



The Hon. Kevin Greene MP

MINISTER FOR GAMING AND RACING
MINISTER FOR SPORT AND RECREATION

Gambling Inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY NSW 2601

Dear Commissioners,

New South Wales welcomes the Productivity Commission's draft report into gambling which was released on 21 October 2009, and makes the following comments on certain aspects of the draft report.

Contribution made by the club industry

One of the Commission's terms of reference is to assess "the contribution of gambling revenue on community development activity and employment".

The NSW club industry makes a substantial contribution to the community. The Independent Pricing and Regulatory Tribunal (IPART) estimated that in 2007 the value of NSW clubs' contribution to social infrastructure in 2007 was \$811 million, while employing 43,000 people in full-time, part-time, casual, apprentice and training positions.

Clubs, it must be stressed, are not-for-profit organisations. Any revenue surplus is used to provide services for members, and to support local communities. Submissions to the Productivity Commission show that 60 to 80 percent of club revenue, which funds community contributions, comes from gaming machines. This supports IPART's finding that clubs are heavily reliant on gaming revenue.

The extent and timing of any new gambling harm minimisation measures must therefore be considered in the context of their impact on the viability of the club sector and the NSW economy.

Universal pre-commitment system [draft Recommendation 7.4]

While NSW supports in principle the Commission's recommendation that a universal pre-commitment system for gaming machines be implemented across all jurisdictions, it would not be appropriate to nominate a target date at this time.

The necessary preliminary work to agree and establish the required national standards, protocols and systems should be, as the Commission notes, informed by the outcomes of current trials in Queensland and South Australia. Extensive consultation with key stakeholders will also be required, including consumers, gaming machine manufacturers and monitoring system providers.

While NSW notes the Commission's comments about transition costs, details of the technical and price implications of retrofitting existing systems remain unclear. It will only be possible to reasonably estimate these costs when the overall structure and content of a universal system is known. As the Commission's draft report notes, the cost impacts on the NSW industry will be substantially higher than for interstate counterparts and care must be taken to minimise these costs.

The combination of ensuring the development of an appropriate agreed inter-jurisdictional policy and regulatory approach, together with effecting a suitable transition to new arrangements over time, does not support nominating a completion date at this stage.

ATMs [draft Recommendation 9.1]

As the draft report notes, there is a lack of evidence about the behavioural responses of gamblers to ATM withdrawal limits. The proposed \$200 transaction limit is based on the Commission's in-principle view about the likelihood of helping to address gambling harm issues.

NSW notes that the draft report also commented about the negative externalities that banning ATMs from gambling venues might create for regional areas with limited access to banking facilities, and that exemptions should be considered for these circumstances. NSW submits that similar regional issues would also apply to the adoption of an ATM transaction limit.

Any future study into the need for and efficacy of an ATM transaction limit should therefore consider the broader economic impacts of such an approach, rather than simply considering problem gamblers in isolation.

Prize winning cheques [draft Recommendation 9.3]

NSW considers that there is insufficient evidence available to support the adoption of a \$250 cap on the cash payment of winnings. NSW already has in place a \$2,000 cap, and further research should be undertaken about both the relative merits of any revised cap and about the level at which it might be set.

Gaming machine shutdown period [draft Recommendation 10.1]

NSW considers that the Commission presented no evidence that to increase its shutdown period (currently six hours) would be effective in reaching more problem gamblers. Research conducted by Blue Moon in 2008 found that the existing shutdown is effective in reaching problem gamblers playing before the commencement of the shutdown period. The research found no evidence-base to support a proposal to extend the shutdown period.

As the Commission notes, any extension of the shutdown period may have some unintended consequences of encouraging high-risk problem gamblers to increase the intensity of their play, or to divert their play to other venues or times, and may unnecessarily affect recreational gamblers playing at that time.

Maximum bet limit [draft Recommendation 11.1]

NSW considers that immediately reducing the bet limit to \$1 will have a significant impact on the viability of NSW clubs and hotels given that the current bet limit is \$10. This limit has been in place since the late 1980s and there is no NSW Government proposal to increase that limit. This means that over a period of many years, the bet limit has reduced in real terms.

Any proposal to reduce the bet limit should be subject to full analysis of whether a \$1 bet limit (or another amount) is appropriate, including all associated impacts.

NSW also submits that any significant variation of the maximum bet limit (as is proposed) should be progressively introduced to lessen negative impacts on industry. This would enable venues to make the necessary business adjustments and explore other revenue sources to secure their long term viability.

Maximum \$20 cash limit [draft Recommendation 11.2]

The draft report provides no conclusive evidence suggesting that a cash limit of \$20 would slow the intensity of gaming machine play. The proposal should be subject to rigorous analysis, to confirm the proposition that a \$20 credit limit (or another amount) would be effective in addressing problem gambling and not unduly impact on recreational gamblers.

Interactive gambling [draft Recommendation 12.1]

NSW does not support on-line gaming.

The NSW Government is concerned at the impact that internet gaming would have on the hotel, club, racing industries and society as a whole, if it is left to grow unregulated.

Internet gaming has the potential for exponential growth and without proper regulation it could pose real problems for society and problem gamblers.

Clubs, Hotels, the Casino and the Racing industry are appropriately regulated in NSW and it would be disappointing to see this undermined by massive growth in a liberalised internet gaming market.

If, however, the *Interactive Gambling Act 2001* (Cth) was repealed, any discussion to allow the use of credit cards should be informed by more detailed consultation with financial institutions, providers of credit and debit cards and other stakeholders about the capacity to address the matters noted in the draft report.

Racing [draft Recommendation 13.1]

NSW supports a national approach to a funding model for the racing industry. In the interim, NSW has framed its race fields legislation to provide for a levy based on gross turnover. Legal challenges to the NSW race fields legislation currently before the Federal Court will determine whether the 'turnover' methodology is valid. The final court determination about this matter should provide the basis for a national standard for racing industry funding.

In relation to the 'tote odds' issue [draft Finding 13.3], NSW considers that the NSW prohibition on bookmakers offering such a service should apply nationally, as it erodes racing industry and Government revenues, and provides the opportunity for the manipulation of betting pools. Tote odds betting by internet bookmakers adversely impacts on the sustainability of the racing industry and employment opportunities, particularly in regional areas.

In relation to 'TAB retail exclusivity' [draft Finding 13.5], it is noted that the Productivity Commission in its 1999 Report, and the National Competition Council several years later, acknowledged that it would not be in the public interest to unilaterally revoke the exclusive TAB licence due to the likely cost of a compensation claim. This issue requires review closer to the 2013 expiry of the exclusivity period, including of how best to balance competition issues against possible harm from increased access to gambling in public places.

I look forward to the Commission considering these issues in drafting its final report. Should you require any further information on these matters, please contact Ken Browne, Acting Director, Policy, NSW Office of Liquor, Gaming and Racing, Communities NSW on (02) 9995 0672 or email ken.browne@communities.nsw.gov.au.

Yours sincerely



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