

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2023–24 Budget Estimates**

Melbourne – Wednesday 14 June 2023

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell



**WITNESSES**

Ms Melissa Horne MP, Minister for Casino, Gaming and Liquor Regulation,

Ms Kate Houghton, Secretary,

Mr Toby Hemming, Deputy Secretary, Integrity, Regulation and Legal Services,

Mr Simon Grieve, Executive Director, Gaming and Liquor, and

Ms Annette Kimmitt, Chief Executive Officer, Victorian Gambling and Casino Control Commission, Department of Justice and Community Safety.

**The CHAIR:** I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream today and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Casino, Gambling and Liquor Regulation and officers from the Department of Justice and Community Safety. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes. This will be followed by questions from the committee. Your 5 minutes starts now.

**Visual presentation.**

**Melissa HORNE:** Thanks, Chair. This was a really busy year for casino, gaming and liquor regulation in Victoria. We have established a new liquor regulator, the Victorian Liquor Commission. We have put in place a surrender scheme for unused club and RSL gaming machine entitlements, which really helps these organisations to support their communities. We amended the *Gambling Regulation Act 2003* to add flexibility to the wagering and betting licence award process. There is a new definition of 'harm' in the *Liquor Control Reform Act* which was proclaimed, an important step to improve the way alcohol-related harm is considered in regulatory activities. And earlier this year we began consulting on ways to promote the night-time economy and live music industry while reducing alcohol-related harm as part of the government's commitment to ending the late-night liquor freeze in inner Melbourne.

This budget delivers an investment of \$110 million over 10 years and reinforces the important work that we have started. The Victorian government's investment in preventing and addressing gambling harm will maintain record high levels of funding and service delivery. It will deliver Gambler's Help services, raise public awareness of gambling-related harm and continue world-leading research into gambling harm, and it will allow the VGCCC to continue its strong oversight of the gambling industry.

This coming year the government will continue to take action to prevent and address gambling harm. We will deliver mandatory carded play with identity verification and mandatory precommitment on all of the casino's gaming machines, and that will be from December this year. This is a nation-leading reform to nearly 10 per cent of all the state's gaming machines, and it is leading the way nationally. We will continue to deliver and improve important gambling harm prevention programs and will soon commence a review of the responsible gambling code of conduct and self-exclusion programs for pubs and clubs. We will also be improving our regulatory approach to reducing alcohol-related harm. We have received feedback on proposed liquor

regulations which will transition us to a risk-based fee model and improve venue security. This will see a decrease in application fees for venues which present the least risk and higher fees for riskier licences. The department is establishing a lived experience advisory group, which will provide unique insights into liquor policy and regulation from people with really diverse experience of alcohol-related harm.

On the next slide, the budget provides funding for the VGCCC, which will maintain its position as the strongest gambling regulator in the country. When we established the VGCCC we provided it with unprecedented powers to make sure that the gaming industry operates within the law and within community expectations, and the VGCCC has used these powers. Since its formation it has issued \$230 million of fines to the casinos for breaches uncovered by the royal commission. No matter what the venue, we take a zero-tolerance approach to operators who break the law. That is why it has also issued proceedings against a venue operator for allegedly operating gaming machines without YourPlay technology. It has been involved in a joint investigation into money laundering and has commenced action against a wagering and betting licensee for allegedly allowing minors to wager on electronic betting terminals. I am confident that this funding will enable the VGCCC to continue to fearlessly pursue non-compliant venues and deliver on their remit to reduce gambling harm.

In conclusion, it has been a big year, but the job is not yet done. We know that too many Victorians experience gambling harm and that those who get hurt the most are often our most vulnerable. The significant investment in this budget will help all Victorians who experience or are at risk of experiencing gambling harm. From my conversations with stakeholders across the sector – from the Alliance for Gambling Reform to the Victorian Responsible Gambling Foundation – I know there is more to do, but this budget will help shift the dial. I thank you for your time today.

**The CHAIR:** Thank you, Minister. The first 8 minutes of questions belong to Mr O'Brien.

**Danny O'BRIEN:** Thank you, Chair. Good morning again, Minister. I see we have no secretary, so I am not sure whether the question should go to Mr Hemming or Mr Grieve. Budget paper 3, page 82, lists the line item of 'Preventing and addressing gambling harm'. It is bundled up between the Victorian Responsible Gambling Foundation and the VGCCC. Can you give me a breakdown of what the funding is?

**Melissa HORNE:** That is probably most appropriate for Mr Hemming, Mr O'Brien.

**Toby HEMMING:** Mr O'Brien, thank you for the question. I can run through a suite of the reforms that have been introduced in previous years.

**Danny O'BRIEN:** I am just after the funding, Mr Hemming, so \$74.5 million for this year – how much of that is for VRGF and how much is for VGCCC?

**Toby HEMMING:** Yes. So in respect of the funding for this year, \$39.04 million is for the VRGF. In the previous year the budget for the VRGF was \$38.8 million, which was set out in the budget papers from last year.

**Danny O'BRIEN:** Okay. Thank you.

**Toby HEMMING:** And \$70.94 million is to the VGCCC for the two financial years.

**Danny O'BRIEN:** This year and next year. Minister, there is no funding in the eight years for VRGF, the Victorian Responsible Gambling Foundation. Why not?

**Melissa HORNE:** Thank you, Mr O'Brien. As you can appreciate in a constrained budgetary environment, there was a decision made to make this as just a single year's funding, but it is maintained at the same level of funding. They do provide some really important services – Gambler's Help, world-leading research and some important advertising campaigns – so it is about being able to allow those programs to continue.

**Danny O'BRIEN:** The responsible gambling foundation was funded for four years in 2015–16. After the election it was funded for four years in 2019–20. This year it is only funded for one year. Will it actually continue after this year, or is it being wound up?

**Melissa HORNE:** They provide a number of really important services, but it is also augmented –

**Danny O'BRIEN:** I appreciate they do that. The question is: is it being wound up?

**Melissa HORNE:** What we have done is we have provided that single-year funding to enable them to continue that important work that they do.

**Danny O'BRIEN:** So, Minister, there is really one option or the other here: either there is no funding for the VRGF going forward or this is just a deliberate budgetary tactic to make the out years look better and ensure that there is a surplus. Which one is it?

**Melissa HORNE:** I am not here to make announcements about future budget business cases or budget papers. But what –

**Danny O'BRIEN:** Well, actually you are, because this is four years – out years.

**Melissa HORNE:** But what I can say is that we are providing that surety of funding for the VRGF.

**Danny O'BRIEN:** For one year.

**Melissa HORNE:** For one year; that is correct.

**Danny O'BRIEN:** When you have always provided four years in the past. Is the VRGF under review this year?

**Melissa HORNE:** We have put harm minimisation – let me just take this from a macro level, if I may.

**Danny O'BRIEN:** Well, actually just answer the question: is it under review? Is there a formal review of the VRGF underway or proposed?

**Melissa HORNE:** As I have said, the VRGF provides a range of really important services, but we have augmented that too with harm minimisation now being at the core of the VGCCC, so we are taking a multifaceted approach to minimising harm to some of our most vulnerable people.

**Danny O'BRIEN:** Okay. So you cannot give me any guarantee that it will be funded beyond next year?

**Melissa HORNE:** That will be subject to future decisions of government.

**Danny O'BRIEN:** Okay. Minister, the *Liquor Control Reform Regulations* sunset on July 30 and new regulations are out for exposure now, which you indicated in your presentation. The increase for liquor licence fees ranges from 35 per cent to a whopping 996 per cent for some particular classes. How much will the liquor licence fees raise in 2023–24?

**Melissa HORNE:** We certainly do have that regulatory impact statement out at the moment, because what we have done is review the way that we approach the liquor regulation and that fee structure to be able to support your smaller venues but also where the big harm is focused. Again, this gets back to putting minimising harm at the centre of everything that we do, so that your big packaged liquor outlets will be asked to pay more, whereas your smaller ones – your suburban wine stores or your country clubs – will end up not having a significant fee increase.

**Danny O'BRIEN:** I note that this is about increasing the cost recovery for the licensing commission. Budget paper 3, page 292, lists the processing times for licence applications – you do not necessarily need to go to it, Minister – but the target is 85 per cent within set time. What I am wanting to know, though, is what the set time is. I have got people coming to me at the moment; one has an email from Liquor Control Victoria that says:

Current preliminary assessment periods are 8–10 weeks.

That is just the preliminary assessment. Then on top of that they get another four weeks legislatively to consider an application, and then determination and finalisation is taking up to eight weeks. Twenty-two weeks to process a liquor licence application – is that acceptable?

**Melissa HORNE:** Look, I do know, Mr O'Brien, with the establishment of the new regulator there have been some challenges with staff. Mr Grieve or Toby or someone – who is the best one to talk to?

**Toby HEMMING:** I can speak to it.

**Melissa HORNE:** You can speak to it? Thank you.

**Toby HEMMING:** Thank you, Minister. Look, there have been some challenges. Largely because of the really tight labour market Liquor Control Victoria continues to have a significant number of vacancies. It is an organisation with a complement in the order of 100 or so staff. So the organisation is currently doing a range of things to address that. They are about to embark on a really substantial bulk recruitment exercise that will fill positions in a range of different areas, including in the licensing area.

**Danny O'BRIEN:** Mr Hemming, sorry, given my time – I am limited – can you tell me what the time frame, the government's benchmark time frame, is from when an application is received to when it is dealt with, what it is and what we are currently getting?

**Toby HEMMING:** I would have to take that on notice, Mr O'Brien.

**Danny O'BRIEN:** Okay. Minister, can you give an assurance as to when we will actually start to get some approval time frames down to something reasonable – not 22 weeks?

**Melissa HORNE:** Part of that will also be about – I think there is an interface with VicPol as well, isn't there? But, look, as Mr Hemming has said, we have got recruitment activities underway to be able to get those people in there. I am really conscious too that with things like footy finals coming up, that is certainly –

**Danny O'BRIEN:** It is June, not September.

**Melissa HORNE:** I know. What we saw last year, when there was considerable stress within the new agency, it is being able to scale up, and I feel confident that the new regulator will be able to meet the demands.

**Danny O'BRIEN:** A very quick one, Minister, in my time left: you mentioned the freeze on late-night liquor licensing being lifted; I know there is a process underway, but when will that freeze be lifted?

**Melissa HORNE:** The regulations sunset at the end of this month.

**Danny O'BRIEN:** So 1 July?

**Melissa HORNE:** That is correct.

**Danny O'BRIEN:** Are you not confusing that with the –

**The CHAIR:** Apologies, Mr O'Brien –

**Melissa HORNE:** No.

**The CHAIR:** your time is up. We will go to Mr Galea.

**Michael GALEA:** Thank you, Chair. Morning again, Minister. Good morning, officials. Minister, I would like to talk about gambling harm minimisation. Budget paper 3, page 85, outlines an initiative for preventing and addressing gambling harm. Minister, how will this initiative support vulnerable Victorians who either experience or are prone to experiencing gambling-related harm?

**Melissa HORNE:** Thank you. I think we need to put into context that this funding is really needed because gambling companies sell an addictive product – it is that simple. They sell an addictive product, and some of the behaviours that we have seen have been predatory and they have preyed on some of our most vulnerable people. I will ask Annette to talk to this in a little bit more detail in a moment, because Annette as the CEO of the VGCCC is possibly one of the most fearless regulators we have in the country. We have seen crime, money laundering and a disregard for the authorities of the gambling regulators. They have been common themes across jurisdictions, so recognising this predatory behaviour and putting harm minimisation at the core of everything that we do – every decision on a regulatory basis that we do is so important. But, Annette, do you

want to take us through some of the things that you have seen and then some of the actions the VGCCC has done, please?

**Annette KIMMITT:** Thanks, Minister. Our approach has been, quite simply, to put a harm-minimisation focus right at the centre of every element of our regulatory activities at VGCCC. I have got some examples that I think you might find useful. When it comes to what we do in licensing and other approvals, our decision-making processes have all been reframed so that we are now evaluating the risks of gambling harm in every single application that comes before us, and we are using things like licensing conditions to make the industry much more accountable for preventing and protecting the community from gambling harm. For example, in approving some applications we received from the McKinnon and Grosvenor hotels to increase their number of EGMs we imposed a range of new conditions on those operators to improve the harm-minimisation measures at their venues. When it came to approving the gaming rules for the new online version of keno, we used our powers to better protect customers from what we think is increased risk of harm from that online version by limiting the maximum bet amounts that can be placed but also preventing customers from impulsively reinvesting large wins. So large wins of more than \$2000 cannot be reinvested for 24 hours.

In terms of our ongoing industry monitoring activities, we are now implementing and using a range of data analytics tools and intelligence from a vast array of data sources to make sure we are targeting our regulatory responses and activities to high-risk areas of gambling harm, so, for example, we have begun quite actively monitoring YourPlay connections across the state for all EGMs. That is a really important harm minimisation initiative, but what the monitoring showed us pretty clearly was systemic non-compliance with that obligation right across the state to have all EGMs connected to YourPlay. As the minister has already touched on, the level of non-compliance, I think, has turned around both because of the inspection blitzes we ran and also because of the fact that we then brought 62 charges against ALH for operating many machines without that YourPlay functionality. We have also, our monitoring has shown, a 65 per cent increase in gambling losses in regional Victoria compared to pre-COVID levels, so in March we kicked off a regional blitz that had us targeting regional venues based on those high harm risk factors.

We have also made it very clear to the industry, as the minister touched on, that we will take a zero-tolerance approach to those that do not step up to their harm minimisation obligations and those that deliberately contravene their obligations to protect the community – so record fines to Crown that included \$120 million for abject failings in their responsible service of gaming, but we have also issued them a range of directions to prevent them from reintroducing things like the red carpet and bingo programs that they were previously operating, which targeted some of the most vulnerable and susceptible members of the community, including the elderly. So as I said, our approach has really been to embed harm minimisation into everything we do – into every regulatory decision and activity that we take. For the coming year one of our specific areas that we are keen to focus on is really uplifting the responsible service of gaming codes right across the industry, and we do want to couple that with very specific compliance monitoring to make sure that those codes and all of the associated practices are doing much more to support harm minimisation across the community. I hope that goes some way to answering the question.

**Michael GALEA:** It does. Thank you, Ms Kimmitt and Minister for that and for those specific examples too, which are really informative, as well as some of the future approaches that the regulator will be taking. I very much appreciate that. If I can move to liquor reform, Minister, I would like to refer to budget paper 5 now, page 18, which shows that increasing liquor fee collections over the forward estimates are expected to take place. Could you please outline for the committee how the government is encouraging the responsible growth of Victoria's liquor industry and also late-night entertainment through the implementation of this election commitment, which you also referred to, to lift the freeze on late-night liquor licences?

**Melissa HORNE:** Thank you. Can I say that alcohol consumption has got a significant place in Australian culture and is a legitimate way of socialising, celebrating and relaxing. Alcohol supply and service industries are important contributors to employment and economic growth across Victoria, and we have got hundreds of thousands of staff that work across these businesses. I do not think any of us do not know a student or someone who is working in that whole hospo industry at the moment. In 2019 in fact there were almost 818,000 jobs that were associated with food and beverage services in Australia, with 215,000 of these located in Victoria, and there are many jobs that are created in liquor retailing and production as well as in indirect employment associated with these activities.

But it is not without harm, and it must be supplied in a manner that is responsible, and industry participants and their premises must be suitable. And it is the role of the government really to balance the growth in our world-class late-night entertainment sector with the responsible service of alcohol. We have committed to ending the freeze on the new late-night liquor licences in inner Melbourne that will affect four LGAs, and as such the commission is required to consider these guidelines before deciding on whether they will grant new licences or vary existing licences for venues such as pubs and clubs – not bottle shops – seeking to supply alcohol after 1 am in the freeze area.

The freeze was implemented in 2008 in response to a perceived increase in violent incidents in inner-city Melbourne in that late-night entertainment precinct, and the freeze policy has been extended numerous times, with a major revision in 2015. Currently the freeze does not apply to late-night live music venues with fewer than 1000 patrons, major event licences where the event has all local government authority approvals and cultural, live music, charity or tourist events. But ultimately it is a really blunt instrument that does not really balance amenity and alcohol harm and the need to support a vibrant and growing night-time economy. We are the cultural capital of Australia, and it is important that we have a city that reflects that, particularly as we have got a growing tourism and late-night music scene happening. It does not respond to significant changes in the supply pattern of alcohol such as the growth of online ordering, for example, and delivery to private residences, nor does it respond to the growth in businesses that do not just sell alcohol but see it as an enhancement of their operations: theatres, art galleries – just look at the NGV on a Friday night, which has considerably changed its offering – bowling alleys, cinemas. There are heaps of other examples. So the freeze is anti-competitive. It does hinder small businesses and it is distortionary, so I think being able to reframe it through that harm minimisation lens, when the regulator makes those determinations, is about getting that balance right.

And if I may just add to my answer, which addresses an issue that Mr O'Brien raised, I have just had the advice that the target for processing of applications will be eight weeks.

**Danny O'BRIEN:** When?

**Melissa HORNE:** That is what their target will be.

**Danny O'BRIEN:** For next year?

**Melissa HORNE:** Yes. It is currently longer than that due to those staffing concerns.

**Danny O'BRIEN:** Thank you.

**The CHAIR:** Thank you, Minister. We are now going to go to Ms Sandell for the last 3 minutes.

**Ellen SANDELL:** Thank you, Chair. I also want to ask about lifting the freeze on late-night liquor licences. Without repeating all the information that you have already given us, my understanding is the community was promised a review that they could be a part of before a decision was made to lift the freeze, but then it was just dropped as an election commitment with no notice. So why not do the review first?

**Melissa HORNE:** So there has been a fair bit of stakeholder consultation that has gone on. I know that Mr Grieve has been leading that. But there has been that review where residents groups, councils and members of the music community have all been consulted.

**Ellen SANDELL:** Okay. Thank you. I would like to ask about gambling harm as well. This financial year the government received about \$2.5 billion in gambling taxes. There is a smattering of initiatives allocated to reducing gambling harms. We have got \$35 million this financial year, \$74 million next year, around preventing and addressing gambling harm. Do you know what the total quantum of money spent on reducing harm or gambling harm prevention is?

**Melissa HORNE:** I think the key thing in terms of harm minimisation is really changing the way that the regulators go and enforce gambling harm. I think from Ms Kimmitt's statements it is clear that absolutely putting that harm minimisation frame over every decision that is being made is something that this government and the regulator do not shy away from. Whether it has been getting entitlements out of RSLs, imposing a \$230 million fine on Crown Casino or working with AUSTRAC and the AFP to go after money laundering, we are looking through every aspect to be able to minimise harm.



**Ellen SANDELL:** Is there not an inherent conflict here when the government is so reliant on that \$2.5 million in terms of gambling taxes? Are conflicts of interest skewing the government away from reducing that reliance on gambling?

**Melissa HORNE:** I appreciate that is a line that some like to run, but when you look at our decision about having an EGM surrender scheme for RSLs and clubs –

**Ellen SANDELL:** Just on that scheme – I have got limited time – would you expand that for existing licences? So not just RSLs who cannot use their licences but those who actually want to give up their pokies – could they access a scheme like that?

**Melissa HORNE:** I talk to clubs all the time about where they want to see their offering for the community. This scheme is still open at the moment, so we need to let that run its course before we look at any future announcements.

**Ellen SANDELL:** Thank you.

**The CHAIR:** Thank you, Ms Sandell. The time has come for the end of questions for this session.

Minister and department officials, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee will now take its lunchbreak before beginning its consideration of the portfolio for environment at 1:15 pm.

I declare this hearing adjourned.

**Witnesses withdrew.**