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**TRANSCRIPT
OF PROCEEDINGS**

PRODUCTIVITY COMMISSION

**PUBLIC HEARING ON THE DRAFT REPORT ON AUSTRALIA'S
GAMBLING INDUSTRIES**

**MR G. BANKS, Chairman
MR R. FITZGERALD, Associate Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON WEDNESDAY, 1 SEPTEMBER 1999 AT 1.40 PM

Continued from 31/8/99 in Hobart

MR BANKS: Welcome, ladies and gentlemen. This is a continuation of the commission's public hearings on its draft report into Australia's gambling industries. We had a hearing in Melbourne last week and this is an extension of those hearings. The Moreland City Council has kindly offered these premises, which has been very useful to us. I just repeat very briefly a couple of the key points about the hearings; that is, that while they're quite informally conducted there is a transcript which is kept of the proceedings. People can get a copy of that transcript if they like from the commission or they can access it on our Web site, and the Web site is listed in our report.

The hearings also are a very important part of the commission's processes because they give people an opportunity not only to talk about their own submissions and explain why they've said what they've said and discussed them with the commissioners, but also an opportunity to talk about the submissions of others, which they can get access to, as I said, through the Web site and the copies of submissions that are made available to people. So with those preliminaries out of the way, I'd like to first of all just call the mayor of Moreland City Council and then we'll have a number of other participants from other council areas and the Victorian Local Governance Association as well. But we will call the mayor first.

MR ROWE: Thank you. My presence here is essentially to welcome you to this meeting. It's important that the Productivity Commission has accepted the invitation to come out to Moreland and to actually come out to the areas of local government to hear these submissions. You can also get an understanding from the interests here of the local press and the local media that these are important issues to our local communities and our local communities do need to understand what the issues are, what is being discussed, and of course get an understanding of the importance of these matters.

We do thank you for coming out to Moreland. It is important that you hear what local government has to say. It's important that our community gets to understand the debates that are going on, and can I just again say thank you for being prepared to come out and to hear the submissions today. There are a number of people submitting today. I'm not submitting. Moreland Council will be having its submissions dealt with I think by Councillor Raymond. But can I just thank you for your attendance here today.

MR BANKS: Thank you very much. I think Mike Hill was going to present next. Could you perhaps just indicate in what capacity you will be speaking first please.

MR HILL: Yes. I'll be speaking briefly at first just simply to introduce this local government set of presentations on the impact of gambling and I'm speaking as the secretary of the Victorian Local Governance Association.

MR BANKS: Good, thank you.

MR HILL: Perhaps I could start by saying that the Victorian Local Governance Association actually convenes now - and this is a development since we last presented to you in November of last year. We now convene in Victoria a local government working group on gambling and that has grown to the extent of having some nearly 30 local governments involved in it. So it has become an issue, the whole issue of gambling and managing it locally and what role we need to play locally has become an issue of increasing concern and increasing focus for the state's local governance. It has also become an issue of increasing controversy for local governments and I'll touch on that later on.

The councils that are presenting today have chosen - and this is a coordinated submission from the three councils and from ourselves. There are a number of other written submissions coming in at a later date which will cover different aspects. But the sorts of issues that we hope to cover today, Councillor Sarah Coward and Charles Livingstone from Maribyrnong City Council are going to cover the outcomes of some research that has been conducted there and in particular they're going to look at some of the connections between socioeconomic status and involvement in gambling.

Following that, Boroondara City Council, Councillor Keith Walter and Ros Winkler are going to present. Boroondara probably couldn't be more different from Maribyrnong in terms of its socioeconomic status and yet Boroondara has become a very active member of the local government working group on gambling and they're going to explain why a council of that ilk is also involved in gambling and the sorts of issues that they're facing, and what their community is saying about it.

Moreland City Council, the host council, Councillor Melanie Raymond and Jennie Merkus will be presenting. Moreland was one of the pioneer councils in terms of developing what are called responsible gambling strategies and part of those responsible gambling strategies in Victoria has been the development of charters for responsible gambling and those charters I think pick up a few of the issues that were left in the air in your draft report. They pick up particular things that local government has been doing and wishes to be able to do more effectively, and I think Moreland will explain what they're up to there. So at this stage I think that's all the VLGA wants to do, just outline where everybody is going, and we will come back later on and make some follow-up comment.

MR BANKS: Good, thank you. With that, I then call the Maribyrnong City Council. Welcome to the hearings. You have welcomed me, I can welcome you, and just ask you to give your names please and your positions.

MS COWARD: Thank you very much. I am Councillor Sarah Coward of the City of Maribyrnong.

MR BANKS: Thank you.

MR LIVINGSTONE: I'm Charles Livingstone. I'm research and policy officer for the mayor and councillors at the City of Maribyrnong.

MR BANKS: Thank you very much for your participation again. We received a brief submission responding to our draft report. It has a number of interesting observations to make and some data. We're always looking for data. You also commissioned a study which I found very interesting. I think it's still in draft report stage but it looks very promising and I'm sure we're going to make use of that in our final report. So thank you for that as well. But why don't I let you go ahead and make whatever remarks you want to make and we can follow up on matters as they arise.

MS COWARD: Thank you. I'm actually going to begin and then I'm going to pass over to Charles to make some further comment, if I could. I would firstly like to say how grateful we are for the opportunity to make this further submission to the commission's inquiry into Australia's gambling industries, because it's clear that this inquiry represents a watershed in our understanding of this extremely important area of public policy. Now, if there was any doubt, at this point the high quality of the commission's draft report and the significant attention that it has drawn, that it has gained in the media and in public debate generally, verifies its importance.

As a representative of local government from a municipality where we believe there has been a very disproportionate impact from the proliferation of local gambling venues I am particularly concerned to ensure that the message contained in the commission's draft report is translated into sound public policy that's capable of dealing appropriately and sensibly with the considerable damage which we believe has been associated with the development of mass local gambling in particular. As the draft report notes, local gambling at poker machine venues now accounts for the lion's share of gambling venues in Australia and has certainly been the conduit for the rapid expansion of gambling venues in recent years. Local poker machine gambling is presently not only the biggest game in our town but the biggest game in the country.

Now, the most pressing implication from this, from our perspective, is the need to develop mechanisms to enable local communities to determine for themselves the level of gambling that they are prepared to accept, with access to accurate information that will facilitate debate and help ensure the decisions about local gambling venues are informed and reasonable. This is not the case at present, at least in Victoria, where the planning minister actively dissuades local communities from debating the merits of gambling developments and indeed where the overall level of gambling activity is not open to debate at all. It's also worth noting that the standard of information and indeed official research available to assist public debate on these issues has been, to be charitable, undistinguished. It's for this reason that my city in cooperation with three others felt it necessary to commission the original research to assist our understanding of the economic implications of local gambling.

We are still slightly puzzled as to why the officially commissioned research has struggled to come to terms with such matters but we are gratified that the commission's research has largely verified our own developing understanding of the

impacts of local gambling. I should add that the draft report has also seriously undermined the established wisdom as to the social and economic effects of gambling in Victoria, particularly poker machine gambling. It has made it very difficult for the further expansion of the industry to be contemplated without careful scrutiny. I must also reiterate that while my council remains deeply concerned about the implications of the growth of local poker machine venues and their pattern of distribution in Victoria, we are not opposed to gambling as such, subject to sensible and reasonable regulation, because in our view the tricky part of the equation is in establishing the appropriate form and level of regulation.

We strongly believe that local government is the only instrumentality which can readily and systematically reflect the views of local communities, which the commission has argued needs to be much more closely integrated into decision-making about gambling developments at the local level. There can be no systematic approach to such local consultation which does not incorporate a central role for local government, not only because local government is very closely concerned with local issues but also because of its responsibility for the framework of decision-making about physical planning. We would argue that this is an essential component of any framework of regulation, to provide reasonable local control of local gambling.

Now, although we are dealing in Victoria with a heavily circumscribed regulatory framework, my council has recently had some success on appeal in this regard and we look forward to further developments. However, we can only apply reasonable and consistent local control in an environment where local government has planning control over all gambling venues and we would urge the commission to address this issue in the preparation of its final report.

Finally I would like to address the issue of the distribution of funds from the Community Support Fund which, as you know, allocates specific funds for a poker machine gambling revenue. There has been some speculation that a proportion of these funds should be hypothecated for local purposes so that communities which are seen to contribute the most can benefit from that allocation of funds. We do not support such a proposition. This is because implementing such an approach would risk many local communities becoming dependent on gambling, as indeed the state budget has become. Indeed many local clubs are now heavily reliant on gambling to survive, a situation which has increasingly serious implications.

We believe, rather, that funds such as the Community Support Fund must be at arm's length from government must be administered by an independent board or committee serviced by its own administration, apply publicly available criteria to the allocation of funds and to do so in a transparent manner. Further, it is reasonable to suggest that the allocation of funds might be influenced by some formula which applies a measure of socioeconomic disadvantage to the decision-making process, but again does so transparently. So in our view, the allocation of funds from the community support funds and like funds is a matter of great import which must be normalised, as part of the proper regulation of gambling. If I could just hand over to

Mr Livingstone who will now elaborate on some of the other points that have been raised in our summary document. But I would like to thank the commission for its work so far and for the opportunity to contribute to your considerations of this very important issue.

MR BANKS: Thank you very much.

MR LIVINGSTONE: Thank you, chairman. I should perhaps reiterate the extent to which we found the commission's draft report to be a document of very high quality and indicated an extraordinarily high standard of original research undertaken by the commission and it has contributed immeasurably to the debate. I think you know in Victoria that although the issue was an issue of some substance, the coverage which your report received has ensured that the matter became a matter of substance in the current election, which it was in danger of not being, I think. Certainly, the premier's recent announcements on policy indicate that he has regarded it very seriously and the government and the opposition both have addressed it in substantial measure, of which you will be well aware. Nonetheless, this we believe is a reflection of the very high quality of the report.

It is very difficult to address a report like this without appearing to be picking nits, so bear with me if it appears that we are doing that, but we do think there are a few points which we can assist with simply by making a contribution and that is of course our purpose.

MR BANKS: I should say that that is what we are hoping for. It is a long report and we would be astonished if we got everything right. Indeed, in a number of areas we have only got so far and we are really hoping that participants can help us get the rest of the distance, so we appreciate that.

MR LIVINGSTONE: Yes, I'm sure you do, but we need to be careful in the way we frame our submissions, I think. Anyway, the point I suppose we are coming to is that we would like to give you a more detailed written submission, but we would also like the opportunity to raise some issues today and if the commission is so minded to hear from you as to why a particular point of view is expressed in the report, because that will help our understanding. As you say, it is a very large and in some places quite dense report, which contains a great deal of information and analysis and in our view a proper understanding of that is not something we can come to by simply examining it and deliberating internally. I think a dialogue is helpful in that process and that is our intention if it is suitable from the commission's point of view as well.

You have already referred, I think, to the study which was commissioned by a consortium of local governments including our own. The others were Brimbank, Moreland and Greater Dandenong councils, which commissioned a workplace study centre at Victoria University of Technology to undertake a project which was initially focused on the development of a methodology to assess local economic impact. I should say that the purpose of this study, at the outset, was to assist local government in arguing more comprehensively at the planning level for appropriate levels of

control for local government. In Victoria, as I'm sure you understand, the regulatory framework circumscribes heavily the role that local government can have.

For example, there is a rule which indicates that unless the floor space devoted to poker machines in a venue is greater than 25 per cent of its licensed floor space then that venue is not subject to planning controls for the purposes of gambling. So that means a very large proportion - in some cases almost all of the venues which house poker machines - are not subject to planning control and this is a matter of great concern to many councils because you don't have to have a very large venue to have a quarter of its space - and that in many cases can be as many as 105 machines, the absolute maximum. So you have venues which have the maximum number of machines proliferating in suburbs where councils have absolutely no planning control over the establishment. So that is a matter of great concern and some councils, ourselves included, have attempted to utilise the scheme of the planning regulations in the most constructive way possible, if I can put that term to it.

One of the provisions in the planning scheme is that councils are able to invoke economic and social impacts, where it is appropriate to do so, in determining planning applications. So for some time before the planning tribunals there has been a developing argument from councils that the economic and social impacts of gambling are such that those are relevant causes for councils to be concerned about planning issues at a particular level. So in order to do that it is necessary for us to establish what those economic impacts are. The difficulty we have had so far with the research that has been available is that it is very general. It is statewide in most cases, and even where it is on a regional basis it is regional rather than local and there has been very little research done so far which focused on the very local, at the level of the municipality or less. So that was the absolute focus of the research we commissioned.

Initially we believed that the research would lead us towards a methodology for some form or survey instrument or survey approach or methodology based on some sort of survey which would enable us to establish what the incidence of problematic gambling might be, or how much people were spending and the relationship that that would have to their normal consumption of other goods and services. But it became very clear very quickly, once the research had been commissioned that such an approach, particularly at the local level, would be very seriously flawed by the methodological problems associated with demand side data in relation to gambling.

That is the first point I suppose that I would like to make, if I could, which comes from the VUT study which, if you have had a chance to have a look at it, you will realise that a large part of the first part of that interim report is focused on the problems of demand side data. In particular, it deals with the problems that the household expenditure survey, conducted by the ABS until recently, generated and the ABS's own submission to the inquiry, I think, raised those issues as well. Dr Doughney and his colleagues interrogated the data from the HES by comparison with the supply side data obtained from the Tasmanian Gaming Commission which is a very rich source of data which we think is invaluable for all purposes.

It found in some cases that the disparity between an aggregated set of HES data, measuring the amount that people were spending on particular items to do with gambling such as poker machines, compared to the real data, the supply side data obtained from the Tasmanian Gaming Commission, that in some cases the disparity exceeded 900 per cent. So in practical terms, what that means is that the reliability of demand side data as a measure of what people are actually doing is very questionable.

MR BANKS: Could I just say that point is well made and it is one that we are aware of and indeed may have mentioned somewhere in our report. My understanding of it is, it particularly occurs in relation to the household expenditure survey where you are looking at gambling as one among a number of other household expenditure items. In doing a dedicated survey in a sense directed towards gambling, there may be more scope for dealing with it but the problem still remains. So that is one point, you know, a specific versus a general survey in terms of trying to get an understanding of gambling.

I think the other one is that it is particularly problematic where you are trying to get an assessment of what people are spending on gambling and it is well-known that people don't always have good memories of what they spend on things generally, but gamblers have quite a biased recollection of their winnings and losses in gambling, otherwise they probably wouldn't continue with the gusto that they display. So that can be reflected then in the survey information and indeed, we have indicated in our report that some of the expenditure data that has come out of our own national survey is certainly less robust than answers to some of the other questions about behaviour and so on - characteristics of the gamblers and so on that are there. That work that you referred to is very valuable, I think, in underlining those problems and certainly we'll think a lot more about it for the final report.

MR LIVINGSTONE: The crudest point you could draw from that is that it is necessary to be very careful about how you interpret data derived from surveys and we would say - and Dr Doughney's paper goes into more detail, not just on the HES but in the general problem of recording this sort of morally questionable activity I think is a phrase he uses - that people are very reluctant to accurately record it. So that has implications not only for the amount of money being spent, but if you are relying on survey data to estimate how much people are spending then it is likely to be very seriously in error and certainly we would argue that it needs to be compared with the supply side data to at least enable some estimate of what the scale is.

The second issue, and one which we think has perhaps more implications for other work that the commission has done, such as the modelling of benefit and so forth, is in relation to the extent to which people will truthfully answer questions derived from the SOGS, from the gambling screen, especially where those questions go to matters of, you know, almost quasi-criminal behaviour such as borrowing money from other people with no intention of repaying it; borrowing money from banks for the purposes of gambling and so forth. And your own study in fact of problematic gamblers, the people in counselling, indicates a very high proportion of

those people, prior to coming to the state where they are now, would have either denied that sort of activity or falsified their answers or whatever.

So although we are impressed by the rigour of your research generally, the issue of survey methodology to us is one which is very much an open book and we would urge the commission in its final report to pay as careful attention as you can to that issue, because we think that there is a serious underestimation of the extent that people are both engaging in gambling activity and dangerous gambling activity, if you want to put it in those terms, but also the amounts of money they are spending. Obviously we can't quantify that other than from the supply side data but a comparison of the sort that Dr Doughney has done we think is useful in establishing at least the scale of the problem, the scale of under-reporting and by extension the incidents of problematic gambling in the community may well be, as you say, in the report but nonetheless we think it needs to be stressed more strongly.

The extent of problematic gambling in the community is significantly higher than your survey has indicated and your survey in fact is somewhat higher than most other big surveys have indicated previously I think. Certainly the Victorian data would say that the incidence is somewhat lower. So we simply make that point and ask you to consider that in your final report.

MR BANKS: Yes, that point is well taken and indeed it is useful to have you make that point because there will be others who will say that we have overstated the amount of problem gambling because of other faults in our methodology. To some extent it is an imprecise science, as you are aware, and we are trying to get sort of a broad order of magnitude to get a sense of what is involved in global terms but we will certainly take on board what you are saying.

MR LIVINGSTONE: We understand that but the other difficulty of course with these sorts of numbers is that they do get seized upon by the press and others for public debate purposes and it's sometimes dangerous to be too certain - I mean, I think the headlines immediately after your draft report was released were focused on, you know, there are so many problem gamblers in Australia, ignoring I might say, your own point about the spectrum, the continuum, but also focused on the amount of money that they lose or what the benefit is. So these sorts of numbers need to be treated with greater caution and that is not your fault or your responsibility but the ways these numbers are interpreted for purposes of public debate can be problematic, we would argue.

The second point that we draw from Dr Doughney's study is in relation to the substitution nature of gambling expenditure. You make, I think, the quite correct point that certainly what we believe too from his report and from our own observations, is that gambling expenditure substitutes for other forms of consumption or economic activity. So it doesn't actually create any tangible additional jobs as far as we can determine that wouldn't otherwise be created by the alternative use to which that resource would be put and we think that is a good point and we support very much that approach. However, what Dr Doughney has attempted to do is to

model at the local level the local economic effects of a proliferation of gambling venues in a particular community having certain characteristics such as, in the case of his study, Maribyrnong.

His model is a sort of input/output model which attempts to quantify the flows and the differential flows as between gambling consumption and non-gambling consumption expenditure. What his study does is points rather strongly to the conclusion that gambling expenditure, by comparison to what the alternative expenditure would be in a low income community, in particular, where we would argue the propensity for saving is very low, if not non-existent, then it will have a net detrimental effect on the overall level of economic activity within that community. That is a long-handed way I suppose of saying that what we have summarised is Robin Hood in reverse.

It is taking resources from already impoverished communities, low income communities, socioeconomically disadvantaged communities, and reallocating them into the revenue of the state where it would appear in Victoria's case they are principally used for the retirement of debt and the diminishing of state taxes on business and so forth rather than for the enhancement of the welfare of the people from whom they have come as it were - and it's a simplistic model but I think you follow the argument - or to the further enrichment of people who own shares in gaming corporations or who benefit from - in the case of Tattersalls - who benefit from the distribution of proceeds; those sorts of purposes. So not only is it necessary to sort of look at the overall level of activity but it's very important, we would argue, to look at the local effects. We support your conclusion that gambling revenue is regressive in nature because it takes equally from the dollar of the poor as it does from the dollar of the wealthy but it also acts to further entrench disadvantaged, we would argue, and we think Dr Doughney's model provides a sound piece of evidence in support of that contention.

I mean, it's something which we believe anecdotally but what Dr Doughney has done is to, we think, apply some rigour to that model. That sort of redistributive effect is - we don't get a sense of it from your report. We think, with respect, that it would be appropriate for you to consider that point and consider what the implications of that are for the general social welfare, quite apart from the question of consumer benefit, which is another point which I will come to shortly.

MR BANKS: We do have some discussion of the distributional issues in terms of a dollar for a poorer person not being the same as a dollar for a wealthier person. We haven't made any judgments about the relative weightings that you would apply to those respective effects but it is something we could look in a bit more detail.

MR LIVINGSTONE: So, I mean, simply the point I guess is that although we welcome strongly your finding that the consumption of gambling does not expand the level of economic activity as such, but simply substitutes one form of activity for another, but we still need, we think, to look at the very micro, the local level effects that that could have within a community such as the Victorian community where we

say in communities like Maribyrnong and Greater Dandenong, are undergoing a structural transformation in their economic structure which will impoverish them or have the effect of impoverishing the citizenry somewhat by comparison to other forms of activity.

The next set of points I would like to come to come from the commission's report itself. The first of those is in relation to the correlation of socioeconomic disadvantage and poker machine density. Your reports in fact went into some detail to examine a point we had made earlier which was what we discovered to be what we believed was a strong correlation between socioeconomic indicators and the disadvantaged and the concentration of poker machines in localities in Victoria. You verified that but then you pointed out that there didn't appear to be a similar relationship in the case of Queensland and New South Wales, which is an interesting point which I would like to address.

Subsequent to our original submission to the commission, we have examined some further correlations involving the SEFA index produced by the ABS which is a very interesting composite index derived from census data which sets out a table of comparative of advantaged, disadvantaged. I'm sure you're aware of it. We correlated SEFA numbers for metropolitan Melbourne, suburban Melbourne in particular, leaving out the city of Melbourne because we say that's a special case. Once again, the same relationship prevails which has been reproduced in a table which I think was provided to you.

It's a very strong correlation. It's a negative correlation in this case because a smaller a SEFA number, the more disadvantaged the community is. The correlation coefficient is very significant, at about .77, which is significant at the .01 level for those who are interested in such things. So a very strong relationship again, which we continue to be concerned about. I mean, what it boils down to is that if you draw a line of this sort on that chart you can say with a reasonable degree of precision which community will have what number of poker machines, which we think is a staggering result.

We know that the commission addressed that situation in relation to the cap and the effect that the global cap may have on the allocation of poker machine numbers, and also by addressing a couple of other factors such as the propensity that people on low income areas have to play machines, and that appears to be the case for whatever reason. We need a more theoretical study than we're able to do to understand that phenomenon, but that seems to be the case. The second point which the commission made is in relation to the distribution of venues or potential venues. So in consequence of that, we also then went and had a look in a preliminary sort of way at the actual allocation of licensed premises, holding licences of the type which enabled them to be used as gaming venues because the specific venue licences were available. Because it's a very time-consuming process we only went to the top six in terms of the density of machines, and the bottom six, and we produced the chart which is also attached to the submission.

What we say that demonstrates is, firstly, there is no shortage of potential venues in those areas of Melbourne which are characterised by low densities of poker machines, and which include the so-called dry belt in part, but not only that, but that the incidents of utilisation of those venues is substantially lower in those suburbs than it is in the areas where there is great machine density. So as you would see from that chart, there's a total of 219 suitable venues in the top six by way of density in Melbourne, and 166. That is of course fewer but the rate of utilisation of the 219 in the top six is 43 and a half per cent by comparison to about a quarter in the bottom six.

So what we say there is, we know that the industry - and I think one of the submissions to the commission by a consulting firm pointed out that this was part of the reason why there were machines skewed in particular ways. What we say is that an examination of the evidence demonstrates that that is not in fact the case. There are ample venues available in those areas of Melbourne which do not have high densities and they are simply not utilised. In the case of Stonnington, for example, the rate of utilisation overall is around 13 and a half per cent, and there are absolutely no shortage of venues in that municipality.

Now, what does that mean in terms of why machines are in one place or another? We can't speculate at this stage, but we do say it gives the lie to the observation that there are particular sort of geographical reasons to do with the location of venues.

MR BANKS: I think even the exceptions in that group which I think are probably Whitehorse and Nillumbik, where the ratios are much higher, they also have many fewer hotels so that they're a bit atypical of that group anyway in that respect.

MR LIVINGSTONE: Yes, that's right. They're small numbers too.

MR BANKS: Yes, that's what I mean.

MR LIVINGSTONE: So I think the reason we did half and half, we did six of one and six of the other, is to give at least a reasonable feel for the data. We think that the distinction between the two groups is such that it does put the lie to the argument that there is some sort of geographical reason for this distribution pattern.

The other point I suppose we would come to is that we believe that the pattern in Victoria as compared to the pattern, say, in New South Wales is explicable in other ways than by the argument about the cap forcing operators to maximise returns. We would argue that all gambling machine operators are rational profit maximisers who would seek to maximise the return they obtain from their machines. Accordingly, if there were a limit on the number of machines in any circumstances, we accept the logic that they would go to those places where the operator felt that they would maximise their return, to the point, we would imagine, where putting another machine would take away from the potential return that it would get in another venue. So that would explain the sort of cascading of machines from areas of

particular utilisation rate to poor areas. But if there were no limit on the number of machines then you would put them first and foremost in those areas where you anticipated maximising your return. You would keep putting them in other areas until the marginal cost of putting one in another area was less than what you expected to raise from it in terms of revenue. So you would keep putting them out there until the marginal costs overtook the marginal return, of course. I mean, that's a simple concept from neoclassical economics, I think, from what I can recall.

If that were the case, then you would expect that in New South Wales the average return per machine would be less than it is in Victoria, and that's certainly the case. As you point out, it's about half, I think. It is also worth pointing out that the average return to poker machines per capita in New South Wales is still 30 per cent higher than it is in Victoria, according to the Tasmanian Gaming Commission data.

MR BANKS: Yes, average spending.

MR LIVINGSTONE: Yes. So people lose, on average, 30 per cent more still in New South Wales on poker machines than they do in Victoria. So that's exactly the pattern that you would predict in terms of that explanation which I have just given. So we are unconvinced that removing the cap would have any effect at the local level on the type of activity which is associated with poker machines. For example, we don't believe that removing the cap in Victoria would reduce by one the number of machines in our municipality. It may well indeed increase them. We would think it might be likely to increase them. We also know from a survey of the existing research, particularly in the United States, that the availability of machines and the availability of gambling is likely to lead to their greater utilisation.

In one way that of course means that there would be more problematic gambling behaviour and thus more problem gamblers and the costs associated with that, but it also means that ordinary people who perhaps experience only marginal problematic behaviour will be more exposed to that type of activity. So we're very unconvinced, with respect, by the commission's argument about the effect of global caps. I mean, in a way I suppose it's a bit of a dead rubber in Victoria because the premier has now promised us that if he's returned there will be no increase in the number of poker machines until 2010, but it may well be reasonable to expand this hypothesis into other markets because we think that there is a reasonable case to be made for global caps. We think it's explicable in terms other than the terms that the commission has adopted in its modelling.

MR BANKS: I guess all we're trying to do is to show that analysis of something like caps is not straightforward and there are a number of almost perverse effects that you can identify. Now, how they add up in terms of what one observes is another matter, and the points you make I think are good points. I mean, if you think about relative density rather than absolute density there may be more to it, in the sense that I think if there wasn't a cap, you're right, there would be a spread, and the relative density would diminish or level-up a bit.

MR LIVINGSTONE: Yes, that's right.

MR BANKS: But that gives you no joy in terms of the availability in a particular jurisdiction.

MR LIVINGSTONE: It doesn't reduce the density in our area.

MR BANKS: That's right.

MR LIVINGSTONE: Which we believe is already too high.

MR BANKS: The other thing you might just think about if you're going to do any more work on this, is just whether there's any differential influence of or incentives coming through the duopoly arrangements in Victoria relative to the more decentralised ownership arrangements in other jurisdictions; whether that sharpens up the incentive to be a rational profit maximiser in your terms than what we observe in New South Wales where you tend to find some pubs and clubs that have chosen to have a few machines in the corner. It's not a big feature of what they do but it's part of a spread of activity that they provide rather than being the dominant activity. In Victoria you have much more dominance I think in the venue of gaming where it exists. I believe you don't have just very small numbers of machines in particular venues.

MR LIVINGSTONE: Yes. I mean, the Victorian model is actually quite regulated by comparison to New South Wales, even though we think it's not regulated appropriately, but it is quite heavily regulated, and I suppose the duopoly has benefits in the sense of how you regulate and where you dictate numbers and so forth as compared to New South Wales where I understand the system is quite different. But, yes, it may well be that the duopoly is maximising the rationality of the profit maximising.

MR BANKS: Yes.

MR LIVINGSTONE: If I could quickly go on because I'm conscious of the time. Based on the Tasmanian Gaming Commission data and also based on information we obtained from the industry about how the returns from poker machines are distributed, we understand from industry sources that about 40 per cent of the revenue from poker machines comes from the roughly 50 per cent of machines in clubs and about 60 per cent comes from the machines in hotels. I mean, hotels generate apparently, we're told, more revenue. We believe that's about right. I mean, you can do a simple calculation based on the TGC data and based on the number of machines to come up with an average return per club machine and per pub machine, and you can then simply multiply that by the number of machines in each locality, and we have produced in another table what we estimate to be the distribution of revenue.

The purpose of that is - well, I mean, it's interesting and it tells us something about how much of our local community is spending, and it's useful for the purposes of modelling and so forth, and this information has been out there for some time and hasn't been refuted by anyone, so we think it's - there are obviously going to be distortions. We think in areas of high density you would probably under-estimate your returns. In areas of low density you would probably over-estimate your returns, but we think it's about right. The interesting column for our purposes is the column which details how much money comes from the community support fund from each area. I suppose that is in support of the point Councillor Coward made about the need for a much more transparent allocation of funds from the community support fund.

I think in the case of Maribyrnong we're able to identify allocations and community support fund only to about a million dollars over the life of the fund so far, which is a significantly modest proportion of the amount which is being allocated each year. On our estimates something like \$2.8 million a year in last year's dollars goes to the fund from our municipality, and over the life of the fund we have been able to obtain funds of less than a million dollars in return. So we think that's an issue and we think that the way to tackle that issue is not to hypothecate it but to make the operation of the fund far more transparent and open, and perhaps apply rules which include some consideration of socioeconomic disadvantage as Councillor Coward said.

MR BANKS: We argued in our report that there was a role for hypothecation of gambling revenue in relation to I suppose the fallout from gambling and that is problem gambling, but raised questions about to what extent you would hypothecate for spending beyond that. Indeed, you have partly supported that by saying that you didn't want to see hypothecation back because it would lead to a dependence at the local level in the same way that it exists at the state level.

MR LIVINGSTONE: Correct.

MR BANKS: Do you want to comment on that, to the extent to which it should be - in the transparent way that you have described it should be restricted to problem gambling-type expenditure.

MR LIVINGSTONE: I mean, the amount of money raised by the community support fund is such that it is useful for a number of major projects. I don't think anyone would argue that its allocation to the drug problem in Victoria or to particular types of statewide beneficial activity or to problem gambling is problematic at all. In fact, we support it and we would support strongly a substantial increase in the amount of money which is hypothecated from the fund to go to assisting people who experience problems from gambling, and in the education and prevention program, because we think that that is very, very inadequate. Even with recent increases that have been announced, the amount of money which goes to education and advertising campaigns about the problems associated with gambling is a very insignificant

proportion of the amount of money generated by the fund, and we think it needs to be substantially increased.

The real problem with the fund is that it is not transparent, and that no-one knows on what basis decisions are made, and particularly when, in a community like ours, we can estimate readily that in the range of \$3 million a year is going from the community and less than \$300,000 a year is coming back, and very large projects such as the swimming pool at Albert Park and such like activities are funded by the fund without there being any apparent consideration of the socioeconomic impact that that might have.

MR BANKS: Yes.

MR FITZGERALD: We're aware of some of that, yes.

MR LIVINGSTONE: If I might quickly go to the point about the calculation that the commission undertook to establish the benefit to the community of gambling activity. I mean, at point 3 in the submission we have gone to some issues that we think are interesting as a result of that. I won't dwell on that other than to say that it's an interesting argument. As we understand it, it's also a contentious argument within the realms of economic theory, that is, the whole concept of consumer sovereignty and the consumer benefit, the issue of how you calculate consumer benefit. We would also say that there are a couple of particular issues. Even if you concede that it's a reasonable approach - and we raise in there some reasons why we think it perhaps isn't - but even if we concede that, you have, for example, discounted the extent of consumer benefit by an estimation of the over-consumption of gambling by people that you categorised as problem gamblers.

That raises yet another issue which we think needs to be considered perhaps a little bit more carefully and that is that although you have quite carefully put a ring around the issue of problem gambling and pointed out that it is a continuum which you can't say at some point suddenly someone becomes a problem gambler. Unfortunately there is a perception that you have decided from your research that 2.3 per cent of the Australian population are problem gamblers and the rest are okay. We think that reflects the approach which pathologises gambling rather than conceiving it. I mean, once again these are tendencies rather than absolutes, but if you pathologise individuals, and the industry is quite fond of pathologising individuals and saying, "Yes, we're not talking about problem gambling most of the time, we're talking about ordinary people who, 97.7 per cent or whatever it is who are not problem gamblers, surely we have to be able to provide them with as much as they want."

What we would argue is that firstly, the whole issue of pathological gambling is itself a matter of some contention amongst gambling researchers, both here and in the United States and elsewhere around the world as far as we can discover from any survey of the literature, and needs to be treated very carefully. Secondly, we would also argue that a very large proportion of people who would never fall into any

category of problematic gambling do in fact behave with gambling in a problematic way from time to time. So that we would argue that it's highly likely that even casual social gamblers may, from time to time, over-consume to quite an extent. I mean, depending on whether they have had too much to drink on one particular occasion or whether there are particular issues in their lives which drive them to seek some escape, whatever. There is some evidence that ordinary people, without any pathology of gambling behaviour at all, will over-consume. So by estimating benefit on the basis of the consumer welfare generated in using the model you have adopted, less over-consumption by problem gamblers, we say there is a lot of room for error in how you estimate what over-consumption is if you see what we're arguing.

It is arguable that almost all consumption of gambling, if you like, is in a way over-consumption because people don't know the price. All the evidence appears to be that people really have no idea of how much gambling costs them, and they will consume until they have either reached a pre-set limit which we imagine most responsible gamblers do, or until they consume all their resources. This is a point I suppose we made in our initial submission, is that gambling is one of those activities where it is very easy to consume all your available resources without really having regard to how much you have spent. I mean, there are very few other activities that one can engage in. I think, the only one that really comes to mind is drug addiction and alcohol. We're not saying though that gambling is like those, although in some economic ways it is, and we make that point. We will elaborate on that, I think, more in our further written document but we would like to raise that.

MR FITZGERALD: If you pay particular attention to the submission that we received in Canberra by Richard Landy and Dr Anne Hawke which is the very first public hearing submission that was put in which deals with some of those issues and the methodology we have used, and so that submission won't be helpful for your further comments as well.

MR LIVINGSTONE: Okay, thank you.

MR BANKS: What's interesting about that submission which was done for Nick Xenophon from South Australia was that, I guess like you, they felt that we had understated the problem, but they pretty much endorsed the methodology and what they were differing with was some of the parameters in terms of the elasticities we had used and so on, but, yes, it could be useful to you to have a look at their submission. They're preparing another written one for the Adelaide hearings, I think.

MR LIVINGSTONE: Okay.

MR BANKS: I guess the other point that I would make is it is an imprecise science and I guess, we, in drawing the line at SOGS five plus, we're not saying that there aren't some people below that who are problematic but in the end we had to look at the prospect of false negatives versus the false positives and work out what was a reasonable thing to catch the group we were after. I guess we have got a fair discussion - perhaps too much - in the report trying to come to terms with that. In the

USA, for example, they often use SOGS three plus as the threshold. Generally that's considered in Australia to be too low by those who are sort of specialising in this kind of research, but we will certainly be looking at that, and there will be others who will probably say that we have drawn it too low.

The other point to make, I guess, is that, well, just to emphasise the point you have made, it is a continuum, and some people who are at that level, at the bottom of the threshold, obviously have quite different characteristics to those who score 18 on the SOGS. So some would argue on that basis that we may have overstated in some respects, or understated the benefits or overstated the costs. It's interesting, and you might have a look, there is one table that we have in the report where we asked people in counselling about what satisfaction they get from gambling. While a lot of them get pain, a lot of them also get some benefit out of it themselves which I suppose gave us - that was an indirect confirmation that, you know, allocating some benefit even to problem gamblers wasn't totally misplaced, but of course, a lot of US studies would go the other way and not give them any benefit at all, so it's a complicated area and it's one that we will take into account in all the submissions we get in in rethinking it, so we are grateful to have your input on that.

MR LIVINGSTONE: All right. If I can now go to the final point, and that is in relation to some planning issues in Victoria. As Councillor Coward pointed out we operate as I said at the outset within a very confined regulatory framework, but council has had some success in arguing the economic and social impact issues. In fact a decision of the Victorian Civil and Administrative Tribunal in relation to a planning application by a local hotel in our municipality, we provided the commission with a copy of that. I mean, that's interesting because it is the first such decision. The council in fact adopted an interim policy in relation to gambling venues which in effect put the onus on the applicant to establish what the effect of their development would be. Previously, the tribunal has required the council, the planning authority, to undertake whatever studies it wished to present evidence about the impact of such a development.

In this case we adopted a policy, and we have provided copies of that policy, which set out a framework of requirements that the council would like to have met, and the tribunal upheld that framework. The difficulty of that is that it is in more or less direct confrontation with the government's approach. I also provided the commission with a copy of the recent letter from the minister for planning in which he points out to councils that they shouldn't interfere in these matters because they're under the purview of the state. We think the distinction drawn between the tribunal which is oversighting these matters and the minister is an interesting one which illustrates again what we think is the over-dependency of the state on this form of revenue. Having regard to the time, I think I might leave it at that point.

MR BANKS: Good, thank you. That's actually very useful to us to have that case, so thanks for that. Thank you very much.

MR FITZGERALD: Just one thing I just want to clarify. Your main thrust in relation to the council's involvement would be a change in the planning control authority in Victoria which removed this exemption that exists for gambling venues that represent less than 25 per cent of the floor space. That's a specific issue that you have raised. But beyond that, we have canvassed in the report various options by ways or by means that you would involve local communities. Beyond changing the planning authority so that this group of currently exempted or excluded applicants come into your bailiwick, what else would you think is the role of council or what's the role involving community? Have you got a proposal as to how you might go further?

MR LIVINGSTONE: The mechanics of doing it, if I could start, would be fairly straightforward. I mean, a simple amendment to the relevant legislation would capture all - for planning purposes. The framework within which planning decisions are made encompasses already widespread public consultation. We note that you have canvassed the notion of having surveys of local communities or some form of consultation of local communities for the purposes of making decisions, perhaps even in applying vetoes for particular types of development. We support that approach, there's no question.

The question I guess is how you impose a mechanism which is practicable and systematic and it can be applied across the country. Planning arrangements differ from state to state but we think with experience of the Victorian system, a requirement that such planning decisions should be the subject of compulsory consultation with the broader community and using the instrument of the planning legislation as a mechanism for councils to either approve or not approve particular developments in particular ways, or to impose certain conditions as the local community thought fit. That of course would be subject to appeal through the normal processes. We think that is a simple and very workable approach.

MR FITZGERALD: The other question therefore arises. You obviously believe that local government is in a position to be able to do local economic and social impact studies which are sustainable in terms of giving a reasonable basis for making those decisions and then going through the appeals processes.

MR LIVINGSTONE: Yes, and our thrust in commissioning the research we did was to establish, or at least begin the process of establishing, a consistent methodology that local governments could utilise. Our colleagues from Booroondara undertook a social impact study or a study which was more orientated towards the social issues. I mean, these are on a continuum as well of course, which we think would provide an interesting complement. I should say the next stage of the research which we're trying to get the funding for now from another consortium is aimed at sort of developing I suppose what you could call a meta-study which brings those sorts of ideas and your own work together to develop a more straightforward methodology. The ultimate quest of course is for something which can be taken off the shelf and applied at the local level in a systematic way.

MR BANKS: Good, thank you. Thank you very much for that. That's very helpful. We'll just break for a moment please.

MR BANKS: Our next participants this afternoon are Boroondara City Council. Welcome to the hearings. Could I ask you please to give your names and your positions.

MR WALTER: Thank you, gentlemen. Councillor Keith Walter, former mayor at City of Boroondara.

MS WINKLER: And I'm Ros Winkler, coordinator of community support and development.

MR BANKS: Thank you very much for coming along today. You've given us some material here which no doubt you'll tell us about now so I'll just hand over to you.

MR WALTER: Thank you. I'm going to get straight to the point because I think time is something which is valuable to all of us. The big question to us was why should a city like Boroondara become involved in a research of this nature when people say, "You're such an affluent area. You don't have these problems. Why bother?" The biggest misnomer of all time because in any city, including ours, we have a mix of people the same as anywhere else. We might have slightly different percentages but we have disadvantaged folk, poor people, poverty people, we have rich people. Our view is, and it's part of the vision of our city - we have three magical words that say "Caring and Enterprising". So caring is that we care for the people and we're very conscious that even if we had half a dozen families, that would be enough for us to say, "What should we be doing to look after that question? What research should we be doing to find out is there anything we can do to avoid a problem being created into that family?" One family destroyed is one too many.

So that's more the philosophical point of view and then when in the retail sections you get the op shop people telling us how their trade has boomed and how the commercial retail department in the rag trade is going down you start to say, "Hey, whoa, this is a so-called affluent area. Why is this?" With that as a philosophy, the council decided, "Let's find out. Let's find out for ourselves and not just simply rely on the anecdotal hearsay that, yes, there are problems." With that in mind we set up a group - I won't go into the detail of that. Some of the points that came from that - and I'll stay in the broader realm in here - is that we found that the community at large, and we had a very large response with the folk working with us, reinforced that they believed that the council has a role to play and must take a place in that role. This was a very high percentage of those that we spoke with and the feedback was, "We don't have a personal problem but yes, you should be and must be getting interested in this. It is the role for the local council."

We also hear often people saying, "Give us the proof. Show us the number of people that you can quote as being those who are disadvantaged or having trouble and so on, but you can't find them, can you? You can't show them to us." Some of the research that we did get into gave us very, very positive information in this regard, not that Tom or Mary said, "I am bankrupt because of gambling," but Tom and Mary's neighbour, Tom and Mary's sister and their other friends told us that they

personally knew the person that has the trouble. That's still technically anecdotal but it's also direct and not whisper hearsay floating around and this was - something, 20 to 23 per cent of the people that we spoke with told us they knew of people personally and close to them that have serious gambling problems.

We also found from the feedback and this perhaps was such an obvious one we hadn't thought of it but that is the link between alcohol and the gaming machines. Where the gaming machines are collected in force, in numerical strength in hotel situations the propensity for those who are playing the machines to get a little bit further into the drink department, have a little less responsibility for the gaming machines, a little more into the drink department, further less responsibility, and this was a very clear link that was coming back to us from our research.

Another thing that came back to us was advertising. I'll be quite blunt and risk being libellous - hopefully not. But the false advertising, misleading advertising, discriminatory advertising is frightening and one wonders why and how this hasn't been challenged. As a council we have highlighted a particular advertising hoarding which I won't nominate per se where we've asked the council officers to look seriously and find a way that we can report it and have it investigated under discriminatory or false and misleading resources. When you have major claims made and then tucked away in a very tiny little corner that, as I've said in the council chamber, a squashed blowfly on it and you wouldn't be able to read it, it is so small, that simply says "conditions apply", you start to wonder as to why isn't this being regulated. Why isn't it being controlled. Then you talk in terms of the regulator and a common expression we use, that because the regulator is largely appointed by the government to monitor the government and to monitor the income to the government it's a bit like having Dracula in charge of the blood bank. So you're not too sure where you could really look to to have recourse in that area.

I think they're the major points that I wanted to make. These are the reasons why as a city which is allegedly and truthfully an affluent community - why we are concerned about what people claim to be a very small number of people in difficulties. As I said, one family destroyed through gambling is one too many. That's our interest for it. So I think I'd hand over to Ros to comment on more detail.

MR BANKS: Thank you.

MS WINKLER: I'll give you basically a run-down on the development of the research and a bit of demographics about Boroondara and then refer briefly to the duty of care itself. The City of Boroondara commissioned a study into the impact of gambling in October 98. From early 97 council articulated concern over the impact of gambling on the community. Electronic gaming machines were a particular concern and council was concerned that the number of EGMs should not increase. At that time four hotels and four clubs had 276 EGMs operating in Kew and Hawthorn. Camberwell is the other city that comprises Boroondara. There was concern about the possibility of increases in the numbers of EGMs. At present a further 10 EGMs are operating in Boroondara but no new venues have opened.

In May 98 council accepted two recommendations relating to gambling. They were that the impact of gambling on some sections of the community required attention; and to establish a working group to address the development of a review into local gambling. The gambling response working group was convened and it comprised representatives of family support services, community development organisations, local business, a church group, councillors and council officers. After several meetings it was concluded that although there was information about the social impact of gambling there were many questions that could not be answered in the local context. It was very important because without local information it was not possible to develop an appropriate local response to gambling. The need for current information on the impact locally is vital in making any objection to planning proposals. That's another point that's really important.

Terms of reference for the review were to assess the impact of gambling on the Boroondara community - these are in the duty of care that you have - to examine the extent to which gambling in Boroondara is considered an alternative to other forms of recreation. This second point was taken to enable inclusion of gambling as a valid form of recreation. It did not preclude examination of gambling as a problem but did allow for a broad look at the issue and its impact on a local community and development of proposals to address recreation and leisure issues. The third recommendation was to identify measures and strategies that council can take that can influence the impact of gambling on residents in the city.

Would you like me to refer to methodology at all or are you happy just to look at that?

MR FITZGERALD: We can look at that later.

MR BANKS: I think we can, unless you wanted to just briefly highlight - - -

MS WINKLER: There were a range of approaches taken to ensure that the information gathered was going to be acceptable to everybody basically and that's explained in the document.

MR BANKS: Good.

MS WINKLER: There has been some surprise expressed that the City of Boroondara would be interested in commissioning a study into the impact of gambling. This is probably due to the general affluence of the city and because of the relatively few EGMs in Boroondara compared to other suburban areas. The low number of electronic gaming machines in Boroondara does not negate cause for concern about the impact of gambling on the community. Council recognised that people on low incomes have been identified as being the hardest hit by electronic gaming machines. It also recognised that any family or individual, regardless of income level, can be badly affected by gambling, particularly problem gambling. This general concern was the basis for the study.

The view was vindicated by results of the study which showed that 61 per cent of the 600 people involved in the study believe that council does have a role regarding the impact of gambling on the community. Many suggestions were provided out of the study as to council's possible role and strategies to be developed in response to gambling issues. A summary is that they relate to education, support services, leisure, regulation and monitoring research and planning.

The overview of findings - I'll just briefly read out the headings of the sorts of areas that were covered in the research. Problem gambling was looked at as a private or public matter and the role that the city might take - this is on page 3 of your report if you want to have a look. These are headings of subsections so there's a lot more detail in there. There was information on views and perceptions of gambling in general, problems associated with gambling as raised in the survey and they were about economic issues, social, physical issues, ethical and moral issues, crime rates, marriage, family breakdown etcetera. There was information on benefits associated with gambling, views on how gambling affects individuals and families in the community, how it affects business, spending patterns, community infrastructure, migrant issues, how it affected young people, low incomes, welfare service and alcohol and gambling. So there were quite a number of issues that were raised.

MR BANKS: That point that was made earlier about asking people whether they knew people who were in serious difficulty, that was part of this study?

MS WINKLER: Yes, there's some information in there. Jennifer Burrell who actually did the research is available for you to ask questions of.

MR BANKS: Yes, it would be interesting to see but anyway our research team can have a look at this and maybe get back to you or your researcher.

MR WALKER: It is actually amongst the attachments. All of that data is amongst the attachments in that report that you have.

MR BANKS: Good.

MS WINKLER: It's true that Boroondara is generally affluent. However, some Boroondara residents are on low incomes and experiencing accompanying disadvantage. Some of the particular issues, compared to the Melbourne statistical division are suburbs of Kew, Hawthorn, Burwood, Box Hill North and Ashburton have higher than average rates of residents with disabilities. Ashburton has a very high proportion of people living in public housing. Boroondara has a very high rate of elderly residents and the non-English speaking background population is comparable with the rest of Melbourne. Other factors to be considered in this city are high numbers of independent students who are living without family supports - that's because of the certain provision for education in the city. These students include international students, predominantly from Asia, and independent students living on

homeless Austudy allowances. We have a secondary school that provides specific programs for people who are on homeless Austudy.

As in most other cities, homelessness and accommodation issues are cause for concern, despite the fact that Boroondara has 20 hostels, nine rooming houses and 13 special residential services. Local social support agencies address the usual range of social issues including housing, mental and emotional health, disability, youth issues and emergency relief. There are services for people with gambling problems, such as Break Even and G-Line. So Boroondara has the full range of issues that any other city would have to deal with. It's worth noting however that in terms of the views expressed by the people in this survey as a bit of background to that, Boroondara has a very large volunteer sector in terms of working social services agencies in a voluntary capacity, and I think it's worth noting that affluent areas don't necessarily have a lower concern for social justice issues. They convert their concern into stating what they think the issues are and to providing support in a voluntary capacity. Other agencies also respond to people affected by gambling, including our own council social services. Anecdotal information is often not regarded as worth the breath it takes to tell it but it's important to put this issue into the human arena. Discussion about statistics and economics provide immunity from personal tragedies that people face, but I'll relate one story that occurred in the department that I work in.

A woman came in who had a number of small children and she was pregnant with another child on the way. Her husband had a successful career but he suddenly became unemployed. He was charged with criminal activity. He was incarcerated. She lost her home, she was in debt and she was in shock because it happened very quickly. She had no idea this was happening until everything fell to pieces. He'd been pretending to go to work over a period of time and had been able to cover the reality of the situation. There was no warning for the woman or her children and the damage was quite devastating for her. Aside from the monetary losses and the lack of security, her faith in her husband and the fact that the lies had been going on for months as well just undermined everything. We don't believe that any benefits of gambling come anywhere near outweighing the damage caused, particularly when you're working in a situation where you come face to face with individuals. It must also be remembered that for one family destroyed by gambling, there are many others badly hurt.

In conclusion, Boroondara Council has utilised its support networks in the community to develop a research project that's been community-based and has involved large numbers of groups and individuals. The response from the community has been positive, as is demonstrated by comments such as the one, "I'm pleased to be involved in this research and I'm very pleased that council is doing it." Council is concerned about the lack of local input into local gambling developments and by legislation restricting options for council involvement in development. Boroondara Council regards collection of locally-sourced facts, opinions and strategies as vital in developing appropriate responses to this important social issue. Boroondara Council's future responses to this issue in this research in particular are

based around the processes of further public input. The executive summary has been placed in local libraries for people to comment on. We'll have a public meeting at the end of September and we'll tie everything together and develop a policy and strategic response from there.

MR BANKS: Good. Thank you.

MR WALTER: Mr Chairman, just a question that may come from your colleague. There are a number of recommendations - there are in fact six of them with subheadings with them - all in the report, and I don't intend to go through them item by item because I think they would pick up the point that the questions validly would ask.

MR FITZGERALD: So just clarifying, these are still recommendations that are on the public record for further consultation and the council itself hasn't adopted any recommendations yet?

MR WALTER: This is a process that council always does, that we bring it to a council, we take it as a policy for review, put it out to the community for further input and then bring it back with comment and then adopt it and then at the same time, the last question on the adoption would be to create an implementation process to go on from there. That will be going into the 10 period of time, October-November, to actually put it on the table as a formal adopted policy with implementation procedures to be followed up.

MR FITZGERALD: Okay. Just a couple of questions. I acknowledge your concerns in relation to the downside of gambling and interestingly you make the point that you have people on low incomes in disadvantaged circumstances. The point in the report of course is that problem gambling is not associated with any particular group. One of the more surprising aspects of our report was that in fact problem gambling, with some slight skewing to young people and a couple of other groups, appears across the community. How would you go about dealing with the economic and social impacts within your own community if we were looking at the right of councils to have a greater say in relation to the level and type of gambling in the area? Because taking Maribyrnong's position, a lot of that's got to do with the level of disadvantage that exists within the community. That's not a position from which your council could come. So do you have any views or ideas how you would do an economic or social impact study which would actually highlight your concerns, given that the obvious demography, as you keep pointing out, is different from any other councils who are in lower socioeconomic areas?

MR WALTER: Firstly, I don't agree with the surmise that we don't have those people in there, because there's quite a number. We've actually lost some 800 beds in rooming houses over the last 10 years and those people are still waffling around trying to find somewhere to settle into the place. The thrust of our recommendations in fact pick up the drift of your question. The thrust of our recommendations are along the lines of just the ways that council would engage in and reinforce education

and awareness, the way that council would improve the infrastructure responsible to local needs, and particularly acknowledging that many of these recreational facilities and many people are involved as recreational, therefore what are the alternatives that should be provided?

How do we go about that? We don't have the answers at this point of time. We're highlighting the areas that we would be wanting to address. We would also be highlighting the reality that many of the English-second-language folk are often feeling lonely, feeling isolated and therefore looking for something to do in that time, so this would be an area to be looking into as to how do we redress that. What are the options we can make available so the alternative is not simply to go and get into the machines and do nothing else. We'd be looking at the alternatives to treat it and to acknowledge it as a recreation, not in itself as an inviolable sin. We're not looking at it in that direction.

But we also are very conscious and looking at ways and means how to monitor the location of automatic teller machines. These are all listed and they have subheadings as to the thoughts that would go through it as to what council's role would be in either promotion to push them or to do something themselves. Without trying to read four pages to you, which I wouldn't attempt to do, that's the thrust of our recommendations, not simply a glib statement of what a problem we've got. We go away and think.

MS WINKLER: We have quite well-established networks of agencies that meet regularly addressing different issues. The youth worker network for example includes the Break Even youth counselling service and then we have another social work network where we identify ways of working that are actually effective for people experiencing all sorts of issues, and I think the point to remember is that people who have gambling problems may have already existing issues that need to be addressed, as well as the gambling issue, or it might be someone who's got no other problems other than just the gambling issue, so it would be a matter of making sure that services are responding to the individual with the background information in terms of what is generally the issue.

MR FITZGERALD: You made a comment before that you believe that the benefits didn't outweigh the costs of gambling. One of the things the industry has indicated to us consistently is that in Victoria since the introduction of extended gambling there's been improvement in facilities and services provided by both clubs and hotels to patrons. How does your research or your own views deal with that proposition, having regard to your particular council area?

MS WINKLER: Well, I think the benefits - in terms of the people we've spoken to, the benefits that people get out of gambling are social connectedness sort of issues and I think that the service that gambling venues provide in that sense could well be done better and should be done better, and that's one of the things that council will try to pick up because people's disconnectedness and feeling isolated is a major problem across western cultures it seems, and I think that's something that can be just as well

and much better picked up in other areas rather than going to a gambling venue to lose a lot of money to be with other people. I don't think it's a very effective way to get that benefit.

MR FITZGERALD: Would a number of the venues that have had access to gambling facilities - is it noticeable that they have improved as venues for people who don't gamble for example in your jurisdiction?

MR WALTER: Short answer would be no. A number of the hotels have taken on board longer hours. Those longer hours have meant that the adjacent community has invariably suffered from the outpouring of people at that late time. The hotels in question - and this is not all, let's be careful here for a minute - have acknowledged this and are making efforts to try and monitor it. We do have one particular hotel which has over the years developed a monitoring process which requires security people to keep control and they do it very well. But that's the extent that has to be gone to monitor the situation, so I don't believe it's improved anything in that regard.

MS WINKLER: I'd like to add a point in relation to children's issues in those venues. This isn't necessarily in the report, but in terms of the meetings that we've been having as part of the VLGA we've identified issues of child-minding rooms being set up in gaming venues. They are in fact a room. They're not supervised, there's no requirement for an adult to be with the children. The children sometimes have to go through a bar to find their parents if they decide not to stay in the room. Some enterprising person has developed a toy that looks like an EGM for kids to play with, which is lovely, and there's a service provided in car parks apparently where you can buy things cheaply in the gambling car parks. That could be a service. I don't think so.

MR FITZGERALD: This is a euphemism, is it, for something else I gather?

MR BANKS: I suppose the other question, given that you know your own patch pretty well - and we don't always get the opportunity to ask these questions - is in relation to the clubs in your area that have gaming machines relative to those that don't have gaming machines, do you notice any discernible difference in terms of their ability to put money into the community in various ways, from donations to sporting clubs or charities or other activities?

MS WINKLER: You'll find in the report there's quite a lot of reference to the current recreation infrastructure. There's been a bit of a downturn in usage of clubs in a sporting sense. Jennifer might want to respond to this a bit more, but I think basically some of the clubs that have got EGMs in them, as you said before, they tend to get taken over with that as the thrust, and in order that they can keep those EGMs, they have to produce a certain amount of profit, so the focus of their service changes.

MR WALTER: I think most of our EGMs are in fact in hotels rather than in clubs.

MS BORRELL: That's true, yes.

MR BANKS: Would you like to come forward and just comment on that? I'll just get you to state your name and your position or affiliation or your connectedness to the current submission.

MS BORRELL: I'm Jennifer Borrell. I coordinated the Boroondara gambling impact study. Just following on from some of the comments of Keith, some people actually did complain, or there were quite a few complaints that were registered, in the study about the amenity actually going down because of EGMs in different hotels. People complained that they used to have a nice local, they used to pop in, but now it's overcrowded, they've been squashed out and into a small pokey, smoky area. Other people say the amenity of their hotel has been ruined by the noise of Keno going all the time and that areas for restaurants have been contracted. There was one club, there were a couple of bowling clubs that have actually amalgamated but one of them that moved their location used to have electronic gaming machines and they said when they amalgamated and moved their premises to the other club, they just decided to do away with them because they weren't making enough returns to make it worthwhile, and because of all the requirements of renovations and around - when you have EGMs set up in your place, all the contractual requirements, it just wasn't worth their while and they couldn't be bothered with it and the new club wasn't interested. So they actually - a club just decided they didn't want them so they did away with them. But also, like Keith mentioned, there were people complaining about the amenity of the general - not just in the venues but the amenity in the general area. I have read in other studies commissioned by the VCGA that the amenity for some clubs has improved because of the facilities but it just didn't really come through in this study.

MR WALTER: If I just chip in there, one of the returned services leagues actually had their two or three machines taken from them because they weren't earning enough revenue for the supplier.

MR BANKS: Good. Okay, I don't have any other questions. We certainly will read your submission or study with interest and if we could get back - how should we direct our questions - through you?

MS WINKLER: Yes.

MR WALTER: Through Ros.

MR BANKS: Okay. We will do that when we've had a look at it. If we have any further questions, we'll follow up in that way. But if you don't have any further comment I just thank you very much for your involvement today.

MR WALTER: Thank you.

MS WINKLER: Thank you.

MR BANKS: We might just get started again. Can I now call Moreland City Council and I was about to say welcome to the hearings but you're at home, aren't you? Could you please give us your names and your positions, please?

MS RAYMOND: I'm Melanie Raymond. I'm a councillor with the City of Moreland for the Westbreen ward and portfolio councillor for social development.

MR BANKS: Thank you.

MS MERKUS: I'm Jenny Merkus, I'm the director of social development here at Moreland.

MR BANKS: Thank you. Thank you very much for participating. As I indicated, we've got a copy of a submission from you and perhaps the best way to proceed is to let you make whatever remarks you would like to make and we can take it from there.

MS RAYMOND: Thank you very much for the opportunity to present on behalf of Moreland. What I would like to do today is particularly focus on a very important aspect of Moreland's approach to the issue of gambling in our community and that is the Moreland Responsible Gambling Charter and probably flag here that we'll be providing more detailed information to you about specifically that charter in written form but I'd just like to focus on that in particular today. What I want to do is just say a few brief things about Moreland. I think the nature of Moreland and its demographic make-up is in our submission and you would be well aware of the sort of things that make Moreland Moreland, but in relation to gambling in Moreland we have 17 venues and between 7 and 8 hundred machines in this municipality. That's about 7.4 electronic gaming machines per thousand residents and \$43 million earned in revenue from those machines in 1997.

In Sydney Road alone there are nine venues that we know of. Of course not all of them come to our attention but the reason I'm raising that is Sydney Road is very much the spine of Moreland, you know, a major thoroughfare and just if I - I got a list of the number of venues that we have and just to read, to give you an idea of the impact of the clustering of these machines, we have them at 67 Sydney Road, 203 Sydney Road, 323 Sydney Road, 430 Sydney Road, 502 Sydney Road, 613 Sydney Road, 615 Sydney Road and 1141 Sydney Road and there will be an additional one with the new Moreland Hotel in there as well. So of say 721 electronic gaming machines 412 of them are in maybe about six kilometres of Sydney Road, that stretch of Sydney Road. So we have a very significant concentration of machines just in the very spine of our city there. I just wanted to draw that picture for you.

I will move directly on then to how Moreland is dealing with it. Last year council developed and endorsed the Moreland Responsible Gaming Charter which was to give voice to our concerns and to set the framework for how we would address the issue. It's a comprehensive approach that doesn't look at gambling in isolation but basically is informed by all aspects of Moreland's expertise and responsibility so it

brings to it expertise from our social and recreational policy, our urban planning areas, our community development research and inter-government relations operations. We think that's the best way to approach it. The charter itself has four main aspects to it and that is the adoption of the town planning code in relation to gambling venues. Secondly, the creation of a responsible gambling statement of principles, the establishment of a partnership forum of venue operators and fourthly the establishment of a service provider network in Moreland which brings together those groups who are providing counselling and support services to problem gamblers.

It's a model of action within community development that has the context of providing education, cooperation, feedback and participation from a range of groups and very much what we want to do is work cooperatively in the adoption and implementation of the charter. In looking at the Moreland town planning code for gaming venues this is to apply to the establishment of new venues, the installation and use of electronic gaming machines and the intensification of an existing gaming venue. The current regulatory framework as is often commented is fragmented and we feel addresses very much commercial aspects of gaming rather than community interest but we do see it as a clear link between accessibility of the machines and problem gaming and our charter aims to do what we can within our somewhat limited powers.

So there is still potential for considerable growth in the number of electronic gaming machines in Moreland without an opportunity for council to consider those because of the current requirement about planning permits and percentage of floor space. So Moreland's town planning code therefore gives special attention to community impact and while our powers are limited in many respects recent decisions of the Victorian Civil and Administrative Tribunal have supported elements of our code and the approach that we make to it. For example, a major feature of the code is that there should be an assessment of social and economic impact for the addition of a new venue or additional gaming facilities to ensure that they don't adversely affect the social and economic health of the local community and to encourage gaming venues to actively contribute to the social and economic health of the community.

We would ask that operators and owners of a proposed venue must demonstrate awareness and compliance with the spirit and the content of the City of Moreland Responsible Gambling Charter and the gaming industry code of practice. It includes with it other things and I won't go into detail on each of them but it talks about the location of gaming venues, and that is to try and find an appropriate separation of gambling venues across the city and to limit the ease of movement. You can see perhaps from the example of Sydney Road why we think that's important. It also goes to amenities within gaming venues to make sure that there's a range of activities provided within them that aren't simply electronic gaming machines and that they are pleasant and safe places to be. We look at management practices that encourages operators to take an active role in minimising the negative effects of gambling and to contribute to trying to maximise the positive effects.

We go to things like car parking, to ensure that there's proper car parking in the peak periods and that there is not detriment caused to surrounding neighbourhoods and residential areas. We look at the hours of operation and again that's very much to do with not causing distress to surrounding areas and, yes, that's the last of the main points of the town planning code area that we have.

MR BANKS: Would you mind me asking a question just on that, before we move on?

MS RAYMOND: Yes, sure.

MR BANKS: In relation to one of the key issues that you highlighted, that is the location of a new venue relative to the others, if there's any space left on Sydney Road, how do you advance that particular issue because in a sense if it's less than 25 per cent of the floor space you don't have a mechanism for enforcing it?

MS RAYMOND: I think that is the problem that we have. That's what we would like to do but currently we can't do that and indeed our knowledge of all the venues isn't comprehensive because of the fact that some of them have probably never come to council in that way.

MR BANKS: Yes, but I suppose I'm just trying to get a sense of the charter and how current it is in the sense that - I mean, there were some things in that charter that you certainly can do and you can discuss with venue operators. Some of them, however, seem a lot more problematic.

MS RAYMOND: It's in its infancy so that in terms of talking to venue operators and proposed venue operators we are still in the process of doing that so that things are not the way we want them at the moment. The aim in implementing this and the implementation phase starts in October, we would address those issues. But part of it is also us having more say and control in planning issues to try and circumvent that.

MS MERKUS: There is quite a degree of acceptance of the charter amongst clubs and hotels. They were involved in the consultation phase, putting together Moreland's Responsible Gambling Study so it did gain some acceptance in the developmental phase. So we think we've got a basis to start from.

MR BANKS: Good, thank you.

MS RAYMOND: Just continuing on with the elements of the charter, it is intended as an elaboration of existing industry codes of practice but we would see it as adding a community dimension to what is probably a more commercially oriented industry codes of practice and within it it sets out principles that we would like venue operators to commit to. So this charter is in fact - it's voluntary, it's not mandatory. It is an approach which seeks to work with people to gain their commitment and their participation. So in bringing together our venue operators we would want them to subscribe to principles which are simply a statement that we care about the welfare of

our customers, that we provide a safe, healthy and pleasant environment and that we support our local community. So it's a very simple statement of intent in that.

The key to the success of having an actual charter which has principles would be to bring it together with the venue operators and to do that the third element is creating a partnership forum so that we would then have venue operators working with council in an actual forum that meets - that has responsibility to administer the forum, to monitor compliance and encourage an environment of cooperation in what is otherwise a very sort of intensely competitive environment, but to put that to one side and allow them to talk about issues of mutual interest, common interest and to address issues of customer need, quality service and best practice in a supportive and non-commercial competitive environment.

We think it's very important, that part and parcel of doing that work is to become a member of it, come to meetings, be a signatory to it, take it seriously and have a sort of joint responsibility amongst themselves for how venue operators are behaving in the City of Moreland. So some of the ways that charter would operate which would be requiring the subscribing venues to sign an agreement to implement and promote the charter principles, to lodge and present a statement annually at a meeting of the Moreland responsible gambling partnership forum which would outline their current compliance; whether or not they have reached compliance, progress over the last 12 months or targets or future plans; to attend two meetings annually, pay an annual subscription to the partnership forum and recommend improvements to the content and operation of the charter for the partnership forum.

It's very much giving a lot of responsibility and opportunity for venue operators to contribute to that forum within a context of certain principles and agreed values about why we're having it. But in terms of doing that the benefit would be that they could publicise that they are a subscriber to the partnership forum and they support the implementation of the charter, that there is an opportunity to exchange information about best practice operation, and operation of the charter, to receive comments and complaints from customers and review and update the provisions. The subscription moneys could be used to assist with the promotion of responsible gambling practices. We could have an annual award for the best venue and also to have annual reports submitted to council on the operation of it. So, as I say, it is voluntary but there are various responsibilities but benefits as well in becoming involved in it.

Within the principles of the charter it also asks or makes requirements of venue operators in terms of how their venue is run and most of those things I think are quite simple things which include provision of information, particularly multilingual information on gambling counselling services, advisory notices, customer code of conduct which goes to dress standards and behavioural conduct and information about how complaints would be handled and information about things like taking a break from continuous gambling and its importance. The issue of clocks being visibly displayed, daylight being obvious when it's there, fresh air and non-smoking areas, tea and coffee available free and the opportunity for alternative leisure

activities, especially social interaction so that you can do something other than sit by yourself at a machine and pour money into it.

Also it has got to focus on staff training so that the staff in those venues have an opportunity to be trained in the issue of responsible gambling and customer service issues. So that is basically the broad content of the Moreland Responsible Gambling Charter. A fourth and very important plank of it is the creation of the Moreland service provider network which brings together the counselling agencies in the city to ensure coordination and information exchange and we want to do that in order to offer targeted support and counselling and to ensure that there is monitoring of problem gambling in our municipality.

One of the great benefits of establishing this network, which we have done, and it is now meeting regularly, is the provision of very first-hand information back to council. It's a small group but it's a group of counselling agencies very directly involved in counselling problem gamblers. They bring a wealth of information back to council, and also are able to talk to council about our views. Some of the things that they have raised with me would be issues like the provision of counselling services. They are saying that there is a growing amount of information pamphlets, leaflets, that are required to be distributed in gaming venues, but there is a growth in counselling services, some of them that they feel not quite sure about; that people are setting up themselves as a counsellor and they are not really sure about the person's qualification or experience and it is a getting a bit out of control, and it is annoying the venue operators.

There are so many pamphlets and leaflets coming around. They are quite happy to have them on display but it is probably not unreasonable for them to say, "Look, can we get a handle on how many bits of paper are floating around and who is who." One of the issues we are addressing in our service provider network is that very issue and we are doing an audit of all the people who are providing counselling services in Moreland and also a better way to make sure that information can be distributed and distributed where it is needed.

The other issue that has come forward is the issue of the counselling services for women. While we don't have sort of hard data on the increased level of gambling amongst women, we're certainly getting information about how it's impacting on women. One of the issues is the location of counselling services where we have had problem gamblers who are women say that the location is just totally inappropriate. If the counselling service is located with the service for injecting drug-users they are just really not going to go there, or it's the worst dankest, darkest, horriblemest room at the back of some hall somewhere, and it's just not places women go, they feel comfortable going or even know where they are. If you match that against the sort of superficial attraction of a gaming venue, lights, music, things happening, get yourself away from there and go and find wherever this sort of back alley where you might go in for your gambling session is, they feel it's not realistic. It's not a criticism of the actual counselling service. It's a criticism of how you get there and what the access is like and where it's held.

We again, like others, are getting a lot of anecdotal information but we feel it's very first-hand, and that is about mothers who are not buying sandwich fillings for their children any more, finding the corners that they can cut in the household budget. You know, whether it's through their own spending or through someone else in the family spending. Certainly some local hairdressers feel that the money isn't being spent on hairdos. Now, whether that's changing with the way people wear their hair or because money is going elsewhere, that is brought to us. On a very serious note, the unreal expectations of problem gamblers in terms of the likelihood of winning and the odds. The need for information there is huge and it raises the issue of people's susceptibility to advertising that might raise false expectations and damaging expectations.

We have had examples of a gentleman who desperately wants to go to the Sydney Olympics and he had \$800. It wasn't enough so he took that and his plan was he would make sufficient money to fulfil his lifelong aim of going to an Olympics. By gambling that money he really thought that he could do that and pull that off. Or the financial plans that people are making include, "I'll pay off my house. I'll buy a car. I'll win Tattsлото," and it's seriously a dot point on the financial plan that "This will happen. I will win," which, you know, for some of us might find that hard to believe, but the financial counselling services are telling us people are seriously putting that into their financial plan. So I think they're very important points to take note of because as I say, the information is coming very first-hand. It's difficult for those agencies to talk publicly about it by the way they operate. They need not to be blabbing what people say to them. They are there for the problem gamblers so we are one of the avenues that can actually talk about the issues they raise without them doing it themselves.

So in summary, I think that Moreland Council is already well under way in developing strategies to address the adverse impacts of gambling and to respond to and advocate on behalf of our community. We see this as a priority issue in terms of local governance. It's not a pet project of any particular councillor but very much a fundamental part of the role of council in all of the things that we have to do. We think it would be remiss of us in our duties if we didn't actively seek to exercise and influence as the directly elected representatives of the Moreland community.

We already exercise so many powers which touch on the regulation of gaming anyway in terms of how leisure is conducted in the city, in terms of encouraging business development, in terms of health status and so forth. It really wouldn't make sense for us not to have a role in how gambling is regulated, but basically I think it's our intimate knowledge of our community and that's what you get with local government, a very longstanding and intimate knowledge of how the community operates its neighbourhoods, its shopping centres, its social and leisure activities and community groups, its health and economic status. That makes it vital that local government's role in regulating gambling is recognised and acknowledged and given as much as it takes to sort of address the adverse impacts of gaming venues that are in our midst.

As I said before, our responsible gambling charter is in its infancy, but we think it is a very good example of how local government can take a pro-active stance in its responsibilities in this area. We will be working in an open and supportive fashion with venue operators and the community to achieve wide endorsement of its aims, but clearly as other presenters here today have spoken to you about it, there is a need for clarification of the role of local government, and indeed, a wider role for local government in addressing the issue of gambling in our communities.

MR BANKS: Thank you.

MR FITZGERALD: Councillor, I'm intrigued by the enormous gap between yourself and the apparent position of the state government in relation to many of the issues you have raised. Given that we have now heard from three councils this afternoon of their concerns, you have just elaborated a very detailed responsible gambling strategy for your council. Why is there this apparent substantive gap in terms of your way of seeing this issue and the way that successive governments, of different political persuasions, see this.

MS RAYMOND: I think our councillors would question to what extent the state government truly understands the extent of the problem. Again, they might buy into the idea that problem gambling is exaggerated or doesn't exist. Also that sort of an ethos about individual responsibility; if people want to gamble they should, and so forth. Basically I think there might be some tension between the Victorian state government and local government in terms of who does what and who has what sort of power. So the setting hasn't been right for the state government and for Moreland Council to really be at one in their approach to gambling.

MS MERKUS: I think it's also the reliance on the revenue gained from gambling. It's 15 per cent of state revenue or more, so I think sometimes they turn a blind eye to the sorts of problems that occur in communities like Moreland.

MR BANKS: Yes. Another possible hypothesis has been put to us which is related to that, is that there is a difference in the incidence of sort of the revenue benefits and the outlays associated with it, but I mean, is it a drain in some sense on your council's budget? Could you talk a little bit about that? In terms of services you provide or loss of revenue in some way through rates and other means. I mean, is it directly impacting on your resources and your revenue?

MS MERKUS: There is not a direct drain, but we have concentrated a lot of resources in researching the gambling issue and also we are working with service provider networks to address gambling problems, so in that sense it does take up our resources. We also think that there is some slippage. Like, people are spending their leisure dollars in gambling venues rather than in leisure centres and so there are, I think, some health outcomes that can occur, some negative health impacts, on our community, through people gambling their leisure dollars rather than spending it in our leisure centres, so I think there might be some impacts there. We already have

lower health outcomes than other areas in the metropolitan area and so we're really concerned about that.

MS RAYMOND: We would be planning for there to be a demand for additional services as a result. All the research is indicating that it is causing a drain on people's personal and household budgets so it's not that we think this isn't going to be a problem for it, and in fact probably it already is. It's also a cost to us in the sense of our social capital, where Moreland has a huge commitment to building social capital. We would have a very vibrant lively community and we feel thwarted by the fact that we go to enormous efforts to provide all sorts of other things for people to do and value social capital, community participation, to address social isolation, and we have these venues that seem to bring in the opposite result from the sort of values that we're trying to create in building social capital.

MS MERKUS: The other thing we're doing is wanting to provide a means to educate general service providers to recognise gambling problems because often it's not the problem gambler that presents. It's the family that presents with a whole lot of problems that are associated with gambling, and you need to recognise those before you can pick up that there is an issue in that family.

MR BANKS: Yes, okay. With one eye on the clock, just a couple of other pretty minor points to make, more in relation to your submission just for the record. One point was that at several points in the submission you talk about the commission having advocated a national control authority or agency rather than what we have talked about in that last chapter which is in a sense the separation of functions and powers at a state level. We have seen a role at the national level for a research institute of some kind that would play a role in getting better data nationally and uniformity, and comparability issues addressing those, and also doing some national research, but the rest of what we're saying in that chapter is either about state or local rather than having a national regulator in that sense.

I believe that Moreland sees a role for a national regulator and that's fine, but I just wanted to make clear that our own position had been as set out in that chapter, but again, if you want to comment on that or show why our model should be changed and the advantages of converting our state-based regulator to a national one, you're welcome to do that. The other point which you may not be able to respond to now, and I would be happy for you to come back to me later, is just on page 7 under Self-Exclusion, there's the comment:

If self-exclusion is to be made more readily available it's suggested that the locations where people may self-exclude -

it's the third paragraph on that page -

be extended from its current location in Malvern. It is proposed that processes be established in areas such as Moreland where there is a high level of electronic gaming machines.

Do I take it from that that there's only a facility in Malvern, what, in one hotel or one club or - - -

MS RAYMOND: What I'm told is that you must go to the headquarters I think of the Australian Hotels Association.

MR BANKS: I see, okay.

MS RAYMOND: It's just Malvern is not in close proximity in particular to the - - -

MR BANKS: All right. So it's where physically you have to go to do that.

MS RAYMOND: Yes.

MR BANKS: Okay.

MR FITZGERALD: Just one final thing, you raised in one of your comments just then in relation to the building of social capital and connections between communities, and we have seen in some of the submissions in the first round of hearings that people raised this issue. Just expand a little bit further on that for us. What impacts do you think gambling has actually had in relation to this broader notion of social capital and social connectedness, and why is that of concern so strongly to you?

MS RAYMOND: I think on a number of levels it's misleading in terms of what gain you would get from it in terms of social connectiveness, that while there are other people around you it's actually a very solitary kind of activity and there are other beneficial ways of connecting into our community other than going to one of those venues and that the advertising that would encourage people to do that, we can't match that in terms of various groups we might organise people to belong to. Also, on the question of social isolation for newly arrived migrants, Moreland is an area of high migrant intake. The culture clash that occurs and the lack of information about gambling means that very often these communities believe that it's way of becoming accepted when there are so many better ways to do that and very little information is provided - I believe even the information packs from the Department of Immigration still don't contain any information about problem gambling and gambling services.

MR FITZGERALD: Sorry, just pushing you one little step further and this is the last one. How do you then respond that in some senses the consumers or the citizens of Moreland are just exercising their right and an informed right to choose where they spend their time and their energy. You seem to be saying that in fact you're not able to promote alternatives in a comparative way to the gambling venues to be able to give people a genuine choice.

MS RAYMOND: We do the best that we can to promote our services, to identify the services and create them and so forth, but when you look at the concentration for

example along Sydney Road that I mentioned before, there's a heck of a competition there for people's attention and I think it takes more to get people involved in some kinds of other leisure activities than to simply walk into a hotel that's down the street. So there is a sort of mismatch between what you can get people involved in. But I also think that it's on a sort of broader level and a level over time - an activity that has an adverse impact on people's money, it causes family breakdown, that might compete with people's time when they could be doing other things, ultimately has to have a detrimental impact on the social capital.

MS MERKUS: It's also the secret about problem gambling, both for the problem gambler and the family. So social capital is built on trust and I guess when that trust goes, social capital diminishes in a community. So in this community where we have a concentration of machines we also have more problem gamblers. So I mean, those are all negative impacts for communities like ourselves.

MR BANKS: Thank you very much for your participation today. We'll just break for a moment - actually for a very short moment. In fact, we'll just proceed.

MR BANKS: I think, Mike, you're ready to go on and could I just perhaps call you as the Victorian Local Governments Association and just get you to restate your name and position please.

MR HILL: Thank you very much, Mr Chair. It's Mike Hill and I'm the secretary of the Victorian Local Governments Association.

MR BANKS: Thank you. I'll let you go ahead. We don't have a submission from you, I guess, but just to let you make what remarks you wish.

MR HILL: I've belatedly tendered a submission but you could perhaps read that at your leisure. I'm not necessarily going to follow that anyway because of the way we've structured this. I'll pick up some of the issues that have been left as a result of discussions we've had so far.

MR BANKS: Good.

MR HILL: The first hearings that you conducted in Melbourne, November last year, I think in some ways turned out to be a bit of a catalyst for local governments because up until then there was certainly a growing level of concern amongst local governments over the impact of gambling but there hadn't been any organised and concerted effort for those local governments to get together and one of the first opportunities for them to get together, I think it might have been the second one, because we'd had one conference prior to those hearings but it actually provided an opportunity for councils to get together, think about what some of the critical issues were and to share some of the experiences and to share some of the strategies that they were in fact implementing.

Things have progressed pretty rapidly since the hearings in November. A group called the Local Government Working Group on Gambling has been established and it's resourced and convened by the VLGA and there are some 28 councils now involved - and I mean quite actively involved - in participating in that group. The involvement is sort of multifaceted. It ranges through from simply talking about the issues are being addressed within given municipalities and the strategies that are being put together to handle those. They might be planning issues. They might be social issues. They are also issues around the development of strategies locally and there has been quite a lot of sharing of experience in terms of what sort of strategies are working and what sort of strategies aren't working and the Local Government Working Group on Gambling has also been able to do some fairly extensive lobbying and advocacy work on behalf of the local governments that are participating in it. We've had one meeting recently with the minister for finance and the minister for gaming in this state.

One of the interesting facets - and that was highlighted by Boroondara's attendance here today I think - has been the fact that not all the councils that are participating in the Local Government Working Group on Gambling are what you might consider to be the councils that have got high concentrations of machines and

feature prominently in the socioeconomic indicators. We've got councils just like Boroondara but we've also got councils like Yarra Ranges that don't have high concentrations of machines but still feel that there's a significant social issue that must be addressed and they're participating in that group.

I've attached to the submission we've sent to you a statement on the roles and purposes of that Local Government Working Group on Gambling. The group also convened a conference a couple of months ago now called Managing Local Gambling. There were well over a hundred participants at that. They included councillors and local government staff, representatives from industry and members of the community. One of the things that was quite gratifying about that conference is we had some interstate speakers who were saying that in Victoria local governments were actually playing quite a lead role that wasn't so obvious in other states. There are a whole range of factors why that might have been the case but certainly in Victoria councils are now meeting regularly once a month. They're sharing the information. They're developing a fairly consistent set of strategies.

I think probably the presentations - the orchestration of the presentations that you've had this afternoon would show that the councils are actually working pretty cooperatively together and there's a fairly strong set of agreements about where we're going and what some of the issues are. For example, I think you asked or maybe Maribyrnong put forward the proposition about hypothecation of proceeds of gambling and there's quite a strong level of agreement amongst councils that they don't want to be the beneficiaries of gambling in terms of they're not involved in this simply to have their hands out and to have money flowing back to councils. They're in it because there's a real social and economic issue that simply must be addressed and there's a real management issue.

I think that last interchange of questioning between yourselves and the Moreland representatives would highlight that. The threat to the coherence of a strong vibrant community that gambling is posing in some of those communities is just reiterated over and over again by the councils that are participating in the working group. Just by way of stating where we've come since last November, the final thing that I would put to you - and it is included in the submission - is that there has actually been a demonstrative increase in community concern over gambling. Your own report of course picks that up and talks about your findings in that regard but Boroondara's report picks up and more and more councils are becoming involved, partly - not always - because they're taking a lead role. Quite often it's because their communities are saying to them, what are you doing, and there's a bit of a snowballing going on there when other communities hear and learn that certain councils have taken action and have started developing strategies, there's a bit of pressure that develops on councils to follow the lead.

There was one quite dramatic example of a council that denounced the Local Government Working Group on Gambling and said that it wasn't wanting to be involved in that and there was quite a community outcry and that council has now

started participating in the group. So I think there is that very positive movement towards doing it.

MR BANKS: Just pausing on that point, to what extent is it coming from retailers as opposed to households within the councils?

MR HILL: The retailers have been relatively active on this. Certainly in Maribyrnong where the most extensive work has been done in this there's quite a strong participation from retailers. All councils that are involved in the group report that local traders groups are pressuring them to become involved and I suppose the validity of that was borne out by the VUT research that Charles Livingstone referred to earlier. I guess to an extent I'll just reiterate the Maribyrnong comments in support of your draft report because I think that draft report was a very significant document and it has actually put on the public arena some issues that a lot of us were struggling to have acknowledged as serious public issues. I thought it might be useful if I were just to go through and acknowledge some of the key points in the report. I won't go through it all but just key points that I thought were highly relevant to local governments and points that perhaps we've got some additional information for you on.

The draft report I think really supported the view that the VLGA put to your original set of hearings, that gambling management should no longer be the sole preserve of state governments in this country. There's a real need - and I'll touch on why there's a real need now for some strong national leadership in the area and the VLGA has been extremely pleased that the draft report is also acknowledging that there must be a local government and community level of management of the industry too because it's certainly where the impact is felt and it's certainly where the pressure points start popping out. The broad proposal that you've recommended, that a national independent control commission along the New Jersey lines be established, is one that we're very supportive of.

MR BANKS: Could I say again though that when we talk about the New Jersey model we are thinking within a state jurisdiction, so it's not a national control commission that we've put forward in that. You may disagree with that and want to put a case for a national control commission which would face the immediate dilemma but it would have to be based on Commonwealth legislation where states have jurisdiction.

MR HILL: The case that local governments in Victoria have been mounting now over a period of time has been that there must be some national coordination because some of the interstate rivalry and competition and different practices leading to anomalies that really need to be picked up - again, I've touched on some of those in the submission here. The state governments have shown themselves - and particularly in Victoria have shown themselves to have such a vested interest in the proliferation of gambling that they have moved a long way from being regulators into the field of being promoters and highlighters of gambling - promoters and advertisers of gambling, and that's becoming quite a problem, that the state governments, we

believe, are no longer capable on their own of properly regulating and properly managing the industry in the interests of the community. So we do argue strongly that there must be a national component in gambling regulation in the country.

We would also talk though about any independent control commission needing to have access to a community consultative committee or a community consultative process and I think the Maribyrnong submission touches on this also, that it's really important that the control commissions - we've had the experience in this state of the Victorian Casino and Gaming Authority being pretty heavily criticised over the last three or four months by faith groups and community groups for being out of touch with community values and for being too open to influence by the state government and we've been critical of it for producing research that we can't actually use, that isn't in a form that's of much use to us. We've currently had to take out a Freedom of Information action against the Victorian Casino and Gaming Authority simply to get information about where the funds from the community support fund are flowing. So we are certainly arguing that a regulatory body needs to have a much greater level of scrutiny and a much greater level of community accountability and some mechanism for maintaining that community interaction.

You made quite a lot of comment about the role for local governments and communities and the need for consultation to be involved and you've indicated that that was deliberately left quite vague and you're looking for further advice back on it. The Local Government Working Group on Gambling has been discussing those recommendations and there's a strong view within local governments that if you want to see that level of consultation and that level of community surveying happening then you really need to involve local governments and it's probably worth digressing here quickly to say that the local government restructuring in Victoria has probably left local governments, ironically enough, stronger and better capacitated to undertake more sophisticated research than they were able to do previously. The council here for example has employed a demographer on its staff. That sort of sophisticated advice back to council just wasn't available in the old days and with much smaller councils. We now have councils that can undertake pretty sophisticated research and have got a really good understanding of the way in which that research needs to be put together professionally.

You also asked the general question about the impact on resourcing of local government of the proliferation of gambling and I guess I'd add to the answer that Moreland gave that if we do need to do that sort of research we've got to pay for it. We were prepared to pay for the research that VUT undertook and we managed to canvass a number of local governments to chip in for that, but it was a chipping-in out of ratepayers' funds. We're about to do it again because we're doing some follow-up research to the research that was undertaken and we're going to have to do the same thing again. We're going to have to canvass local governments to ask them to put in a five or \$10,000 amount to make sure that that research is produced. This seems to be the only way we're getting research that's useable for us, and research that in the case of the Doughney research from VUT has really challenged a lot of the conventional research that's been done so far by the Casino and Gaming Authority.

The other aspect of your draft report that we are highly supportive of has been the really strong focus that your report has had on the impact on consumers of gambling services. Our involvement in this has not just been a consumer-driven one but it's obviously influenced pretty strongly and, as I said before, a lot of councils are coming on board on this issue simply because their constituents, the consumers of gambling in a lot of cases, are expressing some concern and expressing some need for councils to be involved. There's no doubt from the research that we've mentioned before and from the reports that are coming back from all our councils that there's a very strong local government view in this state that there's a link between, in the first place, wealth or lack of it and gambling, and particularly problem gambling, and there's also a link between accessibility of machines and problem gambling. Both of those are leading us to the sorts of conclusions that the Maribyrnong presentation focused on.

You raised in your draft report the need to widen choice in the areas of informed consent and in the areas of consumer control, and I think that was a really useful and helpful differentiation. Both of those I think are the sorts of things that you've heard the Moreland submission allude to when it talks about its charter for responsible gambling. Maybe in an ideal world we wouldn't need a charter for responsible gambling - perhaps we still would, because I think that level of local involvement is really important - but the charters for responsible gambling are being brought about because a lot of the things that local authorities and local communities believe should be injected into the gambling management issue are just not there and not coming from a state regulatory framework. It's local governments that are starting to say, "This is how venues should operate in our area," and it's local governments that are starting to say, "These are the protection measures that we want to see put in place for the consumers of gambling."

MR BANKS: You don't see them coming out of the industry itself?

MR HILL: They have been coming out of the industry. There have been some tentative discussions and we hope they'll become more full-blown over the next few months, tentative discussions with industry representatives and local government people. There are a lot of areas of common interest between us. There are also areas where we've got quite diverging interests and we need to find ways of managing that. In an ideal world I think we'd find that those interests were very evenly balanced. Certainly local governments at present feel that the balance has swung pretty wildly out of their control.

The local government working group on gambling has been really promoting the development of responsible gambling strategies and a lot of those 28 councils that are active in the membership have either got those strategies in place now or they're about to put the strategies in place. We had a bit of a fracas. I think there has been a number of references made to difficulties with the state government and the relationship that exists - I think you, commissioner, asked the specific question about why those differences exist. I suppose one of the classic issues was that the minister

for planning and the minister for local government - and there's another story in having the same minister for both of those functions, but the Minister for Planning and Local Government has actually tried to prevent local governments from using their planning schemes to back up the responsible gambling charters that Moreland was talking about. There was quite a community furore over the minister's attempts to nobble the development of responsible gambling charters.

The local governments have not spent a lot of time focusing on Internet gambling, but there's been a recent outbreak of debate around Internet gambling in Victoria and it's only responsible of us I think to highlight the fact that in your report you've suggested that the best approach to it is an approach of managed liberalisation. We would support and endorse this, but again we certainly believe that there's an absolute necessity for the national government involvement in the area. We were extremely disturbed by some of the recent suggestions that the Victorian government is setting out to control and manage Internet gambling in this state. We think there's another conflict of interests there and we don't think we're going to get proper management if it's left to a state government to do. There must be some national management of it and in this case of course it's probably easier to achieve because there is a national capacity to pick up the issue.

MR BANKS: Sorry, could I just break for a moment? I just want to confer about timing. Sorry, we'll resume with just one eye on the clock as to whether perhaps - how much longer do you think you would need for your session - whether five or 10 minutes might be enough?

MR HILL: I think that's a fair position. In fact, there are a couple of things that I was going to say that I'll - - -

MR BANKS: To the extent that you've got your submission written down and you've got to make it publicly available, we can take certain elements of that as read and if issues come up that you haven't had highlighted today, we'll certainly get back to you for clarification. But it will be a public document. So why don't you highlight the things that you think are the most important for discussion now?

MR HILL: All right. The issues that Maribyrnong covered around the gambling benefits outweighing costs, we certainly believe that the costs are underestimated, and there's an argument sustained in here to back that up. We also believe that the benefits of gambling have been overestimated in four main ways. Again that's stipulated in our report, so I'll just leave that as - - -

MR BANKS: Just to confirm, that's in the VLGA's submission?

MR HILL: Yes. I suppose there's another issue of the gambling revenue as a regressive form of taxation that you've raised, and again I'll leave it as outlined in our report without going into it any further. But we certainly believe that there should be no further moves, and we've got to move back from the position where this regressive form of taxation is getting such an important hold on our own state revenues. We

appreciated the argument that you ran that you can't do this overnight because a reliance on that sort of revenue would have a dramatic effect on state budgets, particularly in the Federal-State financing climate, but certainly I think we have to move away from that very heavy dependence and there are some mechanisms suggested for that.

The thing I'd like to spend what little time I've got now on focusing on is the role of local government in gambling regulation because there are some key things there, points that have been half made I think that I might just come back to. First of all, it's really important that the role for local government in monitoring and researching issues that some direct access to funding to local governments be available to play that role properly. At present, as I indicated, we're having to dip into ratepayer funds to do that work. Now, that's obviously - from the Boroondara report and from what our councils are telling us - that's something that's expected of our communities. They want that to happen and they're demanding that the local governments become involved in management of the issue, that it is drawing on ratepayer funds. We believe that, along the lines of the Maribyrnong submission, that access to the community support fund for purposes like that should be made available for local research.

I know it was touched on and I know it's been a running sore here, but amendment S22 of the Gaming Machine Control Act that was referred, which is the 25 per cent floor space rule that has been referred to, is one that's becoming a real issue for local governments. Look, with any other noxious industry in the state, the local governments have got all sorts of management controls and management expectations from their community, be it prostitution or be it chemical industry, any industry that's going to have a potentially detrimental social or environmental or economic impact is one that we're expected to control, and in fact if we're not controlling it in local governments we're derelict in our duties.

In this regard, and there's an industry that's clearly having a detrimental at least social and economic impact - and that has been quantified in previous submissions - we lack that control. That must be returned, and in local governments we're certainly going to be advocating again to make these local strategies and local charters that you've heard about more effective. We're certainly going to be advocating very strongly and running campaigns with whatever government comes to office in this state to have that rule scrapped. Already one of the parties standing for office has indicated that it would be prepared to scrap that rule.

The community support fund, if I could touch on that quickly too: the need for any community support fund - and again I'm backing up comments that have already been made, but the need for a community support fund to be operating in an absolutely clear and transparent way really is critical. We've had the auditor-general criticising the way in which this community support fund operates here. We've had faith groups, community groups constantly highlighting the way in which the Premier has had an undue capacity to be able to direct funding through this. It's been called a slush fund, and that's not an unreasonable description of it. We're certainly again

arguing strenuously that that community support fund must be opened up to public scrutiny. We believe there's a strong need to have a local government component as well as community component involved in working with that community support fund. It must be taken away from direct government influence. It's totally inappropriate that a government that's meant to be regulating an industry is also handling this community support fund. The conflicts of interests have been horrendous and this is again an issue that we intend to continue following up.

MR FITZGERALD: You mentioned before you were seeking freedom of information to actually find out how this fund is being used.

MR HILL: We're trying to find out where the funds from it are flowing back.

MR FITZGERALD: So does that assume that the CSF is not required to produce an annual report of its expenditure?

MR HILL: It produces an annual report but it doesn't produce all the data that's useful for local governments. Finally, the issue of advertising, and that was touched on by Boroondara. We certainly need an advertising code in this state that is going to highlight some of - this goes back to your notion of consumer protection and consumer control. Advertising codes must be in accord with those provisions that you've already outlined. Can I rattle through some recommendations and I won't explain them in any great - - -

MR FITZGERALD: Are these the ones at the end of the - there's 12 of them?

MR HILL: Yes.

MR FITZGERALD: All right.

MR HILL: Will I leave those as - - -

MR FITZGERALD: You can read them as read.

MR HILL: Yes. Could I highlight number 2 because it's backing up the presentation that Moreland has made, and this is an area where you left a fairly pregnant question hanging from your draft report I think, and that was what is the relative role of local governments? What can they do in this area of ensuring that there's informed consent and consumer control?

I have put a couple of asterisks on the bottom of it and talked about some of the mechanisms that you've already highlighted. The mechanisms that are in Moreland's responsible gambling charter should be read in conjunction with that and I think that this is going to be an absolutely critical area for local management. If we're going to get proper local management, it's going to come through local governments and hopefully working through a group like the Local Government Working Group on

Gambling so we get a level of consistency in what local governments are calling for and not totally out of left field requirements.

We must have some local management over the issues and there must be a capacity for local governments to stipulate what venues should actually look like in their municipalities. They can do it with everything else in their municipalities, it has got to be able to be happening in terms of local governments as well.

MR FITZGERALD: All right, thanks for that. Yes, and those recommendations, just to clarify, they are the formal recommendations of the VLGA. Did you say that you were putting in another submission or that's it?

MR HILL: This is our submission.

MR FITZGERALD: Right, okay.

MR HILL: It was written in the dying days - - -

MR FITZGERALD: No, that's fine.

MR HILL: - - - of my leave so I might actually make it slightly more sophisticated.

MR FITZGERALD: I just wanted to check the status of it, that's fine.

MR HILL: Yes.

MR FITZGERALD: Okay. I think I have raised all the questions throughout the afternoon that I think I need to at this stage.

MR BANKS: Yes. As I said, perhaps when we've had a chance to go through and reflect on some of the points here, if they're ones that haven't been raised, we could get back to you. I notice you've got some comments again about the methodology in relation to benefits and so on, well, we'll certainly - that's grist for our mill and we'll put that together with comments that others have made and thank you for that. I didn't have any other questions to ask either, so perhaps just thank you very much for participating and also for your help in coordinating the involvement of other councils today. Thanks very much.

MR HILL: Thank you very much.

MR FITZGERALD: We will just break now, we have got one more participant for today thanks and we will just line that up.

MR BANKS: Okay, ladies and gentlemen, we can start again. Could I now call the Licensed Clubs Association of Victoria, welcome them to the hearings and ask you just please to give your names and positions.

MS KEARNEY: I'm Margaret Kearney and I'm the executive director.

MR WHITE: Stephen White, president.

MR BANKS: Good, thank you. Well, thank you very much for attending today. You've prepared a submission which we haven't had a chance to read, so we'll hear what you have to say with interest and raise questions to the extent that we can, or comment along the way, but maybe you'll give us the opportunity to get back to you if there's some things that we haven't resolved today. So why don't I hand over to you to proceed.

MS KEARNEY: Yes, well, I am sorry you didn't get the submissions somewhat earlier, and much as the excuse has been heard before, it is true.

MR FITZGERALD: We didn't doubt it.

MR BANKS: No, I don't doubt it.

MS KEARNEY: We have actually changed our names, and we are now Clubs Victoria. So Clubs Victoria welcomes the draft report, and we acknowledge that for some people our gaming product causes problems, and we always have. Unlike other people who have presented today, we believe it's quite irrelevant whether the incidence of problem gambling is slightly overstated or slightly understated, or grossly overstated or understated in the report, because we think the issue is how can the product be delivered in the most beneficial way to the vast majority of those who enjoy it, while minimising the costs to those who don't.

Some of the commentators this morning and elsewhere have taken issue with the Productivity Commission's calculations of Australia's share of the world pokies, and although this is probably going to be addressed in a later national submission, I just can't resist making the statement that we believe it's quite irrelevant how many of the world's EGMs are in Australia. What is relevant is how many of the world's problem gamblers are in Australia, and we could end up with half the world's EGMs to no detriment if the product was delivered responsibly and so as to minimise harm.

As I say, Clubs Australia and New Zealand will be making a full response, and what we'd like to do this morning is just to take the opportunity to explore some of the contents of the draft as they specifically relate to Victoria and perhaps to give the Commission the opportunity to make any comments or ask any questions that we can take back for inclusion in the national submission. Now, our basic submission here today is that until the comparative turnover criterion for tenure of machines in Victoria is removed, and the control of the delivery of the product is given over to

those responsible for the delivery, then strategies for the responsible service will be ineffective.

To some extent the report, and also some of the commentators here and elsewhere, have fallen for this idea of the cap. To be perfectly cynical, the government keeps the attentions of those in Victoria who are concerned about problem gambling focused on the cap, and distracts them from the real issue, that is the money spent on the machines that are there. The recent announcement of a cap of 27,500 in response to your report, ostensibly and also explicitly, will not affect the actual dollars spent on machines in Victoria. In Victoria we spend almost as much money on each machine as is spent - well, not on each machine, we spend much more on each machine, but almost as much as is spent in the whole of New South Wales where there is what I have referred to, and is referred to in here, as the mature market. It's 40 years old and also three times the size.

In particular I'd like to address chapter eight of the Commission's report, which talks about accessibility and problems. We've heard a lot again from the councils today who see a proliferation of machines in their areas and believe there is a direct correlation between the numbers of actual machines and the incidence of problem gambling. In chapter eight, in table 8.1, figure 8.4 - - -

MR FITZGERALD: Sorry, which page?

MS KEARNEY: It's on page 8.9, 8.8 and on page 8.12, and actually right throughout chapter eight, the term "accessibility" is used almost interchangeably with the term "expenditure and intensity". It appears from your own results, or the ones that are quoted here - they're not all from your research - that if there is a relationship, it is a relationship between expenditure and problem gambling, not accessibility and problem gambling. Now, we acknowledge that the Commission has made considerable effort to explain that accessibility is not simply numbers of machines. However, the general assumption, and we've heard it made here again here today, is that accessibility corresponds to numbers of machines only.

The belief that the report makes far too scant, or pays far too scant attention to the Victorian situation where the statewide cap or limited accessibility, together with the operators system, increases expenditure and intensity, and that it is expenditure and intensity that are the real indicators of problems. 27,500 machines result in almost identical incidence of problem gambling as New South Wales where there are about 97,000 machines, I think. I rang up this morning and it was about that still.

MR BANKS: It's rising fast.

MS KEARNEY: Rising fast, another 1000 have been approved.

MR FITZGERALD: Several more bought that are not yet in operation since the report came out.

MS KEARNEY: We understand how it's attractive to clutch onto arguments which say reduce the number of machines in Maribyrnong, for example. This is a simple answer. In fact, people of good will who have real concerns about problem gambling have now bought the caps argument. It's theirs. They have won it against an evil empire, and now the cap will stay for 10 years. I have referred to my cynical view about that, but the problem is that they have just simply missed the most important issue. They will not affect the amount of money spent on the machines that are actually there. In fact, because the comparative turnover criterion for tenure of machines still operates, we can expect that the expenditure in Victoria on the 27,500 machines will increase, even if the cap stays in place for the next 10 years.

Lower numbers, and the comparative turnover criterion, leads to the machines being driven harder. You did point this out somewhat in the report, and I acknowledge that. The point is that it wasn't picked up. Presently machines operate at a fraction of their capacity. Opening times and utilisation are both still plenty of space for expansion, and the solution is not a cap, but a spread of machines to venues which are not required to intensify the use of the machines and which can introduce some pastoral care. While acknowledging that some understanding of this is displayed in the report, we actually look to the Productivity Commission to dispel problem myths like "Victoria's cap on numbers effects problem gambling while the criterion for tenure stays in place."

Now, this concept is a difficult one for people to grasp. I tried to put it to a number of the people who have spoken here this morning and to some extent, actually, Charles Livingstone addressed it and he addressed it by saying that he believed that even if the cap was gone the same imperative would exist because his concern at that stage was concentration of machines. I'll just quickly address that. This concentration of machines in Maribyrnong that would remain, even if the cap was lifted, would only remain if the placement of the machines was still in the hands of the two operators. The point is the providers of licensed hospitality in other parts of Melbourne would also like access to these machines, even if they don't produce the same expenditure dollars.

It did take the point that it was raised with Mr Livingstone that comparatively there would be more spread even though there would probably still be more machines. However, this whole concept of this concentrated use of our machines, which comes about through the contracts with Tatts and TAB and the venues and the sole way that a venue gets to keep their machines, even within the contract period being comparative - so you must turn over more than the place next door - that this is the problem. This increases spending. Spending is what chapter 8 of your report identifies as the major indicator for problems. While that remains, then nothing else is going to work. It's a difficult concept for the press to grasp and it's just too complex for a 30-second news item or the headlines. We've accepted that but we don't expect that the Productivity Commission will examine the concept and should be able to produce, even in a summary form, some understanding of the actual dynamics that are occurring.

It was said to me - I brought this up with somebody else who works on the commission - that I should refer to chapter 8 when in fact everybody else just referred to the summary and the summary - I don't want to sound critical but the summary in respect of caps is somewhat glib. Caps on gaming machine numbers can help reduce accessibility and thus problem gambling and everybody grasped onto that and that was as far as the argument got with caps. Now we have a cap for 10 years, as a direct response probably to that sentence. On the whole, the research that is used in the draft report to identify a correlation between increased accessibility and problem gambling - so now we're on to numbers either of machines or venues - that research examines situations where new types of gambling was introduced or removed from an area.

That's with the exception of the Jackson study which has been referred to. We've actually lost the earlier reference because the machine ate it. I acknowledge that there is the one study that you've referred to yourself, the Jackson study, which seems to show that where there are more gaming machines then there's more use of problem gambling services but there are qualifications on that particular study which you've referred to yourself. All the other studies, especially the American studies, take examples where there was an introduction of a casino where there wasn't a casino before or a liberalisation of gaming machines where gaming machines were illegal before. So nothing to something leads to problems.

I believe that the report in its draft form doesn't examine the concept of many to more machines and whether this has any effect. Shall we say 27,500 to nearly 100,000, Victoria to New South Wales, are we going to get three times the problems? Later in your report, in chapter 9, there's an examination of the next correlation. That's between whether you get more expenditure when you have more numbers. So given that spending the money is the true indicator, are we going to spend more money if we have more machines? It's a fair question, I suppose. Page 9.37, just before figure 9.4, "in other words, the more gaming machines there are, more money is spent on them." Obviously there are more machines in areas where people spend more money on the machines but there's nothing here that examines the causal link. The causal relationship really goes the other way around. There are going to be more machines where people spend more money, not people spend more money where there are more machines, just the same as there are more antique shops in areas where people buy more antiques. So it's tracing where they know the spending is going to be greater.

MR BANKS: We haven't asserted the opposite there, have we?

MS KEARNEY: You haven't asserted - nothing has been asserted here pretty well at all. It just says in other words the more gaming machines there are the more money is spent on them. The problem is what the reaction is, and the reaction to a statement like that is therefore if we reduce the numbers we reduce the spending. Well, there's nothing to say that. There is no proof of a causal relationship going from numbers of machines to money spent except the Jackson report, and the Jackson report didn't say money spent, it actually said numbers of machines and people

seeking help from problem gambling services. Anyway you qualified the Jackson report yourself and I think in an earlier submission I made in another life I also qualified that particular report and it seems that it's very similar to my earlier - okay.

The point is, to be totally sexist, this is a poor man's sport, playing gaming machines. It is simple, unstimulating and non-interactive but more poor, lesser educated people like it more than do rich, educated people. Consequently more poor, less educated will have problems with the product because there are basically more of them using it. Also more poor, less educated people will use the product and not develop problematic symptoms than do rich, educated people. So even if you took all the problem gamblers out of Maribyrnong and those areas that - and Moreland, you would still have more non-problematic players of gaming machines in those areas than you would have non-problematic gaming machine players in Boroondara, who was here today, but Stonnington as well.

The only way to completely eliminate the problem for poor people is to completely eliminate the machines from Victoria which will adversely affect those poor people who do not have a problem - rich people too I suppose, who want to still use them. Restricted opportunities to play will impact adversely on the non-problem gamblers of which there are relatively more in poorer areas than in rich areas and as the Victorian situation is unique in its operator system we believe that it deserves particular attention. Why is the expenditure or intensity of use of these machines the true indicator of problem gambling so high in Victoria from so few machines? The answer is the operator system together with the cap and in particular the comparative turnover criterion for the tender of machines.

I would also like to address some matters in chapter 11 which I promptly - I'm hoping that this hasn't been scrambled because it says in what you have there that it's at chapter eight so I'm just hoping it wasn't scrambled and it's chapter 11. So chapter 11 looks at policy imperatives for government and the principles of good policy design and concepts such as explicit taxes, greater transparency, accountability and flexibility are identified as essential elements of good government policy. In Victoria we are not allowed to know for instance what is in the contracts between the government and the two operators. We don't know what tax was paid by Tattersalls, although we do know what the Tabcorp paid in the licence fee. We do know what the licence fee was. We have no idea what the arrangements have been entered into by the government and what rights are being given to the operators.

FOI applications for copies of the contracts between the government and the two operators have been rejected to date. The government has committed itself to a national competition policy review of the gaming legislation next year. It is intriguing how a proper NCP review can be conducted when the issue of the cap is off the agenda but at any rate in the premier's recent policy statement on gaming, made last weekend, he has committed the government to a review of the methods of distribution of machines. Given that the NCP review is thus limited to the methods of distribution it is astounding that we are not permitted to know what the contractual arrangements are in place for

the rights to distribute the machines. We in Victoria will be anxious to use the final report of the commission in our quest to get some transparency and to facilitate a proper review which can concentrate on harm minimisation.

On page 1117 the commission has made an analogy with motor vehicles. Again, I think in another life I made this analogy too in a submission. Now, if this analogy - I will just read it quickly. "If cars were unsafe it might be reasonable for governments to limit their number however in the presence of accident prevention and harm minimisation standards present today there is no need to control motor vehicle numbers." Well, if the analogy is extended to the Victorian situation only those drivers who drive their cars fast are allowed to have fast cars. Only those venues which extract the most return from their machines, the indicator of problem gambling, expenditure, are allowed to keep their machines. This is so even though it is proven that fast cars are most harmful when driven fast and gaming machines are most harmful when they extract the most money.

Even after the policy initiatives announced by the premier last weekend it is still the case that only fast drivers get fast cars in Victoria. Another analogy is that if we limit the number of liquor licences across the state, if we adopt the same system as with gaming, we would only issue licences to those licensees who can outsell their competitors. Until this system is changed and the comparative turnover criterion is removed and the control of machines is removed from the operators there will be no net effect on expenditure and no net effect on problems.

MR BANKS: Just on that, I think you've probably exaggerated, not for the first time though. I mean, if you look at the point that was made about the comparison between New South Wales and Victoria, are you really saying that if you doubled the number of machines there would be no net effect on expenditure and gambling in Victoria?

MS KEARNEY: Not while there's a comparative turnover criterion - sorry, while there is a comparative turnover criterion there will be. What I'm saying is, you can introduce harm minimisation strategies as you've suggested. While the only way to maintain your machines is that you extract more out of them than the people next door, those strategies won't have any effect. If you leave the comparative turnover criterion in the contracts in place and double the number of machines, yes, I think you might have a problem. You might have an increase. You have to get down and have a look at what is the system in Victoria. Caps and things like that aren't working because the numbers of machines are doing exactly the same type of turnover. The government has really hoodwinked people on this. They've allowed them to win it.

MR FITZGERALD: Except to say that you're the only state that actually has a statewide cap so any reference to statewide caps is Victorian I think. The issue, as our report clearly did, it looked at and was equivocal about statewide caps - extraordinarily equivocal about their purpose and we looked at the reason why they may be helpful or may not be. But one of the things is, if you remove it that's the issue that you have to face. If you hold it we can actually make certain statements but if you remove it one of the arguments that we had at the presentations last week at the

Melbourne hearings was that people were concerned about what its impact would be if you remove it. Now, what are you actually saying? If you simply said, like New South Wales, there is no statewide cap, ignoring venue caps for a moment, what do you think the impact would be? Where would we be in five years time if simply the government of the day removed the statewide cap and that's all it did; it simply removed that. What would happen?

MS KEARNEY: Then if you leave the comparative turnover criterion in place and Tatts and Tabcorp are placing them, and Tatts has come out publicly and said there is an optimum number so it wouldn't go - the chap who said it has left Tattersalls now but there's an optimum number where they get maximum return on investment and that's around 30,000. So it would go to a level - while Tatts and Tabcorp own the machines - it would go to a level where they maximise return on investment and they wouldn't issue any more and they would maintain - if you maintain the contracts set up as they are you won't get any effect. There will be increasing problems because more people will be competing with each other.

MR FITZGERALD: So in that environment, just putting that, given that there are contracts in place although none of us know the details of those contracts, as you rightly point out, what we do know or what we understand is that they have a long life still to go on them. Assume that to be the case. In this environment the current government, if it suddenly announced that, you know, that it was removing the cap, it wouldn't be automatically removing that arrangement with the duopoly so in some sense your fairly strident criticism of the Kennett government's announcement that it's not going to remove the limit on the cap, is that an unreasonable position to have put given that he's not going to change the contractual arrangements with the duopoly?

MS KEARNEY: We don't know whether the contractual arrangements need changing. It is our understanding that if the contractual arrangements with Tabcorp are based on their prospectus that it's not necessary to change - we're not talking about changing the arrangement of their return from the money, but it may be it's not necessary to change the contractual arrangements if you remove from them the ability to place the machines or to remove the machines or if you change the ownership of machines, or control of machines to a purely monitoring system. Now, we don't know and I suspect that it says no more than - the contracts say no more than the prospectus in which case they only have a licence to be an operator. The operations of the operator, if you like, are controlled by the act. The act can be changed. You're still the operator. There may be some requirement that they be able to maintain the returns as set out in the act at the time they entered the prospectus and maybe with Tattersalls the contract, but that's only a third of the return.

I doubt that there is anything in those contracts that actually say that it's a term of the contract that you will be able to place them where they get maximum return; that you will be able to remove them, that says anything about the actual contracts with the venues because the contracts with the venues have been changed.

MR WHITE: A number of times.

MS KEARNEY: Many times.

MR BANKS: Yes, but clearly the operators own the machines and have been given that right. What you're saying is that while they have ownership of them rules could be brought in whereby they lost control of them. Now, that ownership and lack of control are not normally things that go together in the private sector. I mean, I'm just not sure how feasible - - -

MS KEARNEY: Ownership is like control?

MR BANKS: So you're acknowledging that they have ownership of the machines but you're saying the control should be removed from them in terms of where they place the machines and how they use them. To me, I'm not sure that's a feasible combination of regulation.

MS KEARNEY: I'll make an example. I own property and I put a tenant in that property and I enter a contract, a lease, with that tenant for five years. After the first year the rent I'm able to extract if I put somebody else in - the next person comes along and says to me, "I'll pay you twice the rent for that property," I'm not at liberty to say, "Okay, I know I've got a contract with you but this fellow's going to pay me more. You're out and he's in." So they could still own the machines. Even if we had the machines in the venues for the length of the contract, that would have an effect on harm minimisation. People wouldn't be concerned to extract every last cent they can and you don't know if you're going to keep your machines from month to month until you actually get a printout of where you are in the ratings. In fact, in contract law this is very unusual. It is most unusual that without impunity - they don't have to - there's no requirement to compensate the venues for any money they've spent. They can just remove them during the term of the contract.

MR FITZGERALD: I don't think there's any doubt that we've heard many submissions about the peculiarity of those arrangements and they only exist in this state but I still think, just trying to put this into the current context, given that those arrangements do exist and what Gary was saying, the cap issue in that environment is an interesting one: whether you have the cap or you don't have the cap the real issue you're talking about is actually those contractual arrangements as the starting point.

MS KEARNEY: Absolutely.

MR FITZGERALD: And then the second point is whether or not you have a cap or whatever that cap might be.

MS KEARNEY: Yes, and if you look on page 1 of my submission that's what I've said. "To summarise, it is our submission that until you remove that" - remove that monkey, then we can address other things. Okay? But nothing will work while that stays in place.

MR FITZGERALD: The only point that I would just want to clarify is that accessibility, you say that our report links accessibility to a number of machines. I don't think we actually do that. Accessibility we've identified as you rightly indicate is a series of factors. One of the issues I think we do look at - accessibility - is actually the number of venues that are available in given areas. That's an issue which we haven't yet come to a complete picture about but it wouldn't be right to say that we've actually said accessibility equals number of machines; quite the contrary.

MS KEARNEY: And indeed that's what I said.

MR FITZGERALD: It's very important to make that point.

MS KEARNEY: My point was that the report doesn't say that but what has been picked up, the term "accessibility" - - -

MR FITZGERALD: Yes, I understand that, but - - -

MS KEARNEY: What has been picked up by the general community is - - -

MR FITZGERALD: But I just want to be very clear about that because we agonised about this issue of accessibility and the last thing I would want people to believe is that we've equated accessibility with number of machines. We deliberately did not do that, for obvious reasons which you understand, and which we enunciate in the report. I don't want to make a point about it. I just want to be clear on the record that we haven't said that although I must say the issue of accessibility is quite complex as is illustrated by our strange diagram.

MR BANKS: Figure 8.1.

MR FITZGERALD: Figure 8.1.

MR BANKS: I suppose the point to make is that our report has been quite widely misrepresented by a lot of people and it's the fate of any report that's produced anywhere, particularly one that's a thousand pages long and needs to be summarised in 50. So I think that's the case. On the other hand, I think we've been quite careful in the chapters and over time, hopefully, some of that misrepresentation will be corrected as others in turn go to the report, see what we did say, and advocate that. But we take the point you made. We have to be very careful in how we say what we say and to ensure that the qualifications come through.

MR FITZGERALD: But there is one issue that therefore needs to be raised is that the statewide cap, with the current arrangements in place, actually has limited the number of venues and this was actually put by the Interchurch Gambling Task Force last week to us, that one of the benefits they have seen from the current arrangement - although they don't see too many, I might make that point - was that it actually does reduce the number of venues. You can argue whether that production makes any

difference or not. That's a different point. But because it is a limited number, the current arrangement actually does restrict the number of venues.

MS KEARNEY: Well, I did hear - - -

MR BANKS: Which is one element of accessibility.

MS KEARNEY: Yes, restricting the number of venues, but the point is when you've got the large venues competing - and that is one of the effects of the duopoly and the comparative turnover - is that we are having a concentration of machines into fewer venues. It's interesting that you say that in respect of the submission made by the task force last week because I was listening to that as well and they said that one of the benefits of the duopoly, which they identified as the lesser of two evils, was that it provided - it stopped the concentration of machines into the hands of fewer people and fewer venues. So there are two competing views coming through from the task force. One is we want fewer venues; they say the cap has done that. That's true but that brings with it all the evils of protectionism and as we are going up - at this stage, you know, of the contracts say if you're in the lower 25 per cent of turnover then you'll lose your machines so obviously someone is always in the bottom turnover. The other operator - most of the contracts give you some leeway.

So the point is yes, there is a concentration of machines into fewer hands, whether you think that's good or bad. But the point is, it's going into the hands of those who are proven to extract the most money and we already know that extraction of the most money is the true indicator of true problems. So it's very complex and we're dealing with this as national competition policy when we make our submissions and we will be relying heavily on this report and also your final report and I am striving - I do feel that this particular system is particularly unfair when we have the cap and the operator system; that the two operating together operate unfairly and I do put the points strongly because I do feel - - -

MR FITZGERALD: No, we don't have a problem with them being strident. It's just a matter of trying to work you through - which is one of the most complex areas in the report, this issue.

MS KEARNEY: But when we talk about the task force saying last week that they actually - I think it was Marilyn Webster who actually said, and I'll finish up, that she didn't consider it fair or effective, the duopoly, but the lesser of two evils. If it's not fair and it's not effective and it's producing fewer venues - but as I say, the fewer venues that will produce the most amounts of money. There is a problem with the cap though in this present system as the businesses aren't standing still and what will happen, if we don't address all the other contingent problems - we can do it better than doing it with the caps that we have - is that we now have an entrenched wealthy and influential sector of the business community, of the licensed hospitality sector industry, and this sector is becoming capable and willing to use their wealth and influence to thwart attempts to introduce effective harm minimisation strategies as they did with liquor.

There are fewer and fewer proprietors, which you've just referred to, who are becoming more and more wealthy and influential. When and if harm minimisation strategies are in place and working and the time comes to dismantle the protection of the caps or when it's realised that the caps aren't effective in harm minimisation, then these businesses will resist any attempts to dismantle that protection. Our premier in response to this report has entrenched the cap and all the accompanying inherent evils of protectionism for the next 10 years. We're not even having a review to see how harm minimisation is going for 10 years, this amount. If the statewide cap is to say we believe it should be made fair. The statewide cap concentrates EGMs into the hands of the few operators, as we've said, who extract the most amount of money and some protection against this is required for non-gaming hospitality businesses as well as real harm minimisation strategies for the people who are dealing with the caps.

There is some issue - and it has come up before with wagering - that when you look at the situation in Victoria and with wagering, you've said in here in chapter 14 that caps aren't yet binding in Victoria because we haven't reached - when you did this report we were some couple of hundred off the cap. Obviously that's kept in place so they can trade them but the point is that because of the situation, to some extent you have to look at the demand of the middle people, us. Okay, you've considered the consumer and you've considered the supplier, in our case Tatts and Tabcorp, but we demand machines. It's pretty hard to say that the demand on clubs isn't at a binding state yet when there are literally hundreds, in fact 400 clubs that we have on our books looking for machines. It's a distorted market and one that needs serious attention.

On that point too there's this question of monopoly rents and in chapter 14, particularly at pages 9 and following you've discussed that there really isn't an extraction of monopoly rents while there is a floor or a minimum payout. So Tatts and Tabcorp have to pay out 87 per cent - they pay out a bit more but while they have to pay out 87 per cent there can't be any monopoly rent extracted because they can't charge more for it. That's as much as they can charge. They have to return 87 per cent. The point is in Victoria the monopoly rents are extracted from the venue operators. Venue operators in Victoria have to pay all the operators' bank fees. It's insisted they pay advertising. There is monopoly rent extracted and it's extracted at the middle level. We're forced to sacrifice other profit centres in our establishments to ensure the return to the operators from their venues. We heard today from Moreland that they believe that tea and coffee should be given away in gaming rooms, which is very difficult if you're next door and trying to make your money out of tea and coffee. So you sacrifice your tea and coffee market if you like.

MR BANKS: I wasn't sure whether they were saying they should be given away or whether they were raising that as a question.

MS KEARNEY: I thought they said that it should.

MR BANKS: They certainly raised it as an issue.

MS KEARNEY: No, in their charter they think that coffee and tea should be made available. I've read their charter. So the point is that there is monopoly rents being extracted in Victoria and it's from the middle level from us. The amount of money that we are forced to spend on ensuring the returns to the operator is far in excess of what would be considered to be appropriate if the venue was just left to operate by itself but in particular it's the sacrifice of other profit centres to ensure the return. On page 14.13 there's a discussion about the benefits of limited numbers and - - -

MR FITZGERALD: A limited number of what, machines or venues?

MS KEARNEY: Machines, and that people will wait - - -

MR BANKS: A queuing problem, is it?

MS KEARNEY: I've given the wrong reference there.

MR BANKS: It doesn't matter, that's fine. Yes, you're talking about the queuing or willing to wait and give it a fair go.

MS KEARNEY: Yes, willing to wait and get a fair go. It says that if there are fewer machines and there were lines of people then you get younger people who are over-represented in problem gambling not using them and I'm just wondering, you know, it does stretch - anybody who has been in the hospitality industry and dealt with problem drinkers, it does stretch the credibility lines somewhat. In fact, your own example was where there were limited numbers in the Northern Territory resulted in fights between tourists.

MR BANKS: It would take dogs and crocodiles off the front page of the local paper up there, which is a common phenomenon.

MS KEARNEY: Yes, it would. The box 4.2, how queuing may change people's style of playing. I'm sure that particular - - -

MR BANKS: What page?

MS KEARNEY: 14.9. I'm sure that's probably mathematically correct but anybody who has actually worked in the business will tell you if there are fewer machines and people are queued, you are not going to get problem gamblers being the ones who say, "I'll give you a fair go. You take your turn," just the same as if liquor was restricted, you're not going to get the people who have problems drinking saying, "I'll take less than my share and you can have a bit more." I really do think that stretches credibility.

MR BANKS: Again, I have to remind myself what's in the detail of that box but we weren't making a black or white statement like that. We were perhaps talking about at the margin, what effect queuing might have and we would catch both problem

gamblers and recreational gamblers. I mean, the other survey information suggests that problem gamblers don't have unlimited time to spend gambling. They may go out in their lunchtime or after work or whatever, so they aren't necessarily in a position to stake a claim on the machine all day long. But all it was to say, you know, when looking at the impacts of caps you've got to look at what the price controls might be and also what the impact of queuing might be. But if you want to respond from a practitioner's point of view as to your observations of the composition of a queue then we'd be pleased to - - -

MS KEARNEY: I am responding, right here and now.

MR BANKS: Excellent. If you can document it, it will be even better.

MS KEARNEY: Yes, it's all in here. It is page 14.3. It starts off with 14.13, with binding payout rate restrictions on poker machines and those who value their time less will wait, like retirees will probably be likely to - problem gamblers are over-represented among the young and employed, which suggests that they would be under-represented in the group of people who are willing to wait, that's right. So you probably find that the young and employed, if they had problems, and the only way they could get on machines, they would be there longer and they become young and unemployed because they were sitting on the machines because they knew they wouldn't get on at any other time.

The other thing I'd like to address quickly is 14.20 where there's a discussion about the fact that problem gamblers choose venues close to their home, table 14.5 on page 14.20, player category, distance travelled to venue being less than five kilometres. This has been used to say that regional caps would work by people. The point is that the question that needs to be asked is not, "Did you go to a venue less than five kilometres?" but "Would you go to a venue more than five kilometres?" That question wasn't asked. It was just, "The last time you used a poker machine, was it less than five kilometres away?" "Yes." So therefore we're told that that would make a difference, in Maribyrnong for instance, if we had them every 10 kilometres apart. Well, that's not the question. That doesn't answer that question at all. It doesn't say, "Would you travel more than five kilometres if you have to?" In fact, I believe that this particular survey is testament to the ubiquitous coverage already with 27,500 machines in Victoria that people do not have to travel more than five kilometres to get to a venue.

MR BANKS: Yes.

MS KEARNEY: If you take on the next page the fact that there is the same incidence of problem gambling at the casino as there is in gaming venues - we have one casino. Pretty well everybody has to travel more than five kilometres to get to the casino and they have the same incidence of problems. Therefore you would expect if the close-to-home argument was going to stick, the casino would be less represented with problem gamblers. So we reckon that caps, statewide or regional, are not effective means in Victoria for harm minimisation. The one identifiable

indicator of problem gambling is expenditure on the product and our system encourages maximum expenditure on the product. While the tender of machines is dependent upon maximisation of gaming expenditure, our system will remain simply anathema to harm minimisation. Quickly I'll say we acknowledge that the commission's statement - - -

MR FITZGERALD: Sorry, what you haven't commented on is, what about venue caps but - you don't have - - -

MS KEARNEY: We'll address venue caps.

MR FITZGERALD: You do that separately.

MS KEARNEY: We don't really - - -

MR FITZGERALD: No, that's fine.

MS KEARNEY: What I want to get across is, while you have got a cap in place and the comparative turnover criterion, it's not going to work. It needs to address that particular - I mean, in whatever, we will address it but at this stage when we have got a summary which doesn't really assist, and I refer to this, people lose attention.

MR FITZGERALD: That's okay.

MR BANKS: I suppose I would also say that it's not a report about Victoria.

MS KEARNEY: I understand but we - - -

MR BANKS: So in terms of the summary, the sort of detail that you're requiring, would it be asking us to possibly put too much detail about Victoria in a summary that's intending to be looking at general principles? I mean, that being said, we'll certainly look at it to the extent that we can pull out more of the broader principles. But I mean, we do indicate in the summary that there can be those perverse effects. We also talk about it being a relatively blunt instrument compared to the other things that we talk about in terms of consumer protection and control measures and so on.

MS KEARNEY: But in our instance, our submission is that while you have a cap and a duopoly that allows for this type of concentration of spending, then all the cap does, it fans the fire.

MR BANKS: Yes, this is the point we have made ourselves.

MS KEARNEY: Anyway we acknowledge the commission's statements that clubs should not get preferential treatment. We will address that later, but for today I would like to bring up that in Victoria clubs actually get detrimental treatment. Community clubs are being denied access because of the operator system and the cap and the turnover criterion. It's probably, we believe, that within three years true

community clubs in Victoria probably won't have any machines at all. The whole system of clubs are being corrupted and the whole concept of this product providing an income stream for community clubs to provide facilities for the community is just being totally thwarted.

MR FITZGERALD: Sorry, just clarify something for me. I know that the venue caps are the same for clubs and hotels in Victoria.

MS KEARNEY: Yes.

MR FITZGERALD: In the agreements with the duopoly operators they have to provide a certain percentage of machines between city and country. Do they have to provide a set percentage between clubs and hotels?

MS KEARNEY: They do, fifty-fifty.

MR FITZGERALD: So just explain this to me. Despite all the weaknesses currently in the duopoly which we take on board for the moment, the clubs are entitled to 50 per cent of whatever machines that duopoly have up to 27,500, whatever it is at the moment, 30,000 cap.

MS KEARNEY: Yes.

MR FITZGERALD: Now, explain to me why you think you're disadvantaged. So you've got the same cap, you've got the access to 50 per cent of the machines, irrespective of how they're performing. Explain to me why clubs as a group are disadvantaged.

MS KEARNEY: Okay. Perhaps I was a bit glib, I'm trying to be quick.

MR FITZGERALD: No, that's okay.

MS KEARNEY: The term was "community clubs".

MR FITZGERALD: Community clubs.

MS KEARNEY: The point is that clubs in themselves as we consider them would be venues that are providing bowls facilities and golf facilities and community facilities, football facilities, cricket facilities. The definition of a "club" has become tied up in the liquor law so you become a club and you have to comply with certain elements in our liquor laws. I presume it's the same elsewhere. The situation has become competitive for machines in Victoria, that what has happened is that the concept of "club" is being distorted and entrepreneurs are setting up what we term pseudo clubs and the profits are being extracted via management agreements only. I mean, some management agreements are fine, you know, so long as the club gets something to go back into the community.

In Victoria we have the situation where a particular club was sold the other day, so this concept of a management agreement in the clubs, the clubs are becoming management agreements, so no management agreement no club. It's not that clubs go out and get professional managers. A lot of these clubs are new. Clubs Victoria has a policy that only clubs in existence for five years should be permitted to actually gain access to gaming machines, but that whole concept of what is a club is being stretched. In fact, the law is being quite well developed now in Victoria over the last couple of years as people stretch the limits, as they will. I mean, it's perfectly legal. I'm not saying it's illegal. It's just not in the spirit of the original intention.

MR FITZGERALD: That's interesting. So when you said the word "sold", what they sold was the management agreement.

MS KEARNEY: Yes.

MR FITZGERALD: Okay.

MS KEARNEY: The management agreements, but the point is no management agreement, no club.

MR FITZGERALD: Yes, I understand, I have heard that but you have clarified it, that's fine.

MS KEARNEY: Just quickly with the regulatory processes, in Victoria the regulatory processes are delegated to the operators. VCGA's role is restricted to probity and Liquor Licensing Victoria has withdrawn from gaming completely. The minister has got up and said she wants nothing to do with it, where that was the major forum for considering social and economic effects. The only arbiter of what a venue should look like and who can provide the product are Tattersalls and Tabcorp. The result is vested, protected interests, lack of transparency, concentrated ownership, and all the disadvantages of barriers to trade. Because it got lost somewhere in the ether in the e-mail - - -

MR BANKS: Cyberspace.

MS KEARNEY: Cyberspace, we now have a one-liner which I can leave you with, reduce the operations of the operators to that of monitors only, but I have addressed that. I do believe that if we get access to the contracts between the government and the operators, that that is possible.

MR BANKS: Good. Thanks very much for that. You have made a number of detailed comments which I will ruminate on. We probably don't have time to go through them. I suppose in self-defence, having looked back again at the summary, there is a reasonable discussion there, I think, of the difference. I mean, we do talk about Victoria relative to New South Wales and the differential incentives that operate. We say for one thing once demand pressures mount, this is in the impact of statewide caps, there will be incentives on operators and gamblers for the more

intensive use of machines which could exacerbate problem gamblers. We talk about intensity in Victoria relative to New South Wales, reflecting the different systems, so I'm not sure whether your point that we have sort of been glib there is really substantiated. Certainly we have got a two-and-a-half page box on key findings which summarises a 1000-page report into 20 dots.

MS KEARNEY: Yes, I know.

MR BANKS: I suppose some have said we have been very good in highly summarising but whether you call that glib or not I don't know, we'll have another look at it. Anyway, Robert, have you - - -

MR FITZGERALD: Given that this is very much about the job of operators, the current government of Victoria was, prior to the report, contemplating an increase in the caps to some figure but the figure that I recall people talking about in the submissions was five or six or seven thousand or something. There was an incremental increase. It strikes me that even in that environment, notwithstanding that the government may or may not attributed various decisions to this report, that would not have gone anywhere near to addressing the concerns of Clubs Victoria, that rise in that number, would it? I mean, basically irrespective of whether it was held at roughly 30,000 or 35, that doesn't actually go anywhere near dealing with the issues you have raised.

MS KEARNEY: Okay. Are you asking me does it go anywhere near meeting the demand or does it address the problem we have with comparative turnover practices?

MR FITZGERALD: It obviously doesn't address the second one which is really at the centre of your argument.

MS KEARNEY: That's the centre of the argument.

MR FITZGERALD: So therefore I ask the question: if you believe, as you have articulated, that in fact the cap does have fairly substantial and detrimental impacts on community club and a whole range of other areas, why do you think that argument has not been successful in the Victorian government's thinking or policy development?

MS KEARNEY: Because at the moment ensuring that there is a spread of machines to community based clubs isn't in their lexicon, I suppose. I don't know, that's not what they're thinking about, but also you see, politically, in this state you can't mention it. You almost can't mention gaming at the moment. That's why I say the problem gambling people wave a cap, "We want a cap, we want you to stop this dreadful thing happening." So the government says, "Okay, we'll give you a cap. Just let's not talk about it."

MR FITZGERALD: Yes. Could I just take your point about the community clubs? In other states there is a commitment by government to community-based

clubs. Whether or not the use of poker machines was the appropriate way to support those clubs or not is contestable, but nevertheless that's what has occurred. It strikes me that there is a more fundamental issue here that the support for the community club movement itself is not as strong as in other states. Would that be a correct statement?

MS KEARNEY: Yes, I suppose. I don't know. I shouldn't say. I don't know what's in their mind.

MR WHITE: My understanding would be that in those other states these other community clubs had a benefit over a number of years with gaming machines themselves. It opened here on a fifty-fifty basis. The operators are putting a lot of pressure on to even break that fifty-fifty basis. So I think that where in other states, whether it be Queensland or New South Wales, gaming machines were in community-based clubs first, down here it wasn't.

MR FITZGERALD: But your point, you also made a comment. Am I correct, you said there were 400 - - -

MR WHITE: Clubs of one - - -

MR FITZGERALD: - - - clubs of varying types. I presume they're mostly community clubs rather than these quasi clubs that actually would take machines or would at least want to trial - - -

MR WHITE: Yes, a small number of machines. We would hope that the cap had been raised by 5000, that that cap, we would have been trying to get into smaller venues; that, for example, Mooroolbark Bowling Club, they just want 10 there to keep their bar trade. Mag referred to before about keeping like with like. We have got one golf club that hasn't got gaming machines, it's going backwards, and a golf club that's got gaming machines not far from it, just jumping out of the ground, so it seems like they're just to keep the additional part of your trade and to keep your membership and keep these facilities in the public or the community.

MR FITZGERALD: So the retention of five, 10, 15 machines, is sufficient to increase substantially the viability?

MR WHITE: Yes.

MR FITZGERALD: Are you saying because of the revenue that comes from the machine or because of the spin-off of having the patrons there, as you say, the bar trade or what have you?

MR WHITE: It goes to both, but there's no criteria to which this is levelled. They're happy with the - using the example, the golf club had five machines, was happy to be getting \$5000 a year out of them. It's better than a chook raffle but it

kept their bar trade there. Those five machines have now gone and their bar trade has gone.

MR BANKS: But by your own logic, an extension of the cap under the current regulatory nature and every other respect wouldn't have achieved that anyway.

MR WHITE: Wouldn't have worked, no.

MS KEARNEY: Absolutely not.

MR WHITE: So we were hoping this allocation - we were working towards small venue allocation.

MS KEARNEY: I think if I can - - -

MR FITZGERALD: Sorry, just one other point there. There is no indication from the government that it wants to shift the split of fifty-fifty. That seems - - -

MR WHITE: It has been an indication.

MR FITZGERALD: Which way?

MR WHITE: That it may be looked at whether it's still to stay at fifty-fifty.

MS KEARNEY: More in favour of pubs. A higher percentage of the machines to go to pubs.

MR WHITE: Because the hotels have a higher return per machine.

MR FITZGERALD: Right.

MS KEARNEY: So the return to the government's own - so they get the cap but they still get their return.

MR BANKS: Knowing clubs and hotels, how would you explain the higher return in the hotel context relative to a club context?

MS KEARNEY: Okay. There are lots of reasons. First of all, there is location, the pubs have good locations, whereas the clubrooms are usually down the - and you will that Tatts and Tabcorp, if they do decide to go with the club, they almost invariably these days insist that the clubs buy a venue on the street. So the location in the clubroom isn't good enough, so that's the first thing.

MR BANKS: Okay.

MS KEARNEY: The second thing of course there is the commercial imperative of hotel pubs as compared to clubs. They will push it. It's a profit motive and clubs don't have - they want to make a surplus but it's not like the pubs.

MR BANKS: Yes, but notwithstanding that they have still got the discipline behind them that if they don't make enough they're going to lose them.

MS KEARNEY: Yes.

MR BANKS: So hotels are better at meeting that discipline than the clubs.

MS KEARNEY: Yes, obviously.

MR WHITE: Yes. Clubs are always slow. They go through the committee structure and it takes time to make decisions and away we go down the track.

MS KEARNEY: Yes.

MR WHITE: Clubs for a long time, you know, they were basically clubs in that way where a lot of people didn't go to them but it's really the proximity and the location. Here it went fifty-fifty originally, whereas in other states it hasn't gone that way.

MR BANKS: Yes.

MS KEARNEY: I think that's one of the reasons too when you say that the clubs haven't been supported by the government, is the imperative to maximise returns.

MR BANKS: Yes.

MS KEARNEY: Once it started, once it was rolling out and there was so much money coming from it, they weren't going to give the clubs any extra breaks because they were - - -

MR WHITE: We understand there still will be a review next year and this fifty-fifty will be considered.

MS KEARNEY: It's on the table, yes. The argument of course is from Tatts and Tabcorp. If you're going to limit us to 27,500 when the prospect said 45,000 for Tabcorp at least, we don't know what Tatts has been told they have got, but the prospectus for Tabcorp says 45,000, that you should allow us to put these limited amounts where we want which will end up in pubs, not in clubs.

MR BANKS: Yes.

MR WHITE: A lot of these other things will be addressed in our national - - -

MR FITZGERALD: No, that's fine.

MR BANKS: I mean, you said earlier were there particular things that we wanted the national body to respond to, and we would be happy for them to respond to as much as they feel they want to comment on; obviously issues to deal with the mutuality principle and the preferential treatment of clubs. Those issues which you have indicated, we would be very grateful for reactions there, and even if we weren't grateful I'm sure we would be getting them anyway, so we look forward to that. I think it has been a very useful exchange. Perhaps if we had had a bit more time we could have responded a bit better to some of the specific points on particular pages, but I'm sure you won't mind if on reflection we want to get back and get clarification or whatever.

MR WHITE: You're more than welcome.

MS KEARNEY: My pleasure.

MR BANKS: All right. So thank you very much for that. I should ask for the record if there is anyone else who would like to appear here? It's getting pretty late.

MR WHITE: No, we have driven them all out.

MR BANKS: That's right.

MS KEARNEY: They never liked my message.

MR BANKS: Everybody has gone so with that I will adjourn the hearings. We appear next in Adelaide on Monday, 13 September. Thank you.

AT 5.28 PM THE INQUIRY WAS ADJOURNED UNTIL
MONDAY, 13 SEPTEMBER 1999

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