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TREASURY EXECUTIVE MINUTE

Minute No.

21 October 2010

Assistant Treasurer and Minister for Financial Services and Superannuation

MEETING WITH MR MARK COULTON MP, FEDERAL MEMBER FOR PARKES

Timing: Meeting is scheduled for 25 October.

Recommendation/Issue:

- That you note the information in this briefing and in **Attachments A to C**.

Noted

Signature:

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

KEY POINTS

- You are scheduled to meet with Mr Mark Coultton MP, Federal Member for Parkes and the Whip for the Nationals Party, on the Government's proposed gambling reforms.
 - Treasury understands that he is likely to raise concerns with the proposed reforms in terms of their impacts on rural communities, in particular employment in pubs, clubs and taverns.
 - See **Additional Information** for background information on the gambling industry in New South Wales and the electorate of Parkes.
- See **Attachment A** for a summary of the Government's commitment to tackle problem gambling, as outlined in its initial response to the Productivity Commission's inquiry into gambling and in the agreement between the Prime Minister and Mr Wilkie.
- Clubs Australia has been particularly critical of the Government's decision to implement a uniform full pre-commitment system by 2014.
 - Clubs Australia are contacting members of clubs urging them to write to their federal MP asking them to vote against the reforms (see **Attachment B**)
- Possible speaking points outlining the Government's commitments to address problem gambling and Clubs Australia's criticisms are at **Attachment C**.


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ADDITIONAL INFORMATION

Background information on the gambling industry in New South Wales (NSW) and the electorate of Parkes

NSW

- In the Productivity Commission's inquiry on gambling (PC Inquiry) it was noted that:
 - NSW consumers spent around \$7.2 billion gambling in 2008-09. This equates to 3.5 per cent of household consumption expenditure, compared to the Australian average of 3.1 per cent.
 - The NSW Government collected around \$1.6 billion in gambling taxation revenue in 2008-09. The contributions to taxation revenue made by different forms of gambling were: 67.8 per cent from Electronic Gaming Machines (EGMs); 17.6 per cent from lotteries; 8.9 per cent from racing; 5.4 per cent from casino gaming and 0.4 per cent from sports¹.
- The NSW Minister for Gaming and Racing's submission to the PC Inquiry stated that: "The NSW club industry makes a substantial contribution to the community. The Independent Pricing and Regulatory Tribunal (IPART) estimated that in 2007 the value of NSW clubs' contribution to social infrastructure in 2007 was \$811 million, while employing 43,000 people in full-time, part-time, casual, apprentice and training positions. (page 1)"
 - The IPRT report also found that clubs received rebates on their gaming machines tax of \$39.8 million for eligible contributions through the Community Development and Support Expenditure Scheme in the year to August 2006. The IPART report confirmed that most clubs are highly dependent on gaming revenue.
- According to the NSW Government's submission to the PC Inquiry there is little variation in the distribution of gambling groups between metropolitan Sydney and the rest of NSW. However, three regions do emerge with greater prevalence among the higher risk gambling groups, including the Riverina and Murray regions (2.2%) among problem gamblers and the South East region among moderate risk gamblers (4.2%). (page 20)
- The Productivity Commission inquiry report notes that a shrinking interest in gambling by some Australians has been partly offset by an intensifying interest by others. For example, in NSW real spending per Electronic Gaming Machine (EGM) by those who play them has risen in real terms from around \$2645 per person in 1999 to \$3700 per person in 2008. (page 8)

Electorate of Parkes

- The largest town in the electorate is Dubbo, with an estimated population of around 41,000 persons. The second major town is Moree, with an estimated population of around 14,000 persons. (Data as of June 2009)

¹ This percentage distribution is based on 2006-07 data as outlined on page 2.12 of the Productivity Commission's Report.

- In Dubbo, the following venues are listed² as offering gaming activities (e.g. Keno, TAB, card games or poker machines):
 - Dubbo Railway Bowling Club
 - Dubbo RSL Memorial Club
 - West Dubbo Bowling Club
 - Railway Junction Hotel
 - Western Star Hotel Dubbo
 - Commercial Hotel Dubbo
 - Amaroo Hotel Dubbo
- In Moree, the following venues are listed as offering gaming activities (e.g. Keno, TAB, poker nights or poker machines):
 - Moree and District Services Club
 - Moree Golf Club

NSW Coalition Policy on Gambling

- On 16 October it was reported in the *Sydney Morning Herald* ('O'Farrell offers soft line on gambling', Sean Nicholls) that Mr O'Farrell has promised to allow new types of gambling technology and games into NSW clubs if he is elected premier, while ruling out proposed reforms to poker machine laws.
 - The NSW Coalition has agreed with clubs that only a voluntary system of pre-commitment would be implemented.
- It was also reported that the Mr O'Farrell has promised to ease a cap on the number of electronic roulette and blackjack games in clubs.
- The concessions are part of a memorandum of understanding struck between Clubs NSW and the Coalition that includes \$300 million in tax breaks on their poker machine profits.

² Clubs NSW (www.clubsnsw.com.au) and Gaming Online (www.gamingonline.com.au) websites.

ATTACHMENT A – THE GOVERNMENT’S COMMITMENTS TO ADDRESS PROBLEM GAMBLING AND NEXT STEPS

BACKGROUND

- On 23 June 2010 the Productivity Commission (PC) publicly released its Report into Problem Gambling. Its key recommendations included the introduction of a nationally consistent pre-commitment scheme, \$1 betting limits and the liberalisation of online poker.
- Concurrent with the release of the report on June 23, the Government released its preliminary response to the report, which included:
 - Support for the use of pre-commitment technology; support for examining broader harm minimisation measures for electronic gaming machines; and rejection of the PC recommendation to liberalise online gaming.
 - The proposed establishment of a Commonwealth-State Select Council on Gambling ('Select Council') to progress a national response to minimise the harm caused by problem gambling.
 - : The Select Council's chief objective will be to reach agreement on the proposed reforms and a timetable for implementation by 31 May 2011. Its first meeting occurred on 22 October 2010.
- The post-election agreement with the Member for Denison signed by the Prime Minister on 2 September included important commitments on gambling reform.
 - The Government is committed to begin implementation of a pre-commitment system by 2012 and to commence the scheme by 2014.
 - The setting up of a Select Committee of the Parliament to act in an advisory role to Minister Macklin, the Prime Minister and yourself in formulating problem gambling reforms.
 - The Government will also commission an independent study of the impacts of a reduction in problem gambling on other revenue flows and individual spending behaviours to report by the end of 2011.
- You jointly announced with Minister Macklin, the Member for Denison and Senator Xenophon, 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 ON GAMBLING

- The Ministerial Expert Advisory Group, consisting of 22 representatives, will provide advice to the Government and the Parliamentary Joint Select Committee on Gambling Reform on the implementation of the reforms. The Chair of this group will be Professor Peter Shergold AC and the full membership of the group was jointly announced by you and Minister Macklin on 21 October 2010. It is anticipated the first meeting of the Advisory Group will be on 8 November 2010.

- The Ministerial Expert Advisory Group includes 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.

PARLIAMENTARY JOINT SELECT COMMITTEE ON GAMBLING

- A resolution to establish the Parliamentary Joint Select Committee on Gambling Reform was put to the Parliament and agreed in the House of Representatives on 29 September 2010 and in the Senate on 1 October 2010.
- The Parliamentary Committee has been established to inquire into and report on a national response to the full set of PC recommendations, legal advice commissioned and received by the Commonwealth, any gambling related legislation that has been tabled in either House, and such other matters relating to gambling referred by either House.
- The Committee will also be able to make recommendations to inform any position the Commonwealth takes to the COAG Select Council on Gambling Reform. The Committee may report from time to time but its final report must be presented by 30 June 2013. The Department notes a motion on membership of the committee is expected to be moved this week in the House of Representatives.

INDEPENDENT STUDY ON REVENUE FLOWS AND INDIVIDUAL SPENDING BEHAVIOUR

- The Productivity Commission has not expressed a view on the revenue impact of the gambling reforms. However, it has estimated that problem gamblers account for around 40 per cent of electronic gaming machine expenditure.
- As per the agreement with Mr Wilkie, the Government has committed to commission an independent study of the impacts of a reduction in problem gambling on other revenue flows and individual spending behaviour. The report is due by the end of 2011.
 - The Treasury is expected to manage any modelling that will be undertaken of government revenue impacts.
- Clubs Australia estimate that the impact of the gambling reforms could reduce club revenue by around 30 per cent.

ATTACHMENT C – 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

ATTACHMENT C – POSSIBLE SPEAKING POINTS**Opening remarks**

- The Government is committed to tackling problem gambling and reducing the harm that it causes.
- The aim of the reforms that we are proposing is to reduce the social costs of problem gambling, while preserving the benefits from gambling for recreational gamblers.
- Gambling is an enjoyable pursuit for many Australians. Gambling venues are often seen to be friendly, secure and accessible by people in the community. The Productivity Commission (PC) estimated that in 2008-09 there were substantial overall net benefits from gambling.
- However, the PC has estimated that there are between 80,000 and 160,000 adults suffering severe problems from their gambling and between 230,000 and 350,000 people at moderate risk of becoming problem gamblers.
 - The PC has also estimated that problem gamblers account for around 40 per cent of electronic gaming machine expenditure, and that problem gambling comes at a social cost to the community of around \$4.7 billion per year.
- The Government's approach is to provide gamblers with tools that allow them to take responsibility for their spending.
 - We will not be telling them how much they can spend on gambling.
- The Government is committed to consulting with industry and other stakeholders on the implementation of gambling reforms.
 - We have set up a number of formal bodies to receive advice. For example the Ministerial Expert Advisory Group will include representatives from clubs, hotels, casinos and gaming machine manufacturers.
 - I am aware that there may be particular considerations that apply for regional and rural areas.

If asked about the claims from Clubs Australia*The gambling reforms will force clubs to cut jobs*

- Successful efforts to reduce problem gambling should reduce spending on gambling but increase spending in other sectors of the economy.
- So we would expect there to be little impact on aggregate employment.

(S47B)

- The PC report suggests that, in general, those who lose their jobs should be relatively well placed to find employment elsewhere.

(S47B)

- We will also be consulting widely with industry to ensure that the views are taken into regard before we implement any changes.

The gambling reforms will increase food and beverage prices

- I note that the PC found it 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.
- Again, any reductions in cross-subsidies used to support cheaper food and beverages would be the result of reducing problem gambling.

The gambling reforms will reduce community support

- 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, including clubs.
- The aim of the Government is to target problem gambling, while minimising the impact on recreational gamblers.
- I also note that the PC's findings in this area appear contrary to Club Australia's claims.
 - The PC notes that many of the benefits from gambling revenue 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.
- Most importantly, the social contributions made by clubs have to be weighed against the costs to the community of problem gambling.
- 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

- I note the PC's research findings which show 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.
- The PC did acknowledge, however, that an exemption from a withdrawal limit may be needed for those venues in regional areas that are unable to readily access an alternative ATM.
 - We will be consulting on this issue and would be willing to consider options to ensure the policy is practical for regional communities.

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 PC found that pre-commitment is the most effective way to target problem gamblers and at-risk gamblers without impacting upon the wider gambling community.
- The Government's approach to reducing problem gambling is to provide tools that empower gamblers to take responsibility for their own spending behaviour, including by helping them decide exactly how much they want to spend before they start playing. The Government will not be telling people how much they can spend on gambling.
- 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 does 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.
- Possible substitution between different forms of gambling will be one of the issues that the independent study on revenue flows will examine.