



Australian Hotels Association

Submission to the Joint Select Committee on Gambling Reform

Inquiry into the National Gambling Reform Bill

November 2012

The Australian Hotels Association (AHA) represents the interests of hotels throughout Australia. AHA members include small country pubs, urban hotels, four and five-star accommodation hotels and resorts.

According to the recent PricewaterhouseCoopers report into the industry, hotels make a significant contribution to the Australian economy and Australian society.

Key findings of the report are:

- Hotels in Australia employ 188,862 people
- Hotels support the community to the extent of \$75 million each year
- Hotels spend \$72 million each year training staff
- In the absence of the hotel sector, Australian household consumption would contract by an estimated \$3.5 billion

Gambling is certainly an important part of our business, but there is a lot more to Australian hotels than simply gambling – as confirmed by the Australian Bureau of Statistics (ABS) and more recently by PricewaterhouseCoopers. In pubs, bars and taverns with gambling facilities, an overwhelming 70% of income was generated by food & beverage sales – sales unrelated to gambling.

The AHA has significant concerns with this legislation, which has been drafted without an adequate understanding of, or regard for, the Australian hotel industry. This is extremely disappointing.

The legislation has a number of serious flaws. Due to the fact the Government has severely limited our response time, allowing only one week for submissions and one day for hearings we draw your attention to the key issues, below.

The Government is rushing this legislation without evidence, detail or costings

There still no evidence the legislation's voluntary pre-commitment system and ATM limits will be effective in helping problem gamblers, as:

1. problem gamblers will still be able to play gaming machines anonymously with cash under the legislation
2. problem gamblers are unlikely to register for voluntary pre-commitment
3. problem gamblers who have registered will still be free to play with cash anonymously after they have reached their limit
4. problem gamblers will still be able to gamble 24/7 online using their credit card to place bets
5. problem gamblers will still be able to bet unrestricted on casino tables, horses, dogs and trots
6. problem gamblers will be free to play gaming machines unrestricted in venues with 10 or less machines – where there will be no pre-commitment system
7. in venue ATM restrictions will only encourage problem gamblers to withdraw cash from ATMs located near the hotel or club – where they can use their credit card to withdraw money, creating immediate debt (note: credit card withdrawals are already banned from hotel & club ATMs)

Despite these serious and genuine questions surrounding the effectiveness of this policy, the Government and Greens have designed a system that will cost venues more than \$1billion to implement. They will also introduce ATM restrictions that will adversely impact hotel food and beverage sales.

At the same time, Government have not and will not produce a Regulatory Impact Statement or Cost Benefit Analysis.

This is despite the fact the Government commissioned Access Economics to undertake a cost benefit analysis of pre-commitment in 2011. The AHA at the request of Government participated in this process, meeting with Access Economics and providing industry data & detail.

Unfortunately this Access Economics Report has never been publically released – we can only assume this is because the findings do not support the Government, Greens & Wilkie position.

Further, the detail of how the Government’s pre-commitment system will actually work will be in the Regulations – which have not been released.

The legislation gives the Regulations enormous power, including:

- Determining how the pre commitment system will work
- Determining how the new dynamic warnings on machines will work
- the rate of the Supervisory Levy (a new tax on gaming) – which has no cap on cost
- any ATM exemptions

It is not fair or reasonable for Parliament to vote on legislation when the effectiveness, detail and cost of the new operating environment have not been made public. Full consideration and discussion is needed.

More than \$1 billion forced replacement of machines

The legislation will force venues with more than 10 machines to replace or upgrade all machines in their venue so they are ‘voluntary pre-commitment ready’ by:

- 2016 - if they have more than 20 machines
- 2020 - if they have 11-20 machines

Throughout NSW and Queensland alone this will cost hotels and clubs an additional \$1 billion¹ to replace or upgrade their machines to comply with the legislation’s timelines.

NSW Hotels

- EGMs in venues with 10 or less EGMs = 3,316 EGMs
- EGMs in venues with 11 to 20 EGMs = 10,026 EGMs.
- EGMs in venues with 21 or more EGMs = 9,948 EGMs.

NSW Clubs

- EGMs in venues with 10 or less EGMs = 1,863 EGMs
- EGMs in venues with 11 to 20 EGMs = 4,374 EGMs.
- EGMs in venues with 21 or more EGMs = 64,800 EGMs.

NSW

- Total NSW Hotel & Club EGMs to upgrade or replace by 2016 = 74,748 EGMs
- Total NSW additional Hotel & Club EGMs to upgrade or replace by 2020 = 14,400 EGMs

Queensland

- Total Qld hotel & Club EGMs to upgrade or replace by 2016 = 35,311 EGMs
- Total additional Qld hotel & Club EGMs to upgrade or replace by 2020 = 4,377 EGMs

¹ Ross Ferrar, CEO, Gaming Technologies Association 2012

In summary

- There are 110,000 EGMs (in venues with 21 or more EGMs) in NSW & Qld that will need to be replaced or retro fitted by 2016
- 45,000 will be replaced naturally during that period – as venues make decisions to purchase new machines.
- 65,000 will remain on venue floors. Venues with these machines will be forced to replace or retro fit their EGMs by 2016 to comply, costing Qld & NSW venues an additional \$1 billion to implement unproven technology.

This will mean that regardless of the results of the ACT trial, NSW & Qld venues will still have to spend an additional \$1 bill replacing or upgrading machines in 4 years time.

This will particularly hurt small and mid-sized hotels and clubs as they will not have the cash for this capital expenditure forced on them by Government.

The Government’s legislation will force 45% of all country NSW hotels to replace or retrofit their machines early. This is something NSW country hotels cannot afford.

The table below shows that very few new gaming machines are installed in hotels & clubs each year – due to the cost and the inability of venues to obtain finance for new product. The Government’s timelines are completely out of touch with the reality of machine replacement.

Again, it is extremely disappointing Government has paid no attention to these facts.

NSW Hotel Gaming Machine devices installed			
12 months to 31 Dec	New devices installed in year	Total EGMs @ 31 Dec	% new EGM installed pa
2008	978	23,792	4.1%
2007	1,386	23,884	5.8%
Source: NSW OLGR			

NSW Club Gaming Machine devices installed			
12 months to 31 Dec	New devices installed in year	Total EGMs @ 30 Nov	% new EGM installed pa
2008	5,694	72,430	7.9%
2007	7,391	73,585	10.0%
Source: NSW OLGR			

Other States & Territories will also be forced to replace or retro fit thousands of machines early and incur significant additional costs.

Total Victorian hotel & Club EGMs to upgrade or replace by 2016 = 26,040 EGMs

Total additional Victorian hotel & club EGMs to upgrade or replace by 2020 = 622 EGMs

Total Tasmanian hotel & Club EGMs to upgrade or replace by 2016 = 2,999 EGMs

Total additional Tasmanian hotel & club EGMs to upgrade or replace by 2020 = 614 EGMs

Total South Australian hotel EGMs to upgrade or replace by 2016 = 9,704 EGMs

Total additional South Australian hotel & club EGMs to upgrade or replace by 2020 = 1,984 EGMs

Venues should be able to make the change towards voluntary pre-commitment via the natural replacement of machines ie. when a venue decides to replace an old machine, they would do so with a new, 'voluntary pre-commitment ready' machine.

Natural replacement would still see large scale movement towards voluntary pre-commitment as the bigger, more popular and profitable venues regularly replace their machines with the latest 'pre-commitment ready' products.

The ACT trial is not a genuine trial

The legislation will implement a new prohibitively expensive gaming regime regardless of the results of the ACT trial.

There needs to be a genuine review of the ACT trial – including the ability to assess the trial and then, if necessary, change the way pre-commitment operates and is implemented.

ATMs

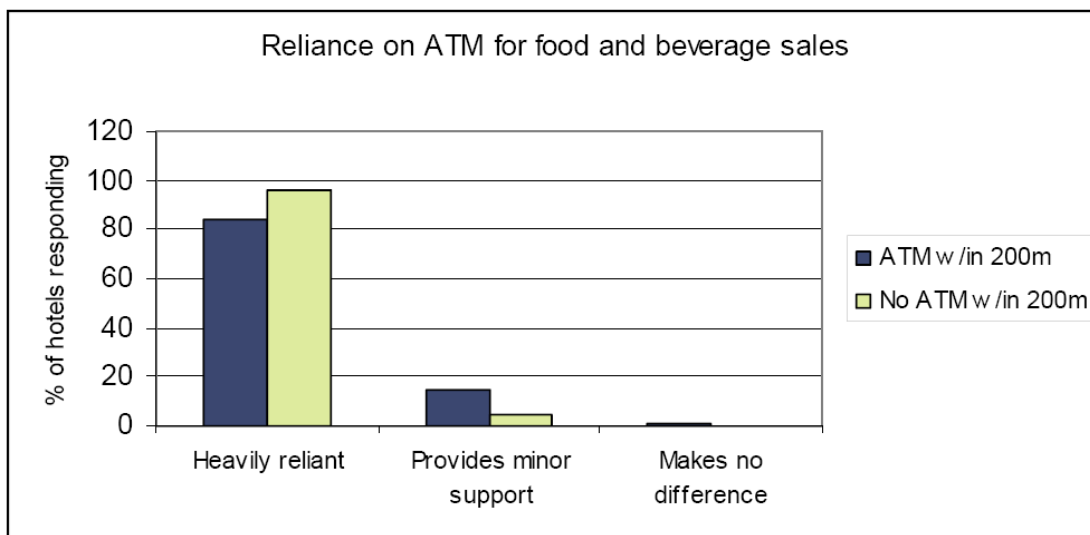
The legislation will impose a \$250 per card per day ATM withdrawal limit.

ATM withdrawal limits will hurt food & beverage sales. The ABS confirmed that 70% of hotel income is generated from food & beverage sales.²

PricewaterhouseCoopers found there is a "weak and uncertain link between ATM withdrawals and gaming expenditure."³

² Australian Bureau of Statistics 2004-05: 8687.0 pg 8

³ PricewaterhouseCoopers Report (2009), Australian Hotels: More than just a drink and a flutter. An overview of the Australian hotel industry. Page iv



The AHA strongly supports self-exclusion ATMs and believes they should be exempt from any withdrawal limits - as they specifically target problem gamblers.

A self exclusion ATM would operate as follows:

When a customer inserts their card into a self-exclusion ATM, the screen would offer the option of:

1. setting a daily withdrawal limit
2. setting a \$0 limit which would prohibit the use of their card in the ATM

Any customer who had reached their pre set withdrawal limit would not be permitted to withdraw cash.

Cooling off periods would be built in meaning an application to increase withdrawal limits would not take effect for at least 24 hours.

The ATM screen could also be used to promote gambling help lines etc.

A 2009 survey by Sweeney Research of 422 problem gamblers found strong support for self-exclusion ATMs. 83% of problem gamblers believed self-exclusion ATMs would be effective.

A self-exclusion ATM will be more effective in helping problem gamblers than the Government's withdrawal limit. Under the current legislation, problem gamblers would still be able to withdraw up to \$250 cash from gaming venues.

Under this self-regulatory scheme, problem gamblers could easily set their account to prohibit the use of their card in an ATM located in a hotel or club.

The Productivity Commission were supportive of exemptions for these Self-exclusion ATMs.

“Were governments to introduce bans or withdrawal limits on ATMs, they could consider exempting venues with self-regulatory mechanisms that restrict ATM access — such as proposed by the ATM Industry Reference Group/Australian Hotels Association (NSW) and the RSL of Australia (Victorian Branch) pg 13.36

The \$250 limit is too low and will harm hotel food and beverage sales.

ATMs should also be exempt from withdrawal limits if:

1. they are located in regions with limited banking facilities
2. they are in tourist areas
3. they have self-regulatory mechanisms (which would allow problem gamblers to set a \$0 withdrawal limit on the hotel or club ATM).

No State-wide database tracking play

The legislation will implement a State-wide database that will track the play of participating players.

For the overwhelming majority of the population gambling is a safe, enjoyable recreational activity. Players do not want their play tracked by a Government database that links all machines.

The Committee would be aware that in key jurisdictions, including NSW, a Central Monitoring System does not exist that is capable of operating the pre-commitment system outlined in the legislation.

“Similar functionality in New South Wales, ACT and South Australia, and casinos in several jurisdictions would require investments in new central monitoring systems and in some cases, software and hardware upgrades for gaming machines..... This suggests that the transition to a full pre-commitment system may take more time in some jurisdictions than others (or would impose a differential cost)”. (Productivity Commission Report pg 10.38)

Before establishing a state wide linked database it will be necessary to develop and roll out such a system which will involve an enormous cost.

Unfortunately like most other aspects of this legislation, this cost has not been quantified. What is certain is that this cost, in the hundreds of millions of dollars, will be passed through to industry to fund. Again, for what benefit ?

Voluntary pre-commitment is already operating in a number of Australian hotels and clubs. In these venues the ability to pre-commitment is machine based – this allows voluntary pre-commitment without the need for a new, expensive State-wide database.

The AHA seriously questions the benefit of creating a new multi hundred million dollar state linked pre-commitment system when it is possible to achieve voluntary pre-commitment at a machine level.

Voluntary pre-commitment should be machine based - not linked to a State-wide database

No new hotel & club tax

The legislation gives the Commonwealth the power to charge hotels and clubs a new tax, known as the “supervisory levy” on each poker machine they operate.

Again very little detail has been provided by Government on the tax, including that:

- the rate of the levy will not be set until after the legislation has passed
- the commencement date has not been set

- there is no cap on the levy
- small venues will pay the same rate of tax per machine as the Casinos

Basic detail regarding the rate of the tax, the commencement date and whether there will be a cap on the tax needs to be revealed before voting on the legislation.