

THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON FRIDAY, 18 AUGUST 2017

Ms LEANNE MINSHULL, DIRECTOR, THE AUSTRALIA INSTITUTE TASMANIA WAS CALLED VIA TELECONFERENCE AND WAS EXAMINED.

CHAIR (Mr Gaffney) - Thank you, Leanne, for agreeing to discuss your paper and present to the committee.

Ms MINSHULL - Thanks for the opportunity.

CHAIR - We have received a copy of your report and have tabled that as part of our evidence. That is why it is important for us to speak to you, because then it can be used to help us with our report.

Leanne, please give an introduction and overview of the report and how it came about. After that, members might like to ask questions about specifics within the report.

Ms MINSHULL - Okay, great. I am sitting in an airport so occasionally there will get announcements in the background, but I will just plough on. The Australia Institute Tasmania is a national institute that has been in operation since about 1994. They have a long history in looking at economic policy issues, in particular jobs, unemployment and what direct and indirect jobs can be attributed to specific industries.

We looked at the gaming industry, in particular, in Tasmania for two reasons. One is because we recently started a branch there. We've been open in Tasmania for about six months. It is obviously a contested issue in the community. As part of our national work we look at Australian Bureau of Statistics statistics every time the quarterly statistics come out. We noticed a few anomalies between what was being reported as direct and indirect employment in Tasmania in the gambling industry and what we would normally see using some of the ABS data.

I will quickly take you through the points on employment, particularly as we have limited time and so many other people have given great submissions on a couple of the other things like the economic impact to the state. We outlined some of our concerns with that which suggested that further work needed to be done. I will go through how we came to our employment figures.

CHAIR - Leanne, I don't mind if your overview is five minutes or 20 minutes - take as long as you like to explain it. That is more beneficial to us, so don't feel you have to do it quickly. Just take your time and if we have time for a couple of questions, we will ask them, but we would rather hear from you about the report.

Ms MINSHULL - No problems, thanks for that.

Just going to the jobs, three things stuck out for us, which I will talk to a little bit more in depth: first, the difference in methodology between the first social and third social economic impact studies; second, it represented a disproportionately large percentage of employment overall in Australia in the gaming industry. We saw, if the figure of 4000 was right, it should

have gone back a step. If the figure of 4000 people employed in the gaming industry was correct, we saw inconsistencies with these things.

Third, we looked at using ABS input-output data tables for the gaming industry to try to get an assessment of what indirect jobs should be flowing from the industry. I am sure you already know that ABS statistics at an industry level do not go down to the Tasmanian state levels.

Going back to number (1) and the different methodology, which I am sure has been brought out by other people: in the first report in 2008, it was estimated that people working in licensed premises that had gaming as part of their business model spent around 15 per cent of their time as an FTE attending to the gaming activities. In the latest report, in 2015, it was estimated at 19 per cent. That 4 per cent is not a big deal to us; it falls within the range of statistical anomaly and because it is self-reported, you are always going to get some difference of opinion in what that time is. We took that 4 per cent as a given - okay, it is 19 per cent.

What wasn't done, however, was that the FTEs were not then divided by 19 per cent in the same way they were in 2008, which, to our way of thinking, provided a rather inflated figure. It is important to note that the report said they felt the figure they came up with in 2008 was a little bit low, but to not divide by the actual time spent on attending to gaming activities at all was swinging the pendulum too far back the other way.

The second thing we looked at was the ABS statistics for Australia in the gaming industry and found 35 000 people were employed nationwide. If 4000 people were employed in Tasmania in the gaming industry, that would be an abnormally large percentage of people, given our economy and our population, of the total Australian employment in this industry - being 4000 in Tasmania, or around 10 per cent. We could not work out how that could be possible. We divided it by 1.57 per cent, because that is the percentage of the workforce nationally that Tasmania is responsible for. That brought us to a figure of 548 workers.

The third thing we looked at was indirect jobs. There is a standard way to do this that is used by the ABS and economists generally. Sometimes industry uses different methodologies to try to estimate indirect jobs, but we prefer to use the one used by the ABS nationally. That is looking at input and output tables of intermediate goods. Intermediate goods - I am sure you know this - are the things you have to purchase in order to deliver the end product or service. The ABS basically uses a formula to find out what intermediate goods are attached to all industries.

For the gaming industry in Tasmania, you could see, using the ABS tables, that there is \$133 million for chemicals and \$68 million attached to the gaming activity. That is the extra economic activity generated by the industry itself, which amounts to \$6 billion. The private sector employs one worker for every \$101 500 or thereabouts for each piece of indirect economic activity - that's all the intermediate services in providing the goods. When you look at the Tasmanian industry, it would come to 926 people being employed in Tasmania.

If we take that indirect number of 926 and the 548 workers as 1.5 per cent of the total Australian population employed in the gaming industry that comes to around 1500 workers. If you take the industry figure of 4000 and divide it by 19 per cent, which is the methodology used in the first economic and social impact report, then you get to around that figure as well.

I really wanted to step you through how we got to those numbers. Predicting numbers in any industry is a very imprecise science. We like to speak to the nationally recognised method of

doing it and through ABS, which is fixed. You can only ever work as well as you can with the numbers you are given. That is why we try to rely on them.

We did say some other things in the paper, but I would be happy to go to questions now on any part of the paper, which might be a better way to spend the time that we have left. We looked at the scenario planning and found that there were some peculiarities in some of the results when you look at modelling that has been done against other industries. Seeing a fall in the output and construction was surprising to us and also having the biggest increase in expenditure in ownership of dwellings.

There were inconsistencies, which I am also happy to go through. Given that we did not go that extra step and look at the modelling ourselves, I really want to note that some of the findings that came up in the impacts to the overall economy, to us, at first blush, did not make sense and did not align with a lot of the other work we have done in other industries across the country.

CHAIR - Thank you. I forgot to mention at the beginning that Hansard is recording this and it is a public hearing, but I think you are aware of that from the letter you got.

Ms MINCHULL - Yes.

CHAIR - I will ask one question then I will pass over to the other members. Given your experience, what is your view of the overall economic contribution that gambling makes to state government revenue? Did you look into the state government revenue? The contribution?

Ms MINCHULL - We looked at the economic contribution as compared to other states. Our paper outlines that the economic contribution at the moment to Tasmania is lower than in other states. In the paper and publicly we have not made a position on what the public policy should be in Tasmania on poker machines. We are not a lobby group for any particular position on this issue; we want to just look at the numbers. Because Tasmania has less reliance on revenue from gambling at the moment, if Tasmania chose to do so because of other public policy reasons, you would be in a much better position to withdraw from poker machines than a lot of other states.

The other thing we looked at in terms of creating economic activity, which I think is an important point, is that everything creates some sort of economic activity. A poker machine will create economic activity both for the state and for the business it is operating in. Someone makes the machine; someone services it; you have all the intermediate goods that we talked about before. When you look at it in contrast to other economic activities that can be stimulated through those licensed venues, it takes a lot more economic activity - let's take a hamburger - to grow the meat, buy the meat, make the patties, serve them to the people and clean up afterwards.

That is a very simplistic example. If you look at other intermediate goods and economic activity that occurs through more highly serviced industries like the food and liquor industry, which is obviously attached to gaming, you are getting a lot more economic activity than what you are through running the machine.

CHAIR - Thank you, I will pass you over to Andrea. It was my mistake - we have until 9.30 a.m. and not 9.15 a.m. It is a 45-minute time slot, not a 30-minute one.

Ms DAWKINS - Hello, Leanne. In the summary you said, 'Our research finds that under most models the cost of poker-machine-related problem gambling far exceeds revenue from

poker-machine-related gambling taxes and fees'. That is something we have heard from other reports and other submitters. Would you be able to speak to that for us, please?

Ms MINSHULL - What I would draw attention to here is that we couldn't find any reports that said differently. I would be interested, not during this time but just as our own intellectual exercise, if anybody at any stage could point us to where any report has said that it actually creates an economic benefit for the state. We relied on other people's work for this because we have not done our own direct research.

Even looking at the Allen Consulting report, which has a very narrow application, problem gambling costs between \$37 million and \$104 million per year, the moderate application is \$51 million to \$144 million and the broader application is right up to \$184 million. When you put that against the revenue returned to the state, under any scenario you basically come out with a loss. My main point is that I think this is an uncontroversial statement because I haven't been able to find any evidence to the contrary. When you are looking at it as a state and taking in all social costs, including displaced economic activity costs, it comes out as a loss.

Ms DAWKINS - Can you think of any other industry you have studied that might be comparable?

Ms MINSHULL - I can't think of one. Generally we kind of go around looking for good economic outcomes. Most people who ask the institute to look at the economics of an industry do so because they want to promote the benefits of that. I'm sorry, but off the top of my head I can't think of any other industry. I'm sure if you spoke to somebody who had looked at the tobacco industry, you might get similar results but off the top of my head that's the only one I can think of.

Ms DAWKINS - You also said that poker machines are the most popular form of gambling for problem gamblers. This information has also been presented to the committee. Would you like to speak to the detail around that statement?

Ms MINSHULL - Looking at where the problem gambling comes from, a plethora of evidence points to the very addictive nature of poker machines and the specific problems that presents. I'm sure you have heard from Anglicare and others that are much more versed in this area because they concentrate specifically on this. We try to look for the counterarguments all the time and see if we can find figures or arguments to the contrary, but we couldn't find any report that didn't recognise both the addictive nature of poker machines and the percentage of revenue that comes from problem gamblers.

In essence, when you look at even the self-reported percentage of profit that goes back to businesses from poker machines - and I don't have it in front of me, but I think it is 14 per cent of the overall revenue - the majority of that revenue comes from problem gamblers. In fact, if you take out the problem gambling component of that revenue-raising, the activity itself looks marginal at best. What we find is that the entire business model for the industry is based upon there being problem gamblers. One thing I found really interesting - and I think it was from a Federal submission, but I would have to go back and check - is that they were saying that the community levy and the harm reduction that had been undertaken had led to the loss of 160 jobs. What we found striking about that is that it's hard to find an industry that admits it is reliant upon other people's problem gambling to sustain as what they see as a profitable business model.

Ms RATTRAY - When you first started, you talked about the ABS statistics not being at a state level. Does that mean you can't separate Tasmania out? Is that what I understood?

Ms MINSHULL - Yes, that's right.

Ms RATTRAY - So really you are just making a conclusion for Tasmania on the basis of the rest of Australia that have pokies?

Ms MINSHULL - Yes, that's right. That conclusion was roughly equated to what you would get from the third study if you followed the methodology of dividing it by 19 per cent of time spent by workers on the gaming industry. The ABS national statistics are regularly used to estimate state economic activity; it is not an unusual thing. If the ABS were telling us 35 000 people were involved in the gaming industry nationally and 4000 of those were in Tasmania, I think it would be alarming. We would want to have a look at how we are structuring the economy. You are absolutely right that all economic modelling is done on modelling, other than going out and sitting somewhere and looking at it.

To briefly digress, another industry we have worked on where we had to give evidence in court in Queensland was over job statistics around the Adani mine. We calculated those jobs to be around 1600 while the company had said there would be 10 000 in their public communications, but under oath in court, where you cannot do any overestimating, they claimed there would be 1400 jobs. Using those national statistics to estimate jobs in particular industries and states is a very recognised and usual thing for economists to do.

Ms RATTRAY - Do you have a view on whether harm-minimisation measures should target poker machines - EGMs - directly, or do you think that broader approach for gambling such as Know your Odds and that type of thing is what we need to focus on?

Ms MINSHULL - It is good general public policy. If I can use the analogy for smoking again, when the health authorities try to target the uptake of smokers they make sure they target the youth market to ensure young people are not taking up smoking, just as tobacco companies target the youth market, particularly in developing countries, because they know where their new market is. If you have a business model predicated on making sure problem gamblers exist, logic will tell you that is where you are going to target your marketing. That is why you see poker machines placed in the areas where we see the proliferation of them. I am not an expert in the area of where the harm minimisation money should go but as a broad public policy approach, I think it makes sense to target those most at risk.

Mr ARMSTRONG - On the CSL and other schemes throughout Australia, do you think they are effective at reducing the social cost of gambling referred to in your report?

Ms MINSHULL - I can't comment on that; I don't know. We didn't do a comparison about the effectiveness of the CSL and targeting problem gambling in other states.

CHAIR - With the SEIS report in Tasmania, do you have any suggestion how that could be improved for future years? We have had the comment that it is in the legislation as once every three years. I am not saying a general consensus around the board on this, but more than once it has come up that period is probably too short a time frame. On your experience with using SEIS reporting, do you have any suggestions on how it could be improved or what other areas need to be investigated through that process? I think the fourth one is coming out by the end of this year,

unfortunately after our report is tabled. Can you comment on how that works across other jurisdictions, Leanne?

Ms MINSHULL - I think it depends on what you are looking at. It is not so much a case of how you restructure the SEIS reports in themselves or what the timing is on that. I think there are arguments for and against the length of time being, in some cases, too short or too long. You can look at other ways. I am trying to think off the top of my head of some other instances outside the gaming industry. Basically, between those reports coming out you rely more heavily on real-time monitoring. I am thinking now of some of the tracking of mining impacts in remote areas, which have cultural and environmental sensitivities around them - which I know isn't directly analogous to this. That reporting, which comes up periodically, is helped by having ongoing government-funded tracking of real-time impacts.

In this instance you could have a small body of people, which had on their board, committee or whatever you want to call it, representatives from all views across the gambling spectrum. You could report more regularly than the SEIS and look at emerging trends or problems, particularly when you are looking at something, which has - everyone agrees with this - a social cost. You could have real-time reporting. I am not sure how that would work in reality, but that would be one thing that you could look at.

I have seen this type of thing work well in other industries. By setting up some sort of committee system which has a broader representation, the broader community has a lot more faith in it. I think what is happening now with the SEIS reports and gambling in general in Tasmania is that it is very divisive. It falls along old political and industry fault lines. If you are going to continue with the industry, how do you work to make sure that you have a group of people who are looking at the best outcomes, rather than defending their patch, for want of a better word? I would look at the SEIS from a more holistic perspective. One of my goals would be to create a situation where all views were taken into consideration.

CHAIR - Thanks for that. You've obviously done some work on the Tasmanian gambling industry. All the other states are different and I acknowledge that. In the WA model, they only have EGMs in the casinos. Has your organisation completed a similar exercise on gaming issues in WA? If so, is there any comparative analysis between the WA situation and, for example, the Tasmanian situation?

Ms MINSHULL - No, I'm sorry, I wish we had done that, because that would have been a great thing to do. We looked more at where the gamblers fit, but also where the revenue is going.

Could you excuse me for a moment because I might be called for my plane? No, sorry, about that. Canberra Airport is in disarray.

CHAIR - We won't mention anything about things in disarray in Canberra at the moment. There are a few things in disarray in Canberra.

Ms MINSHULL - It was an interesting day to be in parliament yesterday, I can tell you.

Mr BACON - Are you a dual citizen of any other country?

Members laughing.

Ms MINSHULL - No, and given that I think there are a few spots vacant in the Coalition, they're just growing every day.

CHAIR - That was really good, Leanne, because that's the only funny joke Scott has cracked all through this committee process.

Online betting has been presented to us as becoming more predominant. Do you expect a decline in EGMs as online betting becomes more predominant? How you see that working? At the moment, it's not the main focus of this committee, but the future of online gaming has been raised on a number of occasions. What work, if any, is the institute doing on that aspect of gaming?

Ms MINSHULL - We have not looked at online gaming in any detail and what percentage of problem gambler or gamblers in general will transfer over to online gaming. The work we have done has relied heavily on other people's work. We did not find a massive gulf between what people were saying in that.

Generally, and with a lot of the other work we look at, you cannot replace apples with oranges. From a very broad perspective, what you will usually see in any activity or industry is, when something new comes in, it completely subsumes the current industry in offering something the current industry does not. A good example is video tapes, which were phased out because DVDs were better and now most people go to streaming. They are the only types of circumstance that you can say with any confidence because none of us can predict the future. Looking back at trends, it is only when something completely supersedes another activity that you will find a significant number of people going to that activity. From the little bit of work we have done, we have not seen that is the case with online gambling. Some of the mechanisms used that create the particularly addictive nature of the machines are not as prevalent in online gaming. Having said that, there will be people who join online gaming who, statistically, never would have engaged in physical poker machine gaming.

The online gaming question should be looked at in isolation. There is not enough evidence there to say it is going to take a lot of the current patronage engaged in physical gaming. If it were, the question would become: what do we do about that? I have seen it used a few times: if these poker machines were not here physically, people are going to go to online gaming anyway. From a research perspective, what does that tell us? It is a little bit of a so-what question. I struggle to find why people bring that up. That is also because we do not work specifically in poker machine harm; we are far more an economics-based research body. We have not gone into that in any detail but that was one of the first things that came up for us. When we looked at it, we did not see the point of looking at this transference of the activity.

CHAIR - Thanks, Leanne. Do you anything else you would like to finish with?

Ms MINSHULL - No. I think we have covered everything. I thank the committee for the opportunity to present to it. I know we were not within the formal submission time; we were a bit late to come to Tasmania. Thanks for the opportunity and good luck with all your deliberations.

CHAIR - Thank you. Your paper has added to the information we have to work on for our report. We really appreciate it. Thanks for giving up your time this morning and travel safely.

Ms MINSHULL - Thanks a lot, by everyone.

THE WITNESS WITHDREW.

Mr GREG FARRELL, MANAGING DIRECTOR AND CEO, AND **Dr DANIEL HANNA**, EXECUTIVE GENERAL MANAGER, CORPORATE AFFAIRS, FEDERAL GROUP, WERE CALLED AND EXAMINED.

CHAIR - Thank you, gentlemen. I acknowledge you are old hands at this sort of process but I must tell you that all evidence taken here is under parliamentary privilege, but once you are outside that ceases to exist. You received a copy of the information for witnesses. The evidence you present is being recorded for *Hansard* and it is a public hearing.

Thank you for coming along to speak with us. We received your joint submission from the Tasmanian Hospitality Association and Federal late yesterday afternoon, so I appreciate that. This morning we will direct our first lot of questions to Federal and then we will ask you to bring in the THA reps and we can look at the submission you presented to us. Greg, if you would like to start with an overview or some opening comments, feel free.

Mr FARRELL - We welcome the opportunity to be back in front of the committee. We welcome any questions emanating from our earlier evidence and look forward to putting forward the joint proposal with the THA at the appropriate time this morning.

CHAIR - Because you have already presented once, our questions may be a bit more specific to different parts of your last submission overall. We may not dwell for long on this section. I will start off with a couple.

The Federal Group's submission sets out the contribution made by the company to the Tasmanian economy, which was \$343 million value-added and 1325 direct full-time equivalent jobs, plus 1012 indirect full-time equivalent jobs. We have had other information or presentations questioning some of those job numbers. Can you elaborate on what proportion of this overall contribution is attributed to EGMs in Federal hotels and to Network Gaming? Of the numbers, can you give us some breakdown of what EGMs contribute?

Dr HANNA - We asked Deloitte to do some modelling and they based that on our financial statements for the 2015-16 financial year. As to the break-up of that assessment in the Deloitte report, we've provided that to the committee on tables 3.1 and 3.2. They divided that up into a range of sectors, one of which was gaming, but it is not further divided up than that. That is a figure for gaming which covers the range of gaming activities for which we are licensed. Obviously EGMs are a significant part of that.

Mr BACON - So that includes people who work in the pubs you own as well as the casinos?

Dr HANNA - Yes.

CHAIR - If potentially EGMs were confined to the casinos, what impact would that have on employment figures for, say, Federal?

Mr FARRELL - The largest employment impact would be on our Vantage Hotel Group. It operates 12 licensed premises so I think the employment impact would be substantial.

Ms DAWKINS - Are you aware that THA boss Steve Old recently said they would be looking overseas to find staff for the hospitality industry in Tasmania because they can't find enough people to fill those positions in Tasmania?

Mr FARRELL - I think a number of employers have difficulty finding employees. It is probably fair to say in most instances the Federal Group isn't in the same position. We very much try to be the employer of choice. We try to offer people career paths, albeit we have difficulty recruiting some positions from time to time, and by and large we are in a more enviable position in relation to be able to recruit outstanding young people for a variety of roles across our businesses.

Ms DAWKINS - Do you think it's a reasonable statement therefore that, should poker machines be removed from pubs and clubs in Tasmania, the employees who might find a short-term deficit in employment would be quickly taken up by the industry?

Mr FARRELL - I think the difficulty is that the businesses that would lose gaming out of hotels and clubs, unless they were able to totally change their business models, may find the employment decreases even greater than that of the people employed in the gaming part of the businesses.

Ms DAWKINS - Do you have figures to back that up?

Mr FARRELL - No, I don't.

Mr ARMSTRONG - Greg, why have you agreed to negotiate away the current monopoly that Network Gaming enjoys at the present time?

Mr FARRELL - I think it is fair to say we are very cognisant of the Government's position in relation to its ministerial statement of March 2016 and of your own terms of reference, which clearly indicate that the Government does not want to see the exclusive licences retained by the company post 1 July 2023. Rather than continue to think that may change, we took it that the probability is that is going to change in the future. There is no doubt a level now of maturity in the industry, of which we have a key understanding through the Vantage Group. We felt this is an appropriate time now to seek to find a solution that met the objectives of the Government, the objectives of the select committee's terms of reference and largely met the THA's and the company's own criteria.

Mr ARMSTRONG - Do you have a cost to implement the proposed model you are putting forward?

Mr FARRELL - We can certainly go into that.

CHAIR - We might leave those questions until we have both groups at the table. Regarding Network Gaming and the monopoly it has, in other jurisdictions we have seen other models you operate, so from your perspective what would be the consequences if the Network Gaming monopoly was dismantled or there were other players involved? Do you agree that the regulatory arrangements in other jurisdictions that do not rely on a centralised system of providing and monitoring EGMs have been effective in those jurisdictions? How would you perceive that? Don't get me wrong - it would be fair to say that the words we have had through the committee process here are that Network Gaming works quite efficiently and effectively in Tasmania, but

there are other jurisdictions where they do not have just one authority to monitor the machines. Would you have a comment on that?

Mr FARRELL - It really comes down to the rigour with which the monitoring business is managing the monitoring of gaming machines. It is fair to say that Network Gaming has been extremely efficient and good in managing wide-area gaming in Tasmania; there is absolutely no doubt about that. The level of regulatory controls of the very few instances of any issues in regard to the systems and management has been extraordinarily high, a very high take-up time. We would see in a future model that, with the retention of Network Gaming as the licensed monitoring operator, a lot of the key benefits the system currently has will be able to be carried forward in the new model. In many respects, given we are advocating very strongly that the 30 jobs at Network Gaming are protected and that the business is able to continue in the future as the licensed monitoring operator and as the operator of keno in Tasmania post 2023, we believe some of the concerns raised by other parties in relation to having a system other than the existing Network Gaming system are largely ameliorated.

CHAIR - Are there other elements of regulatory arrangements in other states you think would be worthwhile considering for Tasmania's gambling industry? We have heard some comments about some of the restrictive practices for the casinos here compared to, say, the Adelaide casino. It was interesting when we visited there how there were some differences in what Tasmanian casinos can do compared to others. Could you elaborate on that for us?

Mr FARRELL - It is fair to say that the Tasmanian casinos operate under some of the most restrictive operational practices of any in Australia. In some respects it is to the left of the terms of reference of what we are talking about today, but it is fair to say that the casino operations in Tasmania are less competitive on an intrastate and interstate basis in Tasmania than they are in other states.

CHAIR - Could you elaborate on that? I know it is probably left of centre of our terms of reference but I think it is good for people listening and for the committee to understand what some of those differences are. If we are looking at attracting people to Tasmania because of the casinos, is there a level playing field compared to other casinos and other regulations in other states? If you would like to expand?

Dr HANNA - There are a number of examples that you may have seen at other casinos such as loyalty programs, which is a good example. Our casinos are so constrained in the program they can offer that it is really not that attractive to members, whereas in pretty much every other casino around Australia their loyalty programs operate in such a way that people want to be members of them. Our restrictions are very severe compared to those other jurisdictions and they make our loyalty program completely uncompetitive, to be frank.

We know a lot of Tasmanian-based players are already taking the opportunity to go to casinos interstate where there are fewer restrictions because of that. That is one example; there are a number of other areas.

The Tasmanian Liquor and Gaming Commission has put out a review of the mandatory code in recent weeks and we will be making a submission to that on these matters.

Mr FARRELL - In relation to player controls and also to such things as tax rates, the tax rates for Tasmanian casinos are prohibitively higher than those of other regional casinos and other parts of Australia, which decreases their ability on a like-for-like basis to be competitive.

CHAIR - Without going down that relationship path, if it stays as is, does the Federal Group have any preferences for reforms to taxation arrangements currently? I am not asking you to present your submission. If the submission was not there, what other taxation arrangements? For example, would Federal suggest some changes to sliding scale, keno taxes and those sorts of things?

Mr FARRELL - We believe if the current model were to continue into the future, the taxation rates would be appropriate. If the current model is not to continue post-2023, there needs to be a significant overhaul of the tax requirements. At the moment, we are looking at a single licence operator who is able to spread the tax burden over casino premises, licensed hotels and clubs, and the game of keno and table gaming. If you fast forward to a future model where the casinos are separate from the network, the casinos would require a taxation arrangement more fit for purpose for them to be competitive against other like-sized, interstate, regional casinos.

Dr HANNA - We set this out in our submission on page 68. If you compare with other jurisdictions, almost all of them using EGMs as an example, casinos will pay a lower tax rate and hotel and clubs will pay higher rates. Ours are flat; they are all at the same rate. It does not matter what the venue is. That may be appropriate when you have a single licensed operator, as we do at the moment. If you move from that model, it is more appropriate to 'right-size' those taxes, based on the different type of venue.

CHAIR - You mentioned keno, Greg, which is interesting. Under current tax arrangements, can you provide an indication of what proportion of gaming expenditure on keno is retained by Federal? For example, from every dollar spent on keno, what does Federal get out of that? Keno is the one everyone accepts as 'less harm'.

Dr HANNA - We might have to take that on notice.

CHAIR - If you could take that on notice and get back to us, that would be welcomed.

Ms COURTNEY - Did you read Professor John Mangan's report on economic leakage from poker machine use in Tasmania?

Mr FARRELL - No, only what I saw in the media.

Ms COURTNEY - Do you have any comment to make on what you saw in the media? In his statement, he found that if 100 per cent of gambling losses from hotels and clubs was diverted, it would create 670 full-time jobs in Tasmania.

Mr FARRELL - It would appear to be a very hypothetical statement.

Dr HANNA - From my initial reading, I do not think that is a fair assumption to make. You can model things to create outputs but it is only as appropriate as the inputs and assumptions you use. I am not sure those are appropriate assumptions to make.

Ms DAWKINS - What have you based that on?

Dr HANNA - I am questioning where those assumptions were drawn from.

Ms DAWKINS - He is an economic modeller, so he has devoted most of his academic life to doing this work. He is an academic with fantastic research skills who has applied them to the pokies situation in Tasmania.

Dr HANNA - You could also get people to model differently, using different inputs and assumptions and probably come up with very different data.

Ms DAWKINS - Is that what you have done with the KPMG report?

Dr HANNA - Our Deloitte report?

Ms DAWKINS - Yes, sorry.

Dr HANNA - We lay out all of our input and assumptions used in forming our report. That is always going to drive the outputs.

Ms DAWKINS - What would be the difference between the methodology of the Deloitte report and of the Mangan report?

Dr HANNA - I haven't gone into great detail of the Mangan report. If you want me to respond fully to it, I would be very happy to do so in a written response. I can take that on notice.

Ms DAWKINS - We would really appreciate that. Thank you.

Ms RATTRAY - Thank you very much for the opportunity to ask a couple of questions. I am interested, Mr Farrell, in what you consider is the strength of the link between gaming in Tasmania and the tourism industry.

We have a very strong focus in Tasmania now around tourism. You can probably appreciate that a lot of the communities I represent don't have big economic drivers any more; they have been lost to our state. There is a big push for tourism to step in and take up some of that slack that we're missing. I am interested in your view.

Mr FARRELL - I think gaming essentially supports a lot of tourism through both capital city and regional hotels providing a level of recreational opportunity for players and as a profit source for venues, allowing them to reinvest in products and services. Clearly from a casino perspective, casinos remain attractive places for visitors. After 44 years Wrest Point is still one of the most visited visitor attractions in the state of Tasmania, which is quite remarkable - as is the Country Club in northern Tasmania.

Gaming, I think, plays a really important role in helping to underpin the tourism industry.

Ms RATTRAY - Even though we do not have the high roller market, as such, is that correct?

Mr FARRELL - We have a very small component of the high roller market.

Ms RATTRAY - Okay, but you feel that we still have that tourism opportunity through gaming?

Mr FARRELL - Yes, we definitely do. I think that into the future Wrest Point and Country Club will also have the opportunity through less restricted gaming machine product to become more competitive. Gaming machine players from interstate who enjoy playing gaming machines as they do in other capital city casinos will be able to do so in Tasmania, which again expands the tourism involvement of the casino industry.

CHAIR - At present casinos are not required to pay a community support levy. On what grounds do you think that policy should continue?

Mr FARRELL - I think that is a bit of a misnomer. The government decided many years ago that it would hypothecate the taxation from the casino to themselves - to the government - as tax rates, and not hypothecate part of those tax rates by way of CSL. If we look at the current distribution for hotels, we have a 35 per cent tax rate and then there is a 4 per cent CSL. It is actually probably a 39 per cent tax rate, of which 4 per cent is hypothecated to the CSL. Of the 35 per cent tax rate the casinos pay, none of that is hypothecated to the CSL.

CHAIR - What preference does Federal Group have in relation to its casino licence? We have heard in other places that in perpetuity is not really good business.

Mr FARRELL - Sorry, you have heard what?

CHAIR - Licences in perpetuity is not a good way of operating. What preference does the Federal Group have in relation to the duration of casino licences?

Mr FARRELL - We believe the licences should be long term. We believe there is an argument for perpetual licences.

Mr BACON - Are you talking about for the two casinos or for gaming machines outside the casinos?

CHAIR - For the two casinos.

Mr FARRELL - We would argue that the licences should be perpetual, but the tax rates should be tied to a period of time. What happens in most instances is that you have either a fixed term licence and fixed term tax rates or you have a perpetual licence but you do not have tax rates tied to those licences.

In a number of jurisdictions you may have a perpetual licence but it is at the discretion of the Treasurer or Cabinet as to whether the tax rates or the terms and conditions of the licence have changed during the term of the licence period, which in our view is reasonable if the licence is perpetual and the tax rate is tied to a fixed period of time to allow for certainty of investment and certainty of decision-making. We would argue that you can have a perpetual licence but you have the tax rates tied to a period of, say, 20 years.

Mr BACON - If that's for the two casinos; if there is a licence for gaming outside of the casinos in pubs and clubs, what length of licence would you see there?

Mr FARRELL - We would again be advocating for perpetual licences.

Mr BACON - That's in your submission as well.

Mr FARRELL - But that would then also be tied to secure, long-term tax rate arrangements. That is not to say you can't lose the licence. If you are not a fit and proper person to hold the licence, you'll lose it so it's not a gift that keeps on giving. All it means is that you have the right to retain gaming whilst you maintain being a fit and appropriate person to manage the conditions under which that licence is granted.

CHAIR - I am sure you have been listening to the hearings, including those when questions regarding harm minimisation et cetera were asked. Does Federal have any comment on what they has been hearing about some of those issues? Would you like to comment on any of those aspects that we have heard over the last two or three months?

Dr HANNA - I guess our view would be confirmed that Tasmania already has a very strong harm minimisation and player protection framework in place. We have tight regulatory controls. We have a range of measures that not all other jurisdictions have. That has been borne out in the three social and economic impact studies that have shown consistently very low instances of problem gambling. I think that's because there is a good framework in place. Just how rigorous that framework is is not always widely understood. There is a false assumption out there that there are limited controls on gaming machines when the exact opposite is the truth. Partly there is not an awareness, if you like, of just how tightly controlled they are.

We note the Government's structural framework includes a number of additional harm minimisation measures, including a community interest test. We have been involved in that discussion and debate over recent weeks and months, and we support the introduction of that community interest test for new venues.

Ms DAWKINS - What about retrospectively - would you consider it retrospectively?

Mr FARRELL - No.

Dr HANNA - No, we support it for new venues. We also note and support the reduction in the cap the Government has proposed, going from the current cap of 3680 to 3530.

Mr BACON - I think at the moment it is 32 over that, so what would be the new cap?

Mr FARRELL - At the time the Government made that announcement, there were 30 machines in limbo in storage which were to be deployed to the Risdon Hotel, which has now been done. We're confident that between now and 1 July 2023 those additional 30 machines will be absorbed out of the network. We don't believe there will be an issue with how you take away the product from a venue.

Mr BACON - So you think by 2023 those 30 machines will be gone?

Mr FARRELL - Yes.

Mr BACON - Is there a way to ensure that happens?

Mr FARRELL - We'll be managing to ensure that happens in a way that is instructive.

Mr BACON - Will they come from a variety of venues?

Mr FARRELL - That's what we would expect. For a venue that might have 20 machines and finds it is not viable and only needs 18 machines, those two machines will be absorbed. We wouldn't reallocate them.

Mr BACON - Will Network Gaming make that decision?

Mr FARRELL - Network Gaming would help manage that outcome. It won't tell the venue it has to give up the machines, but venues by and large understand because it is a commercial reason for them to say, 'We're more profitable if we have more product because we'll get better utilisation on products and not have to pay rent on them', so if that product comes out we would not release it back to another venue.

Dr HANNA - I think once the model beyond 2023 becomes known it will become easier to think about ways to manage that transition. In Network Gaming, if the outcome is known, in a little while we can start planning and managing towards 2023 with a plan probably working alongside the industry on how we can reduce down to get to the cap.

Mr BACON - Given that you said you have 12 venues, would it be likely that any machines will come out of the venues you own or would you see them coming out of other venues?

Mr FARRELL - We would see them coming out of venues where they cannot get the maximum utilisation of the product. In our venues we get maximum utilisation of the product.

CHAIR - One of the differences between Western Australia and Tasmania and the eastern states is that the EGMs are confined to the casinos, and when we visited and were presented with information, the tracking of people who were at risk seemed to be so much easier in that venue because it did not have pubs and clubs. Although we have some pubs and clubs in Tasmania that obviously put a lot of effort into things, we have heard other stories of where a person will leave one venue and go to the next and the next one where the itinerant staff have no idea who they are, so they just sit down and spend more money. Would you recognise or acknowledge that limiting the amount of EGMs available to community members is better from a harm-minimisation level?

Mr FARRELL - If you follow that logic all the way down, you would then move them out of the casinos as well. In all reality, as long you have robust processes in place to help protect those who are most vulnerable, given that at the same time, as in Western Australia, any of those people could be at home dialling up on their computer without any limit on their exposure for credit on unauthorised sites run by disreputable operators.

Ms DAWKINS - Do you have any evidence about that? Can you ask that question please, Mike?

CHAIR - We have had people say to us that there is not the evidence that has been presented that if they cannot do that they will go on to online gaming. There is a section of a demographic of 25- to 35-year-old professional males who may go into that space, but there has been no evidence. Do you have any studies or reports to back up that thought?

Mr FARRELL - No, I don't but I believe we will see more and more of this over the next decade. We will become a lot more aware of the threat of online gaming.

Dr HANNA - I would also add that if we are concerned about all others, aren't we concerned about that group as well?

CHAIR - We definitely are, but there did not seem to be an issue in Western Australia that the online gaming statistics were any worse than they are here or anywhere else, so I am just saying that we have to be careful with the correlation with what actually occurs and what we think might happen.

Dr HANNA - We would make the point though that nationally and in Tasmania that is where a lot of the growth in gambling expenditure is. It has come off a lower base but it is growing rapidly. Gaming machines, as you would have seen in the evidence presented to you, have not had that growth; in fact, they hit their peak about 10 years ago and there has been sort of a soft decline since.

CHAIR - From what I can remember, about 86 or 87 per cent of the problems in Tasmania are still associated with EGMs, with about 3 or 4 per cent with online gaming, but it is a growth area. It is one that has been recognised in all the states and at a national level - what can they do about it? I think it was in South Australia, Tania, that they put in a -

Ms RATTRAY - They have put in like a goods and services tax of 15 per cent on all online gaming. South Australia is the only state to do so thus far, but that is only on recognised registered sites. There is no way at this point in time to be able to tax any of those unregistered sites. At least it is an attempt to look at that online gaming space.

Dr HANNA - If you go to the app store and start looking at the most popular downloaded sites, the last time I had a look in the top 10, five of them were online casinos. That is an area that should be of some concern.

Ms DAWKINS - If you would not countenance the community interest test being retrospective, could you speak to the Australia Institute report that found the cost of poker-machine-related problem gambling at \$153 million in 2011 far exceeds the revenue of around \$50 million? We have a disparity there of \$100 million that the Tasmanian population will have to absorb in some manner.

Mr FARRELL - Which report?

Ms DAWKINS - The Australia Institute report.

Dr HANNA - If you wanted us to provide a response to the Australia Institute report, just as the question regarding the Mangan Report, we would be happy to take that on notice.

Ms DAWKINS - That would be excellent. There seems to be a great disparity in how much the Tasmanian population is supposed to stump for support services for problem gamblers.

Dr HANNA - We would be more than happy to provide a response to the Australia Institute report.

Mr ARMSTRONG - I am interested in the loyalty programs. We visited other casinos, as you are well aware. They touched on their loyalty programs and what they do and what they cannot do - there is not much they cannot do. What are your restrictions as far as loyalty programs compared to other casinos throughout Australia?

Dr HANNA - We have a far higher level of restrictions that were primarily introduced when the mandatory code of gambling was introduced in Tasmania in 2012. There is a range of restrictions on our programs, which we know are not in place in other casinos. One example would be tiering. In every other casino around Australia you have a program that has different tiers which offers different sets of rewards and benefits based on where you are in that tier. Ours cannot do that.

Ms RATTRAY - More comfortable seats as you go up the tiers, is what I have noticed.

Dr HANNA - Yes. We have to treat everyone exactly the same and we are not able to differentiate between our members at all. Some members at the top end of our programs are more attracted now to programs at Crown and other casinos. That is an issue and a problem in that we are exporting that expenditure out to other jurisdictions rather than in our casinos because we have restrictions that make us completely uncompetitive, especially in that area of loyalty.

Mr BACON - You talked before about the review. Have you put out a response to that review yet?

Mr FARRELL - We have a month to reply to it.

Dr HANNA - It is due on 15 September. We will be strongly advocating some of these things. We had a position at the time, in 2012, on whether those things should be brought in. We did not agree with a lot of those restrictions being brought in. They were and what has occurred is as we suspected, we have lost a lot of members. We know a lot of those members are attracted to other casino programs interstate. It makes our casinos completely uncompetitive. We never mind having the same levels of restriction and regulation; we are not asking for a more favourable environment than those casinos, but we would ask that we have some level of parity so we can compete.

Because we are more niche and smaller, our members like the services we provide at our casinos but often we cannot offer them the benefits, rewards and other features of our program.

Mr ARMSTRONG - I think it was the Adelaide Casino where, if you visit the casino a lot, you go into a different level, like first class, second class. It is tiered.

Ms RATTRAY - The higher up the building I think.

Mr ARMSTRONG - Yes, I think it was and the more comfortable the seats, et cetera.

Ms RATTRAY - You have private booths. They had an up-market show.

Ms DAWKINS - Have you read the Auditor-General's report from June 2017?

Dr HANNA - I have read it.

Ms DAWKINS - Can you speak to the fact they have counted [9600 10.10.05??] problem gamblers in Tasmania? There is a great variance between that number and the number you suggested earlier.

Dr HANNA - I'm not sure where they draw that from. All I can say is that the Social and Economic Impact Study has shown it is 0.5 per cent of the adult population, which puts that number at around about 2000. As I gave in evidence last time, that is a global measure - the Canadian Problem Gambling Index, which is used right around the world. No system of surveying things like problem gambling is perfect, but it is the same system that is used globally. That has found that the number of problem gamblers in Tasmania is at 0.5 per cent.

Ms DAWKINS - You were choosing a Canadian study over the Tasmanian Auditor-General's?

Dr HANNA - I'm referring to a social and economic impact study into gambling in Tasmania conducted by the Allen Consulting Group released two or three years ago - the third SEIS. It found that the problem gambling rate was 0.5 per cent using the Canadian Problem Gambling Index, which is recognised as the global measuring tool, if you like, to assess prevalence of gambling and gambling problems in the community.

Ms DAWKINS - Our understanding from speaking with others in other jurisdictions is that the way people are looking at gambling now and issues around gambling is on a sliding scale. People might slide in and out of being extremely at risk, at very high risk, low risk, moderate risk, but they are still within the continuum of problem gamblers. They can slide in and out depending on personal circumstances. That is what the Auditor-General, in my understanding, has used in their measure. That's now the measure that is being used in population and health studies around Australia.

Dr HANNA - The measure of problem gambling is achieving a certain score on the Canadian Problem Gambling Index. If you achieve a score below that you could be classified at medium risk. I accept people are on a continuum and could move into the problem gambling number in the future, but at that point in time when the survey was done it was 0.5 per cent of the adult population.

CHAIR - The Auditor-General is presenting at 11.45 a.m. today.

We have noticed in other areas that income revenue from EGMs has sort of flatlined. Other casinos are now looking at providing a greater experience, more into tourism - whether it is redoing their cafes, their music. There have been comments that when casinos first started in Tasmania it was a destination point, because there were nightclubs; there was activity other than sitting in front of a machine. Is Federal's thinking in Tasmania along the same lines as some of these other casinos where they are looking at expanding what they have to offer within the precinct?

Mr FARRELL - Yes, it is probably fair to say that the company over recent times has spoken quite often about our vision for the future for the redevelopments of Wrest Point and Country Club. Whilst we have been working through what the future is going to be for the gaming markets to help to provide for the level of underpinning for the financial certainty for investment cycles, we would see that Wrest Point and Country Club will continue to evolve as

multi-entertainment venues, attracting people for entertainment, food and beverage, bars, live music as well as gaming opportunities and first class accommodation.

We are beginning to see now that Wrest Point is evolving. We are certainly not sitting on our hands. The new revolving restaurant opened a couple of weeks ago, which is a really classic new space. Levels 15 and 16 of the tower have been totally refurbished to a really high and exacting standard. We will be introducing an absolutely first class Asian restaurant in Wrest Point on 1 October through the owners and operators of Mee Wah. We have a variety of plans rolling out from there for further enhancement of products at Wrest Point.

CHAIR - Thank you for that. We appreciate the answers you have given us regarding Federal.

We would now like to welcome the THA members to the table as well and we will go on to their submissions.

Mr STEVEN OLD, GENERAL MANAGER, TASMANIAN HOSPITALITY ASSOCIATION AND **Mr PAUL JUBB**, CHAIR, TASMANIAN HOSPITALITY ASSOCIATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you, gentlemen, for being here this morning. We received a submission from the THA and Federal late yesterday afternoon but most of us were still in the Chamber, so this is an opportunity for you to talk it through. I understand, Paul, that you have to leave a little early but we are scheduled to go through to 11.30 a.m.

Mr FARRELL - We thank you for the opportunity to be able to present jointly this morning. I have asked Tasmanian Hospitality Association president Paul Jubb and CEO Steve Old to join Daniel and me. You have received a copy of the joint submission from the Federal Group and the THA that outlines the proposed model for the future of gaming beyond 2023.

We recognise there are many views about how gaming should operate after the expiry of the current licences. I believe what we are putting forward today is a model that will ensure gaming achieves the right balance for the community and the Government and has the support of the THA and the Federal Group.

In our original submission we outlined the long and proud history of our company in the delivery of gaming. The Federal Group held the first-ever casino licence in Australia from 1973 and has held exclusive licence for gaming in Tasmania now for 44 years. We believe all our gaming businesses, including the casinos and Network Gaming, have done an excellent job in delivering responsible and sustainable gambling services to Tasmanians.

We now have over 2000 Tasmanian employees in our diverse businesses around the state. However, we recognise that there has been a push for change to the structure of the industry by both the Government and the THA. We noted the THA's original submission outlined the removal of the exclusive licence currently held by Network Gaming. The THA has made a strong case for a direct venue licensing model similar to that which exists in other states and jurisdictions in other parts of Australia.

The THA and Federal have reached a united decision to advocate for this proposed model for Tasmania from 2023, which would end the exclusive licence of Network Gaming for the operation of EGMs in hotels and clubs and would increase the returns and capital values of Tasmanian hotels and clubs.

Under the proposal, Federal would retain the licence to operate the Wrest Point and Country Club casinos and the game of keno statewide, consistent with the Government's structural framework. Through Network Gaming, we would also continue to deliver monitoring services and provide to the Government probity in the system and the payment of taxes and fees, as well as offer a range of discretionary value-added services.

Under the proposal, Federal Group would continue to be a major player in Tasmanian gaming, hospitality and tourism sectors. We would have certainty regarding our casinos licences

and competitive tax treatment compared to other regional casinos. This would allow us to make the necessary investments in these important pieces of tourism and hospitality infrastructure.

We would retain Network Gaming as the company that manages the game of keno throughout the state and monitor gaming machines, as well as provide a range of value-added services. This would protect the jobs of 30 Tasmanians.

We would also continue to own community hotels and retail liquor outlets throughout the state and, importantly, we would remain a major employer in the Tasmanian tourism industry for our existing world-class assets including Henry Jones Art Hotel, Saffire, Freycinet and the MACq 1 Hotel.

This model would provide the company with the level of certainty post-2023 and support the jobs of over 2000 Tasmanians directly and many more indirectly. I would now like to ask the THA to discuss the proposed model from their perspective.

Mr OLD - A number of weeks ago discussions with Greg Farrell and Daniel Hanna from the Federal Group took place about the future of gaming from 2023. The fact that this committee was put in place by the parliament last year to look into these matters was the catalyst for these discussions taking place. From the range of submissions and evidence presented to the committee it is clear that there is likely to be a change in the gaming arrangements from 2023, when the current licence arrangement will end.

On behalf of the association and the members of the THA with gaming, I entered these discussions openly to see if there was a possibility of agreeing on a joint position for the industry. The main aim on behalf of my members was to secure a better deal for venues with gaming machines - that is, pubs and clubs. We have put in a submission to this committee that outlines our preferred approach to the licensing of gaming from 2023.

We acknowledge the positive way that the Federal Group, through Network Gaming, has managed gaming over the last 20 years. However, our preference is for the current arrangements to end, and for each hotel and club with gaming machines to be directly licensed by the Tasmanian Liquor and Gaming Commission and to have the ability to make their own decisions about how they finance and structure the gaming operations within the rules set out by the legislation and commission. This would bring Tasmania into line with all other mainland states and territories with wide-area gaming and, according to the research conducted for us, lead to increased investment and employment in our industry.

The THA was also very aware of the principles and policy position set out by the Tasmanian Government in their structural framework document. The THA supports these principles and policy positions. The discussions with the Federal Group have centred around delivering a better outcome from 2023 for THA members while also delivering on the principles and policy of the Government.

I am very happy to say that we have recently reached an agreed position to present to you today that is a very good model that would have the strong support of the THA. This model that we are discussing today is a direct venue licensing model that significantly increases the returns for hotels and clubs. By reducing Network Gaming to a licence monitoring organisation Tasmania could have a similar arrangement for licensing of gaming as other states and territories.

This proposed model would allow hotels and clubs with gaming machines to have far greater control over their gaming operations. As well as increasing the returns and the control for hotels and clubs, this arrangement will also transfer capital value from Network Gaming to the venues themselves. This will deliver a significant increase for each and every gaming venue in Tasmania, allowing them to make greater investments, employ more Tasmanians and deliver new and better services to locals and visitors. This proposed model is also very consistent with the principles and policy position put out last year by the Government in their post-2023 gaming structural framework.

The THA supports a reduced cap on gaming machine numbers and a new community interest test. These initiatives will add further protections to a system that is already delivering high levels of player protection. Importantly, these improved returns to hotels and clubs will not be at the expense of the community. The Tasmanian Government will receive no less taxes and fees than they currently do from gaming. The improved returns to hotels and clubs will be as a result of significant reduction in returns to Federal Group through Network Gaming. However, Federal Group will continue to be an important player under this model as the operator of Wrest Point and Country Club casinos, as the licence holder for keno, as the monitoring operator for gaming in hotels and clubs and as the owner and operator of Vantage Group's gaming hotels.

This model also has a seamless transition on 1 July 2023. Hotels and clubs with gaming would move to the new arrangements and be directly licensed by the Liquor and Gaming Commission for the number of machines they operated on 30 June 2023 and pay an annual licence fee based on the number of machines they are licensed for. This transition will avoid the uncertainty and dislocation that occurred in some other states where venues were selected through a highly disruptive tender process. The THA and its members strongly endorse this as a good way forward for the industry and we believe also for the Tasmanian community.

CHAIR - Thank you. I might start with a question regarding the Government's role. When they presented to us some time ago the Government said they were open to all recommendations from the report and this committee, also acknowledging that they were looking at other models as they outlined in their terms of reference. When Federal and THA got together to come up with a model, had you had a conversation with the Government or Treasury about the model and whether it was going to weigh up? I want to know about the relationship there. Have there been any discussions with government?

Mr FARRELL - From the perspective of the Federal Group, we took into account the Government's own March 2016 ministerial statement and the terms of reference of your committee. We have not taken any discussions with government whatsoever in formulating the basis for the model that we then proposed to the THA as being a workable solution.

Mr OLD - I meet with the Treasurer, Mr Gutwein, continually as I do the minister responsible for hospitality, the Premier. I have met with the Treasurer over the last couple of weeks about a raft of issues. One was that I said 'We are in discussions with Federal looking at a position.' He made it clear to me at the time that he looked forward to hearing it through the parliamentary committee because that is what he set it up for. We were making him aware we were coming to the committee with a proposal. That is the discussion we had.

CHAIR - That is fine.

Mr OLD - I appreciate the question. It is one we need to put out there because, let's us be honest, there were a lot of fallacies put out yesterday in this House. There were a lot of comments made by certain members of the parliamentary process that were unfounded. I would like to see some of those people put them on record outside this parliament. They seem to take some parliamentary privilege in slugging off individuals and operators, which is unfairly done inside this House. I would like to see some of them take the comments outside and put them on record. Some of it was all false and it is highly offensive.

Ms RATTRAY - I would like to say it was not the Legislative Council.

Mr OLD - No, it was not.

CHAIR - We have determined there had been some discussions but more of as information given, which is fine.

Greg, you would have been there in 2003 when you had the discussions with the then government about the contract. Say, in 2023, do you then take this proposal to the Government and Treasury and you might have 45 per cent and they say, 'That's not suitable. It doesn't cut the mustard with us.' How does that process work, in your experience?

Mr FARRELL - We try first to understand what the key requirements are. The model had to produce an outcome where the Government was no worse off. It has done that. The model needed to produce an outcome that, in our view, showed licensed hotels and clubs were better off and the model does that. The model needed to ensure that the casinos would be competitive into the future and the model does that. The model also assures that the game of keno remains part of the network gaming franchise business, which helps underwrite the protection for the 30-plus employees and is a viable cornerstone for that business to offer licensed monitoring services to that business.

We have tried to make understood the ingredients that would need to come into a commercial consideration. We believe what is proposed very much does that.

CHAIR - We have not had a lot of time to go through it.

One of the terms of reference was regarding player protection, harm minimisation. Has the way you have approached this model responded positively to what you have been hearing in the community where there has been alarm about some of the numbers? Is this model different to the one already in place regarding funding and strategies regarding harm minimisation?

Mr FARRELL - This model recognises the ministerial statement, the reduction in gaming machine numbers. It does not introduce any further harm minimisation measures on venues.

Dr HANNA - It recognises those two things that the government structural framework had in it, which was reduce machine numbers and a community interest test for new venues.

Mr OLD - Two other processes are going on at the moment: the draft changes to the mandatory code and the community interest test processes. Those two, with this process, add up to looking at the harm minimisation practices. One of the big focuses for us is going to be the draft mandatory code changes. That is about harm minimisation; that is what the whole draft

mandatory code is about. That process has just been put out for draft again, as you are probably aware. That is one of the key areas that looks at the harm minimisation side.

CHAIR - With the fourth SEIS coming in?

Mr OLD - That one going as well, sorry, Chair.

CHAIR - The number of reports we have been getting has been interesting for this committee. I will ask for any other questions around the table and then perhaps you would like to talk more specifically after the questions to some of the main parts of the actual submission.

Mr BACON - The Treasurer said yesterday and Guy Barnett, the Minister for Resources, said on the radio this morning that the licence will go out to tender. Under this model is there anything left of value to go out to tender?

Mr FARRELL - This model doesn't propose a tender. This model proposes that venues that are licensed to have gaming machines in 1 July 2023 would retain the licences to hold gaming machines.

Mr BACON - Under this model there is no chance of a tender at all?

Mr FARRELL - There is no tender, however, there is also no longer a single licence holder for the network. In the event that you held a different model and you decided you want to retain Network Gaming, or a company such as that, you may decide then that you would want to tender that licence on a certain set of terms and conditions. However, that licence is actually rescinded, so there is nothing to tender.

Mr BACON - Effectively, if the Government does want to be true to its word it would have to make changes to the model that you put forward or not accept the model you put forward?

Mr FARRELL - No, I don't think that is true, Scott. I believe the Government said that it was going to assess market-based mechanisms for the operation of gaming machines beyond 2023. It said it was agnostic as to what that outcome may be. It may be another licence operator, such as Network Gaming, that would continue to provide a range of services similar to what Network Gaming does, or it could be a venue-ownership model, which is what we have proposed.

Mr BACON - The Treasurer said yesterday in *Hansard* that for the first time the licence will go out to tender. That is in conflict with what you have put forward.

Mr OLD - This proposal is to this parliamentary committee, through you Chair, through this process. We haven't put this to the Government, Scott. We have put it through the parliamentary process, which is the process to follow. I guess the end result will be your parliamentary committee, Chair, will report by end of September and then we will see where that goes. The proposal is not with the Government to answer at the moment, quite frankly. We are following the process to come to you and respect that process.

Ms RATTRAY - The Government doesn't have the recommendations, does it, or any of the finding as yet.

Mr OLD - Again, this is a proposal to this committee. It is then up to you how you report back on stuff. We appreciate that process.

Mr ARMSTRONG - You say that if this proposal is implemented it will deliver a stronger future for pubs and clubs and make them much more profitable. Are you able to quantify the extra jobs and investment this proposal will bring? Could you tell the committee what the current job numbers are in community pubs and clubs?

Ms RATTRAY - We've heard about 15 different numbers. I'm totally confused.

Mr OLD - In fairness to the five of you on this committee, we will put our view on the data we get from our members. You guys make a judgment on where you want to take it.

A report was done in 2009 called Australian Hotels: More Than Just a Drink and a Flutter, which was done by PricewaterhouseCoopers. It talked about each different state and territory around Australia from a national point of view. It talked about the jobs in pubs. It did a survey and talked about what the job rates were in pubs with gaming machines and without gaming machines. It was just under double the amount of employment in venues with gaming machines to non-gaming machines. If you translate that it would probably be over 1000 jobs directly.

We've been quite frank and open about this to this committee from the start. We want to see pubs and clubs be the licensed operators of those machines; we don't want to see a third party entity. Increased revenue to hotels and clubs means they can invest more, especially in regional areas. Regional areas are doing it extremely tough at the moment. A lot of our pubs are doing it extremely tough at the moment. What we want to see is that revenue go to those venues.

What you have to understand, too, is that the venues are the ones that do harm minimisation; they run the self-exclusion program and do all that stuff. It is a responsibility of the venue and their staff and the owners to do that. It will still be that. Now they will receive further income for that, but then they are going to have to meet further obligations under whatever the parliamentary process puts forward. It will have a huge impact on our jobs. I am happy to touch on some other comments that were made.

One of the members might ask me the question in a minute so I won't go too far in relation to things about the industry looking for staff. It will have a huge impact. The PricewaterhouseCooper report is available through our AHA site.

CHAIR - Just on that, we heard from the Liquor and Gaming Commission last week, Jenny Cranston. I am not trying to verbal her but she thought that some of the pubs and clubs didn't actually realise what they were getting themselves into being owners of EGMs and doing that assessing and whatever. She highlighted that she thought a lot of them perhaps weren't really across the additional problems that might exist with going down that model. What have you looked into?

Mr OLD - I'm not having a go, Chair, but I'm not sure what she bases that on, because I'm not sure if she goes out and chats to individual operators, so you might have to ask her that question. Under this model if a venue wants to have, say, Network Gaming or Tabcorp services who do the different range of services for gaming venues, they can still do that. That is a key thing. The proposal we're putting forward under this is getting rid of let's call it the middle player, to be totally frank. It is putting it back to venue ownership between government and the

individual operator. In relation to how you deal with the processing of your machines, if you are a venue that wants to run the whole thing yourself do your own marketing and all that sort of stuff, you can do it, or if you want to do a fee-for-service out to another one of these providers, whether it be Network Gaming or Tabcorp, just for instance, if any of those want to do it, it is available for that to be done.

As in the Victorian market, what always happens is if the market goes that way and says it is going to go owner-operator, there will be other businesses come out of the woodwork that will come in and say they can offer these range of services to your business.

Ms RATTRAY - You still put back the middle person, though.

Mr OLD - They don't put back the middle people, all they're doing is certain things like marketing and those sorts of things for your business.

Mr JUBB - It will be no more onerous for the venue than what they are currently doing, because under that model Network Gaming does all the monitoring so it will be purely decision-making on how they want to run their business.

Mr OLD - Someone has to do the monitoring. Whether it is Network Gaming or 'Scott Bacon's Gaming Services', someone has to do the monitoring of the system. That's what has to happen in the system. From comments that have been made to the committee over a long period of time, and I think it was also said this morning, Network Gaming as an entity, as a business that goes out and patrols, has a very good reputation for the work they do and that needs to be put on record. From a Network Gaming perspective, which is the monitoring of the machines, et cetera, it has been well respected and there is a good relationship between them and the vast majority of members.

Mr JUBB - They performance manage their own room machines, as opposed to having that third-party performance management.

Ms DAWKINS - Just thinking about compliance issues and Liquor and Gaming, considering that most of the reports presented to us show a net loss to Tasmanians in general between how much it costs to look after problem gamblers and revenue to the state, this model will mean increased costs for Liquor and Gaming. How do you countenance that and how have you addressed that?

Mr OLD - I'm not sure how it would raise the costs for Liquor and Gaming.

Ms DAWKINS - That's what Liquor and Gaming said today. They made an earlier response to say they think it's problematic and they're concerned there would be increased costs to them to be able to monitor and manage this program.

Mr OLD - I didn't know they had said that, Andrea. The other thing is I'm not sure when they would have seen it. We haven't handed this proposal to them yet, so I'm not sure -

Mr BACON - They were talking about other states, particularly Victoria, where it is a lot harder to do the compliance and they needed more resources.

Mr OLD - There has been no suggestion to me throughout this process that it would be more expensive, but we're happy to look into that, Andrea.

Mr JUBB - The compliance is with Network Gaming.

Ms DAWKINS - It's about the enhanced cost to them to be able to ensure that the compliance all the way from Network Gaming through to the individual machine owners is correct, because at the moment they only deal with one entity.

Mr OLD - Federal would do that monitoring.

Ms DAWKINS - I understand that they will do the monitoring, but the owners are still stakeholders in this and Liquor and Gaming still have to ensure that that end is done well.

Mr OLD - They already have to do that anyway, so it is no different. If there is a question that you want us to answer later on, we're more than happy to.

Ms DAWKINS - I assume they would be doing their own modelling on this once it has been presented properly, if that is one of the ramifications.

Mr OLD - In fairness to you, Andrea, the committee and them, the proposal was dropped to you only yesterday, so we expect there will be some questions coming out of this as well.

Mr JUBB - Right now the licence holder is Network Gaming but in the future model the licence holder is the venue, so the venues would be extremely aware of ensuring they meet their own obligations, because if they don't it is at the cost of losing their licence.

CHAIR - I think that was what Jenny was referring to - the fact that if it did go there may be more intense monitoring because each venue has its own bailiwick. At the moment it is across the board and they can manage that because they have a systematic way of going about each venue, but if it becomes an owner-operator they were concerned that was going to stretch their resources and that is something they will have to discuss.

Mr OLD - That is a good question. That is one that, as a committee you will have to look at it and talk to Treasury about.

Mr JUBB - They are already doing in-venue compliance. As an operator, I can't see where they can just -

Ms DAWKINS - One general question for you, Mr Old. I have been interested in following this debate about the skills shortage in the hospitality industry. It is my industry and I have been in it for 25 years.

Mr OLD - I would love for you to come and meet with me, Andrea, and I look forward to the first meeting.

Ms DAWKINS - How do you countenance your response to the Mangan report that there would be a great loss of jobs in the industry if poker machines were removed from pubs and clubs while at the same time we have a huge shortage of workers?

Mr OLD - It is a good question because Tasmania's unemployment rate in June 2017 was about 5.8 per cent and youth unemployment at about 15 per cent, yet we cannot find people to work. Our question is: does the job network actually work, does it help people find work? When you own a profiting system of getting job network agencies to get paid, depending on the level of disadvantage of the job seeker, how we have that system. The questions we are asking is how do you have an unemployment of youth at 15 per cent when you have an industry crying out saying they have jobs? We are saying there should be a way the job network works with our industry.

One of the tasks we are doing with the state Government and the minister responsible for hospitality, the Premier, at the moment is working on a strong workforce development plan. In fairness to Scott Bacon, as previous minister responsible for hospitality, we were working on the same workforce development plan and how we find and get hospitality seen as a career young people especially want to get into. When you have an unemployment rate of 15 per cent, I suggest there are a lot of people out there looking for work. We have the jobs. We are asking how we get these youth into these jobs.

Ms DAWKINS - My question went to the comment you made that there would be an enormous amount of unemployment in the industry if the Mangan report was considered by this committee.

Mr OLD - We would lose jobs in our industry. We do not want to lose jobs in our industry.

Ms DAWKINS - How would you lose jobs if there is a huge amount of jobs available in the industry? Wouldn't people go from that job to another?

Mr OLD - We would lose over 1000 jobs potentially or more if gaming was taken out of the industry.

Ms DAWKINS - They're disputed figures on some of the reports we have and I am sure you have seen the great variation.

Mr OLD - Yes, that's right. I can show you the data we have through surveys we have done with our members that there will be a high level of job losses. In fairness to you, that is a decision for your committee to make. The one thing I can tell you is that we talk to the operators who do the employment and they say there would be massive losses. The PricewaterhouseCoopers' report goes into detail for every state and clearly states some of the impacts. It clearly states what pubs and hotels, especially in regional areas, do for their communities and it will be massive impact.

CHAIR - Would you like to table that report?

Mr OLD - I can if you want, Chair.

Ms RATTRAY - I have not had a long time to look at the report, as other members have indicated, but it appears to me from what I have read and heard already that if this model was taken up, the venues would get more money and there would be no less money coming to the state, so that can only mean the Federal Group will be where the loss of income comes. Can I have that explored a little? I'm not sure how that works but is my assumption right?

Mr FARRELL - Yes, that's true. There is a transition of a significant part of the value of Network Gaming to licensed hotels and clubs. In some respects Network Gaming's revenue,

which is around \$30 million, would dissipate. About \$15 million of that would be recovered by the Federal Group by way of two means. One would be through the reduction in the tax rates in the casinos and the other would be through its share of the network revenue through Network Gaming, which still leaves a substantial reduction in the Federal Group's revenues. We would need to ensure over the next six years that we are managing the businesses appropriately to be able to absorb that.

Ms RATTRAY - So you would need to re-look at your business model as well?

Mr FARRELL - Yes, very much so.

Ms RATTRAY - I was right, that is pretty much what it means.

Mr ARMSTRONG - We received this document only yesterday. How do the tax rates that you are proposing, inclusive of the CSL, compare with other states?

Mr FARRELL - The tax rates are very competitive with the tax rates in other states, the hotel industry, clubs, and also for the casinos. I will ask Daniel as he has the table.

Dr HANNA - We laid out the tax rates in the submission on page 68. Under this proposal the tax rates in the casinos on EGM would be consistent with other regional casinos around Australia.

Mr FARRELL - Toowoomba, Cairns and Townsville.

Dr HANNA - Cairns and Townsville and I think the Northern Territory as well. They are around about the 20 per cent mark in regional casinos. If you look at the rates paid in hotels and clubs across the country, what is being proposed is in the range. It is reflective, if you like, of the tax arrangements that are in place in other states and territories where they have wide area EGMs and casinos operating, particularly where there are regional casinos, such as in Queensland.

Ms RATTRAY - It has been suggested that there should be the equivalent of the RSA for anyone who works in venues.

Mr FARRELL - There is.

Ms RATTRAY - That already occurs?

Mr FARRELL - Yes, you can't operate without it.

Ms RATTRAY - You get a certificate and everyone goes through a harm minimisation type of module -

Mr FARRELL - Module workshops.

Ms RATTRAY - where they know how to identify, and they all get accredited.

Mr FARRELL - Or they can't work.

Mr JUBB - The Liquor Licensing and Gaming monitors it. You have to run a log and they monitor those logs to make sure of the personnel who are operating at that point. They walk into the venue so you need to be licensed for keno and then a licence to operate gaming machines. You need to have your Responsible Service of Gaming and then you need to be logged on at all times by your operator. That is subject to audits.

Ms RATTRAY - Not everybody who works within your venues -

Mr FARRELL - Everyone who is involved with gaming, keno or gaming machines.

Mr JUBB - You could have a bar attendant who could serve liquor but can't serve gaming, if he or she is not licensed.

CHAIR - I understand from your submission that Network Gaming would continue to hold the monopoly on monitoring functions and just the value added services would be opened up to competition. Is that part of this new submission?

Mr FARRELL - That's correct, yes.

CHAIR - It seems that revenue will be reduced under the new model in the favour of the venues getting a greater share, but it i's Network Gaming that will take a hit not Federal itself.

Mr FARRELL - Network Gaming is a 100 per cent entity of Federal Group.

CHAIR - Yes, difficult to know what the net position will be for Federal.

Mr FARRELL - I previously commented to Tania that, on a gaming revenue, it is minus approximately \$15 million.

CHAIR - You mentioned Townsville, Cairns and the Northern Territory. What are the other rates on EGMs in the other hotels? You mentioned it would be comparable. I suppose when you go to Treasury or Government, when you go into that space, they will be looking closely at your statistics, percentages and whatever. Would they say that the other casinos, Adelaide, Melbourne, Perth, would operate around that same 20 per cent margin?

Mr FARRELL - In some respects it is the difference between capital city and regional casinos. There is no way you can compare Hobart to Crown Casino, and no way you can compare Hobart to Sydney Star Casino or Gold Coast. We believe that the only reasonable comparison is regional centres in which they have to compete, attract customers and staff, and create marketing.

Dr HANNA - And operate in markets alongside hotels and clubs that also have gaming.

Mr BACON - In terms of the change of the tax rates, is the Vantage Group factored into your \$15 million calculation?

Mr FARRELL - Yes, it is. The Vantage Group's viability would be enhanced as a result of this, as would every other licensed hotel and club. The average value of a Tasmanian hotel and club, post 2023, on this basis, would improve by about \$1.5 million. That has been our model and it has been independently verified.

Ms DAWKINS - You did not include the CSL in casinos in your submission. I guess that is not unsurprising. Would you consider?

Mr FARRELL - No. As we have touched on earlier, the CSL is part of a taxation income that is hypothecated. The Government has chosen not to take taxation funding from the company to the likes of a CSL. What it has chosen to do is take from the 39 per cent for hotels and clubs and hypothecate 4 per cent to the CSL and 2 per cent from clubs. We do not believe there is any reason to do otherwise with the new model.

Ms DAWKINS - It seems unfair if the pubs and clubs have to pick up the whole amount for what goes into helping support the problems gamblers in Tasmania. Your company does very well out gambling and should be chipping in to help some of the people who are affected.

Mr FARRELL - The company supports a whole range of causes apart from those directly funded through CSL. As you are well aware, a portion of the CSL goes towards problem gambling; but a significant proportion of CSL goes to Neighbourhood Houses and other functions. It has no relationship with problem gambling.

Ms DAWKINS - Neighbourhood Houses have a big relationship with problem gambling because a lot of people who find themselves really down on their luck are there because they are addicted to poker machines. There is a very close relationship.

Dr HANNA - We have said in our submission that we support the Neighbourhood House program. What we have questioned is, why is that coming out of the community support levy? That should be for a program that is funded out of general government programs.

Ms DAWKINS - Welcome to the world of the environmentalist, if you are worried about where money is spent.

Dr HANNA - It could be a choice for a future government to hypothecate some of that 20 per cent towards the CSL. That would be an option for them to look at.

CHAIR - The model does not propose individual machine licences; it appears it is proposing a single venue licence. Is that correct? That 'entitles a fixed quota of machines'.

Mr FARRELL - What the model is saying is that a venue that held 30 gaming machines on 1 July 2023, would then hold the licence for 30 gaming machines for that venue. They would then be paying annual licence fees of \$1000 per machine per annum, indexed into the future to continue to maintain [10.54.28 their licence????]. In the event that the machine numbers reduced over time, rather than paying that \$1000, it would be \$1000 less or \$2000 less.

CHAIR - That helps, I understand.

Mr FARRELL - It was straightforward and very clear to both the Government and the venues as to the cost relationship for changing from Network Gaming, which currently pays the licence fees. Currently, there are some \$3 million paid in licence fees, which is somewhat consistent with the number of gaming machines. The new model allocates the licence fees paid by Network Gaming and the Federal Group across all gaming machines in the state, which we feel is a far more reasonable way of having that cost recovered.

Dr HANNA - Likewise, Wrest Point and Country Club would pay the same fee per machine per year as a licensed venue.

Mr FARRELL - They will be paying over \$1.1 million a year in licence fees.

CHAIR - Paul, I know you have to leave soon, so do you have any comments you would like to add to the discussion?

Mr JUBB - Not really, it has all pretty much been covered. We've had robust discussion with the Federal Group about this outcome and generally our membership would be happy that this is the direction they set us in.

Ms RATTRAY - To have more direct ownership of the machines?

Mr JUBB - Yes, more responsibility.

Mr OLD - They respect that it comes to this committee for proposal and the committee will report and we will go from there. We respect that process and that is what we are doing.

Ms RATTRAY - What about the 22 venues that are not members of your organisation? Have you had a conversation with any of them? I don't know, but are they big, are they little, are they spread out?

Mr OLD - They are a mixed range of venues but to be honest, we don't have a conversation with them. My role is to represent my members and that's what my job is. Gaming is just a small part of what we do. Even though it gets fantastically big media coverage, in my day-to-day operations gaming is a very small workload for me. It's about all the other things we do for our restaurants, cafes and clubs and stuff. We engage with our members just like everyone else. We don't engage with non-members. Not being rude, but my members pay a fee for me to represent them and that's what I do.

Mr JUBB - Quite a few of them fall under the Dixon banner.

Ms RATTRAY - They'll know what's going on.

Mr JUBB - We have had discussions with those guys.

Mr BACON - So the Dixons are not members of the THA?

Mr OLD - The Dixon entity, if you can call it that, Scott, own a raft of pubs and the vast majority of them, as we understand it, are leased out. They own the pub, they lease to you and you run the venue and they say, 'We own the bricks and mortar, we don't own the venue', and it's up to the individual person who leases the venue to be a member or not. We have a few of them, but there are some we don't have. Again, it is an individual operator's choice whether they want to be a member of any association, just like ours.

Mr BACON - So of the 90-odd venues there are 22 that aren't members of the THA?

Mr OLD - Yes.

Ms RATTRAY - According to my numbers.

CHAIR - If we have any more questions regarding the model we need to be able ask them as part of this hearing process, so I will put that on the table. Once we've had a chance to closely look at it there may be specific questions we want to ask about certain aspects of it, so we will probably go through Daniel with that to then go through to you guys, because it would be helpful for us to be able to have that capacity.

Mr OLD - Would you like us to get the PWC report to you as soon as possible, or do you want to wait for the other questions to come from the committee?

CHAIR - I have nothing to do between 1 and 2 today, so if you could send it as soon as you can that would be handy. Any more questions?

Mr BACON - I have one around the 30 machines once we get to 2023. Federal said what they expect to happen with those 30 machines, but does the THA see any issue with getting those 30 machines down?

Mr OLD - We have never controlled where the machines go. We don't have any say in it whatsoever and it is not envisaged in the future that we would do that.

Mr JUBB - I think you will find with the venues once it gets closer to assuming that ownership position that they will be closely monitoring how many machines they need. They might be a 30-machine venue at the moment and it might drop back to 25, or they could be a 20-machine venue that drops back to 15. I think you will see them pay a lot more attention to that as we get closer to the time.

Mr BACON - It just seems that if you are going to have the machine up until 1 July 2023 and then you are going to be able to have it forever afterwards, there is large value in those machines.

Mr OLD - Depending on what the licence fee is structured for that.

Mr JUBB - I think post-2023 you will still see machines surrendered back into the pool. It's not a drop-dead date.

Mr BACON - So you don't see a potential conflict between the two parties of the agreement around those 30 machines?

Mr FARRELL - In some respects we don't expect gaming machines to turn around overnight and suddenly go back into huge growth. The gaming machines are between very viable, partly viable and marginal for venues, depending on -

Mr BACON - Where they are located.

Mr FARRELL - Yes, and how many they've got. You could go from being marginal to viable by reducing them by two.

Ms DAWKINS - With a state election coming up, will you be making any political donations?

Mr FARRELL - Andrea, I think the company has made political donations at every state election I have been involved in.

Ms DAWKINS - I'll take that as a yes, then.

Mr FARRELL - The reason we have made political donations - normally to both major parties - is to help both parties articulate their policy positions to the electorate. We have never made any donation to anybody on the basis of wanting anything from anybody.

Dr HANNA - We fully declare those, too.

Mr FARRELL - We will continue with the practices that we have in the past whilst they are able to be undertaken.

CHAIR - Thanks very much for presenting again. We will need some time to assess it all. I really think the community is pleased that the THA and Federal have got together to come up with a way that they see it going forward and have put something on the table. Thank you.

Mr FARRELL - I would like to thank you very much for the opportunity to be able to attend today with the THA. We believe it is very much in some respects taking some responsibility for our own future and certainty. We welcome the opportunity to be able to address any further questions you may have emanating from our paper.

CHAIR - I have to put on the record that we have had approaches from advocacy groups and whatever asking for some leniency to put submissions in consistent with what we had last week, but from our point of view, time is getting quite short for us to get the report completed. In a perfect world if this submission had been in we probably would have sent it off somewhere to have that looked at intensely before we do our report, but we may not be able to have that time, but we will have to see what we can do. Thank you once again.

THE WITNESSES WITHDREW

Mr ROD WHITEHEAD, AUDITOR-GENERAL, **Ms NATALIE VERDOUW**, ASSISTANT AUDITOR-GENERAL PERFORMANCE AUDIT SERVICES, **Mr SIMON ANDREWS**, MANAGER PERFORMANCE AUDIT SERVICES, **Mr DANNY MOORE**, PRINCIPAL PERFORMANCE ANALYST AND **Ms BEVERLEY PASANEN**, PRINCIPAL PERFORMANCE ANALYST, TASMANIAN AUDIT OFFICE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - As you are aware, all evidence taken at this hearing is protected by parliamentary privilege but that is not afforded to you once you step outside the committee room.

Thank you very much for attending. We have had an interesting morning and I am pleased that you have been able to come and discuss with us, and present, the report on gambling revenue and managing harm from gambling done by the Tasmanian Audit Office. What usually happens here is we ask for an overview but in this case I am more than happy for you to go into depth on this because some of us have heard the presentation but members of the community may not have so it is good to get that on record, and then we will ask you questions at the end of it.

Mr WHITEHEAD - Thank you, Chair. Most of my comments will relate to the report we prepared and tabled in parliament relating to gambling revenue and managing harm from gambling. This particular report was tabled on 22 June 2017.

It covers a number of topics, the first of which is the collection of gambling taxes, levies, fees, penalties by Treasury - the Department of Treasury and Finance - the collection and distribution of the Community Support Levy and the Department of Health and Human Services and the Department of Premier and Cabinet's management of grants and activities that are funded under the CSL.

We assessed whether or not the CSL-funded activities to reduce harm from gambling were producing the intended outcomes and we also looked at whether the harm-minimisation measures in the mandatory code for responsible gambling were operating in compliance with the Gaming Control Act.

The conclusions and finding we made in the report were that Treasury was effective in collecting the dual amount of gambling revenue and Community Support Levy under the Gaming Act; the CSL had been distributed in accordance with the act; and generally the grants and activities that were funded by the CSL were managed effectively by the Department of Health and Human Services and the Department of Premier and Cabinet but there were some areas of improvement that were identified.

First, for the Department of Health and Human Services we recommended that there be improved monitoring, risk assessment and acquittal of grants to charitable organisations. For the Department of Human Services we recommended that they establish appropriate performance measures and targets for the Gamblers Help suite of services, and for the Department of Premier and Cabinet we recommended that they improve documentation over the risk assessment process for major grants.

We were unable to form a conclusion on whether the CSL-funded activities actually reduced harm from gambling because whilst there are established targets and measures for each of their

activities, there was an absence of reliable information that measured the impact the programs had on reducing harm.

Ms DAWKINS - Absolutely, and especially if we can't quantify whether any of the programs we've put in place to help problem gamblers are working. They are not benchmarking; you have to have KPIs. This has also been consistent through this study. We are in a position where we don't know if it is working. Do you have anything to say about that?

Mr WHITEHEAD - Our report concluded that we weren't able to form a conclusion as to the effectiveness of particular programs. The evidence that we have provided to us from the audit was that the funding provided under the community support levy was the only funding that most of the entities received to help address harm arising from gambling. The total of that particular community support levy is \$4.6 million. Of that, a quarter of it goes to sporting organisations, a quarter to charitable organisations and only half of the \$4.6 million is directed towards activities related to minimising or reducing the harm from gambling.

You are talking about \$2.3 million, broken down across a number of programs, one component of which is the Gamblers Help program. Another significant component is the community education program and funding is also provided to the Neighbourhood Houses.

Ms DAWKINS - Thank you.

CHAIR - You said that it is difficult to quantify, which has been consistent across Australia. Whenever we have gone to other places, talking to people who work on gaming support helplines have all said that it is really difficult. It is like peeling an onion, you start at a certain place - and then you get four months into the relationship and they say that gaming is an issue. So it is hard for them to quantify that sort of thing.

I know you have gone to reports and whatever. Could you outline when this started, the process you have used and which groups within Tasmania do you talk to? Do you meet with them personally to talk about their roles? I am talking about Neighbourhood Houses and that sort of thing. We have had people say, 'Do they help with gaming?'. A lot of people say that gaming is a problem when they have time on their hands and a lot of them go to the community houses and places like that for support and for interaction.

Mr WHITEHEAD - You have asked a number of questions there, Chair. Perhaps if I start at the start. The first question you asked was about the audit, itself, and the process that we went through and the organisations that we dealt with.

To start off there, this project started around September 2016 or thereabouts. This particular program was on our annual plan of work that we would undertake. We prepare an annual plan of work which we table and publicly release by 30 June each year. We have to give a copy to the Public Accounts Committee in the March prior to that and seek their comment.

This project was an audit that we had identified in that annual plan of work for the 2015-16 year. We commenced it in September 2016. As part of that process we identified people who we wanted to involve in what we call an advisory committee to help us in the conduct of the audit and also help us to identify the relevant questions we wanted to ask in conjunction with the audit process.

Following the meeting with the advisory committee, we develop what we call the audit criteria. Again, these are the questions that we are seeking to have answered during the course of the audit. Then we publish those audit criteria when we have landed on those so that people have visibility around the types of questions that we will be asking. We dealt with, predominantly, the Department of Treasury and Finance, the Department of Health and Human Services and the Department of Premier and Cabinet in respect of the elements of the audit that I have outlined.

Previously in terms of the activities related to gambling and minimising harm from gambling, we have predominantly dealt with the Department of Health and Human Services. In dealing with them, they referred us to various other community organisations.

We had a representative from Anglicare on our Audit Advisory Committee to help guide us in terms of the conduct of the audit and also to confirm the findings of our report and provide input into our findings and conclusions.

We are aware that Relationships Australia provide services under the Gamblers Help program, particularly around the face-to-face services. We are aware that there are a number of other entities involved in the Gamblers Help program, particularly the online program and phone help program provided by an entity called Turning Point, which is based in Victoria. They provide services on a national basis and Tasmania taps into those services. Also the Neighbourhood House Program, which you mentioned. We had some interaction with the Neighbourhood Houses to ask the question that you asked: to what extent do they provide services that are related to providing support or helping reduce the harm from gambling?

It should be recognised that that is not the primary intent of Neighbourhood Houses. They play a fairly broad role in the community to the extent that they are able to assist people in dealing with gambling problems. They do that. One of the main aspects of their services is to provide a venue for people to go to, whether it be for social activity or other diversional activities, essentially providing an alternative for that person going to a hotel or club to engage in gambling activities.

Ms RATTRAY - Following on from that, you talk in your recommendations about Neighbourhood Houses being allowed it to better cater for the needs of a third place. The evening is when people are lonely and may choose to frequent a pub or a club. Is that what you are getting at - that Neighbourhood Houses might potentially open of an evening?

Mr WHITEHEAD - Correct. That was a recommendation. That's not to say that should happen, but that was a recommendation to say that they should consider whether they have the capacity to do that. We are aware that Neighbourhood Houses have funding constraints themselves, so it might not be feasible for many of them to contemplate doing that.

Ms RATTRAY - To operate on a volunteer basis as well.

Mr WHITEHEAD - To the extent that they had the capability to do that, then again that would provide that alternative venue for people with a gambling problem.

Ms RATTRAY - Do you think that's feasible, realistically? I am thinking about my Neighbourhood Houses. It sounds very nice, but achievable? I would think not. That's just me knowing the people in Neighbourhood Houses who undertake all the work; they have families too.

Mr WHITEHEAD - I appreciate that comment. Each of the Neighbourhood Houses is a separate incorporated association. To some extent they each have their own board of management that could make decisions on how that Neighbourhood House wishes operate. I acknowledge that there probably are resource constraints that they are each faced with. It is probably a question as to their ability to be able to do that and it comes back to whether it is a feasible recommendation.

If it is a question of funding, it could be a question as to whether or not there should be more funding provided to Neighbourhood Houses if it was perceived that this could be a way to help address problem gambling. That is a policy decision for government and an area that we wouldn't move into in terms of suggesting that the Government should do that. Therefore our recommendation is limited to saying that if Neighbourhood Houses did open of a night time then it might actually provide an alternative venue or third place for people with a gambling problem.

Ms RATTRAY - Food for thought. I will certainly explore that one a little more in my mind.

CHAIR - If you could elaborate on this statement. Section 3 says:

Harm minimisation measures contained in the code operate in compliance with the act.

You have made the observation:

The harm minimisation measures are operating in compliance with the act except Treasury's inspection program, although adequate, is behind schedule. The schedule includes 47 instances where inspections were up to 10 months overdue.

Can you explain what that means?

Mr WHITEHEAD - It means that to ensure compliance with the act Treasury has its own inspection program. They go around and inspect venues to make sure that they're complying with the elements of the code, looking at aspects like responsible advertising, offering of inducements, player loyalty programs, access to cash, payment of winnings, lighting, service of food and alcohol, clocks in the gaming areas, staff training to recognise people with gambling problems and player information. Their inspection program considers those various aspects.

In looking at the planned inspection program that Treasury was meant to have undertaken we found that there were a number of venues that they had not visited in accordance with their planned inspection program. We made the observation to them that at the time we inspected that program there were 47 inspections up to 10 months overdue. After raising that finding with Treasury, we understand efforts were made to then undertake those overdue inspections. There was evidence provided to us prior to tabling the report that a number of those inspections had been undertaken but we did not change the finding in our report because that was our finding as at that point.

CHAIR - Whose responsibility is it to go back and say in six months time whether they have completed the work?

Mr WHITEHEAD - There is a mechanism by which we can do that. We conduct follow-up audits of our previously tabled audit reports. We can do that in conjunction with the Public Accounts Committee. They might wish to follow up some of the recommendations and findings of our reports, but to the extent that they do not do their own follow-up we can do our own follow-up and report back to the Public Accounts Committee on what we have found. We table those follow-up reports in Parliament. We could follow up the inspection program as part of a follow-up of this audit.

The secretary of the Department of Treasury and Finance, Tony Ferrall, made a comment in response to the report and indicated that since the draft report was prepared, 24 of the overdue inspections had been completed, leaving 23 outstanding. Of the 47 inspections that were overdue at the time of the report, 33 of those inspections were less than three months overdue.

CHAIR - Do you have to be directed to go back and have a look at the 23 that have not been done?

Mr WHITEHEAD - No.

CHAIR - Do they have to report to anybody that they have been done or does it only happen every time there is an audit?

Mr WHITEHEAD - No. I suggest Tony Ferrall, as the secretary of the department, might now request updates as to the status of the inspection program. Given we have raised that as a finding in this report, that might have increased the awareness of the inspection program within the Department of Treasury and Finance. Similarly, they may have other internal audit activities that might also consider this point.

Ms RATTRAY - The Liquor and Gaming Commission would also undertake that role, so why would Treasury need to do the job they are already doing? I know Treasury has a fair bit on their plate and I do not know if they need to be roaming around Tasmania looking at venues when somebody else is already doing it under a regulatory framework.

Mr WHITEHEAD - There are some functions the Tasmanian Liquor and Gaming Commission delegate to Treasury and Finance to undertake on their behalf.

Ms RATTRAY - So they don't any of the inspections? Is it correct that the Liquor and Gaming Commission inspectors don't do that role?

Mr MOORE - They do. The fellows I went out with are from the Liquor and Gaming Commission but they are part of Treasury. We are talking about the Liquor and Gaming Commission as a component of Treasury. That is my understanding.

Ms RATTRAY - That is interesting, because we heard this morning from a representative of the THA that they are inspected.

Mr ANDREWS - Yes, they are inspected as -

Ms RATTRAY - But it's the length of time that is the issue - that they're not being kept up with?

Mr ANDREWS - Yes, that is right. Where there are licensed premises, they do the liquor and gaming inspections at the same time. The inspectors will go into a cluster of areas, such as the Huon Valley, they will do all the venues in that areas and then they will move onto some other area.

Mr MOORE - Another component is that the frequency of inspection is affected by the result of the inspections. They keep check sheets with scorecards that basically say if you were to have your security system inoperable or there is some major finding, that would increase your frequency of inspection and they will be back again in within three months. Despite that program of work, we found they had several inspections behind schedule.

Ms RATTRAY - Wouldn't the frequency of inspection compliance be something the Liquor and Gaming Board should be undertaking? Shouldn't they have that role to make sure that everyone is inspected in a timely manner?

Mr MOORE - The board runs the branch.

Mr ANDREWS - The branch has its visitations on a risk basis. When they do a visit they have a scoring system. If they score five penalty points, they will do the visits on a more frequent basis as opposed to what they are required to do, which is 12 months or so if they get less than five points.

Ms RATTRAY - It appears to me there could be a better system in place. I will have a think about that.

CHAIR - Is this the first audit of gambling revenue and harm?

Mr WHITEHEAD - I will have to take that question on notice, Chair. Given that my tenure with the Tasmanian Audit Office as Auditor-General has only been just under two years I would have to go back and check our records as to whether there has been an audit done in the gambling area in the past.

CHAIR - Where I am going is that, if you audited them in 2008-09, for example, whether there are similarities in what has been found here to previous audits.

Mr WHITEHEAD - I will ask Simon Andrews to answer that question, given his tenure with the Auditor-General's office has been a lot longer than mine.

Mr ANDREWS - I have been in the Audit Office now in a role associated with performance auditing in excess of 15 years and we have not done a performance audit on compliance that I can remember.

CHAIR - Now that you have gone through this process once, and given the importance it has with the Tasmanian community, would you now put it on your scope of works to do in five years time? How do you manage that process?

Mr WHITEHEAD - There are some audit topics that we revisit after a certain period of time. There are some common themes we might look at, for example, around state roads and whether they should be run or managed by the Department of State Growth or councils. This report covered a number of different aspects relating to gambling revenue and also managing

harm from gambling. If we were going to undertake another audit in this particular space we would probably only look at the areas where we either had an adverse finding or could not make a finding to see whether the situation may have changed in the future.

CHAIR - Once you get to the end of it, do you then go back and say as a group, 'We should have looked at this', or 'That was an area we missed out on'? How do you rationalise the criteria you are looking at? Do you then have a roundtable discussion about how you could have done things differently?

Mr WHITEHEAD - Yes we do, is probably the easiest answer to the question. Our experience with the audits are that we often develop criteria after we have undertaken a certain amount of what we call desktop research and also communication with relevant government agencies or other bodies that might have an interest in the area subject to audit. Inevitably, during the course of the audit we gather a lot more evidence and information which, if we'd had that at the start, might have changed some of the criteria we were including in the audit. It may find some of the criteria we believe are of lesser relevance and there may be some criteria where we think we could have added a number of other questions to that particular topic to expand the audit scope. Quite often we make a judgment about the criteria at the planning stage of the audit based on the information we have at that point in time and again, during the course of the audit, we gather a lot more information which we only collect after we have already established the audit plan.

Ms RATTRAY - Danny might have mentioned when we were discussing that previous topic about inspections that you had been out and done an inspection. You would have been talking to the people on the ground around their processes for harm minimisation, which is a really important aspect of this inquiry. Can you give me some feedback around that? That is really important to have from an independent person's view when you were looking at that.

Mr MOORE - This is the venue-orientated aspects of harm minimisation of which there are 10 factors on the list here, which is good. .

Ms RATTRAY - You did not know I was giving you that question, did you?

Mr MOORE - No, it was just coincidental. I am very lucky that the page is opened at the right place.

There are a number of components within the venue that they inspect: the advertisements; the number of and labelling on the machines; access to the building; things that you see when you walk in - there should be certain components there - the back of the toilet door advertising; the security system that monitors the clocks in gaming areas; clocks on the machines themselves; staff training. They go through the roster and make sure that everybody who has been rostered on is on their database of trained staff and that their training is current.

Most of those things are quite adequate in themselves. The other thing that we looked at was the implementation of the self-exclusion scheme at the venue. I guess as an independent person my thoughts about it were that it is a difficult thing to implement. Photographs of people are kept in a log book but people come and go, people put hats on, grow their hair out or do the opposite or grow facial hair or whatever. They do attempt to keep abreast of the book and who they have got but people move from venue to venue. The impression I got is that they are mostly good with the people they know. They do have a lot of regulars. Operating a venue, you see the same faces

come and go and you have a fair idea who has issues. The general impression I got was that it is a difficult thing to spot people from passport-size photographs. I did notice they had some blown up so they could identify them.

Ms RATTRAY - From your observation, is that where you think that there might be a better system to put in place? Do you think you can improve the self-exclusion system or do you think it is a little bit difficult?

Mr MOORE - It is an inherently limited system. I don't think you could do something other than those things that are being discussed. The idea of having cards that would allow the machines to operate or some kind -

Ms DAWKINS - Facial recognition technology.

Mr MOORE - Yes. We have to go more sophisticated if we are going to have something that is going to be much better than that. Obviously, that costs a lot of money.

Ms RATTRAY - It is all right for larger venues but perhaps for smaller venues, no. I appreciate that.

Mr MOORE - In a place like the casino, the exclusion scheme would be very difficult to manage because it is a much bigger room and it is much harder to spot who is there and who is not there. If someone is there who has been excluded from the casino, they might keep themselves moving so they are not as easy to spot. It is a difficult thing.

Mr WHITEHEAD - Perhaps if I make another comment in response to Tania's question. Our report referred to a review being undertaken of the code by the Tasmanian Liquor and Gaming Commission. At the time of our report, that review had not been released. My understanding is that the report has now been released. You have that now? It makes some conclusions around the effectiveness of the scheme.

Ms RATTRAY - Yes. I was very interested in Danny having been on premises. He had been part of the process, looking at those and standing-over-the-shoulder type of thing.

Mr MOORE - Anecdotally, from people I have spoken to who have been excluded they do get away with it. They go to gambling venues they were excluded from and gamble and do not get picked up. It is sometimes heartening when they do get a tap on the shoulder. It shocks them.

Ms RATTRAY - Think twice about it next time so more taps on the shoulder.

You indicated in your earlier information to the committee that you had an Anglicare representative that gave you some support and some advice for the report. Did you also have an industry person or you did not need that for any of your information? Did you have anyone from the THA or someone that might have another view of the world?

Mr WHITEHEAD - No, we didn't. On our advisory committee we only had the person from Anglicare as someone looking into the risk of harm from gambling. At the time of doing the audit we were aware there were a number of submissions that had been published on the committee's website. We went through those submissions and viewed a number from different

parties with interests around electronic gaming machines. In reading those submissions we did see different aspects of points of view.

CHAIR - Thank you very much for that. The Auditor-General's role is one in the background. It is that objective role that you play in that sphere. I am giving you an opportunity. If you have something you want to put on the front page of the *Mercury* tomorrow, now is your chance.

We have another meeting on the phone for 12.15 p.m. Thank you for your time and the presentation. It is really important for us to get it so we can use it as evidence in our report. That was part of the main reason in getting you here today to help explain it.

Mr WHITEHEAD - Thank you for the opportunity.

THE WITNESSES WITHDREW

Ms LOUISE GLANVILLE, CEO AND Mr TONY PHILLIPS, HEAD OF KNOWLEDGE AND INFORMATION, VICTORIAN RESPONSIBLE GAMBLING FOUNDATION WERE CALLED (VIA TELECONFERENCE) AND EXAMINED

CHAIR - Welcome. Thank you for being prepared to help us. When I say help us it is just so that we can get some information from your organisation about some of the issues that would have some synergies here in Tasmania and Victoria. That is what it is all about. Usually we invite people to have an overview to tell us about their organisation and what they have found, and then members would have a series of questions they might like to ask you. If you are happy with that, Louise, we might go down that path.

Ms GLANVILLE - Yes, that is good. Are you happy if I call you Mike?

CHAIR - That is fine.

Ms GLANVILLE - I can start, I am the CEO here at the Foundation. I have only been here a few months, so relatively new. I came from the NVIA, rolling out the NDIS as the deputy there, so that is just a little bit about my background. Essentially the foundation has existed now for -

Mr PHILLIPS - Five years a few months ago.

Ms GLANVILLE - five years and it really was established as an organisation that had a range of functions. They include research, quite considerable research function in the gambling space. Also the funding of direct services in the form of gambler's help services, which exist around the state. In addition Tony has mentioned the Knowledge and Information area, which is linked with our research and evaluation function, but also a new function that our last minister required of us, which was to provide policy advocacy to government on a range of issues, and that was quite interesting. We have our own department and I think Kate Carr has given evidence; she was the deputy there. Her area provides the primary policy advice, but we are able to offer our advice as well. That is quite an interesting functional area for us.

We have a quite significant marketing orientation. In Victoria our Transport Accident Commission is probably the largest spender on marketing and campaign work for government and then it would be WorkCover and we would be next. We have about a \$5.5 million spend on the marketing area and that is important in raising awareness, education, influencing and modifying behaviour and making sure people know where they can go to get help in that sense.

We have a particular focus on prevention programs in that classic public health way of trying to anticipate and provide good material that might assist in preventing harm. As well as that, we support venue workers around the state and responsible service of gambling training to assist people in those venues to be able to identify when someone is in a bit of strife. That just gives you a bit of a sense of the breadth of functions we have.

We have our own board. We are an independent statutory agency and mine is a statutory role as well. The rest of the staff here are public servants, they are part of EPS, and our board is chaired by a woman, Julie Ligeti, and is made up of a mix of people with different skills. I am happy to talk about if that would interest you. There are also three parliamentarians, which is quite interesting as a board arrangement, representing the Nationals, the Liberals and the Labor

Party. At the moment two of those three positions are filled. That was probably done to indicate the bipartisan interest there was in this issue across the Victorian Parliament.

We have a minister, Marlene Kairouz, and we have a department I have already mentioned. As well as that we have close relationships with the regulator, Catherine Myer, who I think has given you evidence as well. That gives you a bit of taste of who we are. Our funding is four year in orientation and varies between about \$36 million to \$39 million in each of those years to cover all of the functional areas I have just supplied.

CHAIR - Thank you for that, Louise. Tony, could you just give us a brief snapshot of your role within the foundation?

Mr PHILLIPS - Yes, sure. In terms of external-facing work, apart from the policy work that Louise has already mentioned in having to provide policy to government, I also run something here called the Gambling Information Resource Office which has been set up to help people understand the gambling environment and also to participate in gambling regulation.

Here in Victoria, particularly in relation to pokies, which I know is what you are primarily interested in, the applications for more machines or introduction of machines has to go the VCGLR process as well as the planning process. Local councils are deeply involved in that and we are called on quite often to assist them in preparing evidence in relation to those sorts of hearings. We are available to anyone and we also help members of the public and we often do a lot of work with journalism students and schoolchildren who have assignments on gambling.

While we have a research unit which commissions a lot of very important research, part of the role I have is to deploy that research, to get it out there and get people being able to use it and turn it into something that policy makers, decision makers, services and whoever is working in the area can better understand the knowledge we have, so it is about collating that knowledge and deploying it.

CHAIR - Thank you. I am going to pass over to Tania to ask you some questions.

Ms RATTRAY - Thanks Louise and Tony. I am interested in those measures that are taken in Victoria to address the at-risk and problem gamblers that are identified. You touched on some of those programs but are there some that work better than others, in your view? I am interested in your most successful measures and what works best and what has probably been a failure.

Ms GLANVILLE - In thinking about harm from gambling, we think of low, moderate and high risk. We look at harm in that way; it is a continuum. The sorts of measures we would look at in campaigns are how much people remember of a previous campaign and whether it made a difference to what they were thinking. They are not totally outcome measures in my view but they're certainly heading in the right direction to think about the impact. We know the retention of some of those messages is really important and it helps people to do a range of things with campaigns, to think about how parents talk to their children about gambling, given the online space we find ourselves in now. Also more generally, we are soon to have a campaign about how you keep [??? 12:31:32] play and how people think about their own limits in relation to gambling and the way in which they are able to work within those. That is the marketing area.

Gamblers Help can be accessed by anyone who is seeking that sort of assistance and it will vary in terms of who accesses that. You have to have that available because it is very important.

That includes financial counselling and if people want to go more deeply into their issues there is a therapeutic element as well as community education and localised prevention and the venue support I mentioned earlier. They are very important aspects. Tony may want to talk to these. As part of our research we have produced some really good publications which are also very friendly and accessible. The research is important to be able to be disseminated in the way Tony was referring to.

Mr PHILLIPS - One of the interesting things that happened to us last year was when we got our [?? 12:32:51] study through and that really empowered us to population base assessing a path from gambling. You were just talking about the measures we have taken here in Victoria. There are probably three levels those things operate at. The top level is around prevention and reducing the stigma and encouraging people who need help to get help and look at vulnerable groups. Then you have what actually happens in the venue - how things are served, how the gamblers are served and how well the staff are trained. Then you have the total regulatory environment around things like promotions and so forth. All of these combined will have an effect on the degree of harm and suffering.

If you look at it from the point of view of population, which is the starting point of our prevention program and our marketing program, we have found that the harm occurs from low-risk gambling all the way through to what are called the problem gamblers who have the severe harm. The bulk of the harm does not occur at population levels with the problem gamblers. As individuals, they have the severest harm and are the ones that if we are talking about gamblers' help services are sitting there trying to help them, pick them up, restore their lives and get them back on track and prevent the effects that might include suicide ideation or something like that.

There are tens of thousands more people who are experiencing harm from gambling who would not be at that end of the spectrum. Indeed, because we are trying to combat the stigma there is around that, the stigma functions in two ways that are quite negative. For people who do experience harm from gambling, it might be not getting meals on the table, coming in late for work, borrowing money, struggling to pay the rent, or remortgaging their house to interest only. Because they have a stereotype in their heads of what someone who has a problem with gambling looks like, which is someone at rock-bottom, they will not tend to see that they have a problem or an issue, so it is very hard to get them to modify their behaviour. That is one of the groups we are looking at when we are doing our marketing and prevention.

Then in terms of the venue, the core work we do is not at that level of where people are doing the gambling, the group that's at risk - and this is the thing we found out through the harm study - of all the people who gamble, only about 18 per cent are experiencing harm from their gambling. That is the group we are really trying to get to. That is still many, many thousands of people, but that is the group we are struggling or aiming to get to and to get them to modify their behaviour. We have been sending support workers to go in and train the staff to be able to recognise the signs that someone is having issues with their gambling in a venue and also that they can intervene. We are trying to work more closely with the regulator and also with the department to strongly encourage venues to take up that training and to encourage their staff to do those interventions.

Ms GLANVILLE - I should also mention that we have a community sports program which is pretty thorough in terms of asking, for example, AFL clubs to sign up to a charter which covers a range of areas including progressive approaches to advertising and how children and young people might experience the sporting event and to have perhaps champions from clubs speak about being aware of the probability of gambling harm, and there are the links with that charter.

We are not just linked with AFL but also with Cricket Victoria and soccer as well as a range of others as well as at the community level. That has been a new thing we have done and we are going to evaluate the effect of that.

There has been a number of clubs commit; there are about four clubs now - two Victorian ones - that either don't have or are moving towards not relying on pokies revenue for their operations. A good example of that is Geelong Football Club which is a big community club in the AFL down on the Bellarine Peninsula and with its new Simonds Stadium it has been able to find a new income stream. It has put its facility that mainly houses its pokies up for sale and it has warehoused a number of poker machines because it feels that it wants to not have such a reliance on that as a form of income and it has replaced that with catering venue and conference opportunities as part of the build of its new stadium. That is interesting and we increasingly see people who are prepared to seek third-party endorsement for getting influential clubs thinking about how they can assist in making sure that people understand gambling and be mindful of that.

Ms RATTRAY - That is interesting, Louise, because every football game we get that comes out of Victoria advertises Sportsbet odds the whole way through, so I'm not sure who is doing much work in the way of not promoting Sportsbet.

Ms GLANVILLE - Yes. That is a very challenging area and most of the clubs have a connection in that way. There is probably a general feeling, particularly if you are watching the game live and the LED signage move around the ground, that maybe there is a bit of over-reaching here. I imagine it is an area we could well see some change in going forward. Certainly the federal government has recently limited some of the hours in which that sort of advertising can occur and there may well be more involvement there as well. The other area we have is a schools program. It is a very fledgling initiative where we have developed education models for use in schools to talk about gambling and gambling-related issues.

Ms RATTRAY - Thanks. I am certainly not suggesting that Tasmania is doing everything right in that regard but I thought that was interesting because you just see it on every sports program.

Ms GLANVILLE - Yes, I agree with that.

Ms DAWKINS - I have a couple of questions that might be a little unrelated but I am going to have a go anyway. We have received evidence that it is difficult for us to measure the therapeutic elements of gambling support. Can you speak to that? Do you have any models that might work in Victoria?

Ms GLANVILLE - We have what is called a client outcome survey but it measures some things that are related to impacts but is probably not as thorough as a real outcome statement. It takes a sounding from people after they have been involved with some counselling after a week after and then after three months, so there is a period of time. That is one measure we have but I think there is probably a lot of ways in which we can tap more thoroughly into the experiences of people who are seeking that help and see how effective it is and what it assists them to do. Tony, any thoughts on that question?

Mr PHILLIPS - All I will say is the biggest struggle is actually getting people to seek help. We think the amount of people who seek formal help in Victoria is probably slightly higher than average - probably around about 14 per cent instead of 10 per cent, which is average. In terms of

the immediate effects of counselling, most of the research literature shows that it's normally pretty effective and one of the great messages to give people seeking help with gambling is that it usually works and it's not as difficult as you might think. Even recognising you have a problem and talking to a friend has quite good benefits.

The bigger problem is relapse. Relapse is the one we are struggling with and thinking a lot about what we can do about it. A longitudinal study we did a few years ago showed that around one-third of people who had an issue with gambling found themselves falling back into those issues after three years, so the churn side of it is a major problem.

We have two issues. We have the issue of what we can do in the prevention and early intervention spaces to stop people sliding into a chronic condition, and then for people who are in very bad chronic conditions, what we can do to try to lead them all the way out and what is required for that. The prevention programs in the past have included some measures that work with people recovering from gambling issues. We find that social inclusion that might include work but might also include alternative recreation are important models as well or underlying approaches.

As to the online space, that is something we intend to do more in as well because we know many people now are living their lives online. You mentioned before that there is a lot of online bookmaking going on and people in that space are probably more inclined to also seek help online, so we need to do more work in that area.

Ms GLANVILLE - In our most recent figures which are not yet released, we see a much bigger uptake in the online space.

Ms DAWKINS - You touched on diversion into alternative activities. A part of our support levy goes into sporting clubs so they can recover fields or buy more equipment or whatever. Can you quantify how many people have been diverted from gambling into alternative activities?

Ms GLANVILLE - I don't think we could but I will ask Tony that question.

Mr PHILLIPS - This is not my area, I have to say, but we are doing evaluations at the moment that will probably try to catch an answer to those sorts of questions. A lot of the work being done in the prevention space is something you do with a population that is identified as being at risk for a number of variables that apply to them. For example, if it is young people at sporting clubs it is the site because we know so much advertising is [??? 12:44:39] it but you are not screening them and finding out what their level of gambling behaviour is so you are not necessarily always going to be a position to be able to tell.

As I was saying, the counselling is very important in whatever way it is delivered at that sever end, but there is so much harm across the spectrum that some of the other things we have been measuring would be things about improved wellbeing and resilience that is likely to be there as well. I don't think that is a very good answer to the specific question you asked but I am just giving you some context.

Ms DAWKINS - Thank you.

CHAIR - Thanks. Tony and Louise. Is there anything else you would like to add or provide us with that you have not had the opportunity to?

Ms GLANVILLE - Not for me, but Tony?

Mr PHILLIPS - There are a few things. I know you were interested in features on gambling machines and things that made them more risky products than others. We know that EGMs are more closely associated with problem gambling than other forms of gambling. Our figures show that about 36 per cent of people who play EGMs experience some sort of harm from them. The things that come up about features of gambling machines will include losses disguised as wins, which I believe you have already had people talking to you about. My understanding was that in Tasmania you don't allow that, but there are also questions around jackpots and where the machines are located.

The other thing is that there is a lot of new technology coming with the EGMs that regulators will need to be very mindful of in terms of how much they want to accept it. One of the things that is happening is that the barriers or the differentiation between online gambling and land-based gambling is disappearing. In the United States now through loyalty schemes you can play a machine at a venue and when you get home you can log back in and do other things that will affect how that machine responds to you when you go back or it may give you rewards for having played that machine and so forth.

With the introduction with a number of machines now we also have the possibility of having what looks like some level of skill-based gaming in them. I think this has been designed to make them more appealing to the younger generation. The cohort of people playing pokies is getting older as you go forward. It used to be very much that young people were playing pokies but that is not the case as much anymore, it is more people between 30 and 50 here in Victoria.

I heard the other day that there was a new gaming machine where they sort of take you off into something else part-way through and you can play the old arcade game Frogger. The effect of playing Frogger might be that it looks like you're improving your chances of winning. Whether you actually were or not would come back to machine standards but either way, certainly the illusion of skill is something we worry about in some gambling products.

CHAIR - That is interesting. Thank you very much for your time today, we really appreciate it. We have a wealth of information. It is always good to hear from people in other jurisdictions about what they are doing and the challenges and successes they are having. We are aiming to have our report completed by the end of September or mid-October, so we have quite a bit of work ahead of us at the moment. Thank you for your information today.

Ms GLANVILLE - Thank you and good luck with the report.

THE WITNESSES WITHDREW