

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2013–14

Melbourne — 13 May 2013

#### Members

Mr N. Angus  
Ms J. Hennessy  
Mr D. Morris  
Mr D. O'Brien

Mr C. Ondarchie  
Mr M. Pakula  
Mr R. Scott

Chair: Mr D. Morris  
Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr E. O'Donohue, Minister for Liquor and Gaming Regulation,  
Mr G. Wilson, Secretary,  
Ms C. Carr, Director, Liquor and Gaming Policy,  
Mr R. Kennedy, PSM, Executive Director, Liquor, Gaming and Racing, and  
Ms M. Amiridis, Director, Gaming Licences Transition Project, Department of Justice.

**The CHAIR** — We will resume with hearings for the gaming regulation portfolio, and I now welcome from the Department of Justice: Ms Cate Carr, Director of Liquor And Gaming Policy; Mr Ross Kennedy, PSM, Executive Director, Liquor Gaming and Racing; and Ms Mary Amiridis, Director, Gaming Licences Transition Project. I ask the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the gaming regulation portfolio.

**Overheads shown.**

**Mr O'DONOHUE** — Thank you, Mr Chairman, for the opportunity to appear before the committee in relation to this portfolio. I was of the understanding that I had a 10-minute period given the additional length of this presentation.

**The CHAIR** — Just endeavour to make it as quick as possible.

**Mr O'DONOHUE** — I will endeavour to make it as quick as possible. Over the last 12 months the coalition government has led major structural reform of the Victorian gambling industry. The coalition government has also been continuing work to improve the regulation of the liquor industry in Victoria and promote the harm minimisation objective of the Liquor Control Reform Act. This presentation outlines the coalition government's achievements and priorities and provides details about the budget.

As you can see from the slide, the liquor and gaming regulation portfolio output costs for 2013–14 is \$86 million, which comprises 1.6 per cent of the justice budget. That figure includes a notional apportionment of the governance, executive and corporate service costs for the department.

The next slide shows government revenue resulting from the auction of electronic gaming machine entitlements. Labor's bungling of the EGM entitlements was a disaster initiated by Daniel Andrews as gaming minister.

**Mr PAKULA** — Really!

**Mr ONDARCHIE** — Three billion short!

**The CHAIR** — Order!

**Mr ONDARCHIE** — Train stations, schools, hospitals — —

**The CHAIR** — Order! We are trying to fit a 10-minute presentation into 5 minutes, so interruptions are not helpful, but I again ask the minister not to be inflammatory.

**Mr O'DONOHUE** — The EGM option process was a once-in-a-decade opportunity to ensure that Victorians received fair value for what are lucrative entitlements. The Auditor-General's report found that the midpoint of fair market value for the sale of the EGM entitlements was \$4.1 billion. Given that the government received less than \$982 million, Labor should be ashamed. I can also update the committee that the estimated total cost of undertaking the gaming machine licence project, including administration and the auction, is \$25.25 million. Not only did the auction allocation process fail to deliver \$3 billion of additional revenue as identified by the Auditor-General but the previous government spent \$25.25 million to achieve that outcome.

From the auction, I am advised that \$85.5 million will come in in the 2012–13 financial year, compared to 359 million which could have come in according to the Auditor-General's independent valuation.

**Mr ONDARCHIE** — They should be ashamed; they should just apologise.

**The CHAIR** — Mr Ondarchie!

**Mr O'DONOHUE** — For the out years we see \$392 million coming in over the forward estimates, compared with \$1.64 billion which should have been achieved — so a difference of \$312 million a year over the forward estimates.

The coalition government has delivered on its election commitments in relation to problem gambling and to work to ensure a smooth transition to the new gambling industry arrangements. This has also included working to require precommitment technology on every gaming machine in Victoria by 2015–16.

The coalition government has significantly increased funding to tackle problem gambling. The coalition government has committed a total of \$150 million over four years from 2011–12 to 2014–15 to fund the establishment and operations of the Victorian Responsible Gambling Foundation. That amounts to an average commitment of \$37.5 million per year. This represents a 41 per cent increase over the funding provided during the five years before the election of the coalition government. Advice provided by the Department of Justice indicates the coalition government is a world leader in funding responsible gambling when compared to comparable jurisdictions across the world.

The coalition government has also allocated \$6.9 million over four years from 2012–13 to 2015–16 from the Community Support Fund for the implementation of precommitment in Victorian gaming venues.

The Victorian Responsible Gambling Foundation commenced operations in July 2012. The foundation is an Australian first and demonstrates that the government is committed to a strong and independent voice promoting responsible gambling and working to prevent and treat gambling-related harm. The foundation's Fight for the Real You campaign, launched in March this year, demonstrates the value of the new foundation, which is adopting an innovative and creative approach to problem gambling campaigns.

I am advised that sharing real stories from real people is a world first in problem gambling campaigns. Victorians were encouraged to take the 100-day challenge to address their gambling behaviours. This innovative campaign aims to address the impediments to seeking help, including the feelings that accompany lapse, recovery and relapse. It showcases the stories of four people with gambling problems, captured in daily video diaries.

The coalition government has awarded the wagering and betting licence, the Keno licence and the monitoring licence. The transition to the new arrangements has been successful. The transition for gaming machines involved 27 500 individual gaming machines migrating from the system operated by Tatts and Tabcorp to the new monitoring system operated by Intralot. This has now been completed. Once again the coalition has delivered on its election commitment to engage with all stakeholders in the process.

As the minister responsible for the regulation of the liquor industry my portfolio is contributing to the promotion of a responsible, healthy and safe drinking culture. On 25 January this year the government released *Reducing the Alcohol and Drug Toll — Victoria's Plan 2013–2017*, which is Victoria's first whole-of-government strategy to reduce the impact of alcohol and drug abuse on the Victorian community. The strategy sets out a 15-point plan that provides a comprehensive response to a range of issues associated with alcohol, pharmaceutical drugs and illicit drugs.

The coalition has delivered on its election commitment to establish a live music round table as a forum for industry, government and other relevant experts to come together to discuss issues affecting live music venues. The coalition government recognises that live music is an important part of the social and cultural fabric of Victoria. Live music also provides a considerable economic benefit for the state, with many people employed directly or indirectly in the industry. The round table has met several times, and a further meeting is scheduled for July. A number of working groups in the round table have also been established. The coalition government has also amended the Liquor Control Reform Act 1998 to make the development of the live music industry a specific objective of the legislation.

Mr Chairman, I have attempted to be as quick as possible in going through my presentation. That concludes my presentation, and I look forward to questions from members of the committee.

**The CHAIR** — Thank you, Minister. Just on that point, the standard time for presentations for hearings of 1 hour or less is 5 minutes. For hearings over 1 hour, it is 10 minutes. That is standard across portfolios.

**Mr O'DONOHUE** — I apologise for the misunderstanding, Mr Chairman.

**The CHAIR** — That is fine. Minister, in the context of the 2013–14 budget, can you outline to the committee examples of any capital infrastructure projects in this portfolio which will either be commenced or completed in the next financial year?

**Mr O'DONOHUE** — Thank you for the question, Mr Chairman. I am pleased to report that in the gaming and liquor portfolio, \$14.1 million has been allocated from departmental funds for a major IT system upgrade — the liquor and gaming information system project. This project aims to improve the Victorian Commission for Liquor and Gaming Regulation's regulatory processes by delivering a suite of new information systems that will support the commission's licensing and approvals, compliance and audit, and education and communications functions.

Consistent with the government's election commitment to create a modern integrated regulator, the new system will replace the separate systems that currently operate for gambling and liquor activities and will allow liquor and gaming activities to be truly integrated, delivering increased efficiency and improved customer service.

This major IT capital project is both on track and on budget. This project is perhaps the next stage in bringing liquor and gaming regulation together. As I said, there will be a single IT platform for the commission, which will cement the bringing together of those two very important areas of liquor and gaming.

**Mr PAKULA** — Minister, in the forecasts for revenue at page 172 of budget paper 5 there is a forecasted jump in EGM revenue of \$77.6 million. That is no doubt going to be dependent on having a functioning monitor. You have made reference to the monitoring licence being awarded in your presentation. Since the decision of the government to appoint Intralot as the monitor, you would no doubt be aware of the fairly consistent stream of complaints that have come from pubs and clubs across the state about machines being offline for extended periods of time, about jackpots running down rather than up, about the help desk being dysfunctional, about the verification process being unreliable and about three-month or longer delays in the deployment of machines. My simple question is: as the monitor, have Intralot been or are they currently in breach of the terms of their licence with the government?

**Mr O'DONOHUE** — I thank the member for the question. The new 15-year monitoring licence was issued to Intralot Gaming Services Pty Ltd after a competitive bidding process. Intralot began providing monitoring services on 16 August 2012 using a combination of its own system and a legacy system of the former gaming operators. Access to legacy systems was required to enable a phased migration of gaming machines to Intralot's monitoring system. The migration to the new system was successful, with all venues migrated onto the Intralot system by 9 February 2013.

I am aware that a number of venue operators have expressed concern or dissatisfaction with Intralot and the migration to the new monitoring system. The VCGLR has provided me with information in relation to three major disruptions to monitoring since 16 August 2012. I understand that in the majority of cases gaming machines that were disabled from play were made operable within a matter of hours and that Intralot deployed updates to its system to ensure that the problems do not re-occur.

There are two important points to make in relation to disruptions of the monitoring system. The monitoring system is a statewide IT infrastructure system, and like other IT projects of this size, it is entirely expected that disruptions to the system will occur on occasion. I understand that disruptions occurred under the previous gaming operators' monitoring systems and that the rate of failure under the current monitoring system is anecdotally comparable to the previous arrangements. Additionally, in recognition of this, the arrangements under the monitoring licence provide the ability for venue operators to seek compensation from the monitoring licensee for damages arising from monitoring system failure.

The Victorian Commission for Gambling and Liquor Regulation monitors compliance with and enforcement of the conditions of the monitoring licence and related arrangements. The commission continues to work with Intralot and will report to me in relation to the performance and development of the monitoring system.

**The CHAIR** — Supplementary?

**Mr PAKULA** — There are various points coming out of that, including the fact that the minister did not answer the question specifically.

**Mr O'BRIEN** — What about your answers to your legacy of \$3 billion lost?

**The CHAIR** — Order!

**Mr PAKULA** — Goose.

**Mr O'BRIEN** — Where are those answers? You call me a goose. You lose \$3 billion, and you do not provide any answers to the Victorian public.

**The CHAIR** — Mr O'Brien, Mr Pakula has the call.

**Mr O'BRIEN** — I could tell you who is looking like a goose.

**The CHAIR** — That is unfortunate language and certainly not appropriate.

**Mr O'BRIEN** — By Mr Pakula, who used it on me.

**The CHAIR** — You should both withdraw.

**Mr O'BRIEN** — He should also give back out \$3 billion. That would be more important.

**Mr PAKULA** — Chair, my specific question went to whether or not Intralot have been in breach of their licence, and I note that the minister did not answer it. He also made comment about how, anecdotally, it was the same as it has been before. I can tell him that is not the case. He also said that clubs and pubs can seek compensation. Can he confirm that in fact Intralot are effectively indemnified and protected from claims for the first 12 months of their licence, and can he also, in response to his comment that there was a competitive tender, indicate whether it is true that at the time of the awarding of the licence Intralot were in fact the only compliant bidder?

**Mr ANGUS** — How many questions was that?

**Mr PAKULA** — Pick one of them.

**Mr O'DONOHUE** — Thank you, Mr Chairman, and I note the range of questions and commentary provided by the member and his final statement to choose one and answer one. I will attempt to address the range of matters put to me by the member in the multiple questions he asked. As I said in the substantive answer to the member, the Victorian Commission for Gambling and Liquor Regulation, the VCGLR, the independent regulator, monitors compliance with and enforcement of the conditions on the monitoring licence and related arrangements. The commission will continue to work with Intralot and will report to me in relation to the performance and development of the monitoring system. The member would be aware and would know that I am unable to comment on the tendering processes.

**Mr PAKULA** — They were the only compliant bidder, weren't they?

**Mr ANGUS** — Let the minister answer.

**Mr PAKULA** — You had one bidder — —

**Mr ANGUS** — Let the minister answer. Stop interrupting him.

**The CHAIR** — Order! Members get one question and a supplementary. We are now hearing from the minister on the supplementary.

**Mr O'DONOHUE** — Thank you, Mr Chairman. As I said, the Victorian Commission for Gambling and Liquor Regulation monitors compliance with and enforcement of the conditions of the monitoring licence and related agreements. As I said to the member before, I obviously cannot comment on the tendering process.

I would add one other point, Mr Chairman. The member made reference to anecdotal feedback. As said in my substantive answer, there were some transitional issues associated with the new arrangements, but my advice is that now matters have settled down significantly.

**Mr PAKULA** — You go tell that to — —

**Members interjecting.**

**The CHAIR** — Order! Mr Angus.

**Mr ANGUS** — Minister, I refer you to budget paper 5, page 172, table 4.2, in relation to taxation estimates, and I want to refer you back to a matter that you did in fact touch on in your presentation. Can you please update the committee as to the amount of money the government expects to receive from the auction of the EGM entitlements and advise how this compares in fact to the Auditor-General's independent valuation?

**Mr PAKULA** — He has already done that.

**Members interjecting.**

**The CHAIR** — Order! Members have the right to ask any question they choose that relates to the portfolio and the budget papers.

**Mr PAKULA** — Indeed they do, Chair.

**Mr ANGUS** — I want a fulsome answer. Thank you.

**Mr O'DONOHUE** — Thank you, Mr Chairman. The Auditor-General in his June 2011 report concluded, and I quote in part:

The revenue obtained from the sale of the entitlements was around \$3 billion less than the assessed fair market value of these assets. As a result of this very significant difference, the allocation largely failed to meet its intended financial outcome of capturing a greater share of the industry's supernormal profits.

The EGM auction process was a once-in-a-decade opportunity to ensure that Victorians receive fair value for what are lucrative entitlements. The Auditor-General's report found that the midpoint of fair market value for the sale of the EGM entitlements was \$4.1 billion.

Given that the government received less than \$982 million for them, this was an economic crime. There was a \$3 billion gap. Victorians are \$3 billion worse off. The Auditor-General's report found that the previous government concluded the gaming machine auction while people were still bidding and while people were still willing to pay more money.

**Mr ONDARCHIE** — Outrageous.

**Mr O'DONOHUE** — Mr Chairman, \$85.5 million will come in this financial year — 2012–13 — compared to \$359 million, which could have come in according to the Auditor-General's independent valuation.

**Mr O'BRIEN** — Pay for the commonwealth health cuts.

**Mr ONDARCHIE** — Schools and hospital beds or transport.

**Mr O'DONOHUE** — For the out years we see \$392 million coming in over the forward estimates between 13–14 to 16–17, compared with \$1.64 billion, which should have been achieved, so a difference of \$312 million a year over the forward estimates. The Victorian community can rightly only reflect on the hospitals, police stations, schools, community centres, nurses, teachers and other critical infrastructure to the people of Victoria that will not be delivered because of this \$3 billion that was not achieved by this failed auction process. I note the interjections from members of the opposition, but this is a serious issue.

**Mr PAKULA** — We did not interject; I do not know what you are talking about.

**Mr ANGUS** — Before you did.

**Mr ONDARCHIE** — Just say, 'Sorry; we apologise to Victorians'.

**The CHAIR** — Order!

**Mr PAKULA** — You have got a pre-scripted note about interjections.

**Mr ONDARCHIE** — You could say, ‘I apologise to Victorians’.

**Mr PAKULA** — Rubbish. You were interjecting the whole — —

**Members interjected.**

**Mr O’BRIEN** — You were doing your best to keep it off the news, weren’t you?

**The CHAIR** — Order! The minister.

**Mr O’DONOHUE** — Some members of the committee may wish to make light of a lost \$3 billion opportunity to the Victorian community to develop new schools, new police stations —

**Mr ONDARCHIE** — They short-changed them.

**Mr O’DONOHUE** — provide more hospital beds —

**The CHAIR** — The minister does not need any assistance.

**Mr O’DONOHUE** — employ more nurses, more teachers, more police and provide a range of other community infrastructure. The fact is that the consequences of the decision made by the previous government have a 10-year consequence: an impact on this year’s budget, an impact on the 13–14 budget and indeed an impact on the forward estimates right through this budgetary period and beyond. It is a great tragedy for the people of Victoria that in these fiscally constrained times there is \$3 billion that the Victorian government does not have at its disposal to spend on important community infrastructure.

**Mr ONDARCHIE** — Thanks very much, Mr Lenders!

**Mr ANGUS** — Minister, further to that, can you also update the committee in relation to the cost of conducting the audit process? What is further known about that at this stage?

**Mr O’DONOHUE** — I understand this was a matter raised in a previous appearance by Minister O’Brien in his former capacity as the minister for gaming regulation, so I am able to now update the committee from previous hearings that I am advised by the Department of Justice that the estimated total cost of undertaking the gaming machine licence project, including administration and the auction, is \$25.25 million — a significant sum — in addition to the \$3 billion lost.

**Mr PAKULA** — Minister, pages 195 and 196 of budget paper 3 go to liquor and gaming regulation performance measures. I ask you to explain to the committee how regional liquor inspectorate work can be done as efficiently and with any kind of local knowledge when those inspectors are based in Richmond rather than in the regions, as they were previously?

**Mr O’DONOHUE** — Mr Pakula, I congratulate you on identifying the appropriate minister to ask this question, because I understand Ms Knight asked a question to Ms Victoria during question time during Parliament last week, immediately after the Premier updated the Legislative Assembly of the new ministerial arrangements, with me being the Minister for Liquor and Gaming Regulation. I am pleased that, unlike your colleague, you are aware of who the appropriate minister for this question is, and I am happy to respond to the question raised by the member.

Upon its creation in February 2012 the independent VCGLR adopted a transitional structure in which the compliance activities for liquor and gaming continue to be delivered separately, with different reporting lines, procedures and employment provisions. The commission committed to reviewing this transitional structure within its first 12 months and in October 2012 commenced a project to harmonise its compliance and audit functions. As a result of this review the commission is proposing a statewide service delivery model in which compliance and audit staff are based in Melbourne but deliver a flexible statewide risk-based service.

I am also advised that the proposed model will allow inspectors to work in groups of two or more, reducing occupational health and safety risks, and will create more equitable workloads, allow for better supervision and

support and reduce risks associated with professional isolation. It will also allow inspectors to conduct compliance activities out of hours at late-trading venues. Inspectors will work in groups of two or more, reducing occupational health — —

**Mr PAKULA** — You have already said that.

**Mr ANGUS** — Just listen; do not interrupt him. There is no need to interrupt.

**The CHAIR** — Order! The minister has the floor.

**Mr O'DONOHUE** — Inspectors will work in groups of two or more, reducing occupational health and safety risks.

**Mr SCOTT** — It has been printed twice.

**The CHAIR** — The minister has the floor.

**Mr O'DONOHUE** — The commission believes that the proposed restructure will provide better services and increase the effectiveness and efficiency of compliance functions across Victoria.

**Mr PAKULA** — Just to follow up, Minister, can you assure regional communities that the regional inspectors will still continue to attend all of the regional liquor accord meetings in places like Greater Bendigo, Mitchell, Moe and district, Moorabool and Warrnambool?

**Mr O'DONOHUE** — I thank the member for the supplementary question. As I said in my substantive answer, the commission is proposing a statewide service delivery model in which compliance and audit staff are based in Melbourne but will deliver a flexible statewide risk-based service, so the government — —

**Mr PAKULA** — Will they attend the liquor accord meetings? It was a simple question.

**Mr ANGUS** — Listen; stop interrupting him.

**Mr PAKULA** — I am just asking — —

**The CHAIR** — Order! The minister is in the middle of responding.

**Mr ANGUS** — Yes, in the middle of it.

**Mr PAKULA** — He is in the middle of repeating himself.

**The CHAIR** — Thank you, Mr Angus; I can rule without your assistance.

**Mr O'DONOHUE** — As I said in my substantive answer, the independent commission after commissioning a review is proposing a statewide service delivery model, but I can give the member comfort that the VCGLR has advised that it intends that liquor and gaming inspectors will continue to attend those meetings.

**Mr O'BRIEN** — Thank you, Minister. I would like to refer you to budget paper 5 at chapter 4, page 178 in relation to gambling taxes, and ask you, Minister: could you please update the committee in relation to the government's commitment to promoting responsible gambling?

**The CHAIR** — Minister.

**Mr O'DONOHUE** — Thank you, Mr Chairman, and I thank the member for the question. In July 2012 the coalition government established the Victorian Responsible Gambling Foundation, with the aim of reducing the prevalence and harms of problem gambling and to assist the community to gamble responsibly. The coalition government has directed \$150 million over four years, or \$37.5 million per annum, to the VRGF, chaired by Professor Bruce Singh. As I said in my opening presentation, this investment represents a 41 per cent increase over the funding provided under the last five years of the previous government and is an important signal of the weight the coalition government places on the issue in tough budgetary times. Mr Chairman, advice provided by the Department of Justice indicates that the coalition government is potentially a world leader in funding

responsible gambling when compared to comparable jurisdictions across the world. Indeed, the coalition government has committed more than double the responsible gambling funding provided by the Canadian government, which has generally been accepted as the standout jurisdiction in promoting responsible gambling.

**The CHAIR** — Mr O'Brien.

**Mr O'BRIEN** — Thank you for that. It is good to have a world leader in that program. Certainly our predecessors were probably world leaders in blowing \$3 billion.

**The CHAIR** — Is this a supplementary?

**Mr O'BRIEN** — I would just like to ask the minister: could you — —

**Mr PAKULA** — You are the worst hard man I have ever seen!

**Mr O'BRIEN** — Mr Pakula, coming from you — —

**Mr PAKULA** — You are, fair dinkum.

**Mr O'BRIEN** — Mr Andrews has got a lot to worry about with your knives, I see. How is your 15 per cent going? Have you explained to the electorate yet where that went?

**The CHAIR** — Mr O'Brien, we will have a supplementary, or we will move on.

**Mr O'BRIEN** — I just had to deal with an interjection there about hard men — —

**The CHAIR** — I will deal with the interjections, thank you.

**Mr O'BRIEN** — Thank you.

**Mr PAKULA** — Oh — —

**Mr O'BRIEN** — Well, bring them on, Mr Pakula. What I would like to ask is if you have an example of the campaigns that you have been running. You have mentioned the 'Fight for the real you'. Could you provide us with details as to how that campaign is rolling out?

**The CHAIR** — The minister.

**Mr O'DONOHUE** — Thank you, Mr Chairman. Whilst I will attempt not to respond to interjections, I do share the concern of the member about the lost \$3 billion to the Victorian community, the — —

**Mr PAKULA** — Why don't you go get it, then, if you are so concerned about it?

**The CHAIR** — Order!

**Mr PAKULA** — Raise the taxes!

#### **Members interjecting.**

**Mr ONDARCHIE** — On a point of order, Chair —

**The CHAIR** — Mr Ondarchie, on a point of order.

**Mr ONDARCHIE** — I just wanted to clarify: I thought I heard Mr Pakula call for a raising of taxes in Victoria.

**Mr PAKULA** — I am just saying, if you really believe that they got away with \$3 billion — —

**Mr ONDARCHIE** — I think that is what he said. I think his response was to raise taxes.

**Mr PAKULA** — If you really think they got away with \$3 billion — —

**Mr ONDARCHIE** — You want to raise taxes — —

**Members interjecting.**

**The CHAIR** — Order!

**Members interjecting.**

**Mr PAKULA** — You don't believe it, because if you believed it you would go get it!

**The CHAIR** — Mr Pakula!

**Mr ONDARCHIE** — The Leader of the Opposition — —

**The CHAIR** — Order! Mr Pakula was not in the room when I mentioned earlier that if I stood up again and there was not silence I would suspend the hearing.

**Mr PAKULA** — Right.

**The CHAIR** — Given that he did not hear me say that, I will not suspend the hearing, but I make it clear now. All members of the committee have heard it: the next time we do not have silence when I stand up, I will suspend the hearing. I invite the minister to respond again without inflaming argument.

**Mr O'DONOHUE** — Thank you, Mr Chairman. I will respond to the question, but I will just make the simple point that it was the Auditor-General — not the Victoria coalition government — who identified — —

**The CHAIR** — Minister, you have made that point several times.

**Mr O'DONOHUE** — Thank you for your guidance, Mr Chairman. I thank the member for the supplementary question. The foundation is encouraged to take a new and innovative approach to tackling responsible gambling in Victoria. And let me say, when I visited their premises in North Melbourne recently, that is the sense, the clear sense that I received from the leadership of the organisation, including Professor Singh, as well as all the staff there. They are genuinely committed to innovation and to tackling this issue, and I congratulate them for it. I think their relocation from the Department of Justice premises to North Melbourne is both a symbolic and a real indication of a change that the foundation is seeking to undertake, and I think the 'Fight for the real you' campaign that the member referred to in his question is an example of that innovative new approach that the foundation, the independent foundation, is bringing with the \$150 million that the government has resourced it over the four years.

The 'Fight for the real you' campaign centres around four problem gamblers, known as heroes, who are taking on a 100-day challenge to reduce or stop their gambling. The campaign emphasises that setbacks are to be expected, that people should maintain hope and not feel ashamed of continuing to take up the challenge of giving up, because the real you is worth fighting for. Underpinning the campaign is the 100-day challenge, a program designed to help gamblers reduce or stop their gambling for 100 days. Advertising campaigns that reach out to our community can have an enormous impact. The foundation has a vital role to play in raising awareness about the issues associated with gambling and promoting ways of seeking help.

**The CHAIR** — Thank you, Minister. The deputy chair.

**Mr PAKULA** — Thanks, Chair. Minister, I just want to ask you about the health benefit levy. Now after Tabcorp and Tatts were levied \$82 million, despite only operating the EGMs until 15 August 2012, and despite the fact that last year's budget showed the government was only budgeting for \$15.7 million this year, we had both the Treasurer and the Premier in on Friday, and they both gave evidence that the figure in last year's budget was an error and that that error was corrected in the midyear update. I just wanted to check, before I go on, whether you are aware of the evidence that was given by the Premier and the Treasurer in regard to last year's budget being mistaken?

**The CHAIR** — Minister.

**Mr O'DONOHUE** — I thank Mr Pakula for the question.

**Mr PAKULA** — I just want to make sure you are aware of — —

**The CHAIR** — Are you aware — —

**Mr O'BRIEN** — That is question no. 1 from the hard man.

**The CHAIR** — Hang on.

**Mr PAKULA** — I will not need a supplementary question. It is all right. We will just go on.

**The CHAIR** — Hang on. Are you aware of the evidence given on Friday by the Treasurer and the Premier?

**Mr O'DONOHUE** — I am aware that Mr Pakula posed a question about the health benefits levy to the Treasurer, Mr O'Brien. Yes.

**Mr PAKULA** — I do not think anyone would dispute that both the Premier and the Treasurer gave evidence that the figure in last year's budget was in error, and that it was corrected in the midyear update. My question is, if you turn to page 219 of budget paper 5, under the 'Gambling Regulation Act No. 114 of 2003, Section 3.6.4 — Hospitals and Charities Fund' — if that figure of 15 712 000 was an error that was corrected in the midyear update, can you explain why it appears yet again as the budgeted figure for 2012–13 in this year's budget?

**Mr O'DONOHUE** — Mr Chairman, I have in front of me the transcript from your hearing with the Treasurer, the Honourable Michael O'Brien, from 10 May, and I am aware of the initial question that Mr Pakula posed. I am just seeking to see if that supplementary question was posed to Minister O'Brien, because the question the member has posed to me is a matter that appropriately should be posed to the Treasurer, not the Minister for Gaming.

**Mr PAKULA** — Really?

**Mr O'BRIEN** — Really.

**Mr PAKULA** — Really. Okay. There you go.

**Mr ONDARCHIE** — Thank you, Chair. I did note Mr Pakula's call on the government to raise taxes to cover the \$3 billion shortfall. But my question to the minister relates to budget paper 3 — —

**Mr PAKULA** — I said, 'If you really believe they got away with \$3 billion — —

**Mr ONDARCHIE** — You said it.

**The CHAIR** — Order!

**Mr ONDARCHIE** — You think we need to raise taxes because of your \$3 billion shortfall.

**Mr ANGUS** — Just say sorry for the mess-up.

**Mr PAKULA** — You are saying the industry got away with \$3 billion, and I am saying, if you really believe that, go get it.

**Mr ANGUS** — Why don't you apologise?

**Mr ONDARCHIE** — And you called for a tax increase — that will be in tomorrow's papers.

I refer the minister to budget paper 3, chapter 2, page 195, where you talk about industry regulation and support. I wonder if you can update the committee as to the implementation of the ban on ATMs in gaming venues?

**Mr O'DONOHUE** — Mr Chairman, the ban on ATMs as proposed by the previous government was never going to be enough. In April 2012 the coalition government extended the ban on all ATMs that was due to come into effect on 1 July 2012 to also prohibit alternative cash-access facilities that do not require the customer to interact with venue staff. Since that time, expenditure on gaming machines in Victoria has decreased by about

7 per cent, comparing July–December 2012 with July–December 2011. The only major change that has occurred to explain this decrease is the withdrawal of ATMs.

Swinburne University has been engaged to conduct an independent evaluation of the impact of the ATM prohibition. The evaluation will assess the effectiveness of the removal of ATMs from gaming venues as a problem gambling harm-reduction measure; the effectiveness of the removal of ATMs from gaming venues as a consumer-protection measure for recreational gamblers; and the costs and unintended consequences of removing ATMs from venues, including the effect on venue patrons who are not gambling. The evaluation includes a survey of venue patrons — over 600 — and follows them from before the policy was introduced until after its implementation. All stakeholders are to be consulted in the evaluation, and the venues themselves are being surveyed.

**Mr ONDARCHIE** — Minister, thank you, and I admire your focus on reducing problem gambling. I am just wondering if you could provide us with other examples of measures that you have put in place that are designed to reduce problem gambling?

**Mr O'DONOHUE** — Thank you for the supplementary. The coalition government continues to look for ways to reduce the incidence of problem gambling in our community. The coalition government will not allow the ban on ATMs in gaming venues to be undermined by new devices that may offer problem gamblers easy access to cash in venues. For this reason, in 2012 the coalition government extended the ATM ban to include all cash access devices that do not require interaction with venue staff before any decision to withdraw cash is taken by the customer. Under the new rules, in order to offer EFTPOS, venue operators must ensure that staff interaction occurs before a decision to withdraw cash is made by a patron; no more than \$200 is withdrawn per transaction; cash advances are not provided using a credit account; and EFTPOS facilities are not accessible to any person within the gaming machine area of an approved venue for the purposes of withdrawing cash.

**Mr PAKULA** — Minister, just back to the performance measures in terms of liquor and gaming regulation — —

**Mr O'DONOHUE** — What page was that again?

**Mr PAKULA** — Pages 195 and 196 of BP 3. The barring orders were introduced with some fanfare by the former minister, Mr O'Brien, and I am just wondering if you can advise the committee how many barring orders have been issued by licensees and permittees since the power was introduced?

**Mr O'DONOHUE** — I might hand this to Mr Kennedy as to whether he has that information. I do not have that information. I am happy to take that matter on notice and come back to the committee.

**Mr PAKULA** — Okay. As a supplementary, when you examine the statistics — if you have this information today I would be grateful for it, but if you do not I would be happy for you take this on notice as well — can you tell us whether a barring order or orders have been issued against any members of Victoria Police?

**Mr O'DONOHUE** — I will take that matter on notice and come back to the committee.

**Mr PAKULA** — Thank you.

**Mr ANGUS** — Minister, I refer also to budget paper 3, page 195, industry regulation and support, and I want to return to a matter that was touched on earlier. I am wondering, minister, if you can expand on your comments to update the committee in relation to the establishment of the integrated Victorian Commission for Gambling and Liquor Regulation in relation to your earlier comments?

**Mr O'DONOHUE** — The coalition government has delivered on its election commitment to strengthen liquor and gambling regulation in Victoria by creating a new integrated regulator, the Victorian Commission for Gambling and Liquor Regulation. Established in 2012 the VCGLR assumed all the functions of the director of liquor licensing, the Victorian Commission for Gambling Regulation and most functions of Responsible Alcohol Victoria, including liquor licensing and the compliance directorate. The VCGLR inspectors will now be responsible for liquor and gaming, rather than one or the other — a significant efficiency.

The commission is charged with administering Victoria's liquor and gambling laws, while continuously working to improve and streamline regulation. It is modern and agile in its approach to engaging and educating the industry, while enforcing and ensuring compliance with liquor and gambling laws. The new combined regulator provides for a more efficient and streamlined approach to the regulation of liquor and gaming in Victoria. This will result in a strengthening of the inspection regime for both gaming and liquor licensing. The creation of the new body provides greater flexibility and allows compliance activities to be focused on areas of the greatest risk — for example, those regional centres that have high levels of alcohol-related violence and antisocial behaviour. It also allows inspectors to conduct compliance activity out of hours at late-trading venues. The new model provides improved supervision and support for more equitable workloads, reduced integrity risks and greater consistency in approach between regional and metropolitan Victoria.

**Mr PAKULA** — I just want to pick up on something you said about the VCGLR and its role as an independent regulator. Over the forward estimates period can you tell the committee whether you are going to maintain the practice that was introduced by Minister O'Brien whereby neither the CEO nor chairman of the VCGLR — as you described it, an independent regulator — can meet with a member of the state opposition without the presence of a member of your staff in the room?

**Mr O'DONOHUE** — I thank the member for the question. While the Victorian Commission for Gambling and Liquor Regulation is an independent statutory decision-maker, as a public sector body it is bound by whole-of-government conventions. It is a courtesy that from time to time briefing opportunities for new legislation or portfolio strategies are extended to shadow ministers. These are provided at the discretion of the responsible minister; it is not appropriate for shadow ministers to receive policy briefings from public or statutory body officials at will. It is acceptable that shadow ministers undertake their own portfolio work to deepen their understanding of the key issues. When shadow ministers are seeking briefings from public sector bodies on policy or operational matters, a request should be made to the relevant minister. This is absolutely and utterly consistent with the long-standing protocols in this regard.

This government is committing to enhancing transparency and accountability across all its functions. We will afford the same courtesy — let me repeat that — we will afford the same courtesy to the opposition as was extended to the Liberal-Nationals coalition by the former Labor government. The approach taken by this government is exactly the same as the approach taken by the previous government, and it is consistent with long-standing protocols.

**The CHAIR** — Is there a supplementary?

**Mr PAKULA** — Yes, there is. Let me say, Minister, I would hope that it was inadvertent, but you have just misled the committee. You have misled the committee with your comment that this is exactly the same approach. Both Mr Cohen, as the CEO, and Mr Dunn, as the chair, of the then VCGR, met with Mr Michael O'Brien as the shadow minister on their own without the presence of anyone from the then government over almost the full term of his tenure as shadow minister. I think Mr Cohen might even be in the audience today if the minister wants to verify that for himself.

My supplementary is: when you say they are an independent regulator, if you are imposing on them a whole-of-government edict in regards to meeting with the opposition, which is in fact wholly different from that which applied before, are they not within their rights to tell you — —

**Mr ONDARCHIE** — How does this relate to the budget?

**Mr PAKULA** — The minister has dealt with it.

**The CHAIR** — Order! It is in order.

**Mr PAKULA** — Are they not within their rights to tell you that you are not able to direct them in that way?

**Mr O'DONOHUE** — Mr Chairman, I responded to the substantive matters Mr Pakula has raised in his supplementary in my substantive answer, and there is nothing further for me to add.

**Mr PAKULA** — You may wish to think about whether you have got to correct the record.

**Mr O'BRIEN** — You have made some assertions too.

**Mr ONDARCHIE** — I am just not sure where it relates to the budget papers.

**Mr O'BRIEN** — You may wish to think about whether you will correct your record in government, which you cannot, in relation to the \$3 billion. You are going to be thinking about that for a long time.

**Members interjecting.**

**The CHAIR** — Mr O'Brien to ask a question.

**Mr PAKULA** — It is actually a serious matter when the minister makes a comment before the committee which is factually incorrect.

**Mr O'BRIEN** — So you assert.

**Mr PAKULA** — The former CEO is here.

**Mr ONDARCHIE** — Three billion dollars is a serious matter.

**The CHAIR** — Order! We are all adults around the table. The minister, I am sure, is able to make a judgement call about his answers. I did call Mr O'Brien to ask a question.

**Mr O'BRIEN** — Thank you, Chair. Minister, I would like to ask you a question in relation to budget paper 3, chapter 2, page 195, under 'Gambling and liquor regulation and racing industry development', and I ask if you could further update the committee as to the establishment of the Gambling Information Resource Office within the Victorian Responsible Gambling Foundation.

**Mr O'DONOHUE** — As I have previously advised the committee, the advice I have received from the Department of Justice indicates that the Victorian coalition government is potentially a world leader in funding responsible gambling when compared to comparable jurisdictions across the globe. The Gambling Information Resource Office was established in July 2012 within the Victorian Responsible Gambling Foundation to provide information in relation to gambling regulation and licensing approval processes to the Victorian community. The Victorian coalition government has directed \$150 million over four years to the foundation. As I mentioned previously, this funding represents a 41 per cent increase over the funding provided under the former government. The Gambling Information Resource Office — or GIRO — provides information to the community so it can advocate as it sees fit.

As I mentioned in a previous question, I was pleased to visit the foundation and meet the team that runs the Gambling Information Resource Office. This office has a wealth of information available to assist the community in relation to gambling matters, and if I may, Mr Chair, for constituents all of us may have who approach us about these matters, the Gambling Information Resource Office would be a very good first port of call.

**Mr O'BRIEN** — As a supplementary, picking up on that last matter you raised, could you provide an example of how the resource office is supporting the community?

**Mr O'DONOHUE** — Thank you for the supplementary question. The office is available to support the various bodies that participate in Responsible Gambling Awareness Week, which is an important week for the community that this year occurs between 20 and 26 May. Responsible Gambling Awareness Week is about bringing the community together to talk about responsible gambling. The opening event will take place on 20 May. International and national experts will release information on online gambling, smartphone applications and other forms of gambling with an emphasis on the need for parents, teachers and the community to educate young people about responsible gambling.

There will be many other community events. For example, I am advised that on 24 May the City of Boroondara is hosting an event aimed at tertiary students. The lunchtime forum will include presentations on research findings, different types of gambling, gambling issues in relation to students, and strategies to encourage responsible gambling. As the minister, I look forward to participating in Responsible Gambling Awareness Week.

**Mr PAKULA** — Minister, you, in your most recent answer to a government question, talked about the benefits of the new VCGLR and the efficiency that would be gained by the merger of the liquor and gaming inspectorate staff. That was foreshadowed as a benefit by Minister O'Brien when the legislation was introduced back, I think, in February 2012. We are now in May 2013. Can you tell us whether those liquor and gaming inspectorate staff have been merged yet?

**Mr O'DONOHUE** — My understanding and my advice is that those staff have been merged. If my understanding is incorrect, I will come back to the committee, but that is my understanding. The bringing together of those two separate regulators under the umbrella of a new independent regular is a significant reform, a significant step. It implements a key coalition election commitment. It is a significant improvement on the previous structure. Under the previous structure if a liquor licensing inspector went to a venue and conducted an inspection, and if that venue had gaming machines as well, and that liquor licensing inspector noted a clear breach of the gaming operator's licence conditions, that liquor licence inspector could do nothing but ring his or her counterpart in the gaming operations. Under the new arrangements that the coalition government has implemented by bringing together both liquor and gaming, that one inspector can conduct both inspections. That is a great step forward for efficiency, it is a great step forward for better regulation and it is a great step forward for better compliance in these two important industries. The coalition government is very proud that that key election commitment has been implemented.

As I said in my opening presentation in relation to that IT project that is now on foot, the next stage of embedding the merger is now taking place from a systems approach. Bringing together those two different systems will again be a significant advance in cementing the single regulator across these two very important industries that support thousands of jobs across Victoria and that support the great culture that we enjoy in Melbourne and throughout rural and regional Victoria. So I am very proud of the achievements of the coalition government in this area, and I pay tribute to the former minister, Mr O'Brien. As I say, that is my understanding, Mr Pakula. If I am incorrect, I will come back to the committee.

**Mr PAKULA** — I look forward to it. I am just picking up on your answer about the inspections and the compliance activities, because you have a range of targets in terms of compliance activities on page 195 of budget paper 3: 25 000 liquor and gambling compliance activities, and 43 000 liquor and gambling licence activities. The interest to me is how this is going to be achieved with the inspectorate staff effectively cut in half, which is what has happened in the last couple of years. Can you tell me, Minister, if inspectors go out to a venue on three separate occasions to speak to the manager but do not get hold of the manager until the third occasion, will that count as one or three for the purposes of those stats?

**Mr O'DONOHUE** — The first point I would make is I rebut the assertion made by Mr Pakula in relation to inspectors. I think he is making an erroneous assertion. In relation to output targets the 2012–13 budget contained four output targets relating to liquor and gambling that the Victorian Commission for Gambling and Liquor Regulation would be required to report against. Three of the 2012–13 output targets related to liquor activities while one target combined all gambling activities together. The 2013–14 budget separates activities of the commission into three categories while integrating liquor and gambling activities. The three new output targets relating to the regulation of liquor and gambling are liquor and gambling compliance activities with the target of 25 000 — —

**Members interjecting.**

**The CHAIR** — Order! The minister will answer the question as he sees fit, not as others would wish him to answer it.

**Mr O'DONOHUE** — Liquor and gambling activities with the target of 43 000, and liquor and gambling information and advice with the target of 128 000.

**Mr PAKULA** — On a point of order, Chair, the minister has just read back to me what is in the budget papers. My question was a very specific one. It was: if the inspectorate goes out three times and does not see the manager until the third time — —

**Members interjecting.**

**Mr PAKULA** — Does it count as one or three? That was a very simple question.

**Mr ONDARCHIE** — On the point of order — —

**The CHAIR** — No, I have heard enough on the point of order. There is no point of order. A minister may answer a question in the way they see fit.

**Mr PAKULA** — By being totally non-responsive and reading to me from the budget.

**Members interjecting.**

**The CHAIR** — Mr Ondarchie has the call for the question.

**Mr ONDARCHIE** — I thank the minister for being with us with a very enlightening presentation today. We have learnt a lot about the state of the industry and indeed what they could have done with that extra money. Minister, I refer you to budget paper 3, chapter 2, page 195, under the heading ‘Industry regulation and support’. I wonder if you could update the committee in relation to the government’s commitment to introducing precommitment in Victoria.

**Mr O’DONOHUE** — I thank the member for the question. The coalition government remains fully committed to requiring precommitment technology on every gaming machine in Victoria by 2015–16. The coalition government is taking a responsible, methodical and consultative approach to the implementation of arguably the world’s largest scale precommitment system. The Victorian government’s precommitment policy includes working with gaming venues and other interested parties on developing strategies to encourage the take-up of precommitment and reduce any potential social stigma. We will revise the ministerial direction relating to responsible gambling codes of conduct to require gaming venues to support and promote the use of precommitment technology.

I am currently considering the feedback received in response to a discussion paper on precommitment and advice from Department of Justice. Technical consultants have also been engaged to advise on the capabilities of the Victorian gaming machine fleet and how the precommitment model can be designed to promote effective harm reduction and minimise implementation costs. Further detail of Victoria’s precommitment system will be announced in due course.

**Mr ONDARCHIE** — How will the government ensure that Victoria’s precommitment policy meets any commonwealth government requirements?

**Mr O’DONOHUE** — The Victorian coalition government is leading the way in the field of precommitment. Advice provided by the Department of Justice is that here in Victoria we are embarking upon what is arguably the most significant precommitment system in the world. The Victorian coalition government is implementing the first precommitment scheme in Australia that will require precommitment on all gaming machines in the state and enable players to track their play across venues.

The Victorian coalition precommitment scheme, so far as practicable, will allow for smooth transition for industry to the commonwealth’s precommitment regime in 2018. The Office of Liquor, Gaming and Racing is undertaking ongoing discussions with commonwealth officials. This will ensure that the Victorian precommitment scheme that will commence in 2015–16 will be compliant with the commonwealth legislation, thereby minimising costs to industry and avoiding confusion to players.

If I may, I would like to just add to the response to the previous question by a member of the opposition. An inspector does not need to see the manager to inspect or conduct an inspection.

**The CHAIR** — Mr Pakula, a quick final question.

**Mr PAKULA** — Yes, very quick. Minister, this sort of goes to one that I tried to ask you earlier, but it was caught up in the multiple question, so you did not get around to it. Let me just ask: can you just confirm for the committee that Intralot has been effectively protected from claims by operators for the first 12 months of its licence?

**Mr O’DONOHUE** — I believe I have answered the substance of that question in the previous questions.

**Mr PAKULA** — No, you have not answered it at all.

**Members interjecting.**

**Mr O'DONOHUE** — Chair, if there is anything further to add I would be happy to provide that to the committee in due course.

**The CHAIR** — Thank you, Minister. That concludes the consideration of budget estimates for the gaming regulation portfolio. I thank the minister and various departmental officers who are attending today. Where questions were taken on notice — and I think there was at least one on corrections and one on gaming regulation — the committee will follow up with you in writing at a later date. We do ask that responses be provided within 21 days in order to enable timely reporting to the Parliament. That concludes the hearing, and all broadcasting and recording equipment should now be turned off. Thank you, Minister.

**Committee adjourned.**