

[REDACTED]

TREASURY EXECUTIVE MINUTE

Minute No.

1 October 2010

Deputy Prime Minister and Treasurer

cc: Assistant Treasurer and Minister for Financial Services and Superannuation

POTENTIAL MEETING WITH THE CEO OF ASPLEY LEAGUES CLUB, BUNYA SPORTS AND ZILLMERE SPORTS

Timing: At your convenience; the timing of the meeting is yet to be confirmed.

Recommendation/Issue:

- That you note this briefing.

Noted

Signature:

...../...../2010

KEY POINTS

- You will potentially meet with the CEO of Aspley Leagues Club, Bunya Sports and Zillmere Sports. A date for the meeting is yet to be confirmed. Summary information on Aspley Leagues Club is at **Attachment A**.
- The Government's proposed reforms to address problem gambling, which formed part of the agreement with the Member for Denison, Mr Wilkie, will likely be raised during the meeting, as they will have a negative impact on revenue for clubs and other venues with electronic gaming machines (EGMs or 'pokies').
 - The agreement contains a national pre-commitment scheme for EGMs, EGM dynamic warning displays and cost of play displays; and a \$250 per day maximum withdrawal limit from ATMs in venues with EGMs. (See **Additional Information and Attachment E**.)
 - The contents of the agreement were substantially based on the recommendations of the Productivity Commission Report into Gambling and the Government's response to that report, which were released on 23 June 2010 (see **Attachments C and D**).
- Clubs Australia has been particularly critical of the Government's decision to implement a uniform full pre-commitment system for EGMs by 2014. Their claims include that club members will need a 'licence to gamble' and that clubs will need to increase food and drink prices and reduce their community support.
 - Clubs Australia is contacting members of clubs urging them to write to their federal MP asking them to vote against the reforms (see **Attachment B** for the letter and advice on the concerns they have raised).
- The Government is in the early stages of its policy response and is committed to consulting with industry (and all other stakeholders) on the implementation of gambling reforms. It has set up a number of formal bodies to receive advice on implementation. In particular, it is

establishing a Ministerial Expert Advisory Group that will include representatives from clubs, hotels, casinos and gaming machine manufacturers. (See **Additional Information**.)

- The Government acknowledges the important role played by clubs and the broader gambling industry, which makes an important contribution to jobs and the economy more broadly. The reforms the Government will put in place are not an attack on the gambling industry. The aim of the Government is to target problem gambling, while minimising any adverse effects for recreational gamblers.



Damien White
Principal Advisor
Social Policy Division

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ADDITIONAL INFORMATION

BACKGROUND

- On 23 June 2010 the Productivity Commission (PC) publicly released its Report into Gambling. Its key recommendations include: the introduction of a nationally consistent pre-commitment scheme and a broad suite of other harm-minimisation measures for electronic gaming machines (EGMs); and the liberalisation of online gaming.
- Concurrent with the release of the report on 23 June, the Government released its preliminary response to the report.
 - The response included: support for the use of pre-commitment technology; support for examining broader harm minimisation measures for EGMs; and rejection of the PC recommendation to liberalise online gaming.
 - The response also announced the proposed establishment of a Commonwealth-State Select Council on Gambling to progress a national response to minimise the harm caused by problem gambling.
- The Select Council will be co-chaired by the Assistant Treasurer and the Minister for Families, Housing, Community Services and Indigenous Affairs. The States and Territories will each have two Ministerial representatives representing economic and social policy portfolios.
- The post-election agreement with the Member for Denison signed by the ALP on 2 September included important commitments on gambling reform (see **Attachment E**). Key features include:
 - A national pre-commitment scheme (to commence in 2014, two years earlier than recommended in the PC report); support for the PC's recommendations on EGM dynamic warning displays and cost of play displays; and a \$250 per day maximum withdrawal limit from ATMs in venues with EGMs.
 - The establishment of a Select Committee of the Parliament to act in an advisory role to the Assistant Treasurer, Minister Macklin, and the Prime Minister to progress a national response to the PC report.
 - If agreement with the States and Territories cannot be reached by 31 May 2011, the Government would unilaterally seek to legislate to achieve these reforms (subject to receiving legal advice that it is capable of doing so).
 - The Government will commission an independent study on the impacts of a reduction in problem gambling on other revenue flows and individual spending behaviour.
- Minister Macklin, the Assistant Treasurer, the Member for Denison and Senator Xenophon announced the establishment of a Ministerial Expert Advisory Group, to be chaired by Professor Peter Shergold on 21 September 2010 (see below).

MINISTERIAL EXPERT ADVISORY GROUP

- The Government is committed to consulting with industry and the community on the implementation of the gambling reforms.

- The Expert Advisory Group will include representatives from:
 - organisations who provide problem gambling counselling and support services.
 - technical experts.
 - clubs, hotels, casinos and gaming machine manufacturers; and
 - researchers and academics who specialise in understanding problem gambling behaviour and harm minimisation.
- A number of nominations from industry and formal invitations will be sent shortly.
- Initial advice will be sought from the Expert Advisory Group in October with more detailed advice sought in December.

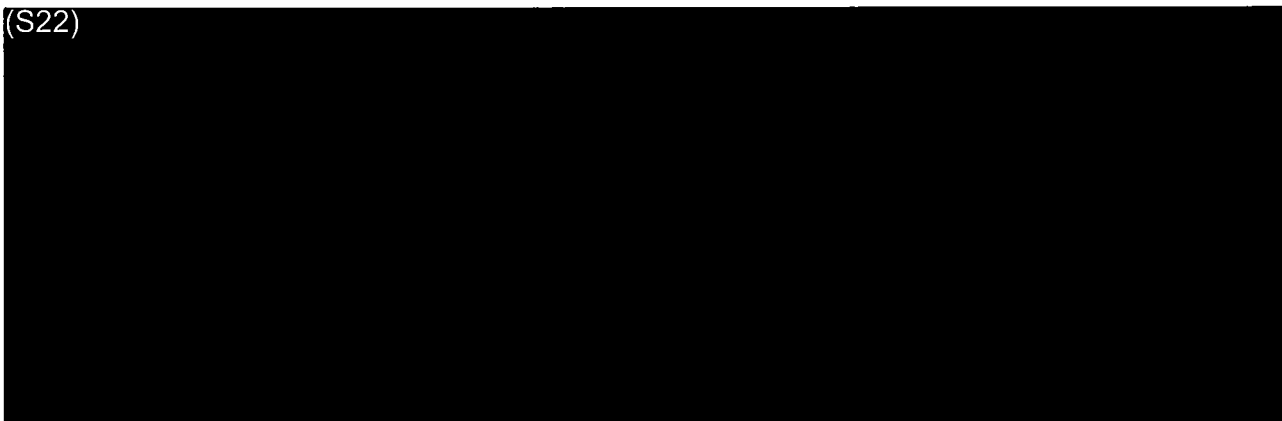
PROCESS AND TIMING

- The Prime Minister has written to all Premiers and Chief Minister's inviting them to form a COAG Select Council on Gambling Reform.
- The Select Council will be co-chaired by the Minister Macklin and the Assistant Treasurer.
- The first meeting of the Select Council is likely to be held at the end of October.
- We will be aiming to gain agreement from States and Territories by 31 May 2011 on the proposed reforms and a timetable for implementation.
- The independent study of the impacts of a reduction in problem gambling on other revenue flows and individual spending behaviour will report to government by the end of 2011.

The Government is committed to beginning implementation of a pre-commitment system by 2012.



(S22)



ATTACHMENT B – LETTER FROM CLUBS AUSTRALIA TO MEMBERS

IMPORTANT MESSAGE FOR CLUB MEMBERS

As a Club member you have an interest in this club's continued growth and success – after all, "it's your club". I regret to inform you that your club's future is threatened because of a deal made by the Federal Government with an Independent member of parliament from Tasmania, named Andrew Wilkie.

Mr Wilkie won only 13,000 votes in the election and has never visited our club. But he demanded the Federal Government take action on poker machines in order to win his vote and the Government agreed to his demands. This letter outlines for you what impact that deal would have for our club and how you can help to stop it from happening.

WHAT COULD HAPPEN TO OUR CLUB?

The Government committed that it will implement a \$250 daily withdrawal limit on ATMs in clubs and pubs (the casino will be exempted). This means that if you need more than that, you will be prevented from having access to your own money in your club.

The Government has also announced that it will support mandatory pre-commitment on poker machines. This means that you would have to apply for a device which you insert into the poker machine in order to activate it and the device would control how much money you can spend playing. The device would record how much you spend and stop you from playing on every machine in the country once you had reached a set amount of spending. It would be a "license to gamble".

WHY DOES THE CLUB OPPOSE THESE MEASURES?

We believe that these measures treat all our members as irresponsible and like problem gamblers. You should be able to have access to your money in your club. We believe you are already able to set your own limits on poker machine play like a responsible adult and should not be told by the Government how much you can spend. We also believe that problem gamblers should get proper counseling and help, rather than forcing all club members including you to get a license to play a poker machine.

These measures will be expensive and will force us to cut jobs, increase prices of food and drinks and reduce our community support. This is money we would otherwise spend on [enter cause]. Because these measures would only apply to poker machines, punters will stop coming to the club and will go online to gamble – reducing club revenue by around 30 percent. That is a high price to pay for one vote in parliament.

HOW CAN I HELP STOP THIS FROM HAPPENING?

If you want to stop the Government from doing this to our club, please write to our Federal MP Tony Abbott (Member for Warringah) and ask them to support our club and vote against these proposals. They can be contacted at P.O. Box 450, MANLY 2097- PH: 99716411- EMAIL: Tony.Abbott.MP@aph.gov.au

Thank you for your support of our club at this important time

Sincerely
Paul Crowley JP ACCM
General Manager

the club on the beach

COLLARROY SERVICES BEACH CLUB LTD

ADVICE ON CONCERNS RAISED IN THE CLUBS AUSTRALIA LETTER

The gambling reforms will force clubs to cut jobs, increase food and beverage prices, and reduce community support

- While the introduction of the proposed reforms is likely to reduce employment in clubs, those who lose their jobs should in general be relatively well placed to find employment elsewhere. The overall economy-wide impact on employment should also be minimal as spending that would have otherwise been on gambling is redirected to other sectors of the economy.
 - The PC finds that the employment effects of the gambling industry are small. While many people are employed in the gambling industry, these people tend to be highly employable more generally and would likely be in demand in other sectors of the economy if the gambling sector was to decrease in size. The PC found that gambling industry generates little net employment effects because it diverts employment from one part of the economy to the other.
- The introduction of the proposed reforms may also lead to increased prices of food and beverages. To the extent that food and drinks are subsidised by EGM revenues, a reduction in these revenues are likely to lead to their price rising.
 - The PC found that it is difficult to determine the extent to which clubs cross-subsidise food and beverages with EGM revenues.
 - : While some clubs do significantly cross-subsidise food sales for their members, data from the Clubs Australia submission to the PC Inquiry indicated that the largest source of cross-subsidisation is in sports facilities, operating costs for accommodation, aged and child care, and a range of other expenses, such as promotion.
 - It should also be noted that cross-subsidies used to support cheaper food and beverages may be derived from revenue from problem gamblers.
- The PC received around 200 submissions from clubs, peak bodies representing clubs, or beneficiaries from club contributions, which outlined the benefits to the community from contributions by clubs that are underpinned by gambling revenue.
 - These benefits included:
 - : Donations to sporting teams, charities and community organisations;
 - : Sporting and recreational facilities;
 - : Promoting volunteering.
 - : Broad indirect or intangible benefits, such as improved quality of life for the elderly, secure environments for community members to socialise, and greater social cohesion.
 - However, the PC notes that many of the benefits from these contributions accrue to members rather than to the public at large, and further, the correlation between gambling revenue and contributions to sporting activities and volunteering do not appear to be strong, and may even be negative for volunteering.

- : The Commission notes that the gross value of social contributions made by clubs is likely to be significantly less than the support the State and Commonwealth governments provide them through tax and other concessions.
- : The social contributions made by clubs have to be weighed against the costs to the community of problem gambling.
- It should also be noted that a truncated timetable for the introduction of a nationally uniform mandatory pre-commitment scheme by 2014 still provides clubs with time to examine potential avenues for diversifying revenue.

A daily withdrawal limit will impact upon industry revenue and prevent people from accessing their own money

- Research shows a clear link between problem gambling and ATM use in venues.
 - Problem gamblers access ATMs more frequently and withdraw larger amounts.
- A limit of \$250 per day, per card is designed to have minimal impact upon most club users.
 - According to the PC submission from the ATM Industry Reference Group the average transaction amount withdrawn from ATMs in venues in 2008 was only \$174.

Mandatory pre-commitment is a license to gamble, it means Government tells people how much they can spend gambling, it treats all players like problem gamblers

- The Productivity Commission Report into Gambling recommended a full pre-commitment system for gaming machines based on their findings that pre-commitment is the most effective way to target problem gamblers and at-risk gamblers without impacting upon the wider gambling community.
- A full pre-commitment system means that pre-commitment will be offered to all players but they have a choice as to whether they set a limit or not.
- An evaluation of a pre-commitment technology trial in South Australia (PlaySmart) released yesterday also shows that pre-commitment is effective at encouraging better money management and more informed decision making, particularly among problem gamblers.
 - 62 per cent of players agreed that using pre-commitment encouraged them to think about how much they could afford to spend on pokies, and this effect was stronger for problem gamblers.
 - And although limited in size, the PlaySmart trial shows that that pre-commitment can be effective in reducing the amount problems gamblers spend, without adversely impacting on recreational gamblers.
 - The net turnover on poker machines decreased by 56 per cent, for problem gamblers who used pre-commitment, compared with a reduction of only 5 per cent for recreational gamblers.
- Pre-commitment is about empowering people to take responsibility for their own behaviour, by helping them decide exactly how much they want to spend before they start playing.

- The Government will not determine limits; individuals will be able to choose their own limits and have the option to set as high a limit as they want.
- This new technology will give people the tools to stick to their limit and help them keep track of spending.
- We are committed to consulting with industry on the best way to implement pre-commitment without unduly impacting on people who do gamble responsibly.

Punters will stop coming to clubs and will go online to gamble

- The Government did not agree with the PC recommendation to liberalise online gambling.
- We are committed to continue to monitor the current ban on online gaming and are currently examining the impacts of such a ban in other countries, such as the United States.
- There is no compelling evidence to support the view that people who play electronic gaming machines will migrate to online gambling.
 - This will however be one of the issues that the independent study on revenue flows will examine.

ATTACHMENT C – SUMMARY OF PC REPORT FINDINGS AND RECOMMENDATIONS

The PC report examined a broad range of gambling issues, with a main focus on problem gambling and electronic gaming machines. The report also examined issues relating to the racing and wagering industries. Most recommendations in the report are directed at areas of State and Territory government responsibility.

The PC report acknowledged that gambling is an enjoyable pursuit for many Australians. The report suggested that, to the greatest extent possible, policy should aim to preserve the benefits of gambling, while targeting measures at gamblers facing significant risks or harm.

The report highlighted the significant social cost of gambling, estimated to be at least \$4.7 billion. Problem gamblers are estimated to account for around 40 per cent of electronic gaming machine expenditure, which would indicate that a small number of gamblers account for a large percentage of losses.

The gambling sector was also found to be an important industry with gambling expenditure exceeding \$19 billion and the industry estimated to support the employment of more than 145,000 people.

Harm minimisation

The report found that effective harm minimisation measures for gaming machines will inevitably reduce industry revenue, since problem gamblers lose so much. However, this would not occur overnight and the report suggested that reductions could possibly (at least in part) be offset by other market developments.

Pre-commitment

Pre-commitment systems would empower people to take responsibility for their own spending behaviour, by helping them decide exactly how much they want to spend before they start playing. The Commission recommended the introduction of a partial (voluntary) pre-commitment system by 2013 in advance of a move to full (mandatory) pre-commitment by 2016.

The Commission acknowledged that the changes will likely create costs to gaming machine venues who will lose substantial revenue. This could lead to the gradual rationalisation of community gaming venues, reduced community contributions from clubs and hotels, and lower tax revenues for state and territory governments. However, in the view of the Commission this would be largely justified by reducing the very high social costs from problem gambling that exist at present, and the phased approach to the changes give venues time to prepare.

Other harm minimisation recommendations

The Commission found there are strong grounds to lower the bet limit to around \$1 per 'button push', instead of the current \$5-10. Accounting for adjustment costs and technology, this could be fully implemented within six years.

The report also found that shutdown periods for gaming in hotels and clubs should commence earlier and be of longer duration. In addition, better warnings and other information in venues would help

Relocating ATMs away from gaming floors and imposing a \$250 daily cash withdrawal limit in gaming venues would help some gamblers. But the net benefits of removing ATMs entirely from venues would be uncertain.

Governments have improved their policy-making and regulations with respect to gambling, but significant governance flaws remain in most jurisdictions, including insufficient transparency, regulatory independence and coordination. There is a particular need to improve arrangements for national research.

(S22)



ATTACHMENT D – GOVERNMENT RESPONSE TO PC REPORT



PRESS RELEASE

**The Hon Jenny Macklin
MP
Minister for Families,
Housing, Community
Services and Indigenous
Affairs**

**Senator the Hon Nick
Sherry
Assistant Treasurer**

**Senator the Hon
Stephen Conroy
Minister for Broadband,
Communications and the
Digital Economy**

PRODUCTIVITY COMMISSION REPORT INTO GAMBLING

The Australian Government today released the 2010 Productivity Commission Report into Gambling for consideration by States, Territories, industry and the wider community.

The Government has also announced its support for key reform directions to minimise the harm caused by problem gambling.

In an initial response to the 2010 Productivity Commission Report into Gambling, the Australian Government signalled it supports the use of pre-commitment technology to tackle problem gambling and is committed to working with State and Territory Governments, and industry, in implementing this technology.

The Australian Government does not agree with the Productivity Commission recommendation that the Australian Government amend the *Interactive Gambling Act 2001* to allow for a liberalisation of online gambling, starting with allowing the provision of online poker games to Australians. The existing rules will continue to apply.

The Australian Government accepts that further work can be done to improve harm minimisation measures for electronic gaming machines.

The Australian Government will now write to State and Territory Premiers and Chief Ministers to recommend the establishment of a new high-level Council of Australian Governments (COAG) Select Council of Ministers on Gambling Reform to progress a national approach to minimise the harm caused by problem gambling.

The Productivity Commission estimates that there are between 80,000 and 160,000 Australian adults suffering severe problem gambling. In addition there are between 230,000 and 350,000 people at moderate risk.

The Productivity Commission's final report highlights the significant social cost of gambling, estimated to be at least \$4.7 billion. The Productivity Commission estimates that problem gamblers account for around 40 per cent of electronic gaming machine expenditure, showing that a small number of gamblers account for a large percentage of losses.

The Productivity Commission also highlighted the gambling sector as an important industry with gambling expenditure exceeding \$19 billion and the industry estimated to support the employment of more than 145,000 people.

Pre-commitment

The Productivity Commission found that pre-commitment is the most effective way to target problem gamblers and at-risk gamblers without impacting upon the wider gambling community and that's why the Government has committed to developing a pathway towards implementation for pre-commitment.

The Productivity Commission also found that pre-commitment systems would empower people to take responsibility for their own spending behaviour, by helping them decide exactly how much they want to spend before they start playing.

The Productivity Commission found that a pre-commitment scheme is a strong, practicable and ultimately cost-effective option to minimise harm caused by gambling. This new technology will give people the tools to stick to their limit and help them keep track of their spending.

The first priority for the Australian Government will be to progress a nationally consistent pre-commitment model for electronic gaming machines.

Online gaming

The Australian Government does not support the liberalisation of online gaming, including online poker, as recommended by the Productivity Commission.

The Government is not convinced that liberalising online gaming would have benefits for the Australian community which would outweigh the risks of an increased incidence of problem gambling, particularly with the rapid changes in technology.

The current prohibition on the provision of online gaming services to Australians will continue to apply.

The Government will examine the regulatory approach taken by other countries with similar regulatory regimes in relation to online gaming, such as the United States.

In particular, we will seek to work with other countries to investigate the possibility of a more effective multilateral regulatory regime to address this form of gambling, its social impacts and its impact on the Australian gambling industry.

Harm minimisation

The Australian Government accepts that more work can be done to improve harm minimisation measures for electronic gaming machines.

The Select Council on Gambling Reform will engage with all stakeholders to ensure that any changes to harm minimisation measures are proven to actually minimise the damage caused by problem gambling and are ideally able to be applied consistently across Australia.

This will include an analysis of the possible costs and benefits of such measures and also consider their need in light of moves towards a nationally consistent pre-commitment model.

COAG Select Council on Gambling Reform

The Australian Government will recommend that the COAG Select Council on Gambling Reform includes up to two Ministerial representatives from all jurisdictions to ensure that both economic and social portfolios are represented.

The Select Council on Gambling Reform will be co-chaired by Ministers Macklin and Sherry.

Most recommendations in the report are directed at areas of State Government responsibility but the Australian Government recognises that national leadership is required and will work with State and Territory governments through the new Select Council on Gambling Reform to consider the Productivity Commission's final report.

The Australian Government is committed to a thorough process through the COAG Select Council on Gambling Reform and to consulting closely with community groups, industry and relevant employee and employer groups on the Productivity Commission's findings.

Today's report follows a request made by COAG in 2006, through the then Assistant Treasurer, for the Productivity Commission to update its 1999 inquiry into Australia's gambling industries, with a focus on problem gambling. This responded to calls from industry and community groups that the Commission should be asked to update its 1999 report.

Copies of the Productivity Commission's report www.pc.gov.au.

CANBERRA

23 June 2010

Media contacts: Joe Scavo 0413 800 757 (Minister Sherry's Office)
Jessica Walker 0430 166 633 (Minister Macklin's Office)
Suzie Brady 0408 258 457 (Minister Conroy's Office)

ATTACHMENT E – EXTRACT OF AGREEMENT WITH MEMBER FOR DENISON

7. Poker Machines

- 7.1 The Parties agree that problem gambling, especially through poker machines, is an important issue which must be addressed by all governments.**
- 7.2 The Parties acknowledge that given gambling is predominantly regulated by State and Territory governments that addressing problem gambling requires co-operation between the Commonwealth and State and Territory Governments.**
- 7.3 The Parties also acknowledge that the Commonwealth may be able to exercise greater legislative authority, if required, and agree to commission and receive no later than 1 February 2011 comprehensive legal advice about the Commonwealth's constitutional competence and prospects for successfully legislating in this area.**

- 7.4 The Parties also acknowledge and agree that any approach taken to address problem gambling must be evidence based and that the Government has commissioned and received a comprehensive Productivity Commission report on problem gambling.
- 7.5 The Government commits to adopt a Commonwealth Government position on gambling reform that will include the initial response released on 23 June 2010 to the Productivity Commission report and further commits to the following additional measures:
- a) Implementing a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – consistent with recommendations and findings of the Productivity Commission. Implementation of pre-commitment arrangements will commence in 2012, with the full pre commitment scheme commencing in 2014, working with States and Territories to achieve this outcome. The full pre-commitment scheme will include the use of technology that is expected to have the best chance of reducing problem gambling.
 - b) Supporting the Productivity Commission recommendations in relation to poker machine dynamic warning displays and cost of play displays.
 - c) Implementing a \$250 daily withdrawal limit for ATMs in venues with poker machines (excluding casinos).
- 7.6 The Parties agree that the Government should seek agreement of all jurisdictions to the reforms detailed in Clause 7.5, including a timetable, and then each jurisdiction would amend their own State and Territory laws to implement the agreement. Regulation of the gambling industry would remain a State and Territory responsibility.
- 7.7 In the absence of agreement with the States by 31 May 2011 on any of the reforms detailed in Clause 7.5, the Government will unilaterally seek to legislate in order to achieve these reforms, subject to the legal advice received in accordance with Clause 7.3. If required, the Government will support Commonwealth legislation through the Parliament by Budget 2012.
- 7.8 The Parties acknowledge the need for an evidence based approach addressing problem gambling.
- a) Therefore, the Parties agree that it is appropriate to commission an independent study of the impacts of a reduction in problem gambling on other revenue flows and individual spending behaviour to report by the end of 2011.
 - b) The Parties also agree that it is appropriate to task the Productivity Commission to conduct a thorough examination of the impact of the pre-commitment scheme on problem gambling from 2014 and to determine what further harm minimisation measures may be necessary.
 - c) The terms of reference for the Inquiry will be set by no later than 30 June 2013.
 - d) The Government agrees that it would rely on the Productivity Commission's further advice in determining further action on problem gambling.
- 7.9 The Government agrees that as soon as practicable, it will seek to establish a Select Committee of the Parliament to act in an advisory role to the Minister for Families, Housing, Community Services and Indigenous Affairs, the Assistant Treasurer and the Prime Minister

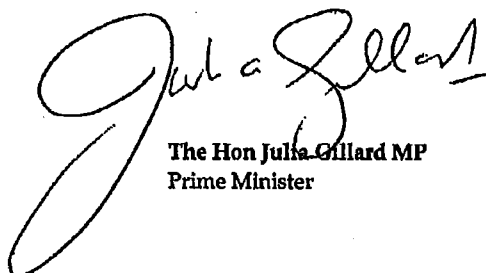
to progress a national response to the full set of recommendations in the Productivity Commission report.

- a) The Select Committee will include wide representation, including Mr Wilkie, Senator Xenophon and other parliamentarians.
- b) The Select Committee will be advised on the legal advice obtained under Clause 7.3 and will be able to inquire into the reasoning that supports the legal advice and the consequences which flow from it.
- c) The Select Committee will be able to provide direct input in to the Commonwealth position Ministers will take to the COAG Select Council on Gambling Reform.
- d) The Select Committee will inform the design of the full pre-commitment scheme outlined at 7.5 (a).
- e) The Select Committee will be able to provide direct input in to decision making about any Commonwealth legislation, the terms of reference of the further Productivity Commission process and the monitoring of the impact of the reforms detailed in Clause 7.5.

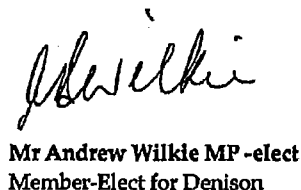
8. Administration

8.1 The agreement will come into effect on the day the Government is established and last for this parliamentary term of the Gillard Government.

Signed on this 2nd day of September 2010.



The Hon Julia Gillard MP
Prime Minister



Mr Andrew Wilkie MP -elect
Member-Elect for Denison