

Lotteries Commission —

Ms C.M. Collins, Chair.

Mr M. McGowan, Premier.

Mr J. Hubble, Acting Chief Executive Officer.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. I will allow as many questions as possible. Questions and answers should be short and to the point.

The Premier may agree to provide supplementary information to the committee. I will ask the Premier to clearly indicate what information he agrees to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 2 June 2023. If the Premier suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

Members, are there any questions? I give the call to the member for Vasse.

Ms L. METTAM: I refer to paragraph 1.1.5 on page 564 of budget paper No 2, volume 2, which relates to the major overhaul of existing gaming and support systems. Is the funding being provided by government from the consolidated account or is Lotterywest funding it internally?

Mr M. McGOWAN: The source is within Lotterywest revenue, so it is not a draw on the consolidated account.

Ms L. METTAM: Specifically, what consultation is undertaken with lottery agents in this project?

Mr M. McGOWAN: Is the member talking about the gaming system renewal?

Ms L. METTAM: Yes.

Mr M. McGOWAN: I am advised that the system is old and needs renewal, so that is why money has been set aside for that, which will provide for a modern updated system. I am not aware of what consultation has taken place. I will ask Mr Hubble to comment on that.

Mr J. Hubble: The system is primarily Lotterywest's system, so the decision sits with us. We have a retailer consultative panel. At various stages, we will consult with it. Being a rather large tender, we also need to be very careful of the probity.

Ms L. METTAM: I imagine there are varying degrees to which lottery agents rely on this component as part of their business. How many agents are there in Western Australia? How will the government ensure, through this consultation process, that it will be able to capture that broad range of feedback?

Mr M. McGOWAN: There are lottery retailers who purely sell lottery tickets, chewing gum and a can of coke or something like that, and then there are newsagents, so there is a dual stream. For the agents whose major part of their business is the sale of lottery tickets, it is much more significant than a newsagent, although in my experience, it is also a major component of newsagents' businesses. In terms of the consultation, as Mr Hubble outlined appropriately, a panel has consulted. This is a major expense and we have to make sure that we do not jeopardise our commercial position. From memory, only three or four companies in the world have put these systems in place. It is a limited market for providers, so the tender process has to be carefully managed. In terms of the number of retailers, there are 485 across the state. In the six years I have been the Premier, since I have been the minister responsible for this, I have made a point to help the retailers. Prior to our election, they went through a tough time with some of the things that were going on. The retailers were incredibly unhappy with some of the processes that were put in place so we deliberately reversed a lot of those and provided support. That provided a much happier network and a better business environment for them.

Ms L. METTAM: Have any of these retailers raised any concerns, or are there retailers who are not supportive of those upgrades?

Mr M. McGOWAN: I do not know the answer to that. I will ask Mr Hubble to comment.

Mr J. Hubble: Thank you, Premier. There are 200 000 transactions per day, so there are always going to be some issues, and the retailers would prefer a modern system that can respond to that. We take their desires on board. There are some things retailers would like to do in the digital space so we are looking for systems that can do that. This system was originally put in 16 years ago and is not up-to-date. We had an upgrade in 2017, but it is still an old system. It cannot do the sorts of interactions that are expected in the modern world.

Ms L. METTAM: Will the retailers bear the cost of the upgrades, or how will that be shared?

Mr M. McGOWAN: It is fully funded. Lotterywest is funding it from reserve accounts. We are taking a very different approach to the retailers than the last government. The last government was very harsh on the retailers. The member might recall that there were major protests immediately before the state election in 2017 and it did not result in any outcomes from the last government. When I came into power I made sure that I listened to the retailers. I feel for a lot of them. They work hard with long hours and I want to make sure they are appropriately rewarded. If we have that, we will have a happy network that wants to sell Lotterywest's products and that has an ongoing benefit to community groups across the state.

Ms L. METTAM: Was a report prepared in relation to the upgrade or prior to the decision being made? If so, will the Premier make it available?

Mr M. McGOWAN: There has been a detailed business case submitted to Treasury. We approved this in the ERC process leading up to the budget. Renewing a 20-year-old system—I think it is a 20-year-old system from memory—is just good business practice. It is not being funded by retailers, so if anyone is complaining about it, I do not really understand why.

Ms M.J. DAVIES: Is the program being discussed the gaming system renewal, or is it the better business program that was announced earlier in the year?

Mr M. McGOWAN: Those are two different things. This is the gaming system renewal. The better business program was a range of improvements, assistance to businesses to improve their business models and coaching and mentoring, plus an increase in their commission. I did that three months ago. This is the replacement of the IT system, or the gaming system.

[5.10 pm]

Ms L. METTAM: What will be the overall cost of the upgrade?

Mr M. McGOWAN: We cannot go into that because that is commercial-in-confidence. As I said to the member before, only three or four providers around the world do this work, so Lotterywest's advice is not to release an estimated cost at this point in time because that would jeopardise our position with those three or four tenderers, and one of those is our current provider. The advice I have is not to release a figure on that.

Ms L. METTAM: Who will be undertaking the work?

Mr M. McGOWAN: There is a tender process. I will explain again. We will have a tender process to put in place a new gaming system. Only three or four companies around the world provide these gaming systems. The tender process will be open. Those companies can bid and decisions will be made on cost and efficiency and quality of the product and so forth. However, we do not release an estimated cost because I assume that would become the base from which they would bid. Therefore, we are keeping that information as commercial-in-confidence in the interests of the business. Obviously, once it is done, it will be released, I would have thought.

Ms L. METTAM: What is the time frame for the tender process? Is this happening in the next 12 months?

Mr M. McGOWAN: I will let Mr Hubble comment.

Mr J. Hubble: The tender process will go over a number of years before it is awarded. At this stage, the intent is that we will be assessing tenders about this time next year, although that may push out a little bit. It will probably then be a three-year implementation from go to whoa to get it in.

Ms M.J. DAVIES: Will the new system have implications for newsagents? Will it change their end or is it all backroom for Lotterywest?

Mr M. McGOWAN: I will get Mr Hubble to comment.

Mr J. Hubble: It is primarily behind the scenes. The newsagents will not see it, but it also depends on what system is put in place. Normally, when we change a system, there is a bit of user change experience. Part of the project will be working with retailers, training them and bringing them on board. They will not see the vast majority of the work, but they will be involved in the change ahead of it going live.

Ms M.J. DAVIES: Maybe it has not been considered yet, but given the Premier's comments on supporting these businesses, would the Premier expect Lotterywest to fund upgrades if anything is required at the newsagents' end?

Mr M. McGOWAN: The system will be funded by Lotterywest. When we did all the changes through 2017–18, we funded everything at the Lotterywest retailer end, which reversed the position of the former government. Recently, on two occasions, we increased the commission. I suspect further increases in commission are not so far away. I will get Mr Hubble to comment on the newsagent end of the system.

Mr J. Hubble: The vast majority of the cost relates to equipment and software within Lotterywest's domain but each retailer has equipment that interacts with the core gaming system and the players, particularly the ticket checker

and the machine that issues the tickets. They are most likely going to be replaced. We may have to replace them before the new system comes in based on their current age.

Ms L. METTAM: The Premier talked about the expertise required in this upgrade being very unique. How far and wide will Lotterywest promote the tender process or will it be a standard tender process for this work?

Mr M. McGOWAN: I will let Mr Hubble comment, but my expectation is that when Lotterywest releases the tender, it will contact the three or four companies and let them know that there is a tender out.

Mr J. Hubble: The lottery gaming system is a small world. They all know this is afoot. We have conducted an environmental scan and invited them to submit to us, so they are aware of it. When we call for tenders, they will certainly be made aware.

Ms M.J. DAVIES: I am not quite sure where to put it, but the Premier referred to it before; where is the funding for the new Better Business program that was announced earlier reflected? Is that not in this part of the budget? Was that from the consolidated fund?

Mr M. McGOWAN: No, it was not from the consolidated fund. I understand that the Lotterywest budget is a capital budget, but those ongoing programs are funded by Lotterywest internally.

Ms M.J. DAVIES: Is the \$4.5 million that was announced internally funded by Lotterywest?

Mr M. McGOWAN: It is from proceeds of ticket sales, yes.

Ms M.J. DAVIES: Within that was a statement that retailers are required to meet minimum standards in order to be eligible for the payments that were announced. Can the Premier elaborate on what they are?

Mr M. McGOWAN: I think it was about the quality of their business and their product that they offer in their individual businesses, but I will get Mr Hubble to comment.

Mr J. Hubble: Most of the standards are pre-existing standards. We are just requiring retailers to carry those out. Some of them are around the way they interact with customers. Some of them are around making sure the payments are made to us in a timely manner and that complaints are followed up. It is fairly standard. We have worked with the retailer consultative panel around those standards. The Better Business program the Premier announced had a quarantine or an amnesty period in which we worked with retailers to make sure they were familiar with the standards before we started applying those to commission entitlement.

Ms M.J. DAVIES: I refer to the same page—page 564. I assume a significant amount will be put into the overhaul of the gaming and support systems. It is obviously a high-risk business with transactions. This is a bit left of centre, but does Lotterywest have an interaction with the Corruption and Crime Commission to work to minimise potential threats and promote best practice? How does that work for the Lotteries Commission? I presume it is part of everyday business to manage in a gaming entity.

Mr M. McGOWAN: I know that the commission engages regularly with the CCC and other agencies because it is obviously an area that people with nefarious intent may be interested in. I understand that there is an ongoing process around that. I do not want to go any further than that because we might be advising people whom we do not want to advise.

Ms M.J. DAVIES: Is part of the upgrade to the new system referred to in paragraph 1.5 around strengthening protections within the system? Is that one of the drivers?

Mr M. McGOWAN: The IT system will have upgraded cybersecurity protections and so forth.

Ms M.J. DAVIES: It is separate to 1.3.

Mr M. McGOWAN: I will let Mr Hubble comment.

Mr J. Hubble: On a point of clarification, are we talking about paragraph 1.3 and the \$1.6 million upgrade to maintain and replace ICT core systems and environments? We would set aside that number each year for system upgrades. It may include security upgrades. It may just include environment upgrades.

[5.20 pm]

Ms M.J. DAVIES: Has it been reported across a number of different departments, and governments, since we are not immune to it, that there have been threats to the system?

Mr M. McGOWAN: As far as I am aware, every system is attacked—every government, every bank, every defence system is always under assault by bots or whoever they are out there. I think that does occur, but I am unaware and certainly have not been advised of any breaches or problems that have arisen. Obviously, putting in place new IT system will be one of the focuses to make sure it is fit for purpose and can deal with those issues better than the existing system.

Ms M.J. DAVIES: So to the Premier's knowledge there have not been any breaches or attacks on the Lotterywest system?

Mr M. McGOWAN: It is always under attack, as is the state government, as is everyone, by entities. I think there are programs that do it—I am not strong on this issue—bots or someone, whoever they are. Bots do it and they are always attacking these entities. Lotterywest is vigilant about it, as is the state government, as is every entity that is similar. I suspect Tabcorp and Lottery Corporation and Betfair and everyone else is under assault as well.

Ms L. METTAM: Does the commission report on the bot threats?

Mr M. McGOWAN: Are they bots? Is it bots that do it? Lotterywest reports this to the Office of Digital Government, DGov, but this is the world and this will not stop. That is why upgrading the system is important.

Ms L. METTAM: I refer to page 564 of budget paper No 2. Can the Premier advise whether any of the government's election promises have been funded via the Lotterywest grants; and, if so, which ones?

Mr M. McGOWAN: This is capital expenses. The government does not budget on that basis. We do not make our election commitments on the basis that Lotterywest meets the commitment. Lotterywest is independent. I have met with Lotterywest about priorities a couple of times. Certainly, during COVID I asked whether it could prioritise emergency relief. That was one occasion. I remember speaking with Lotterywest one time about helping fund some new aircraft. I recall it was a \$10 million grant for some new Pilatus aircraft for the Royal Flying Doctor Service. Sometimes we talk to Lotterywest about things and I think that is reasonable. It has an independent board and it makes its own decisions, and we did not make commitments on the basis that Lotterywest would meet them. I do not have an answer to whether Lotterywest has seen or funded something that the state government may have committed to because Lotterywest literally does hundreds, if not thousands, of grants every year.

Ms L. METTAM: In the last financial year of grants, have any been attributed to previous election commitments?

Mr M. McGOWAN: I do not understand the question.

Ms L. METTAM: Have any of Lotterywest grants in the last 12 months been allocated to Labor election commitments?

Mr M. McGOWAN: Not as far as I am aware, but this budget does not deal with that. What happens there every fortnight, or every month, is that the Lotterywest board recommends a whole range of commitments around the state—there are pages of them. They deliver them for my agreement or non-agreement, too, and in the last six years I have agreed to every one, I think, bar one, because in between the time of the board's main decision and me signing the board changed its mind or the project fell over or something and so it asked me to reject it. As far as I can recall, I have not knocked back or changed a single Lotterywest board recommendation.

Ms L. METTAM: How has the mix of grants or grant priorities changed in recent years, if at all?

Mr M. McGOWAN: As I said, I asked Lotterywest to focus on emergency relief. Tens of millions of extra dollars went to Foodbank, the Salvos and Anglicare for their emergency relief programs, and that has continued over the last couple of years. That has been a response to the COVID period and the cost-of-living issues that have impacted the community. Lotterywest has always done emergency relief but it has done so more recently, which I think is a good thing. Turning to other changes in Lotterywest's focus, I know the board is looking at some sort of strategic and major initiatives that will be there for a long time. It also does a lot of grants to community groups, which is wonderful. Lotterywest is also looking at things that are lasting and meaningful and might be a bit bigger. The board is examining that.

Ms L. METTAM: Is Lotterywest looking at larger legacy projects?

Mr M. McGOWAN: Yes, it is looking at something like that, but what it does is a matter for the board. Obviously, the turnover has increased. Lotterywest is the most successful organisation of its type in Australia. Over COVID, turnover increased so Lotterywest looked at what to do with that enhanced revenue. As I said, it has done a lot in the emergency relief space, which I encourage the board to do.

Ms M.J. DAVIES: I refer to the same page. Could the Premier advise whether he is expecting any changes to the commission's board? The Premier appoints the board, does he not?

Mr M. McGOWAN: There will be another couple of board members retire this year, so there may be some changes or additional people appointed.

Ms L. METTAM: Can the Premier outline what the selection process is for the board and what is the term of board membership?

Mr M. McGOWAN: People can put in an expression of interest via OnBoardWA. Cabinet makes the decision. The organisation will sometimes recommend to cabinet or me some people who could go on there. We are specifically looking for people with commercial skills for appointment so that would be my focus for new appointments. To be honest, I think this would be a very pleasant board to be on because a large part of what it does is acting as

Father Christmas and deciding on grants for wonderful, worthy organisations. It would be a relatively enjoyable board to be a part of. I think making sure there is a commercial focus is important, so we will look for people with those skills in future appointments.

[5.30 pm]

Ms M.J. DAVIES: I refer back to the Premier's comments about the board entertaining bigger legacy projects. Obviously, there is a perennial debate around whether gambling on sport should be allowed. Has there been some thought given to or has the Premier had a conversation with the board about the potential to replace some of the sponsorship that comes from gambling or gambling entities so that they are not associated with kids sport or major sporting entities? Is that something that the government has considered?

Mr M. McGOWAN: I do not think it is a debate around whether gambling on sport is allowed; it is a debate around whether advertising of gambling on sport is allowed.

Ms M.J. DAVIES: Advertising—sorry, yes. The Premier is right. I was not precise enough.

Mr M. McGOWAN: No, I have not had that conversation with the board at this point.

Ms M.J. DAVIES: Is that something that the board would consider or the Premier would ask it to consider? Obviously, there is an ongoing conversation about how we can mitigate impacts of gambling organisations and how to displace that, particularly away from kids. If, as the Premier says, there has been an increase in revenue and the board is looking for legacy projects, is it something the government might consider?

Mr M. McGOWAN: It may well require a change to the Lotteries Commission Act if we were to do that, because the act requires that the grants go to organisations for charitable or benevolent purposes. If we were to give money to sporting codes or what have you so that they did not rely upon gambling advertising, that may well not fit the criteria. It would also mean that we would not be spending the money on the Wyalkatchem quilters or the Busselton —

Ms M.J. DAVIES: The rollerskating rink. They are in the money for some rollerskating rink upgrades.

Mr M. McGOWAN: I am sure it is very worthy. Rollerskating was big when I was a kid.

Ms M.J. DAVIES: It has made a comeback!

Mr M. McGOWAN: I find that somewhat hard to believe! It would mean not spending money on the Busselton buskers or something. If we spent money on that, we would be taking money away from those things; that is the only issue. If the member wants to contact the Lotteries Commission with her idea, I would encourage her to do so.

Ms M.J. DAVIES: This question is aligned but not the same. What percentage of the lottery's funding goes to the "gamble responsibly" message? I know that there is attention within the Lotteries Commission to make sure that there are education programs and responsible gambling messaging.

Mr M. McGOWAN: It is \$700 000 per annum. Gambling is obviously pervasive. It is nowhere near as pervasive here as in other states, because we do not have pokie machines across the community. We do not have pokie machines here at all. It is nothing like the levels in the eastern states. That is another thing that the other states cannot fathom; the other Premiers cannot believe that we do not have pokie machines.

Ms M.J. DAVIES: They are not included in the GST, are they?

Mr M. McGOWAN: But there are mandatory spending limits. People can self-exclude or set their own spend limits. How do I put it? I do not think that Lotterywest is as ugly or addictive a form of gambling as some of the other forms that are out there in the community, whereby it is constant and instantaneous. Obviously, when people engage in the lottery, there is an ongoing broader community benefit. That is why we have much lower levels in Western Australia of people suffering from gambling-related mental health and social issues. People can self-regulate should they wish to, and we spend \$700 000 a year on what is termed gambling safety.

Ms M.J. DAVIES: Has that changed over the years?

Mr M. McGOWAN: It has increased over the years. I could not give the member exact figures. We now have the highest level of responsible gaming certification under the World Lottery Association framework.

Ms M.J. DAVIES: Very good.

Ms L. METTAM: My question relates to another question about the overhaul of the existing gaming and support systems. What consideration was given to responsible gambling as part of this overhaul?

Mr M. McGOWAN: It is a key module in the tender.

The CHAIR: That completes the examination of the Lotteries Commission.

Meeting suspended from 5.35 to 7.00 pm

Extract from *Hansard*

[ASSEMBLY ESTIMATES COMMITTEE A — Tuesday, 23 May 2023]

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Chair; Ms Libby Mettam; Mr Mark McGowan; Ms Mia Davies
