

Mr Mick Murray; Mr Terry Redman; Mrs Glenys Godfrey; Mr Fran Logan; Mr John McGrath; Mr Paul Papalia

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**Division 70: Racing, Gaming and Liquor, \$60 211 000 —**

Chairman, Ms W.M. Duncan.

Mr D.T. Redman, Minister for Regional Development representing the Minister for Racing and Gaming.

Mr B.A. Sargeant, Director General.

Mr L. Sgro, Director Corporate Governance.

Mr B. Killigrew, Chief of Staff, Office of the Minister for Racing and Gaming.

[Witnesses introduced.]

**The CHAIRMAN:** This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available the following day. It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point. The estimates committee's consideration of the estimates will be restricted to the discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item program or amount in the current division. It will greatly assist Hansard if members can give these details in preface to their question.

The minister may agree to provide supplementary information to the committee, rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the principal clerk by Friday, 3 June 2016. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office.

I give the member for Collie–Preston the call.

**Mr M.P. MURRAY:** My first question relates to the line item "Total Appropriations" on page 798 of budget paper No 2. In 2014–15 the figure was \$107 021 000, but in 2016–17 it is \$60 211 000. Could the minister explain the drop, please?

**Mr D.T. REDMAN:** I ask Mr Sargeant to respond.

**Mr B.A. Sargeant:** Part of the variance is explained on page 801 and relates to tax rebates. Up until December 2014, Crown Perth paid taxes at various rates—22 per cent on some types of games, 21.5 per cent on gaming machines and 18 per cent on table games—and then the government rebated back to the casino the GST it paid. When the GST was introduced, the state had an option either to reduce the tax rate straightaway or to rebate the GST that Crown had paid. The government took the view that it would rebate it. In December 2014, following an announcement by the then Minister for Racing and Gaming, the government agreed to reduce the tax rate to the net GST rate. In effect, rather than pay tax at rates of 20 or 21.5 per cent on gaming machines, Crown Perth was paying only 12 per cent, which is the effect of the GST rebates. That is why it went from \$107 021 000 down to \$77 164 000 in 2015–16, and then down again in the estimated actual in 2015–16; it was as a result of changes to the agreement that was agreed to by the minister in March 2015 and tabled in both houses. The tax rate on international business was reduced to 1.75 per cent a net rate and, again, there was some further reduction in GST rebates that followed through as a result of that. It is purely due to GST rebates.

**Mrs G.J. GODFREY:** I refer to the expenses for grants to Racing and Wagering Western Australia at the bottom of page 801. Could the minister please explain why there is a reduction of \$10 million between 2015–16 and 2019–20? The first dot point under "Expenses" states —

expenses will reduce by \$10 million over 2015–16 to 2019–20 following a decision to discontinue the Racecourse Infrastructure Grants Program.

[8.50 pm]

**Mr D.T. REDMAN:** I will ask Mr Sargeant to respond.

**Mr B.A. Sargeant:** The member is correct that the government took the decision to discontinue that particular program, so as a result the transactions I administer on behalf of the state were reduced by the appropriation amount of \$2 million per annum over the forward estimates and the current year. It was a decision taken by government to discontinue the program.

**Mrs G.J. GODFREY:** What is the dollar value of the infrastructure that is required in WA for racing? Is there a guesstimate?

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**Mr D.T. REDMAN:** That question might best be referred to the Racing and Wagering Western Australia, which will appear in the last half an hour tonight.

**Mr F.M. LOGAN:** I know we can probably deal with this later on, but we have to do it under this division of the budget papers. Is the reduction of that \$10 million for the racecourse infrastructure grants program simply a government cut or is there another reason for it?

**Mr B.A. Sargeant:** It was a decision taken by Economic and Expenditure Reform Committee to discontinue the program.

**Mr M.P. MURRAY:** Were there any studies done on the safety of the people who use those race tracks before that decision was made?

**Mr B.A. Sargeant:** The route by which the decision was made was in response to a submission by RWWA for the funding. It was not from my department, although I am the avenue through which the money flows from the consolidated fund to Racing and Wagering Western Australia. I was not party to that particular process through the EERC. It is a matter that might be best addressed when the Racing and Wagering Western Australia representatives are here.

**Mr M.P. MURRAY:** I refer to the fourth dot point on page 799 of budget paper No 2 that refers to assisting communities in reducing alcohol-related harm. Have any studies showing results of new legislation introduced around alcohol limits and usage, especially secondary supply laws, been done? Have any people been apprehended or fined under that law?

**Mr B.A. Sargeant:** In the time frame that that legislation has been in operation there have been no studies on the impact of it. The way in which the government funds the regulation of the liquor industry is that the Commissioner of Police has the responsibility. My department inspectors do not get involved in that, so I have no information on the extent to which the Commissioner of Police has been prosecuting people for the sale of liquor to juveniles without the consent of the parents. It has been in operation only since the latter part of 2015.

**Mr F.M. LOGAN:** I refer to the line item “Licensing—Evaluation and Determination of Applications” on page 799 of budget paper No 2. I would like to know whether and when the licensing commission is going to look at the continued standard opposition made to every application for a licensed outlet, regardless of whether it is a small bar, large bar or a licensed takeaway outlet, by the Department of Health and the police department, which put in, as the minister knows, a standard response to oppose that application.

**Mr B.A. Sargeant:** The licensing authority is not in a position to stop the interventions by the Executive Director of Public Health or the Commissioner of Police, because the legislation provides that for them. The member will notice that there is reference to the second stage of amendments to the Liquor Control Act. If they are progressed, then it would be addressed through any proposed amendments in that regard.

**Mr F.M. LOGAN:** When are the amendments to the act likely to be completed and brought to the house?

**Mr B.A. Sargeant:** The department has received the first draft of the bill, but, as the member would know, it takes quite a few drafts to finalise a bill. We are working on finalising it as soon as possible.

**Mr D.T. REDMAN:** Can I say that if that is the case, given that we only have the spring session this year before the next election, I would have thought that it is unlikely to happen in this session of Parliament, because there is a priority process for a number of bills that the government wants to get through.

**Mr F.M. LOGAN:** That answers that.

**Mr D.T. REDMAN:** We will pick it up in April next year and keep going!

**Mr M.P. MURRAY:** My jaw was swaying in the breeze because of all the publicity of the Australian Hotels Association in which it told us that it was running the show. I was a bit dumbfounded when the minister said that. The AMA will be very disappointed because of all the work it has done.

**The CHAIRMAN:** Your question, member for Collie–Preston?

**Mr M.P. MURRAY:** I will follow on from the previous question.

**Mr D.T. REDMAN:** What page, member?

**Mr M.P. MURRAY:** I refer to significant issues impacting the agency on page 799 of the *Budget Statements*. How long has it been since the Department of Racing, Gaming and Liquor—I am being very cautious, because I do want to use names—allowed extra licences into a country community that has had three or four licences previously? This licence seemed to get a green light because it was put in by the local shire to the detriment of other businesses. It is a case of local government competing with other people in a small community. What assessment would have occurred to allow that when previously in those smaller communities it has been about reducing liquor outlets, not increasing them?

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**Mr D.T. REDMAN:** I will ask Mr Sargeant to make some general comments, but if the member has a specific example, I suggest that he write a letter to the minister and that way the minister can direct some very specific comments back. Anything else would have some public nature about it, because the member is obviously being cautious.

**Mr M.P. MURRAY:** The simple way to put it is: local government versus businesses within the town.

**Mr B.A. Sargeant:** There is nothing in the act that states that we have to treat local government applications differently from an application from any other person. I am aware that in many country towns, in particular, new sporting facilities have been developed, and as a result, rather than having a club licence, which can be rather restrictive, the local authorities have sought a tavern licence to run those particular venues. They go through the full gamut of the licensing process, and we get criticised on a number of occasions for what we do. We treat every application the same in that regard: it is advertised, people have the opportunity to object to it and an assessment is made. Bear in mind that one of the principles on which people often criticise our decisions is the impact on existing licensees, but the act does not say that we have to take that into account. The act is more broadly about the public interest. The commercial aspects of decision-making in liquor licensing matters were taken out pre-1998. If someone makes an objection based purely on the fact that it is going to affect their profits, their profitability is not a criterion that we have to take into account under the current act.

**Mr D.T. REDMAN:** In fact, there was a shift from the needs test to the public-interest test under the member for Collie–Preston’s government; it was in fact his leader.

[9.00 pm]

**Mr F.M. LOGAN:** I refer to how the public interest test is defined. In my electorate, an application for a small bar licence was rejected. The venue was finally approved to have only a restaurant licence. That application failed on the public interest test when there was no opposition at all to the application. In fact, it was supported by the majority of the residents in the nearby apartment blocks, the local member of Parliament, the local council and other outlets in the area, and there are not that many people in the area, but it was rejected on the grounds of the public interest test; there was not broad enough community interest in that licence being approved. I have to question how the public interest test is applied given that this is a new area and people have to walk at least three kilometres to find another house.

[Mr I.C. Blayney took the chair.]

**Mr B.A. Sargeant:** Without knowing the specifics of the application, I think that may have been one of those early ones that was determined when the public interest test was changed back in 2008 or 2009.

**Mr F.M. LOGAN:** No, this was later, Mr Sargeant.

**Mr B.A. Sargeant:** It was later. I am aware that some in the initial stages were declined because they did not demonstrate a strong case that would meet consumer requirements. As a result, some of them were refused, but through people taking decisions and appealing to the commission, some of that has been sorted out. It might be a different test now. It was a learning exercise with some of those applications. I cannot recall the specifics of the application that the member is referring to, but I know that some were refused on the basis of lack of information, in our opinion, to show they were meeting consumer requirements. As a result, the law, both the commission and the Supreme Court, have set different standards. If I remember correctly, that one was granted a restaurant licence with a liquor-without-a-meal permit. I do not know whether it has since applied for a small bar licence.

**Mr D.T. REDMAN:** I have a general comment. I think if we look at the number of small bars, we can see that we have had a good response to small bar licences.

**Mr F.M. LOGAN:** That is not the issue, minister. This is in a new and growing area of Perth that is desperate for entertainment and liquor outlets. I think Mr Sargeant picked up on the example. It cost the applicant thousands and thousands of dollars for legal representation and arguing the case, and they ended up with a restaurant licence and not a liquor outlet licence.

**Mr B.A. Sargeant:** If I remember correctly—I could be wrong, but I am pretty sure—the applicant appealed that decision to the commission and the commission upheld the decision by the director. It was looked at again on the basis of the evidence that was supplied. But I can only repeat that some of the earlier applications were refused, but we have basically moved on a bit. The vast majority of applications over time are approved.

**Mr M.P. MURRAY:** Do we have an average time for those approvals?

**Mr B.A. Sargeant:** I can look at specific times, but a lot depends on who the objectors are and what happens. Sometimes those objections can blow things out and it can take a long time. I have been very reluctant to answer questions on specifically how long it will take because we do not control the process and what will come through as objections or interventions. The law is quite specific; we have to give procedural fairness to everybody and that can take time.

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**Mr D.T. REDMAN:** I am also advised that planning and building approvals are part of the mix too, which are largely out of the control of the agency.

**Mr J.E. McGRATH:** Mr Sargeant might be able to enlighten us on this question. With the growth of our population, more licences will be applied for and approved. What happens to existing licences if someone wants to get out of a certain hotel or bar? Can they transfer them, as has happened? I remember the Karalee Tavern in my electorate got a licence from somewhere up near Southern Cross.

**Mr D.T. REDMAN:** That was not in the days of a gallon licence, was it?

**Mr J.E. McGRATH:** It could have been; it was a long time ago. Can the minister give us some indication of the growth in the number of licences in Western Australia compared with 10, 15, 20 years ago as our population has grown?

**Mr B.A. Sargeant:** I have one statistic that shows that in 2006–07 we had 4 139 licences. As at 31 March 2016 we had 4 775, which is a 15 per cent increase in that time frame. The period to which the member is referring, when country licences were transferred to the metropolitan area, goes back to the days when there was a moratorium on licences. The way people got around that was to take a licence out of one area and put it into another area. During that period I was not involved with the office, but it was to the detriment of the country areas because they lost licences to bring them into the city area. If someone were to apply to move a licence from one place to another, we treat the renewal like a brand-new application. It has to go through exactly the same process, so there is not that much incentive to move a licence from one place to another. Someone would be better off making a completely new licence application.

**Mr P. PAPALIA:** I refer to the last dot point under “Significant Issues Impacting the Agency” on page 799 of the *Budget Statements*. Please excuse my ignorance but has that shift taken place or is that a planned relocation?

**Mr B.A. Sargeant:** It is planned for December this year.

**Mr P. PAPALIA:** Was consideration given to relocating to an outer metropolitan location, rather than the CBD?

**Mr B.A. Sargeant:** I do not control those decisions.

**Mr P. PAPALIA:** Minister?

**Mr D.T. REDMAN:** I am not aware of that specifically. I imagine that if there was room in 140 William, which is a government-owned building, that would have been —

**Mr P. PAPALIA:** I thought that prior to the last election this portfolio promised a shift to the department and I thought this might have been an opportunity to note that the government had broken that promise.

**Mr M.P. MURRAY:** I refer to the second dot point on page 799, which reads —

Implementing the Government’s response to the Joint Standing Committee on the Review of the Racing and Wagering Western Australia Acts ...

To refresh my memory, did that review recommend the sale of the TAB?

**Mr D.T. REDMAN:** I cannot imagine it did, member for Collie–Preston.

**Mr M.P. MURRAY:** Maybe the member for South Perth would like to interject and let us know.

**Mr J.E. McGRATH:** I cannot interject. I could not possibly interject.

**The CHAIRMAN:** Do you have a question, member for Collie–Preston?

**Mr M.P. MURRAY:** I have been told to look it up myself. I will move on to another question. I refer to the first paragraph on page 800 —

Several members interjected.

**The CHAIRMAN:** Members, I think you are making life hard for Hansard.

**Mr M.P. MURRAY:** It states that the goal for the percentage of licensees and service providers complying with audit requirements and statutory criteria in 2014–15 was 97 per cent, and now we are accepting a target of 94 per cent. Can the minister explain why we have dropped the standard?

**Mr B.A. Sargeant:** It is just a matter of experience; through the compliance program we found that in that particular year we had done a number of audits at the casino, which was more likely to have compliance. This is very much a broad-base compliance program and we have changed some of the emphasis on the detail of inspectorate work at the casino and gone to the broader community. Much of it could be to do with the conduct of raffles and bingo permits. Normally, there are minor things that people do not comply with and we do not take

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a prosecutorial role; it is more an educational role. If we wanted to get near to 100 per cent, I could do a very easy program and audit things only at the casino, which is much more regimented, but we have a broad-based compliance program across the community.

[9.10 pm]

**Mr J.E. McGRATH:** I refer to page 802 and the income statement. The Department of Racing, Gaming and Liquor collects product fees on behalf of the racing industry. That is because Racing and Wagering WA is obviously a competitor of some of the people who have pay product fees; therefore, it cannot collect those moneys. Is the department required to include in its income statement the product fees that it collects? How does that system work? How does the department collect that money? Do the betting operators in other states and the TABs automatically send to the department the percentage of money that they are required to pay in product fees, and does the department then send that to RWWA? How many people in the department are involved in that activity?

**Mr B.A. Sargeant:** The member has described the process very well. The Gaming and Wagering Commission collects those fees, so that appears in the Gaming and Wagering Commission figures as part of the revenue that it raises, and it passes that on to Racing and Wagering WA to distribute to racing clubs. Last year, nearly \$45 million was collected. We expect to exceed that figure this year. Product fees are paid by all operators throughout Australia and by a limited number of overseas operators who use Western Australian product. It is an automated system and does not involve an extensive number of people. I do not have one, two or three people dedicated to that function; it is spread across a number of people, and part of their responsibility is to process those payments monthly. If we get wind of any problems, or if RWWA advises us—as it often does—of particular bookmakers who do not appear to be paying the fee, we rely on our interstate counterparts to follow that up for us.

**Mr J.E. McGRATH:** Does the reverse also apply? If operators in Western Australia have to pay product fees to operators in other states and the department is not involved, are those fees are paid automatically by RWWA to those operators?

**Mr B.A. Sargeant:** That is correct.

**Mr F.M. LOGAN:** I take the minister to two parts of the budget papers. The first is the service summary on page 799 and the line item “Compliance Audits and Inspections”. There has been a reduction of approximately \$1.7 million in the total cost of service for that line item. The second is the services and key efficiency indicators on page 800. Between 2014–15 and 2015–16, there was a reduction of three full-time equivalent positions for licensing evaluation and determination of applications, and in that same period there was a reduction of five FTEs for compliance audits and inspections. Is this a reflection of further reductions to the budget of the department? Is the reduction in the number of full-time equivalents part of the government redundancy package?

**Mr B.A. Sargeant:** With respect to the first figure that the member referred to, some of that was the expenditure incurred in implementing our new computerised system, and that is the sort of expenditure that we could write off against the financial year, because it was not capitalised, so that gave us the opportunity to gain some economies. With respect to the reduction in staff, yes, some redundancies were paid out in this financial year. That was part of the government initiative to reduce numbers where we could. Those redundancies were aimed more at the management level, because we have taken the view that frontline services are not to be impacted. One example is that with the change in our computer system, the skills of the person who was involved with the old system were not required, and he was not prepared to be retrained but preferred to move on, so he was one of the people who went out on a redundancy program.

**Mr F.M. LOGAN:** Is the minister quite happy with the \$1.7 million reduction in the funding available to the organisation and with the fact that the funding continues to decrease in the out years?

**Mr D.T. REDMAN:** Yes.

**Mr F.M. LOGAN:** The minister is quite happy with that?

**Mr D.T. REDMAN:** Yes. Is the member talking about the whole budget process?

**Mr F.M. LOGAN:** I am talking about that service summary and the reduction in the moneys available.

**Mr D.T. REDMAN:** If I have been part of the budget process, that means I am signing off on the budget, of which this is a subset.

**Mr F.M. LOGAN:** The budget papers do not provide a reason for that cut in funding for the department. It is just a straight reduction in funding. There is no explanation.

**Mr D.T. REDMAN:** Does Mr Sargeant want to make any comment about that?

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**Mr B.A. Sargeant:** I am quite comfortable, as I have said, that priority is being given to frontline services. The member would probably appreciate that if people do not get their licences in a particular time frame, they will ring up and pursue the reason why. Therefore, there is always pressure on us in the processing of licences. The new system that we have introduced has given us some economies. As I have said, we have restructured the process. For instance, I had a senior level 9 director retire, and I did not replace that director; we just spread those duties among our existing corporate executive.

**Mr F.M. LOGAN:** I bet he did—just in time to pick up the redundancy!

**Mr B.A. Sargeant:** That person did not take a redundancy; she retired.

**Mr F.M. LOGAN:** Okay.

**Mr P. PAPALIA:** I refer to the outcomes and key effectiveness indicators on page 800. With respect to the conversation that was just had, has consideration been given to applying a time frame to the delivery of services? I note the reluctance to give an average time frame for completion of an application. However, despite that, has consideration been given to applying a key effectiveness indicator to the time frame for conclusion of an application?

**Mr B.A. Sargeant:** The member would have to appreciate that our applications range from a simple application for an extended trading permit, to an occasional licence for a small activity, through to a major application for a new hotel or tavern somewhere, so the time frame can vary. The new system has not yet been fully implemented, so at this stage it is difficult to track time specifically, although we can do a test. Once the system has been bedded down, which hopefully will be within the next 12 months, there will be an opportunity to address some of those benchmarks. The more important thing that I am aiming to do is have a system that will enable applicants to track their applications better. That, to me, is the best test, because, unfortunately, in many instances things are held up. Sometimes things are held up because someone has put the application in their in-tray and has just let it sit there, which annoys everybody. Hopefully, that sort of thing will happen less often as a better information system comes through.

**Mr P. PAPALIA:** Will the new computer system have the capacity to allocate bands for types of applications and over time determine a time frame that would be reasonable for the conclusion of one of those types of applications and have that as a key performance indicator?

**Mr B.A. Sargeant:** We were not funded to go to that sort of sophisticated system. One would like to have a Rolls-Royce system but one does not always get the money to get a Rolls-Royce system. We are seeking to prioritise certain aspects of the application process to give people more control over their own data, rather than have people send in their own data and we have to input it. However, the system will not be quite as sophisticated as that unless we develop it further.

**Mr P. PAPALIA:** Will the capacity of the system enable external tracking of an application so that people will know whether it is sitting on someone's desk or has gone to some other reference department, or whatever? Is that the idea? It would be a huge leap forward if that was the case.

[9.20 pm]

**Mr D.T. REDMAN:** I think Mr Sargent is saying that if we have the financial capacity to get that outcome, that it would be a good outcome.

**Mr P. PAPALIA:** Is that not what has been done?

**Mr B.A. Sargeant:** It is. It also means that the managers can track it better than they can at present.

**Mr P. PAPALIA:** I think that would be a big advance. I cannot imagine that there would be too much expense involved in extending that to an application to track the time frames; it is just data.

**Mr D.T. REDMAN:** It would be like seeing an Uber rock up to the member's house.

**Mr P. PAPALIA:** It is just data; some smart guy will be able to figure it out.

**Mrs G.J. GODFREY:** I refer to page 801 and the heading "Details of Administered Transactions". This might have been asked before, but can the minister explain why there is a downward revision of the \$78 million for the casino and whether there were any trade-offs for that?

**Mr B.A. Sargeant:** That \$78 million relates to the amount of rebates we had in the budget to pay the casino had we not reduced the tax rate to give a net rate. It is \$16 million a year, and over five years that will amount to \$80 million, but in this financial year we paid out \$1.3 million to finalise the last financial year and that resulted in a net figure of \$78.7 million. When the estimates were struck last year, we were not sure whether the Parliament would allow or disallow the amendment to the agreement, so we put in a provision for the rebates to be paid. They have not had to be repaid because Parliament did not disallow the change in the agreement. As

**Extract from *Hansard***

[ASSEMBLY ESTIMATES COMMITTEE B — Wednesday, 25 May 2016]

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a result we no longer need those rebates in the system. It is \$16 million for five years, less \$1.3 million we paid for the final settlement.

**Mr J.E. McGRATH:** I refer to subsidies and concessions on page 805 under “Details of Administered Transactions”. Could the minister elaborate on what the line item “Subsidies to Gambling and Betting Agencies and Bookmakers” involves and what the relationship is with bookmakers? How much control does the department have over bookmakers and betting agencies in that regard?

**Mr B.A. Sargeant:** That is purely for the GST rebate. For instance, Lotterywest has never paid taxes and as a result of the GST being introduced, it now has to pay GST. This year we are budgeting \$38 million so that Lotterywest can pay GST to the commonwealth. Bookmakers, including race clubs, will pay GST. We have put in \$2.2 million. That amounts to about \$40.2 million to rebate the GST back to those operators.

**The appropriation was recommended.**