

TREASURY EXECUTIVE MINUTE

Minute No.

16 February 2011

Assistant Treasurer and Minister for Financial Services and Superannuation

cc: Deputy Prime Minister and Treasurer

MEETING WITH THE BOARD OF THE AUSTRALASIAN GAMING COUNCIL (AGC)

Timing: You and Minister Macklin are scheduled to meet the Board of the Australasian Gaming Council on Thursday, 17 February 2011.

Recommendation/Issue:

- That you note this brief.

Noted

Signature:

...../...../2011

KEY POINTS

- You and Minister Macklin are scheduled to meet with the Board of the Australasian Gaming Council (AGC) on Thursday, 17 February 2011.
- The AGC is a peak body, a gambling research and education centre and supports the advancement of a sustainable gambling industry in both Australia and New Zealand.
- Membership of the AGC draws from major sectors of the gambling industry in Australia, including wagering operators, licensed operators, hotels, casinos and gaming machine manufacturers.
 - A full list of members is at **Additional Information**.
 - Biographies and background information on the AGC Board Members and their companies is at **Attachment A**.
- The CEO of the AGC, Ms Cheryl Vardon, is a representative on the Ministerial Expert Advisory Group (MEAG).
 - The role of MEAG is to provide advice to Government on the best way to implement the proposed reforms.

Contact Officer:

Senior Adviser
Social Policy Division

ADDITIONAL INFORMATION

Membership of the AGC

Board of Directors

Chairman – Elmer Funke Kupper, Managing Director and Chief Executive Officer, Tabcorp Holdings

Ross Blair-Holt, Director and Chief Operating Officer, Australian Leisure & Hospitality Group Ltd

Peter Burnett, National Vice-President, Australian Hotels Association

Rowen Craigie, Managing Director and Chief Executive Officer, Crown Limited

Jamie Odell, Chair, Gaming Technologies Association*

AGC Staff

Ms Cheryl Vardon, Chief Executive Officer/Executive Director

Ms Nadine Grinblat, General Manager

AGC Members

Australasian Casino Association

Casino Canberra

Christchurch Casino

Country Club Tasmania

Crown Limited

Dunedin Casino

Reef Casino Cairns

SKYCITY Entertainment

Tabcorp

Wrest Point Tasmania

Australian Hotels Association (national office and all state and territory associations)

Australian Leisure and Hospitality Group (Woolworths and Mathieson)

Gaming Technologies Association

Ainsworth Game Technology

Aristocrat Technologies

Aruze Gaming Australia

Global Gaming Industries

IGT (Australia)

Konami Australia

Stargames Corporation

*Mr Odell may be replaced by Mr Danny Gladstone, who is the current Chair of Gaming Technologies Association

BIOGRAPHIES – AUSTRALASIAN GAMING COUNCIL CEO AND BOARD MEMBERS

Ms Cheryl Vardon, AGC CEO/Executive Director

- Ms Vardon has held a number of chief executive roles in government and non-government organisations, and is now responsible for strategy and government relations at the Australasian Gaming Council.
- Ms Vardon also chairs the South Australian Government's Responsible Gambling Working Party, which was established in November 2006 to report to the Minister for Gambling on strategies that can be implemented to support customers to make commitments about their level of gambling on gaming machines, including pre-commitment trials.



Australasian Gaming Council

- The AGC is a national body which aims to support a sustainable gambling industry providing entertainment and economic benefits while promoting gambling education and responsible gambling measures.
- The AGC was established in June 2000. Its members come from all sectors of the industry including wagering operators, licensed operators, clubs, hotels, casinos and gaming machine manufactureres.

The AGC's views on proposed gambling reforms

- The AGC welcomed the Government's response to the Productivity Commission (PC) Report on Gambling, announced in June 2010, but raised concerns about the PC recommendations on pre-commitment and ATM withdrawal limits.
- Issues raised in the AGC's submission to the PC Inquiry include the following.
 - Potential far reaching negative consequences for state government revenues, industry viability, employment, capital investment and tourism.
 - The benefit provided by the gambling industry is underestimated.
 - Some harm minimisations may result in costly changes that fail to adequately protect problem gamblers and/or give rise to unintended consequences such as problem gamblers bringing more cash to venues or making cash withdrawals at ATMs outside the venue.
 - The impacts of harm minimisation measures already in place and the possible efficacy of those on trial or planned for implementation, have not been comprehensively analysed prior to the proposal of further regulation.
 - Policy intervention must be targeted appropriately to impact problem gamblers and those at moderate risk rather than all gamblers.

- An opt-in (or voluntary) model of pre-commitment would more appropriately balance the interests of high and low spending recreational gamblers with the needs of those ‘at risk’ or experiencing problems.
 - Australian research suggests that those who experience problems are not unaware of the impacts of their gambling behaviour. Combined with the appropriate marketing and educative tools voluntary systems could be used as a matter of choice and a self-help measure by those experiencing problems.
 - The ATM withdrawal limit proposed by the Productivity Commission may not effectively target harm to those experiencing problems and will further impact high spend recreational gamblers and consumers of other goods and services.
 - Further regulation on ATM withdrawal limits should not be progressed until the impacts of the \$400 daily limit applicable to Victorian venues from 2010 are properly assessed.
 - AGC welcomed the Joint Select Committee on Gambling Reform’s public hearings on pre-commitment, and appeared before the Committee on Tuesday, 15 February 2011.
- In its submission to the Joint Select Committee the AGC raised the following.
 - The introduction of any pre-commitment strategy should be undertaken as part of a consultative and cohesive process with all stakeholders. Minimum requirements devised by the South Australian Responsible Gambling Working Party should be used as a starting point.
 - Evidence-based knowledge must be used to guide responsible policy decisions on pre-commitment strategies that are beneficial for all stakeholders—gamblers, regulators, governments and industry.
 - Trial outcomes in an Australian environment need to be properly considered and evaluated before implementation on a wider scale is sought.
 - Pre-commitment should be seen as a tool to aid responsible gambling practices rather than as the solution for problem gambling behaviours.
 - Pre-commitment strategies should link effectively with other existing responsible gambling and harm minimisation initiatives that work to promote player understanding and informed choice.
 - Any pre-commitment strategy should be voluntary in its application, respecting the rights of recreational players to enjoy gambling in a safe and responsible manner without detracting from the enjoyment of their experience, privacy or choice of venue.

Mr Elmer Funke Kupper, Chairman, Australasian Gaming Council and Managing Director and CEO, Tabcorp Holdings

- Mr Funke Kupper joined Tabcorp in 2006, and was appointed Managing Director and CEO in September 2007.
- Mr Funke Kupper has held previous senior executive roles at ANZ, and was a senior management consultant with McKinsey and Company and AT Kearney.
- Mr Funke Kupper was educated at the Nijenrode University (Netherlands) and has a Bachelor of Business Administration and a Masters of Business Administration.



Tabcorp's business

- Tabcorp is the largest operator in the wagering sector, with a 72 per cent market share. Tabcorp operates wagering businesses in New South Wales, Queensland and Victoria. Key brands include TAB, TAB Sportsbet, Tabaret and Trackside.
- Tabcorp owns Sky Racing, which is the major television broadcaster of harness and greyhound racing and is the dominant provider of thoroughbred racing broadcasts in pubs and clubs.
- Tabcorp is the second largest operator in the casino sector, with a 33.4 per cent market share. Tabcorp owns four casinos: Conrad Jupiters, Conrad Treasury and Jupiters, Queensland; and Star City Casino, New South Wales.
- Tabcorp and Tattersalls own equal shares in all EGMs across Victoria, until 2012 when a bidding process for EGM ownership by individual venues will be introduced.

Tabcorp's views on proposed gambling reforms

- Tabcorp's post-draft submission to the Productivity Commission largely concerned the report's recommendations with respect to the racing and wagering industries.
 - Tabcorp sought to provide further background information on historical developments in the racing and wagering industries.
 - Tabcorp challenged the PC's suggestion that the arguments for retail exclusivity are not compelling.
 - Tabcorp also claimed insufficient attention has been given to the options available to curb offshore free riding and challenged the PC's analysis of product fee arrangements.
- Tabcorp did not provide a submission to the Joint Select Committee on Gambling Reform's inquiry into pre-commitment.

Mr Ross Blair-Holt, Director and Chief Operating Officer, Australian Leisure & Hospitality Group Ltd

The Australian Leisure and Hospitality Group

- Australian Leisure and Hospitality Group owns and operates venues across Queensland, New South Wales, Victoria, South Australia, Western Australia and Tasmania. ALH venues offer a range of services including electronic gaming, sports bars, bistros, restaurants, cafes, retail liquor, accommodation, nightclubs and wagering.
- ALH group is jointly owned by Woolworths Limited (75 per cent) and the Mathieson family (25 per cent).
- ALH employs about 14,000 people across Australia at more than 285 licensed venues and over 460 retail liquor outlets.
- ALH's four main business activities are:
 - Pub operations such as bar, food, accommodation, functions and entertainment;
 - Retail liquor sales incorporating large liquor barns, drive through outlets and walk-in bottle shops;
 - Property development; and
 - Gambling operations, with ALH being Australia's leading pub operator of electronic gaming machines, wagering, sports betting outlets and KENO.

ALH's views on proposed gambling reforms

- ALH raised the following issues in its post-draft submission to the PC.
 - Concerns that the proposed reforms would result in a significant loss of enjoyment for recreational players, while having little impact on reducing the incidence of problem gambling.
 - ALH supports the adoption of an appropriately designed voluntary pre-commitment model, that can interface with existing and new loyalty programs.
 - ALH urged the PC to re-consider the adoption of more targeted policy measures which are more likely to yield a higher level of efficacy in reducing problem gambling but also deliver higher efficiency through preserving the utility of responsible players.
 - ALH is currently trialling a voluntary pre-commitment system in Queensland and would welcome the opportunity to work with the Government and State regulators to develop an effective voluntary pre-commitment model.
- ALH raised the following issues in its submission to the Joint Parliamentary Committee on Gambling Reform's recent inquiry into pre-commitment.
 - ALH supports the adoption of an appropriately designed voluntary pre-commitment model. It states that a full pre-commitment system is unlikely to be effective or reduce the level of problem gambling.

- ALH is concerned about the impact of the reforms on recreational gamblers.
- Concerns about implementation costs, including higher wage costs to manage a pre-commitment system.
- There is a risk of over-regulation and pushing players to less regulated gambling products online. ALH states that gambling products offered online and over the phone should require a stricter level of regulation due to the lack of physical interface.
- The proposed ATM withdrawal limits are expected to significantly impact all hotel patrons, not only those who wish to play EGMs.
- Any EGM upgrade for a voluntary pre-commitment scheme must be transparent to prevent 'price gouging' by manufacturers.
- 2016 would be a realistic target date for voluntary pre-commitment to be available on EGMs.

Mr Peter Burnett, National Vice-President, Australian Hotels Association

The Australian Hotels Association

- The Australian Hotels Association (AHA) was established in 1839. Approximately 75 per cent of hotels in Australia are members of the AHA.
- Members range from country pubs to international standard hotels and resorts, and they are represented regarding issues such as workplace relations, fringe benefits tax and wagering.
- AHA is represented on the Ministerial Expert Advisory Group by Mr John Whelan, Director of Responsible Gaming.



AHA's views on proposed gambling reforms

- AHA has previously raised the following issues with the Government:
 - a possible decrease in employment caused by reforms; and
 - the removal of ATMs leading to inconvenience for non-problem gamblers, and creating a security risk to those who have to leave the building to use an ATM. Further, they argue that there is no evidence that it will curtail problem gambling.
- AHA's submission to the PC report on gambling raised the following:
 - a lack of research and evidence to support the removal of ATMs from gaming venues;
 - that there has been many improvements in harm minimisation and regulation in response to the PC gambling report of 1999;
 - they support a ban on gambling on credit;
 - the higher level of problem gamblers in the on-line market, according to some research; and
 - they note that 70 per cent of their income was generated by food and drink sales.
- AHA's submission to the Joint Select Committee on Gambling Reform raised the following issues.
 - Concerns about the reforms' impact on jobs and community support.
 - Differences in implementation timeframe recommended in the PC report and the Government's agreement with Mr Wilkie.
 - Implications of the reform on country and regional hotels, which operate a small number of gaming machines and do not have financial capacity to regularly update their stock.
 - Concerns about players' privacy, and the risk of a second-hand market for smart cards.

- The risks associated with online gambling and the offer of free bets as inducements to gamble.
- The Government's focus should be on education, information and prevention.
- A lack of evidence on the effectiveness of restrictions on ATMs or the introduction of dynamic warnings.

Mr Rowen Craigie, Managing Director and Chief Executive Officer, Crown Limited, and President, Australasian Casino Association (ACA)

- Mr Craigie was appointed as CEO of Crown Limited in January 2002. He was appointed Crown's Executive General Manager, Gaming Machines in 1996, and Chief Operating Officer, Casino in 2000.
- Mr Craigie is also a Director of Crown Melbourne Limited, Burswood Limited, Melco Crown Entertainment Limited and Aspinalls Holdings (Jersey) Limited.
- Prior to joining Crown, Mr Craigie was Group General Manager, Gaming at the TAB in Victoria and previously held senior economic policy positions in the Victorian Treasury and Department of Industry.



Crown Limited

- Crown wholly owns and operates two of Australia's leading integrated resorts, Crown Entertainment Complex in Melbourne and Burswood Entertainment Complex in Perth. Crown holds a significant interest in Melco Crown Entertainment Limited, a NASDAQ listed company operating casino/hotel properties in Macau which include City of Dreams, Altira Macau and Mocha Clubs.
- Crown also has a 50 per cent interest in Betfair Australasia Pty Ltd and interests in several casinos in the United States and United Kingdom.

The Australasian Casino Association

- The Australasian Casino Association (ACA) represents Australia's thirteen casinos and five casinos in New Zealand.
- ACA commissioned a number of reports into the casino industry in 2009 including: *Casinos and the Australian Economy* and *Australian Casinos Responsible Gambling Initiatives 1999-2008*.

The ACA's views on proposed gambling reforms

- Concerns raised by the ACA in response to the PC's draft and final reports, and based on the results of Allen Consulting Group analysis that ACA commissioned, include:
 - A perception that the PC report adopts a 'one-size-fits-all' approach, and fails to recognise the 'distinctive nature' of the casino industry.
 - : They argue that casinos are destination venues, with visits requiring planning and often travel over long distances.
 - : They also argue that they play an important role in a globally competitive tourism industry, and offer a variety of non-gaming services.
 - General analytical weaknesses and a lack of rigour in conclusions that are based on rough estimates.

- The ACA raised the following issues in its submission to the Joint Select Committee on Gambling.
 - Casinos are destination venues, and the vast majority of casino customers tend not to play in community venues such as clubs and hotels.
 - Support for a pre-commitment system that is compulsory for operators to provide but voluntary for players to use.
 - Concerns over the proposed timeline. ACA states that leading manufacturers have indicated the reforms will take at least 10 years to implement.
 - Pre-commitment should not inconvenience recreational gamblers or impose substantial financial burden on industry. Implementation should be flexible and could use player loyalty cards as a starting point.
 - Implementation should only be rolled out after a rigorous evaluation of an Australian trial.
 - Pre-commitment should be venue-based. ACA rejects the notion that all machines in a jurisdiction should be networked.
 - The need to ensure players' privacy is protected, and for any system to comply with National Privacy Principles.
 - Consideration needs to be given to protocols regarding actions to be taken once a player reaches his/her limit.

Mr Danny Gladstone, Chair, Gaming Technologies Association and CEO, Ainsworth Game Technology Limited

- Mr Gladstone was appointed CEO of Ainsworth Game Technology Ltd on 5 February 2007. He was appointed Executive Director on 25 February 2010.
- Prior to this appointment Mr Gladstone held senior positions within the gaming industry, including Director of Konami Australia, a position he held for ten years.
- Mr Gladstone is an active participant in gaming industry associations, and was inducted into the Club Managers Association Australia Hall of Fame in 2000.



The Gaming Technologies Association

- The Gaming Technologies Association (GTA) is the peak representative body for Australian gaming machine technology suppliers. GTA members provide gaming technology and equipment to hospitality venues worldwide.
- GTA acts to: increase key stakeholders' understanding of our vibrant, responsible and sustainable industry; support efficient, balanced and effective gaming policy, legislation and regulation; champion technology as a key contributor to responsible gaming efforts; encourage innovation to better meet player and customer needs; and represent the interests of gaming suppliers while contributing to the leadership of the broader Australian gaming industry.
- GTA is represented on the Ministerial Expert Advisory Group (MEAG) by Mr Ross Ferrar.

GTA's views on proposed reforms

- In its submission to the Joint Select Committee on Gambling, GTA raised the following.
 - Reinforced with intelligent messaging, a minimum standard of anonymous pre-commitment may represent the best practice pre-commitment scheme for gaming machines.
 - Currently, the circumstances for full pre-commitment requires:
 - : 25% of existing machines to be updated with a software upgrade only;
 - : 25% of existing machines updated with significant hardware (electronics) upgrade with new software; and
 - : 50% of existing machines would need to be replaced.
 - Currently there are 14 regulatory approval frameworks for each game and each machine type nationally. A uniform national standard would assist in addressing the duplication of approval processes.
 - 5,7000 venues operate 197,7000 gaming machines in Australia and the current expected average replacement rate of these machines in between 10 and 15 years.

- A separate independent analysis would be beneficial in estimating a schedule for implementation of full pre-commitment systems.