is, 'I must move to Perth, Adelaide, Sydney, Melbourne', Queensland is gloriously diverse and we do not have that same pull. A lot of people see us as the tourism mecca and by definition we have a huge tourism industry, but the agricultural sector and the mining sector broaden that out. Although I do like to tell people tourism is bigger than coal. That is how it works, I suppose. It is a very broad economy and often people do not grasp the whole run of it.

CHAIR - Thank you very much. We appreciate your time.

Mr HOGAN - Thank you. Hopefully that was of some assistance.

CHAIR - We will leave in reserve that if we find something in *Hansard* that we may need to explore further we would like to make contact with you to follow up.

Mr HOGAN - I am more than happy to help.

CHAIR - Thank you very much.

DISCUSSION CONCLUDED.

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DISCUSSION WITH Mr MICHAEL SARQUIS, EXECUTIVE DIRECTOR, OFFICE OF LIQUOR AND GAMING REGULATION; Mr DAVID McKARZEL, EXECUTIVE DIRECTOR, OFFICE OF REGULATORY POLICY; AND Ms MAREE HEFFERNAN, DIRECTOR, SOCIAL POLICY, OFFICE OF REGULATORY POLICY

CHAIR (Mr Gaffney) - Welcome, everyone.

Mr SARQUIS - From the Office of Liquor and Gaming Regulation and the Office of Regulatory Policy, thank you for the opportunity to address you. The Queensland gaming market is a very mature market and is well supplied by different varieties of gaming. We have casino licences, of which we have four; a wagering licence and a sports betting licence, all held by the one operator, Tattersalls - soon to be Tabcorp, it would seem. We have a keno licence, an array of gaming machine licences and a number of associated licences under the Gaming Machine Act for gaming machine manufacturers, gaming machine repairers, et cetera. We also have some licences issued under the Charitable and Non-Profit Gaming Act.

The first casino commenced operation in 1985 and we now have four. The last commenced in, I think, 1996. The first gaming machines were introduced in 1992 and we have seen significant growth over that period. We have gone through a couple of transitions, from a gaming commission which had maybe six to eight members who used to primarily deal with approvals under the Gaming Machine Act. We now have moved to a single commissioner, David Ford, under the Gaming Machine Act. Under our other gaming acts it still sits with the chief executive of the department.

Mr McKARZEL - I look after the Office of Regulatory Policy and Maree is director of our harm minimisation programs, amongst other things. Since the year 2000, the development and delivery of gambling policy and harm minimisation initiatives in Queensland has been guided by what is called the Policy Direction for Gambling in Queensland and a related Queensland responsible gambling strategy. The broad objective of the policy direction is to ensure that the provision of gambling balances the social costs with the economic benefits. It outlines the broad direction in respect to a number of matters, including individual responsible gambling initiatives, some of which have subsequently changed under the strategy, and the relevant resourcing.

The Queensland Responsible Gambling Strategy - QRGS - has six priority action areas: the improvement of a gambling research evidence base; increased community awareness of gambling and its impacts, support for early intervention and the development of a statewide gambling help treatment system; the promotion of safe and supportive gambling environments; and a focus on partnerships between government, industry and the community sector.

The Responsible Gambling Strategy was launched around 2002 and was one of the first strategies that took a holistic public health approach but, as I understand it, almost all jurisdictions now have the same focus. That is the skeletal structure on which we work.

We are internally working on updating and revising all of our policy framework, but at this point it has not gone through all process so I can't talk to you about it. Suffice to say, the overarching harm minimisation framework and goals are likely to be very similar. As the market has shifted, so will our priorities in harm minimisation initiatives.

CHAIR - Can you tell us the numbers of staff you have in each of your agencies?

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Mr SARQUIS - The Office of Liquor and Gaming Regulation has approximately 260 staff and that is across both areas of responsibility. They are spread throughout Queensland; we have 13 regional offices in addition to our head office.

Mr McKARZEL - I look after fair trading policy, and liquor and gambling policy. All up I have 42 officers.

CHAIR - As to the relationship between the entities, do you get conflicts of interest at all? How do you work together on licensed venues, casinos and those sorts of things?

Mr SARQUIS - We are the operational area so we do all the licensing, all the gaming and game equipment and system approvals. We do all of the compliance work. We do some work in what you might call the operational policy area. We work closely with the policy area when it comes to development of new policy or an issue arises and we are seeking clarification of a new policy, but I will let David talk about his specific responsibilities.

Mr McKARZEL - There is a line of reporting difference within our structure. Mike reports directly to the commissioner and I report directly to the commissioner, but we are all within the one division of Justice and Attorney-General, the division being Liquor, Gaming and Fair Trading. We don't have the split that exists in other jurisdictions where you have a statutory body and then the policy area is in a completely different department.

My obligations are twofold. The priorities of the minister and the Attorney-General, and her particular priorities in whatever policy area we are talking about, come first. Then, behind that, are those matters that are slightly less priority for the Attorney-General but are still necessary and that she would recognise are necessary for the operational areas to do their job. What she will have is, we will be working on, say, a signature election commitment policy and also we will have a list of proposed amendments to all of the relevant legislation that OLGR administers and potentially looking at amendments to make that work more efficiently.

In relation to the first matters, in terms of government election commitments, the development of policy and also the relevant legislation is done in very close contact with the operational areas. At least half of my staff have had at least a couple of years each in operational areas previously. We are very conscious that you can have a policy proposal; if it is not going to work at the operational end then it is a waste of time. The Attorney-General expects that when we provide advice, it will not only be that the research indicates that this is the way to go but can actually be implemented appropriately. We work quite closely all the way down to junior officer level; there is constant toing and froing about seeking information, seeking opinions and seeking views.

As to conflict, I worked at senior levels both in OLGR and in the Office of Regulatory Policy, there is always potential conflict between operational areas and policy areas. They are almost always resolvable. It is very rare that it would get to, say, Mike's and my level because eventually, just through pure argument and logic, you normally can come to some kind of halfway house.

Having said that, the backstop is that the commissioner has the final call on the efficiency and effectiveness of a particular proposal before it goes to the minister. Because we have deliberately ensured that both people in operations get a go in policy and people in policy get a go in operations, we don't have the problems that arise from having a complete structural separation,

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where you end up recruiting people in policy who have never seen how a gaming venue works, and vice versa.

CHAIR - If we focus on the third point, gaming machines, how is the cap on EGMs worked out here? We have heard from the hotel association it is actually full, they have reached the cap. When and how was that devised, do you know?

Mr SARQUIS - How it was devised is that the government was concerned with the growth in gaming and so it was really a point in time thing.

Ms COURTNEY - When was the cap brought in?

Mr SARQUIS - It was just after 2000. For clubs it would have been 2003-04. It is going back a bit. There was no magic to the number. It was more concerned about growth and gaming and whether to put a halt to it; there will be no further growth so the limit is 24 705.

Mr McKARZEL - The cap for hotels came first and clubs were done a few years after that.

Mr SARQUIS - It was set at that number and then the hotel number was something like \$18 700. That had been negotiated up over time to 20 000.

Ms COURTNEY - It has not been static; it has moved?

Mr SARQUIS - It has moved, and then it has moved back down to 19 500.

Ms COURTNEY - It has gone up, and then back down?

Mr McKARZEL - From memory, it went up originally based on population growth and with Queensland, there are times where we have enormous population growth and the business cycle turns and then we do not. There was a reason for the reduction.

Mr SARQUIS - There was. With the negotiations around casino operations, they were seeking increases in the number of gaming machines. At that time, there was no growth in gaming. The cap was reduced for hotels to 90 000.

Ms COURTNEY - The total number of pokies due to relocation -

Mr SARQUIS - They were essentially the same. It was relatively easy to do as the industry had not reached the cap at that time. The hotel industry was not happy about that reduction.

Ms COURTNEY - I cannot imagine they would have been giving away their allocation.

Mr SARQUIS - There were some negotiations and concessions made to the hotel industry at the time.

Ms COURTNEY - What were they?

Mr SARQUIS - There was one around tax rates from, say, 35.91 per cent to 35 per cent was the tax rate on the immediate win, and the other was an increase in the number of gaming machines they could have at a venue.

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Mr ARMSTRONG - There are 19 000 in hotels, how many in clubs did you say?

Mr SARQUIS - The cap is 24 705. When you look at operational numbers, it generally sits a couple of thousand below that.

Mr ARMSTRONG - How many in the casinos?

Mr SARQUIS - In rough terms, we would have about 4500 in casinos. I can give you the precise numbers, but that is in rough terms.

CHAIR - It is an interesting relationship between the number of machines clubs and hotels can have. There are reasons for that. Does that ever create angst between the two organisations?

Could you explain the process of how you know all the funds raised through the clubs go back into the community, because that is part of the reason clubs have a greater number.

Mr ARMSTRONG - Are you involved in or manage any of that?

Mr SARQUIS - When a club first applies for a licence, we need to be satisfied as to its non-proprietary status. Once the licence is issued, a club is subject to an independent audit by an appropriately qualified person, CPA or similar, and subject to an annual audit. They are also subject to audits by our office and this is done on a risk basis. All the venues are audited at least once every three years, but can be as frequent as once every year. If we have problems with a site, then it can be even more frequent than once a year.

In addition, because we are concerned to ensure that non-proprietary status, we review any agreements they enter into, such as management agreements, lease arrangements, et cetera, to be satisfied there is no unreasonable leakage of funds. If they enter into a management agreement or private managers come in and assist with the management, it needs to be done at commercial rates, not at some premium, similarly with leasing and this can be done through valuations and so on.

CHAIR - Interesting. What is the rationale for having region-wide limits on transfers for hotels, with no such limit for clubs?

Mr SARQUIS - Both clubs and pubs have that regional arrangements for three regions. It was set up to ensure there was not a drift of machines from, say, the western areas to the more profitable coastal areas, or to south-east Queensland. That is the reason for that arrangement. The clubs subsequently negotiated to have those boundaries removed, because they argued there was a shortage of gaming machines clubs could access, so those boundaries were removed.

I have a view there was not a shortage, and our tender processes for the issue of entitlements would bear that out. For example, in the last couple of years, when the state has tendered out entitlements, they have not all been taken up in either of those years.

CHAIR - Is there much trading between the clubs and entitlements?

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Mr SARQUIS - Clubs, as you are obviously aware, can trade between each other. Yes, there is some trade, but it is not huge volumes. It is in the hundreds rather than the thousands on an annual basis.

CHAIR - We heard of a situation this morning, the first club built in 20 years. That seems to be a greenfield site, and there are assisted club arrangements?

Mr SARQUIS - The club you are referring to is at North Lakes.

CHAIR - Does this mean the larger club will be the major sponsor, how does that work?

Mr SARQUIS - No. Under a gaming machine licence, a club can have more than one venue. If you have one venue, you can have a maximum of 300 machines. If you have two venues, it can be a maximum of 450. If you have more than two, so three or more, then a maximum of 500. Under that arrangement, it would be one board with two venues or more.

CHAIR - It is interesting you have three distinct entities here, and Tania will touch further on how harm minimisation impacts. Does the different treatment of casinos place clubs and hotels at a competitive disadvantage with regard to machine limits or taxes?

Mr SARQUIZ - That is an interesting question. From our perspective, casino licences are issued on the basis it is destination gambling. It is a property designed to attract tourists, including interstate and international tourists, rather than necessarily being a bit more community based. Clearly some competition will exist between gambling venues.

To a competitive disadvantage, I would probably argue that is not the case. The regulation around the operation of a casino is of a much higher standard or much higher requirements than apply for clubs or hotels. For example, you are required to have a comprehensive surveillance system and a surveillance unit which operates within a casino environment. The camera networks are very sophisticated, so on a gaming table one fixed camera and one pan/tilt/zoom, a hand-held zoom in one type of camera, so they would have many hundreds of those throughout their property and that is a requirement. They have to have security in place. At the moment we have inspectors permanently located at each of the casino operations. We have police stationed at our two largest casinos, so it is a bit of a different kettle of fish between a casino and a gaming machine venue.

CHAIR - Does the Queensland system of taxing transfer of licences mean that lower prices would be paid for the licences upfront than would otherwise be the case?

Mr SARQUIS - Taxing the transfer of licences?

Ms RATTRAY - The 30 per cent?

Mr SARQUIS - I think you are talking about gaming machine authorities and entitlements. We do not have any tax or commission, as we refer to it, on transfers between clubs. It only applies to hotels. Hotels can only sell their authorities through a tender process, which is organised through the Public Trustee. Thirty per cent of any sale proceed comes back to the state as part of that process.

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Ms RATTRAY - As much as anything it is paying for the process, that 30 per cent, through the Public Trustee? Is that an additional cost?

Mr SARQUIS - It covers that cost; it is not an additional cost. It is substantially more than that cost. For example, the last sale of authorities in south-east Queensland attracted something like \$160 000, so 30 per cent is well and truly going to cover the cost of that process. If you go back, however, to when authorities were introduced, they were introduced at no cost to the licensees. When that regime came in it went to their balance sheet. Those authorities at their peak sold for something like \$283 000 per authority.

Ms RATTRAY - We've heard that, but you haven't seen that sort of money for authority in more recent times?

Mr SARQUIS - That's correct. I should mention that all of the results and all of the tenders from day one are on our website, if you were interested to have a look at that. It is true it has gone up and has come down. It seems to be creeping up a little at the moment. That is supply and demand and that has caused some volatility in the price. That might say that the cap and the market reallocation scheme, which the authority scheme is, is working.

CHAIR - Tania might push into harm minimisation and some taxation.

Ms RATTRAY - David, I am interested in the percentage, the health service levy percentage, is that your area or is that for Maree?

Mr SARQUIS - What you may be referring to are the community benefit funds. We have a community benefits scheme. There used to be four - one for the two southern casinos, one for the Reef Hotel Casino and one for the Breakwater Island Casino. That took care of the casino sector. Then there was the gambling community benefit fund, which was taken from the gaming machine sector.

Ms RATTRAY - From the hotels.

Mr SARQUIS - From hotels and clubs.

Ms RATTRAY - Not clubs, clubs don't pay -

Mr SARQUIS - And clubs.

Ms RATTRAY - And clubs, right.

Mr SARQUIS - In those days, they don't now. They used to pay, and the percentage was 1 per cent or something like that. Over time there have been adjustments in taxation. There is upward adjustment in taxation. The community benefit levy was done away with and was funded through normal general revenues. Subsequently, the four funds were consolidated into one, which is now called the Gambling Community Benefit fund. It distributes about \$53 million per year. It is funded from general revenues and it is adjusted by the CPI each year.

Ms RATTRAY - What percentage of the total is that \$53 million per annum? What is spent on gaming?

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Mr SARQUIS - It is not linked directly to gaming. The size of the gaming market in Queensland, and this is across all product gaming machines, wagering and lotteries, et cetera, is about \$3.9 billion. That is the revenue from gambling each year. It is industry revenue and roughly \$1 billion comes back to the state in taxation.

Ms RATTRAY - How do you get the balance right between the revenue and the relevant state government agencies in relation to harm minimisation? How do you get that balance?

Mr SARQUIS - We probably should clarify the Gambling Community Benefit fund is a fund to assist not-for-profits in the work they might undertake. It is not-

Ms RATTRAY - Like Relationships Australia? Not those?

Mr SARQUIS - It could be but it is much wider than that. It goes to sporting clubs for sporting activity to the likes of the disability sector and the animal welfare sector. It goes right across that and only a very small portion of that would go towards harm minimisation.

Mr McKARZEL - In addition to the \$53 million that Mike is referring to, which is a community grants program -

Ms RATTRAY - The new school canteen -

Mr McKARZEL - All that. - separately, we administer \$5.5 million for the gambling help service. That is face-to-face counselling in over 20 sites. Gambling Help Online, which is part of the national system, and the Gambling Helpline. We have a small residential facility in Brisbane as well. This is program money, not staff. We spend another \$500 000 depending on - currently, gambling research Australia is being renewed, but we have spent up to \$100 000 on research on average per year. We also have a number of awareness campaigns, responsible gambling and problem gambling collateral that we distribute to the various venues. For instance, we have a sports stadium advertising initiative on at the moment.

Those initiatives are in addition to the Gambling Help service. We also work with the Gambling Help providers to ensure a number of priority areas are dealt with. That is done on a regular basis so we are aware and able to account for the kind of work being done. Not only the regular counselling work but also where there are particular projects or priorities that need to be addressed. For instance, you will probably know about research relating to individual help seeking and that the degree of help seeking among the problem gambling population is quite low. We have recently been working with and funded a pilot project with a Gambling Help provider. It is with a Gambling Help provider but it is actually with a drug and alcohol service. It seeks to apply a screening tool to people who present with drug and alcohol issues to see if they also have problem gambling issues. It also involves a degree of training for initial assistance to be provided by those alcohol and drug counsellors.

That is a pilot program which is currently underway but also it will extend off into mental health counselling as well. That is to pilot it to see what happens and what we can see because obviously we are not prepared to just sit and say, 'Okay, there's not a lot of help-seeking going on'. There is only so much awareness raising you can do so clearly, depending on the results of the pilot, that may change the service delivery structure. We would obviously then need to work with the providers to reorientate the system, if that is what the evidence shows.

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Ms HEFFERNAN - I think targeting comorbidity is a definite strategic we are trying to employ.

Ms RATTRAY - In all those elements you are rolling out in harm minimisation through various groups and organisations, what is your best strategy and the one that is giving you the best outcomes?

Ms HEFFERNAN - I think the key is there isn't one. I think the more varied the types of help in your system and trying to target people where they are at, whether that is in sectors that deal with comorbidities or more early intervention settings, I think it is trying to have an array of responses rather than trying to isolate one thing that is going to be a magic bullet.

Mr McKARZEL - The public health approach is predicated on the notion of the suite of measures that go across the whole spectrum. We will provide, for instance, information to venues that assist recreational gamblers - documents relating to odds of winning, all of that - all the way through to working with the venues through the Responsible Gambling Advisory Committee, which is a government industry community. It has a working party at the moment looking at our exclusions regime - obviously that is at the problem gambling end. We are working across the whole spectrum, so you have the early intervention, you are looking at at-risk clients as well, and you are also at the support and help end as well.

Ms RATTRAY - So you need a suite of programs to address all the different elements?

Mr McKARZEL - The whole spectrum of behaviour, yes. We measure the spectrum - and I didn't mention this before - of behaviour through a prevalence study. The last one we did was five years ago. We have just finished the interviewing process - the call and sampling process - for the next one, but we won't have the results until later in the year. But that measures a whole pile of behaviour, including participation rates, the prevalence of problem gambling and the number of at-risk people. That is how we know what the problem gambling prevalence rate is - the most recent one was .48. We don't know what the next will be. But we will also be able to measure, compared to the past for instance, if there has been a rise, which is likely, in the participation in sports betting.

In between those very large prevalence studies we have data, and there is research coming out about, for instance, sports betting, which is why we applied the advertising initiative in the last few years; why we implemented the advertising initiative at Lane Park and also the stadium in Townsville, because of the prevalence in sports betting. We know that the patrons who are there are the ones who will be most receptive to the messages we are sending.

Ms HEFFERNAN - We monitor our health services data as well, which obviously then points at specific problem areas, such as Sports betting, which is the case.

Mr SARQUIS - If I could just add to that - and by the way, that Queensland household gambling survey is one of the largest of its type in the world, as I understand it.

Mr McKARZEL - While I think of it, it is \$1 million to do it.

Mr SARQUIS - Yes. I think 15 000 samples.

Ms RATTRAY - When we sample in Tasmania, we do 100.

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Laughter.

Mr SARQUIS - I just wanted to add that in terms of all the work done in terms of harm minimisation and the costings, that doesn't include the cost associated with the work that the operational side does in terms of assessing the statutory compliance of licensees and the voluntary compliance of licensees. We operate under a Responsible Gambling Code of Practice, which is a voluntary tool, but there is strong emphasis put on it and a strong expectation from industry that they will comply, and we do an assessment against that compliance.

CHAIR - Following on from that. I understand what you say about an array of strategies that you are trying to get because you are not sure which one will suit. Within Australia, how do you then take on other strategies that might be having a positive impact? How do you hear about other things that you might want to try at that level where you can make some change?

Ms HEFFERNAN - We participate in interjurisdictional meetings around responsible gambling issues so we are constantly aware of what is going on in other jurisdictions. We monitor research on basically a monthly basis to identify any strategies that we could potentially employ.

Mr McKARZEL - We have a small research statistics unit that is dedicated to doing that. They do it in the liquor space as well. They are not just gathering and monitoring, they are also looking at it from the point of view of potential policy development so that they can then assist policy officers when policy development is occurring.

CHAIR - Regional variations - I would think, for example, the Mount Isa community might have something totally different to the Gold Coast, which might be totally different to Cairns.

Ms HEFFERNAN - That is exactly right.

CHAIR - How do you keep your finger on the pulse to see where you need to put funds for identifying certain practices or harm factors that arise in a certain region?

Ms HEFFERNAN - Again, we monitor through the Queensland Household Gambling Survey. We have broad regional data from that. Because the Gambling Help providers are on the ground, we have quite a close relationship with those providers and they regularly feed back to us if there are certain issues, and through their performance data as well.

Mr McKARZEL - That's right. They have two roles - I am sorry I forget to tell you - with the face-to-face services it's not just counselling, they also have a community education role. They actually go out into the community and deliver awareness programs and education.

Ms HEFFERNAN - I think that relationship means that we are across what is happening through that dialogue backwards and forwards.

Mr SARQUIS - There are one or two other elements, too, which impact on this area. That is, for example, our participation on the Gaming Machines National Standards committee or working party which, while it is looking at integrity issues, it is also setting standards around harm minimisation issues, particularly for gaming machines.

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Ms HEFFERNAN - An example of working with Gambling Help, in some of our northern areas around Aboriginal communities, our Gambling Help has initiated a couple of activities to try to encourage help seeking or imbed things in those communities. It is them identifying that it is a problem, working with us around resources and train the trainer models, or whatever. Some quite innovative things have happened through them identifying things on the ground and us working with them to resource them or to support them.

CHAIR - At the end of the session I will ask if you have any potential contacts in Townsville and Cairns because we are heading there next week, not only to meet with the business and industry side but to meet with any groups that might be able to assist us and to get more information from because their size of casino and the numbers who use them is more comparable to ours than the Brisbane model.

Ms RATTRAY - Some of those numbers you were talking about were a bit foreign to us in Tassie.

Mr SARQUIS - I think Townsville and Cairns would be a better comparison.

Ms COURTNEY - We have had a number of organisations in here from both the club side of thing and also the hotelier side who have views on the different tax regimes. What is the rationale between having different types of taxation regimes for different groups - clubs versus hotels?

Mr SARQUIS - Clubs are seen as community-based organisations. There are a lot of very small clubs that are not very -

Ms COURTNEY - There are a lot of large clubs because they can have significantly more EGMs than any hotel can have.

Mr SARQUIS - That's true. For hotels, it is about a proprietaryship and the private sector retaining those earnings as opposed to the clubs that are putting their revenues back into the community.

Ms COURTNEY - From a devil's advocate perspective, a club, as an entity itself, is going to be taxed quite differently from a hotel.

Mr SARQUIS - Correct.

Ms COURTNEY - So even without the EGM side of things, there would be an obligation for them to be returning their profits to members anyway. So there is a return of capital back into their community. By having quite different taxation regimes for two different things, you have effectively got people who are competing on quite different playing fields - if you have one organisation across the road from the other. That is something that I think has been raised as a concern by some hoteliers that it is not fair.

Mr SARQUIS - If you go back to the very beginning when gaming machines were introduced into Queensland, it was really on the basis that the club industry was in dire straits. It needed assistance, unlike what was happening in New South Wales. Clubs were very small and really struggling.

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When the initial proposal for the introduction of gaming machines came in, it was only for clubs. It was only after the hotel industry had pushed hard that it was agreed that they could take on gaming machines as well. But even in those days, they could only have a maximum of 10, and I think it was one denomination in those days as well. So the introduction of gaming machines in Queensland was all about assisting the club industry, it was not about assisting the hotel industry. But I guess you might say there was a view from the industry that they would be significantly affected by the introduction of gaming machines just into clubs. That was the rationale for allowing it into the hotel industry as well.

Mr McKARZEL - Correct me if I am wrong, Mike, but I think you will find the metered win for hotels in aggregate is still higher than the metered win for clubs in aggregate. Even though the clubs can, not all of them by any stretch do, have a much higher maximum number of machines that they could in theory, install.

Mr SARQUIS - To give you an example, the average daily metered win per machine for a hotel in May, just gone, was about \$173 for hotels per machine and it was \$115 for clubs. Big difference.

Ms COURTNEY - Do your clubs - and I am thinking of the bigger clubs here and the ones that have management contracts which have been set at market rate - are there any other requirements in terms of these clubs, in terms of the dollar that is actually returned to the community and how that is defined? There are some people in the community who might suggest that some of these clubs have lost possibly their initial intent of serving their local sporting organisation and are now, in effect, an organisation themselves and retain their structure for very beneficial tax reasons, but may be seen as having lost sight of their original community benefit. How do you stop that from happening? People can still comply with all these areas under the management agreements that are commercial and the community might not feel they are getting the benefit from it.

Mr SARQUIS - It is very difficult because you have clubs of various stages of the life cycle. If you have a club which has just redeveloped its premises, for example, and is carrying significant debt, a lot of the revenue is going to service debt and so on. Obviously that affects their ability to pour money back into the community. It is very difficult to come up with a formula and say x amount of dollars, or a percentage, needs to go back to the community.

We do have a Community Benefit Statement. Any club with 50 or more machines has to provide a statement back to the government which sets out how they are contributing to the local community.

Ms COURTNEY - That is just a statement?

Mr SARQUIS - It is just a statement. The other real problem is that there are clubs which are providing benefits to the community which aren't quantifiable in dollar terms. For example, it could be they allow their club facilities to be used by the local CWA, or whoever it might be, at a nominal or no charge. Then there are other clubs that are giving dollar grants to particular sporting organisations. It is very difficult to come up with a magic formula or even to quantify exactly what contribution some of these clubs are making to the community because they may not be making much of a contribution in dollar terms but in-kind and community cohesion they are making significant contributions.

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Mr McKARZEL - The other thing, under the Gaming Machine Act there are severe penalties. I know you said it was only a community benefit statement, but there are severe penalties -

Ms RATTRAY - For non-compliance?

Mr McKARZEL - For falsely misleading information. When they put that form in, if we have any reason to believe it is false, then they put their licence in jeopardy.

Ms COURTNEY - Does that form have to be put in on an annual basis?

Mr SARQUIS - Yes.

Ms COURTNEY - Is there a degree of detail that needs to be outlined in that, or can it be a paragraph, motherhood statement?

Mr SARQUIS - It's a self assessment thing. We ask them to provide the quantifiable amounts, plus the in-kind.

Mr ARMSTRONG - It was interesting listening about the LMOs and how that works with the monitoring in compliance. How do you think that system has worked?

Mr SARQUIS - I think that system has been the real backbone for the conduct and integrity of gaming within Queensland. No gaming machine can operate in this state without being connected to a licensed monitoring operator. We have four, two are operational - but I will talk to that in a minute. One of the real benefits of the monitoring is that we ensure that tax is assessed to the dollar accurately and therefore we are able to have a high rate of collection. In fact the only reason we wouldn't collect tax is where the venue has got into financial difficulties, and probably gone into receivership. But in terms of revenue that we don't collect in a year - say, four gaming machines in the club and pub sector, the revenue might be of the order of \$600 million, or something of that order, we will be collecting probably all but \$300 000 or \$400 000 of that in any one year and that is because of financial default and receivership, and so on.

As I said, we have four LMOs. When it was set up it was set up on a competitive private sector basis. When we started in gaming machines, the government used to do all the monitoring of the system. It was then privatised. LMOs were licensed. At the very early stage we had seven. That proved to be non-economical for many of them, they just didn't have sufficient market share. So we saw a consolidation over time. That has come down to two and basically the largest one has 80 per cent of the market, the smallest one 20 per cent, obviously. We have recently licensed two new ones, neither of which are operational at the moment, but we are anticipating that they will become operational this year. Then it is for them to achieve that market share that will make their businesses viable.

CHAIR - Are these two operating in other parts of Australia at the moment?

Mr SARQUIS - One is Maxgaming, which is owned by Tattersalls. I think it has bid for a contract in New South Wales - they may have been successful with that. Odyssey is the other one. That is owned by Tabcorp. I don't know whether you have read it but with the merger of Tabcorp and Tattersalls, one of the things they had to divest was one of the operators - that is Odyssey - and it has been in the press that the Farrell? group is looking to purchase that company.

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Mr ARMSTRONG - With compliance, do most operators meet their responsibilities?

Mr SARQUIS - Yes, by and large. We are pretty happy. You are talking about clubs and pubs, I take it?

Mr ARMSTRONG - Yes.

Mr SARQUIS - We have something like just over 1200 licensed venues. The standard of compliance is very high. Having said that, with 1200 you are always going to get a handful of recalcitrants, and that is where you put a lot of your effort to bring them up to standard.

Ms ARMITAGE - Is there any area where you think it could be improved?

Mr SARQUIS - I think for the club sector, and this is maybe not so much a legislative compliancy but just a more a general compliance issue, I think the standard of governance within the club sector could generally be improved. Very often you will find on the boards they might be the best golfer or the best bowler, but they are not necessarily the best businessman or woman to be running what can be a fairly significant enterprise. I certainly think there is opportunity to have board members of clubs better trained than they are at the moment to understand what their responsibilities are.

CHAIR - You mentioned online gambling and the exposure of an increasing injection in some sectors, and your efforts there. Is there any other area that is on your radar that is of concern that you want to look into or that needs redressing? I know you always have to have your finger on the pulse anyway but is there any other parts that you would say - did you say originally there were five or six LMOs and it went down to two?

Mr SARQUIS - Yes.

CHAIR - If it went down to one, would that be a concern?

Mr SARQUIS - Yes, certainly that would be of concern. The reason it was set up the way it was to create competition in the market and obviously if you go down to one, then the competition disappears. At the moment we are not seeing that risk, in fact it is going the other way. I think - and David and Maree will have some comments on this - there are a range of other pressures that are coming into the gaming market. We are seeing right now that growth is very flat, in fact in some sectors it is negative year-on-year. As a short term issue that is probably economic related but we are seeing a range of other trends in the industry which are likely to impact on the viability, or at least change the nature of the gambling industry. One of those is that we are seeing a reduction in the percentage of household disposal income which is going towards gambling, and that has been reducing for probably the last 10 to 15 years.

There is the issue of the millennials, as they call them, those between about 18 and 30 to 35 who seem to be less attracted to gaming machines, more attracted to cyber games, mobile activities, and that sort of thing. The industry is starting to recognise that. We have certainly been approached by sectors of the industry looking at other products, such as games of skill. There have some that have been introduced into the US, so we are watching that with interest. Whether that is the right solution remains to be seen. The millennials have a very mobile lifestyle

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and I am not sure whether they necessarily even want to go and play their games of skill in a club or a pub.

Ms RATTRAY - We heard this morning from Derek, from Lifeline, that the young guys go to football games and they have two phones.

Mr SARQUIS - Correct.

Ms RATTRAY - They are betting online as they are watching the football game. It is not uncommon.

Mr SARQUIS - No. The other element, and you mentioned it, is the online space. The online operators certainly have significant market share in the wagering space. We are seeing that sort of product move into the lottery space, surprisingly, where you are not taking a lottery ticket but betting on a lottery outcome. That is Lottoland, and that seems to be going reasonably well. There are certainly some challenges in the industry longer term, and whether they need to be addressed and adjust to over time.

On top of that we are seeing other products start to creep into the space, such as eSports. eSports is becoming quite an attractive spectator sport where you get teams coming along and playing Space Invaders-style games, or whatever the latest ones are. There have been a few of these events in Australia that I am aware of - there was one in Sydney not that long ago where they had 10 000. There was one in Melbourne run by Crown - they had about 8000 attend that and it was sold out in no time at all. We are starting to see the online bookmakers creep into the retail space. You may be aware of the CrownBet deal in New South Wales where they have negotiated an arrangement with Clubs New South Wales. I think the Regulator is testing whether that might breach the exclusivity arrangement down there at the moment and we are just waiting to see what the outcome of that might be. But that is quite a significant move and will potentially change the face of retail wagering if it is allowed to go ahead.

Mr McKARZEL - I endorse everything Mike has said. I think the broader regulatory challenge for most of the newer products is that they are borderless. The providers are borderless and the products are effectively borderless. Whilst there are state-based regulatory responses that we can make, there are limitations. A perfect example of a consequence of that is the Commonwealth's Illegal Offshore Wagering Taskforce and the national approach to the response to the taskforce's report. I would think in the next decade there would have to be more cooperation between all jurisdictions and the Commonwealth as we move more and more to online.

The only other thing I point out in terms of our monitoring system with gaming machines, which is worth noting, it is a two-way communication system. The protocol that is used for that communication between gaming machines and the monitoring operator server is a protocol called QCOM which we, in Queensland, developed. One of the benefits from a harm minimisation point of view - Mike talked about revenue and integrity - but from harm minimisation there is the ability built into that protocol for remote changes by the licensed monitoring operator of all machines in respect to some of those machine settings, rather than the old fashioned way. For instance, I think it would relate to note acceptor changes. In the old days if there was a change and a limit of note acceptors, you literally had to get somebody per venue to go around and change the note acceptors. Now you can do that remotely. The protocol was developed inhouse with that kind of futuristic opportunity in mind in terms of harm minimisation.

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I just wanted to say that. We have tried to stay ahead of the game in terms of terrestrial gaming machine harm minimisation but online and the move away from traditional machines will be an extraordinary challenge in the next 10 years.

Ms HEFFERNAN - Because our interventions obviously have mainly based on Lan based situations and so there is a big shift to more anonymous people in their homes.

Mr McKARZEL - And people like Derek, who are our providers - Derek is the provider in Toowoomba - are seeing it on the ground in terms of problem gamblers fronting at a younger age with a different product that they have the problem with.

Ms HEFFERNAN - And it is young men. It has been a huge shift.

Mr SARQUIS - Probably the last one is around taxation. We have seen South Australia move into this place of consumption tax and it is now being considered on a wider basis, potentially nationally, and I guess that may change the competitive dynamic - what is happening in the Northern Territory too.

CHAIR - Mike, David and Maree, thank you so much for coming in and giving your expertise and knowledge. It has been very helpful. Once we go back to the *Hansard* and realise we should have asked a question or we want to follow up, if you don't mind we may need to access you again.

Mr McKARZEL - Not a problem.

DISCUSSION CONCLUDED.