25 February 2016

Gaming Machine Arrangements Review
Office of Liquor, Gaming and Racing
PO Box 18055
Collins Street East
Melbourne Vic 8003
olgr.gmr@justice.vic.gov.au

Dear Sir/Madam,

Submission to the review of gaming machine entitlements in Victoria

Hobsons Bay City Council welcomes the opportunity to respond to the gaming machine entitlements review.

Gambling on poker machines is an issue that affects the residents of Hobsons Bay and one which prompted Council to adopt its Problem Gambling on Electronic Gaming Machines (EGMs) Policy Statement in 2015.

Please find attached Council’s submission to the review. We look forward to seeing the outcomes and continuing to work with the state government to create change.

If you have any questions regarding this submission please contact Kathleen McClusky, Manager Strategy and Advocacy on 9932 1004 or email kmclusky@hobsonsbay.vic.gov.au.

Yours sincerely,

[Signature]

Chris Eddy
Chief Executive Officer
Hobsons Bay City Council’s submission to the review of gaming machine entitlements in Victoria

Council recognises that there are many forms of legalised gambling in the community and while it can provide a range of social and recreational opportunities, it can also have detrimental impacts on those who gamble, their families, friends and the broader community. Therefore it is essential that a harm minimisation approach is taken.

This position is supported by the Productivity Commission’s inquiry into gambling (2010) which noted, “the potential for significant harm from some types of gambling is what distinguishes it from most other enjoyable recreational activities” and that “problems and vulnerabilities rise with the frequency of gambling and are much greater for gaming machines than other gambling forms”.¹

Hobsons Bay has a cap of 579 licensed poker machines, however not all of these licences are activated. Currently there are 577 attached (or active) entitlements, operating in ten venues. The extent of gambling losses in Hobsons Bay would undoubtedly increase should all 579 licences be activated. Council is therefore keen to ensure the cap is maintained but, preferably, Council would like it to be lowered.

In terms of the ratio of poker machines to adults, the most recent data indicates that in 2014-15, Hobsons Bay had 8.1 attached entitlements per 1000 adults, well above the Victorian (5.8) and metropolitan Melbourne (5.5) rates. For the same period, $46 million was lost on machines in the municipality. This equates to $651 per adult compared to Victoria and metropolitan Melbourne losses of $564 and $590 respectively. Relative to Victoria’s 79 municipalities, Hobsons Bay is ranked 19 in terms of adult losses.²

Council’s responses to the entitlement review

Section 2

Q1. Do you think that the venue operator model is meeting the three objectives listed and why? How do you think the venue operator model could better achieve its objectives?

Overall, the objectives of the operator model are based on increasing the use of poker machines and therefore taking more money from local communities and those at risk of problem gambling or who are problem gamblers. The Productivity Commission (2010) estimated that four per cent of Australia’s adult population gamble on EGMs at least

¹ Productivity Commission (2010), Inquiry Report Vol 1, Gambling, Report No. 50, Canberra
² City of Greater Dandenong, Social Statistics, (accessed 27 January 2015)
weekly and approximately 15 per cent of regular players are 'problem gamblers'. Furthermore, the Australian Government estimates that the impacts of problem gambling extend beyond the gambler, affecting the lives of between five and ten other people. In Australia, the social cost to the community of problem gambling is estimated to be at least $4.7 billion a year.

This is a public health and wellbeing issue and the model needs a major review to reduce the harms on the community.

Objective 1. A venue-based model that ensures the financial benefits of gaming are fairly and more broadly distributed to the Victorian Community.

While Council acknowledges that gambling on poker machines is a legal activity in Victoria, this objective does not address the more fundamental question about whether there are real community benefits resulting from poker machines. Research shows revenue from problem gamblers contributes a large proportion of gambling revenue and results in substantial negative social and economic impacts on the gambler, their family, friends and the broader community.

The Victorian Competition and Efficiency Commission estimated that $3.3 billion was spent on poker machines in 2010-11 and of that 35 per cent ($1.14b) came from problem gamblers. Over this period, the Commission estimated the socio-economic cost of problem gambling in Victoria to be between $1.5 billion and $2.8 billion in 2010-11. Council would argue that the benefits both economic and social are therefore questionable when balanced against these negative impacts.

That said, focusing on the financial benefits, Council is concerned about the equity and fairness of the current model for distributing community benefit taxes by clubs. Analysis of the benefits statements for club venues in Hobsons Bay shows that in many instances, money is primarily spent on the operations of the clubs and improvements to their facilities. This raises questions about who benefits beyond direct users of the club and the venue which benefits from increased patronage. Furthermore, according to the benefits statements of two clubs in Hobsons Bay that are owned by the Carlton Football Club, this money is primarily going to the operations of their home ground

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3 Productivity Commission (2010), Inquiry Report Vol 1, Gambling, Report No. 50, Canberra
which is not based in or even close to Hobsons Bay. Given that all AFL clubs, apart from North Melbourne, are actively involved in poker machine venues, it is Council’s view that greater scrutiny of their Community Benefit Statements needs to be undertaken within AFL clubs as well as other venues with pokies.

If fairness is to be used as a criteria, then clubs should be required to distribute their community benefits taxes in the local community where it was collected, with the proviso that the majority is not spent on club operations and upgrades.

Objective 2: Continued high standards of probity through a strengthened Victorian Commission for Gambling Regulation and an independent monitoring system to ensure the integrity and transparency of gaming venues

Greater scrutiny is required in the monitoring and evaluation of this objective, along with the integrity of clubs and their values in relation to poker machines. For instance, as indicated in the consultation paper, venues can currently monitor and control the game play transactions. This information should be used to ensure individuals are not spending risky amounts. In addition, venue operators have the responsibility of gaming machines decisions, business planning and development. Business planning can be challenging for some, therefore the Victorian Commission for Gambling and Liquor Regulations (VCGLR) should provide a high level of support to clubs and hotels to develop strong and sustainable business plans, ensuring they are not solely reliant on gaming expenditure.

Objective 3: Opportunities for venue operators to better respond to consumer demands and choice

From a venue perspective, it could be argued that this objective is premised on increasing the patronage of poker machine venues and increasing gambling expenditure. Instead, the emphasis should be on venues providing non-gambling related choices for patrons to improve community wellbeing as well as building a stronger and more sustainable business model which does not rely on poker machines (It should be noted that clubs can also operate other services such as TAB so potentially their income can primarily be derived from gambling activities which Council would argue is a very undesirable outcome).
Section 3

Q 1. Do you think the current distribution limits are appropriate? If not, what changes would you suggest and why?

While Hobsons Bay has a cap, this cap is municipal wide. Further consideration should be given to areas within the municipality where there is a lower Socio-Economic Indexes for Areas (SEIFA) to ensure areas which are at great risk of harm are not subject to a higher number of pokies.

Within the regional limits, it is also stipulated that regional areas must have a minimum of 20 per cent of the gaming machines, in order to share the benefits of gaming. Given that regional areas often have a higher unemployment rate, less support services and in some cases less alternative activities, ensuring that there is a minimum number of pokies could put these regional communities at greater risk of harms of gambling.

Overall, Council is supportive of regional caps being maintained as, in the long term, they have contributed to the original intent to reduce poker machine losses. However, the current caps should be reviewed to include SEIFA, and the minimum percentage for regional areas should be reviewed to ensure adequate support services and alternative activities are available.

Section 4

Q 4.1 Are the ownership restrictions appropriate? If not, should they be increased or decreased, and why?

Please refer to question two’s response regarding concentrated ownership issues.

Further to that response, Council would like to highlight that while the current ownership restrictions place some controls, they do not take into account circumstances where a hotel group or other groups such as sporting clubs can own multiple venues. This enables these venues to easily transfer their licences between venues and as pointed out previously, the areas most likely to be most affected are those where the community is already vulnerable both socially and economically.

Council believes the current ownership restrictions should be strengthened and take into account the impact of ownership of multiple venues.
Q 4.2. Should different ownership restrictions apply to hotel entitlements and club entitlements and, if so, why?

This question assumes that all clubs are similar, a point which Council would dispute. With the move by groups such as AFL clubs to purchase pokies venues, the club model has changed. Where previously clubs venues were commonly run by smaller local organisations, including RSL venues which tend to be managed by the local branch, the involvement of AFL club venues has changed this. Based on the experience in Hobsons Bay, they appear to operate solely on a profit model which primarily supports the club and its members without regard to the local community where the venue is based.

A recent article in The Age\(^7\) highlighted the issues associated with AFL club ownership of pokies venues and how it is contributing to the siphoning of money to support these clubs activities. In the case of smaller club venues, including those owned by RSL clubs, a number provide infrastructure such as bowling greens for the local community and also social support. That said, they are able to do this because of the money their poker machines take from that community, with problem gamblers providing the largest share.

Unlike clubs, the Victorian Government collects and distributes the community benefit revenue that is lost in hotels venues. Council proposes that information about the allocation of this money, including the beneficiaries and how the money is spent, should be made publically available. Council also proposes it should only be used for the benefit of the local community from where it was collected.

Section 5

Q5.1.1 What mechanism should be used by the government to obtain its share of the value of gaming machine entitlements, for example, taxation, premium payments or other mechanisms?

As referred to in the response to question two, Council is concerned about the impact of poker machines on our community. Council believes the Victorian Government should reconsider its financial dependence on gambling revenue and the negative community impacts before focussing on the mechanism to gain a greater share of gambling profits, thus exacerbating this unhealthy dependence.

However, based on the current taxation arrangement, Council suggests that a more progressive tax structure be used where high earning venues pay a greater share while maintaining the government’s current share.

Q.5.3.1. Should changes be made to the way clubs are required to demonstrate their community benefit?

Council’s response to this question is partly outlined in the responses to questions one and four. However, Council is very concerned about the lack of transparency around the reporting requirements for community benefits statements and calls for these to be tightened. Currently clubs can bundle ‘claims’ rather than providing a comprehensive, fully itemised breakdown across all categories, including the details of donations and recipients etc.

The criteria for what constitutes a community benefit should also be reviewed and tightened, as well as who determines the financial beneficiaries. Currently clubs can, for example, make major upgrades to their buildings, pay for utilities on the building, provide a community bus for clubs patrons and subsidised meals, drinks etc. in order to attract people to their venue, all of which is entirely legal.

Council also believes that the decision on how community benefits are distributed should not be solely determined by the club and should involve members of community who are not affiliated with the club. Additionally, what are currently considered legal deductions such as the operations and upgrades to the club should be covered by the clubs profit and not offset as a community benefit.

Clubs should continue to provide a community benefit statement, however further transparency around spending needs to be articulated within the statement.

Section 6
Q.1. Should any future gaming machine entitlements be issued for a 10 year term, a shorter or longer fixed term or in perpetuity and why?

Gaming machine entitlements should not be extended past a 10 year term. Entitlements issued periodically permit government to introduce change and regulatory reform without the obstacles associated with perennial rights. Perennial rights also entrench industry influence and may lead to significant resistance to necessary reform, and regulatory capture by industry. Council believes 10 year terms are appropriate and should continue.
Section 7

Q.1. What type of allocation process would be appropriate to allocate any new gaming machine entitlements and why?

Council would prefer no new entitlements to be issued. However if they are to be issued, local government should be involved in the process as councils may be required to either issue the planning permit or review the conditions of the existing permit. In some instances, councils have a reference to gaming machines in their local planning schemes and have identified preferred locations in order to minimise community harms.

Additionally, Council proposes a change in the process whereby new entitlements should not be granted before a planning permit has been issued. Currently, entitlements can be issued prior to the planning permit, or applications for entitlements and permits can happen concurrently. It is Council's view that the planning permit should be the first step in the process to prevent the perception among applicants that the planning permit is a formality.

Section 11

Additional comments

While this review centres on poker machines, Council believes that the issuing of entitlements should not be considered in isolation from other forms of gambling. Consideration should be given to proximity (including proximity to venues in neighbouring councils) of other forms of gambling such as TAB to avoid the potential for clustering, particularly in areas close to disadvantaged communities.

Council is also concerned about the onus being on local government to demonstrate the extent of vulnerability when applications are made for new venues or additional entitlements and the resource pressures, both human and financial, this involves. More often than not, this has little or no impact. This is evidenced by the outcomes at the Victorian Commission for Gambling and Liquor Regulation; between 2007-14, of 142 decisions made by the commission, 132 applications (94%) for poker machines were approved.