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THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS IN TASMANIA MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 8 FEBRUARY 2017.

Dr JAMES BOYCE WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Gaffney) - Welcome. All evidence taken at this hearing is protected by parliamentary privilege but any comments you make outside may not be. The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available. If there is evidence you would like to give in camera, that can be arranged.

Dr BOYCE - I should say upfront I have a book coming out on this issue next month, called *Losing Streak*, which I started writing last year. It was originally intended to be a short article but the issue has lived in me for so long and I have been so worried about it and it consumed me so I just kept writing. I am a historian and a writer. I found myself, after six months, with 30 000 words, which is too long for any article. It will be published by Black Inc. next month. I want to say that because I don't want anyone to think I am here to sell a book. You don't write books about Tasmanian politics and history, as much as we are all interested in the subject, to make any money and I am not here today to promote a book. I just wanted to be upfront, though, if that is regarded as any conflict of interest. Many of the things I am talking about today are covered in depth in the book. It has much broader coverage than your terms of reference. It is a 50-year history of gambling politics in Tasmania going back to the foundation of the casino, but it does cover the recent developments.

My major concern in this whole issue, and which is most pertinent to you as Tasmanian members of parliament is the governance failure - poker machine policy and indeed gambling policy in Tasmania generally. I see it as a major failure of the Tasmanian democratic system. If we look at that in the global context at the moment, we know that the biggest crisis in some ways facing the western world is the loss of confidence in democratically elected politicians. They represent the public good but they are there to represent the interests of their constituents and not the interests of vested interests. My strong belief is that the evidence is overwhelming in relation to the formulation of poker machine policies in Tasmania that it has not been defined by the public good. It has been defined by the defence of a vested interest. This is contributing locally, it is a small example but it is another example of that invasive cynicism that we have in the community. The opinions of the community on this issue have been quite clear since 1992; despite all the efforts of the industry and the efforts of government to shift opinion, they have not budged. You can look at opinion poll after opinion poll, going back to 1992, and they are remarkably consistent. Around 85 per cent, they vary between 80 and 90 per cent, of the Tasmanian community never wanted pokies in the first place and now they want them out or at least confined back to a casino where they were in 1992 - by the way, an earlier and safer form of poker machine.

The other point I mentioned in my submission is that Tasmania is uniquely placed within the nation to pursue reform. It is very complex, as Andrew Wilkie and Julia Gillard discovered federally a few years ago, to pursue reform nationally because poker machines are mainly licensed to not-for-profit clubs and hotels on the mainland. Direct licensing arrangements -

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particularly in the not-for-profit club sector in New South Wales - have been there for so many decades. It is entrenched. Its local, cultural, political and social influences are very strong. It is very difficult to remove them but Tasmania, uniquely, has this single licence model. We have no sovereign risk issues at all now, as everybody involved in this debate was emphasising when we were pushing for change during the contract period. I have been involved in this now since 1998 and I have been told many times in the intervening years that sovereign risk does not enable us to change during the contract period. When the contract expires all government obligations have been fulfilled. We are uniquely placed in that way. Other states have multiple licences with multiple expiry times.

We are also uniquely placed to pursue reform because there are so few winners. In other states, profits from poker machines are spread widely through very different vested interests, through different local businesses. In terms of the before-tax figure, over 90 per cent goes to this single company - 90 cents out of every dollar lost on poker machines. I know that you are hearing evidence from John Lawrence so I will leave him to go through those figures. From the information on the public record, we are not doubting that - once you factor in the hotels that Federal Hotels own themselves and the turnover of those hotels.

I have been speaking about this to people and to friends and to colleagues. Most people do not like the pokies in Tasmania but most people do, as you probably heard, see them as some sort of inevitable and unfortunate part of modern life. That is why there sometimes has been a lack of energy which is fortunately changing now around the potential for change. This is something we do not want but there are many things in modern life we do not want.

The problem is that we are used to looking at the eastern Australian states, which are a sorry picture. I think the Government's failure in Tasmania has been, I measure, the most pronounced. Certainly the outcomes of around Australia, other than WA, have been pretty miserable as well. If you look at the globe it is not like that. These high-intensity Australian machines, which were designed in Australia, were an Australian innovation success story - if you read the Aristocrat Leisure website. These are not common outside of casinos. Even within casinos, Australia has over 20 per cent of the global high intensity poker machines and around the rest of the world most of them are confined to casinos. Most of you have probably been to the UK and you will know the fruit machines in UK pubs, for example; they are of a different form. They are exactly the same form that was only allowed in Tasmania before the 1993 Gaming Control Act.

Most people think all the December 1993 Gaming Control Act did was bring pokies into pubs and clubs. It did that, but the even more dangerous thing it did was legalise these high-intensity poker machines. Before that, poker machines were in Wrest Point Casino, at least since 1996, but they were the sorts of machines you had to play. There was interaction between the player and the machine. They simulated card games in the casino, the table games. Those machines can also cause social problems. I am not trying to pretend they are free of problem gambling problems or any other problems, but they don't have the same levels of addiction the high intensity - single press of the button, get the player into the zone, little rewards on every loss - produce. That is the fruit machines in the UK, and most places in the world are sort of variations of those sorts of machines. Even in Las Vegas, it has only been in this millennium where these Australian-style, highly addictive form of poker machines have come to dominate.

In relation to what I said before about the loss of faith in democracy, I want to acknowledge the Tasmanian Parliament can tackle most social issues - I have worked in social policy and research for many years and I am fully aware of the limitations all of you face as Tasmanian

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politicians in terms of addressing the social, economic and health educational issues facing this state. In a globalised economy, it is difficult to tackle issues that go back - as a Tasmanian historian, I know - generations. The issues raised by Saul Eslake, TasCOSS, Anglicare and others are not easy to address. Often the community becomes frustrated by that and blame politicians. That is something that you live with every day, I am sure.

This is an issue you can act on. This is an issue where your trust with the community can be shown, some confidence be restored, and immediate help provided to a few thousand families out there, somewhere between 3000 and 8000 - we don't really know because we could go to limitations with the research. Immediate practical help for those people can be done by doing virtually nothing - just not renewing this contract, not renewing a poker machine licence.

The withdrawal of poker machines will see \$200 million, approximately - if we were to take the casino ones out as well - injected into the local economy. Most importantly, immediate relief provided to these suffering families without doing a thing. That, in turn, will benefit the criminal justice system, because again the research is all out there about the link. Poker machines are second, after drug and alcohol, as a cause of crime. We know it will reduce the depression rates, suicide rates, family violence is linked to it, and pressure on community services in emergency relief. All these will get an immediate help by you doing almost nothing.

There are not many examples where you can look at that in terms of the disadvantage. I will leave it to Anglicare, TasCOSS and other groups like Salvation Army to talk about the two Tasmanias. Surely, the greater struggle is how we address this issue now. We have vibrant growth, we have many things happening in Tasmania, we have many people benefiting from a change in the economy and society, but we have this whole group, this large group being left behind. How do we help them? We know that poker machine expenditure, problem gambling, is concentrated in low-income neighbourhoods. We know that it is concentrated with low-income people, so here is a way you can get immediate injection of money, both into those vulnerable families and into those vulnerable communities.

We could talk about the tax and other issues and we could talk about the sordid history of the free licence and what happened in 2002. If you are interested in that I can talk about that very sorry saga. I am afraid to say the saga of what happened in 1993 is not much better, so the Liberal and the Labor Parties both have a history on this issue.

If you want to read them, two comprehensive inquiries were done in 1992-93. You should definitely read the Committee for the Review of State Taxes and Charges, which was the review that recommended the single licence model. Why did it recommend it? Because if we were going to have poker machines - which, by the way, it didn't recommend - it was being asked to consider that option and documented the social dangers. The employment costs estimated over 500 jobs would be lost if it happened. It was no sort of recommendation.

That committee was made up of hard-headed economists and Treasury bureaucrats - it wasn't some sort of welfare-type committee. They said, 'Look, if we are going to have them, we should have a single licence model'. Why? Because it is very hard to estimate what the right level of tax is going to be and there is a great danger of super profits - although they didn't use that term - excess profits, because the operating costs of poker machines are so low. They recommended we go to an open tender so the state, at least, could get the maximum financial return. Everybody who has looked at this issue since has said the same thing.

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The final point I want to make, because I realise it is time for questions, is that I would plead with you to look at the issue of the casino. The Government wants to quarantine it, like they want to quarantine the number and the location of poker machines. They are really not leaving very much room to move.

I was very gratified to see that the Legislative Council insisted on broadening the terms of reference, but I encourage you to look at the issue with the casino. To call it a casino is almost a misuse of language. There is no other casino in Australia like this.

As soon as they were licensed to use the high intensity poker machines by the Gaming Control Act in January 1994, within a couple of weeks they turned the casino into a giant pokies bar. The table gaming, within a year of that, had reduced to 5 per cent of turnover in that casino. Federal Hotels had run Wrest Point and the Country Club as large casino pokie bars ever since. No other casino in Australia has that model. They all, of course, have plenty of pokies but it is usually about half and half. The casinos in Tasmania need to be treated as poker machine venues. Historically, they have accounted for about a half of Tasmanian poker machine turnover. They are less regulated and less taxed because they don't have to pay the community support levy. I would very much encourage you to defy the Government's intent on that - the deal that seems to have been done quietly with Federal Hotels, though maybe I shouldn't say that.

The understanding has been reached that the casinos are off-limits. We are not going to be able to address this issue unless you really consider what is allowed in the casino and how it is going to be done.

Ms RATTRAY - Thanks very much and you are certainly passionate about this particular issue, James, and a long history.

Dr BOYCE - It builds up over 20 years.

Ms RATTRAY - I take you back to the figures you first quoted around the Tasmanian community - between 80-85 per cent didn't want poker machines in Tasmania. My understanding is there was a referendum that just snuck across the line in accepting poker machines. Can you clarify what you meant by 80-85 per cent right back didn't want poker machines?

Dr BOYCE - Most people in the Tasmanian community think there was a referendum, that we voted to bring in the casino by 53 per cent to 47 per cent. In fact, the 1968 referendum, for the record and to put on *Hansard*, did not ask the Tasmanian community whether they wanted a casino or not. It asked them, 'Do you support the provisions of the Wrest Point Development Casino Act?' They voted for the large development of Wrest Point. Built into that was a no-pokies promise. The only way they could get this casino up - the first casino in Australia - through a socially conservative community was to promise there would be no poker machines. That was built into the original legislation.

In 1985, Federal Hotels used the excuse of the opening - they had national casino monopoly - of Jupiter's about to open on the Gold Coast. It was going to have electronic gaming machines, so they used that excuse to say, 'We need them here too'. They also used to talk about the social benefits - I am not making this up - of electronic gaming machines for people who were shy or were having trouble with the tables, and that these people would benefit by being able to have a quiet game in there. It is common.

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They succeeded in persuading the Tasmanian Parliament to licence the first 50, only 50 machines to come in, but the problem was that it was left to the minister's discretion concerning new machines. Of course, over the subsequent years, the number of these machines built up to, I think it was nearly 500 in 1992. These were still machines that had to be played in interaction with the players. They were accounting for about half of Wrest Point's turnover at the time of the introduction of the poker machines. They were not called 'poker machines'. This is largely semantic. They were poker machines, but they were called 'video gaming machines' and they were distinguished from New South Wales-style poker machines. It required the December 1993 Gaming Control Act, passed by the Greens Government and the upper House of the Tasmanian Parliament, to legalise these new high-intensity, single-press - the sort of machines we have now. They came into pubs and clubs, as you know, on 1 January 1997.

The community polling that was done, other than that first referendum which did not relate to poker machines - in fact, there was a specific promise that poker machines would not be brought in made at that time. A number of MPs made the comment in Parliament, 'Look, if we licence the casinos, inevitably at some point poker machines will come in'. Normal assurances were given, 'No, never, never'.

CHAIR - The 1993 act also brought the other three acts all under one.

Dr BOYCE - Yes. Different casinos had their own legislation up until then.

CHAIR - They wanted to put it under one as well.

Dr BOYCE - Yes. That was all incorporated and replaced everything. There were two - the debate had been going on and was facing almost certain defeat in December 1993, by the way. The Liberal Party had reversed policy in a matter of days. They believed at that stage in a single; the Government was pushing to licence individual venues. Federal Hotels were actually leading this massive campaign against poker machines through 1992 and 1993.

In August 1993, Don Challen again, this is on the former Treasury secretary - it is on the public record and Public Accounts Committee *Hansard* record - was instructed to change policy. He said, 'In a matter of days', and the Liberal Government completely reversed its policy. The tax rates that you are now dealing with are almost exactly the same as those that were made in the Federal Hotels' submission to the Legislative Council select committee inquiry into poker machines in 1993. They were largely set by Federal Hotels. They have been modified slightly since, but again, I would encourage you to look back on those committee reports because they are still very relevant.

The Government also funded TasCOSS to do a major study into the social costs of poker machines at that time, which is also a very good report still worth reading.

Ms RATTRAY - I want to take you now to the employment or - if we went down the line that you are suggesting and completely get rid of EGMs from right out of Tasmania - so you are saying that we will enhance the lives of about 2000 or 3000 Tasmanians?

Dr BOYCE - No; many more.

Ms RATTRAY - Many more. Just help me understand about the people that are already employed in that area of Tasmania, because then that puts them at risk of unemployment. I

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represent quite a large area of - it is pretty hard to find a job, James. So how do I as a member reconcile this group with this group and somewhere come in the middle?

Dr BOYCE - The Government resisted for years and years and we campaigned year after year for a social and economic impact study that could have been funded out of the CSL. It only ever came up in the end when Paul Lennon wanted a betting exchange and he could not get it through the upper House and the upper House insisted on a follow-on socio-economic study to be done.

That first one done in June 2008, and I think it was published in 2009 by the South Australian Centre for Economic Studies, covers the employment costs very well. It shows the employment costs in regional areas. We are talking about the value of the diverted expenditure. The people who are playing these poker machines aren't doing it out of their household savings. It is not new expenditure; it is expenditure that is not spent somewhere else. In this study they looked at the employment-generating impact of the money lost on poker machines, especially in regional communities and towns where incomes are lower and there are mostly other competing small businesses. It found that for every \$1 million lost on a poker machine about 3.2 people are employed. For every \$1 million lost on spending in a hotel or hospitality business in another way, 20 people are employed if it is on food. I can't remember the exact figure on beverages, but it is somewhere between those two figures. Poker machines are the least employment-intensive industry. That is why the original committee for the review of state charges and taxes put the job losses at about 500-600. Since then, the other figure that will be relevant to you is that employment fell by 14 per cent in the three years after poker machines - this is in the club and hotel sector. You have to remember that poker machines are only in some venues, so it is all the other businesses that are suffering.

I understand you are going to hear from the Tasmanian Hospitality Association, the Tourism Council and others. I think it is very important for all of us in this debate to state any conflicts of interest. Those bodies have never been challenged about how much funding they receive from the Federal Group. These bodies speak as if they are representing their members and I'm afraid the historical record is quite clear they have not. They have massively failed to represent all the hotels that don't have poker machines even though they are supposed to represent the whole hospitality sector. We know that all these sectors would be winners. Employment would increase. Mr Armstrong knows about Cygnet. Look at what happened in Cygnet after they got rid of their poker machines. Obviously there are other things happening in Cygnet, but the idea those few people - remember, gaming is not employment intensive; people get their own tea and coffee now. It's all self-service.

I have one final figure from that study, because it is continually misrepresented and I have lost faith that anyone has really read the detail of it. It found there is a direct negative impact on the tourism industry and business investment and a 65 cent reduction in the tourism, cultural and hospitality sector spend generally. So for every dollar on poker machines you are losing 65 cents out of that sector in terms of spending. There is no dispute about the negative employment. When you look at the research, poker machines cost jobs, particularly in regional areas, but that is not a matter anymore. The research has piled up and up. We don't need further research; we need political action. Anyone who does the research or does consultation seriously on this issue will come to the same conclusion - it is only the industry and vested interests that pretend there is any question about the employment impact of poker machines.

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Ms RATTRAY - On page 2 of your submission you say if pokies are removed hotels will get a boost from keno. You talk about the injection into the employment-intensive racing industry. Isn't the racing industry gaming as well? Why is it okay for you to gamble on races but not go to a pub or a club? What is your rationale there?

Dr BOYCE - It's a good question. People talking about the dangers of poker machines are often presented as wowsers. On the Tasmanian Government Gambling Support Bureau website, there used to be a history of gambling in Tasmania, making out as if poker machines were just another extension of this glorious history. There have always been problems with problem gamblers; we all know that. There have certainly been plenty of people who have a problem gambling on the horses. There has never been an industry like poker machines, whose core business -

Ms RATTRAY - So it's okay for racing and perhaps online sports betting, but just not the pokies?

Dr BOYCE - I'm not saying there aren't issues to be managed there, but poker machines are a particularly dangerous and addictive form of gambling. The Productivity Commission, hardly a bunch of leftie, greenie types, have done two big studies and have documented this issue in absolute detail. The high-intensity form of poker machines we are talking about, the modern form, designed and developed in Australia - called Australian-style machines in Las Vegas - are more dangerous than any other form of gambling. Even at the moment, at least, online gambling is not coming close to matching it. Again, let's go back to the research. We are always told let's not be emotive, let's talk about the facts.

Ms RATTRAY - I think that's a struggle for you.

Dr BOYCE - I get emotive partly because people never go back to the facts. This giant study was done, hundreds of thousands of dollars of expenditure in these social and economic impact studies, and they may as well have never been done. What did it find? From memory, of all of the money lost by problem gamblers in Tasmania, 76 per cent of that is from poker machines. Sure, racing has problems, and there are even a few people who have problems with lotteries.

I was making the point about these other forms of gambling because they often like to say - Federal Hotels talks about the tax rates as a contribution by the company, which is an interesting angle on it. The taxes paid from poker machines are not a net benefit, because there was an immediate decline in racing industry expenditure. The tax receipts received by the Tasmanian Government by the racing industry collapsed after poker machines, again documented in the 2009 social and economic impact in the research report. Racing has suffered since poker machines have come in. Those of you involved in the racing industry will know that is something people talk about. The racing industry is employment-intensive compared to poker machines. There are a lot of people, especially in regional areas, who are employed in that. That has suffered and has been hit. Lotteries have been hit as well. Lotteries have some social harm, but they are very lucrative for the Government and the lottery expenditure would be higher without poker machines.

When you are looking at the tax rate you need to factor in what was lost. Those of my generation remember that community organisations used to get a lot of their extra funding by running charities and raffles in Tasmania; some still do, but it is nothing like it used to be. The

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decline in even that minor form of gambling collapsed after poker machines. There is a direct correlation of the decline in these other forms of gambling that, yes, have their dangerous sides, but are much less dangerous and much more revenue-lucrative for the Government.

Mr BACON - You said the Productivity Commission research recommended a \$1 bet limit. What are your thoughts on whether that would have an impact on problem gambling?

Dr BOYCE - I'm no expert on the precommitment and \$1 bet limit. Obviously a \$1 bet limit is better than no bet limit. We used to argue for a bet limit and they would say you have a bet limit and it was a \$10 bet limit. That was designed by the poker machine industry and the people making the machines. It was built into the machines. This is why I get emotive, as so much of this stuff has been manipulated.

As you would know, there was an inquiry into the \$1 bet limit. We went to an election in Tasmania with the Greens and the Liberal Party supporting a \$1 bet limit. The Greens and the Liberal Party had a majority in Parliament after that election, mysteriously while they were pursuing the Labor Government over their broken election promises, remember, after the 2010 election? The Liberals and the Greens had the numbers to get that through and the Liberals just reversed their policy. The reason is because the \$1 bet limit would be of some help. What the Tasmanian Gaming Commission in their report to the Treasurer Michael Aird in 2009 said - and the Productivity Commission said the same thing - is that any problem gambling measure that works will hit revenue because problem gamblers account for conservatively 40 per cent probably now, with the decline in the recreational gambling. The number of people playing poker machines is dropping. It is now only about one in five of the Tasmanian population. Expenditure is not dropping by nearly as much. The proportion that's actually being paid by the problem gamblers continues to rise. The main gamblers are playing more and more.

Ms RATTRAY - Don't you think they will play longer and longer if it is a less bet limit?

Dr BOYCE - My position is these machines need to go. Federal Hotels itself made quite eloquently clear in 1992. I can remember, again it's documented - John Haddad, the old managing director,

Ms RATTRAY - We are not here to bash the Federal group, though. We are here to get as much information as we can. If you do not mind, keep it to the point.

Dr BOYCE - I acknowledge that. If the Tasmanian Government, and the Tasmanian Parliament historically, had set gambling policy and Federal Hotels had been a neutral player administering that, I would think that is a legitimate position. I believe that the history of this issue is quite clear. They have been a policy-maker as well as a policy-setter which is why, unfortunately we have to bring them up in conversation. They repeatedly make claims in the public arena that are repeated. Those claims do need to be challenged. They make regular contributions to the public debate, especially when their interests are threatened. That is why I am pointing out that they in 1992 made this very point. John Haddad that if he had headlines like poker machines had had already at that point for 20 years, he would walk away from the industry. He did not want poker machines. Poker machines were already proven harmful in 1993. The harm indeed is more established now, 25 years later.

Ms RATTRAY - Didn't the Federal group oppose having EGMs in pubs and clubs, originally?

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Dr BOYCE - Exactly, that is my point. That is what I am talking about. They opposed them and then the policy was reversed in August 1993, in a matter of days. Then they became full backers of it because they were given the exclusive licence to every poker machine. They were opposed because it was going to be competition with the casinos. The casinos were not going to have poker machines. They were going to continue to be restricted to these other forms of electronic gaming machines and so they were going to be fighting a new competitor in the market.

Ms RATTRAY - They tried to confine them and they could not hold them so you want to be in the game.

Mr ARMSTRONG - Dr Boyce, you advocate that EGMs should be removed entirely from casinos and clubs.

Dr BOYCE - Modern style, high intensity.

Mr ARMSTRONG - Yesterday Treasury told us that \$55 million is raised through the EGMs through our taxation system. Given your background as a social policy commentator, I am interested in your opinion on which way those taxes could be increased. What new taxes would you introduce to raise that money?

Dr BOYCE - The first point is the \$55 million is not a net loss. That is the point we were discussing before. First of all, you have to account for the \$5 million or so to administer that \$55 million. It is a very expensive form of gambling taxation we seek to administer compared with other state taxes and charges. You have to account for the loss in revenue from other forms of gambling. That's what we were covering. I hope this committee gets this modelling. What we have lacked before is proper modelling on this issue. If you go back to the 2009 study, they looked at it to some extent. Certainly we are not talking about a \$55 million net loss. Then you have to look at the reduction in expenditure in health, community services and all those others that are very expensive. The estimate is \$6 million - this was in 1992. There were splits in the Liberal cabinet. The police minister was opposed to the introduction of poker machines. He got his own department to do a report. The estimate at the time was \$6 million extra in terms of the cost in jails. You have to factor in all those costs. You can't just say it is a \$55 million loss to the state budget; it won't be.

Mr ARMSTRONG - It's still a substantial amount of money, though, even if you take the \$5 million off what you are saying.

Dr BOYCE - We don't know how much it is. It is much, much less than other states. In Victoria, because of the licensing arrangements, giving the licence for free to Federal Hotels, was an extraordinary public policy decision. This was the most valuable public licence in Tasmania. In the Public Account Committee hearings at the time - as Rene Hidding made very clear, he was horrified. The most valuable public licence in Tasmania, the whole logic behind the single licence system was that it go out to tender to maximise public return and it was handed over for nothing.

We have had a very low return in Tasmania compared with what we could have had, but we now have the opportunity to benefit from that. The state budget is not nearly as dependent on it as is, say, in Victoria. Sure, there are going to be transition issues. We don't know, for example, what sort of revenue - When you have \$200 million that is suddenly spent - In every single year,

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a \$200 million stimulus on the Tasmanian economy is going to have revenue benefits for the Budget as well. This needs to be modelled. Get the figures. Ask Treasury to factor in some of those other effects - the multiplier effects of the diverted expenditure et cetera. Then we will see the problem we are dealing with. It is going to be a lot less.

Mr ARMSTRONG - They are the figures they gave us yesterday.

Dr BOYCE - That was just the crude tax take, though.

Ms COURTNEY - In your opening you said, with regard to EGMs, there are so few winners because of the monopoly held by Federal Hotels with the licensing. Doesn't the Government's policy of having an open market tender proposal in the future remove that argument, because there will not be a monopoly in the future?

Dr BOYCE - There will be some benefit to the Tasmanian Budget. This current situation has been so bad - it is appalling to have given the licence for nothing - so as soon as you start having some sort of tender system, which is basic governance - the National Competition Council looked at this and condemned it 15 years ago. Everybody who has looked at this has been appalled that we could give away the most valuable public licence for free. You are excluding casino poker machines. I don't know the reason for that, but that is nearly half so they have been locked out. You have guaranteed that the poker machines are going to stay in the current venues. They are all locked in, so then the number is locked in. Something over one-third of the poker machine spending in hotels - since they used most of the money they made out of the licence, most of their investment was taking over established pubs. They have taken over the biggest turnover - I think it is 12 now - of poker machines in hotels around the state, only since they have had the exclusive licence. My back-of-the-envelope figure is that you have quarantined about 70 per cent of Federal Hotels poker-machine profits by the gambling principles or framework that you laid out that this committee is supposed to operate under. There will be some benefit. The situation won't be quite as scandalous as it is now but it is terribly sad that the Government hasn't taken the opportunity to look at the future of poker machine policy across the board. So much has been taken off the agenda before we have even started. This is a very sad situation. You could be in a situation now where we are looking at the future of poker-machine policy across the board but instead we have this very restricted and crowded terms of reference. But, yes, it will be an improvement.

CHAIR - Thank you, Dr Boyce. When is your book released? It sounds it could be a good read.

Dr BOYCE - On 14 March.

THE WITNESS WITHDREW.

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Mr JOHN LAWRENCE WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome, John.

Mr LAWRENCE - I will just make a three-minute statement. I have basically summarised what I have written. I did not specifically address your terms of reference. I started off writing what I thought was needed, that was the background paper on how the existing system has worked. I thought before we can talk about what is going to happen in the future, we ought to understand the past.

After 13 years of the minimum 20-year agreement, Federal Hotels has increased its EGM pubs from four to 12. It has bought and expanded a 9/11 bottle shop chain and taken out two-thirds of half the tax profits as dividends. Had it not been so generous with dividend payments, it would now be debt free. Granting the sole licence with nil consideration, apart from a few conditions, was predicated on the basis that there would be spill-over effects for the Tasmanian tourist industry.

Any trickle-down effects have mainly been into shareholders' pockets. The costs of building Saffire, which was mandated by the revised arrangement back in 2003, amounted to only six months of operating cash. Federal Hotels was generating about over \$60 million of spare cash every year. It only had to set aside half of that in order to build Saffire. It did not actually hand over Saffire as payment, it still owns the property. If you are going to look at tax rates, it is important to understand the costs that face poker machine operators. Here I am just talking about the operating costs.

Federal Hotels as a network operator faces mainly fixed network costs; the cost of monitoring a poker machine in Dover are no more than a high-income machine in Glenorchy. It is basically a fixed cost. The costs do not vary with player losses. Federal Hotels basically just face fixed costs. Then you face fixed costs in the form of machine rentals.

Mr BACON - Are you talking about Network Gaming there?

Mr LAWRENCE - Yes, I am talking about Network Gaming. Player venues, they mainly face fixed costs in the form of machine rentals. There is variable costs in respect of wages and a bit of electricity, but that only amounts to about 10 per cent of losses. Hence between the licensee and the venue operator, variable costs are only about 10 per cent of losses. GST takes 9 per cent. Tax and community support are a further 30 per cent. Once fixed costs are covered, for every dollar that is lost, someone's bottom line increases by 51 cents. That is once all the fixed costs are gone. Every extra dollar that is lost, someone picks up 51 cents, whether it is Network Gaming or whether it is the venue operator. That ought to be borne in mind when you are talking about setting tax rates. Why should a regulated gaming product produce higher returns than other areas of hospitality, subject to free or at least freer markets? Why should returns from gaming be higher than, say, bars, bottle shops and food, especially as it is regulated?

My view is that governments should adjust the parameters to lower the losses. We are talking about spin rates, bet limits and so on. If they persist, then use the system of stepped tax rates to clean out the excess profits. Why should poker machines in casinos be taxed differently than those in pubs?

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Don't be too starry-eyed about the economic contribution of gambling to the Tasmanian economy. There is a whole macro accounting truism that one person's spending is another person's income. If one person spends money it becomes income for someone else. What happens in the gaming industry is the punters spend money, \$237 million last year. That ends up as income to Federal Hotels and it is picked up under macro accounting rules and it is included in gross state product. If they hadn't spent it on gambling, they would spend it on something else, so it is not -

Ms RATTRAY - But would they, that is the question?

Mr LAWRENCE - Absolutely. Punters tend to spend 100 per cent of whatever they have. If they don't spend it on gambling they will spend it on something else.

Ms RATTRAY - Another form of gambling perhaps.

Mr LAWRENCE - Another form of gambling perhaps, but they might spend it on food, education, health or whatever and they might spend it on other things in the community. One way or another it will be spent, so it will end up in gross state product anyway. There is nothing unique about gambling, you are simply taking losses from one side and calling it value added. There is nothing magic about it. Don't get too starry-eyed that gambling is somehow unique it adds more than -

Ms RATTRAY - It's been a long time since I've had stars in my eyes, John, I can tell you.

Mr LAWRENCE - Don't forget about keno. Keno is taxed at an awfully low rate. If taxed at the same rate as poker machines, it would raise \$10 million. Imagine that, for instance, in the Tourism Infrastructure Fund. I am not particularly in favour of hypothecation taxes, but imagine if it was set up that way. Imagine taxing keno to collect \$10 million, rather than \$2 million, and it is no more of a burden. Everyone agrees there is lower social risk with keno. Imagine that \$10 million in the Tourism Infrastructure Fund, why wouldn't you do that? We thought we were going to get that with Federal. We thought Federal were going to provide the spill over effects, but it hasn't worked out that way.

Ms COURTNEY - You talked about keno and the level of taxation, and possibly having the same level as EGMs. What do you think is an appropriate level of taxation for keno, and why?

Mr LAWRENCE - I'm not exactly sure. The way I tackle it is to look at the profits being made by the operators. As I said before, I don't believe there is any reason why a regulated product should make more than other areas of hospitality. I'm not sure how much Federal Hotels make from keno. I know what happens at the venue level but their operating costs, I suspect, are very low. They have a few fixed costs and I believe they pay a licence fee to Jupiters, I believe they do, but I'm not sure.

Ms COURTNEY - You talk about the equivalent margin to other hospitality businesses. Could you argue that it should be a similar margin to other entertainment businesses? Hospitality tends to have tight margins, particularly in Tassie in regional areas, and often we have cross-subsidisation -

Mr LAWRENCE - They can be tight, yes.

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Ms COURTNEY - between the gaming revenue to try to ensure sustainability within the hospitality side of those industries.

Mr LAWRENCE - Gaming is considered an entertainment product, so whether it was grouped in that -

Ms COURTNEY - It is in the terms of reference, the taxation, so I'm just trying to get a handle on it.

Mr LAWRENCE - In the hospitality industry and in most industries a 13 per cent return would be pretty reasonable across the board, so we are not talking huge differences. A 13 per cent return on assets would be -

Ms COURTNEY - Also, you talk about a tax regime incorporating increasing marginal rates would be sensible public policy. This is a regulated industry and in some way revenues and profits are therefore regulated. Can you think of other comparable industries where you have increasing marginal tax rates within regulated industries, from a comparative perspective?

Mr LAWRENCE - We have progressive income tax.

Ms COURTNEY - Corporate tax is flat, though.

Mr LAWRENCE - Yes, but if the aim of the public policy is to ensure people make reasonable rates of return, stepped tax rates are the only way. I do not think it has to be comparable. The public policy aim is to allow the industry to make reasonable profits, not excess profits. That is the role of government. You take out excess profits either by way of annual taxes or you take it out by way of upfront fees. If the tender goes out to the open market, it is the same thing.

Ms COURTNEY - In terms of looking at profitability and defining excess profits, you say on page 6 there is no chance that lowering returns to gaming will cause an interstate flight of capital. For many other industries, we all know capital is pretty fluid and can reach different places pretty quickly, and states have very few levers in terms of state taxes they can move up and down. The law of state tax is that a government will change in the hope to bring capital to their state. How can you justify saying if we have a higher level of taxes for an industry, why there will not be a flight of capital? Or, conversely, lower taxes means there is going to be influx of capital.

Mr LAWRENCE - No, no. All I am saying is if you bring the tax rates down to a prevailing level in the hospitality industry they are still going to be happy, aren't they? They are still going to invest in the hospitality industry. Look at all the people investing in the hospitality in Hobart with accommodation. They are happy to invest with whatever their rates of return are going to be - 13 per cent. Why does a hospitality operator who happens to have access to gaming, how come he can get by with 100 per cent return? Some of these returns are huge. We are not talking just triple or double figures; we are talking triple figure returns.

Ms COURTNEY - Opening up competition to the market will allow different people to come in and we could see an influx of capital.

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Mr LAWRENCE - I believe that competition is harmful. The widespread view is that competition in the gaming industry is harmful. Peter Holt made similar comments in his submission and I agree with what he said.

Ms COURTNEY - Thank you. It is my understanding that in the past - and I have been told this, I do not have the evidence before me - there were different tax regimes for EGMs at different profitability. Do you have a view on that?

Mr LAWRENCE - Yes. I agree. That is the whole system of stepped tax rates. The more they take, the more you take, the more you rip off - extractable tax.

CHAIR - I am pleased you mentioned Peter Holt. He is appearing before us next week.

Mr LAWRENCE - I thought his was a very good submission. It was very good.

Mr ARMSTRONG - Clearly, you have put a lot of work into your submission. For the record, do you support the EGMs in pubs and clubs?

Mr LAWRENCE - If I could choose between whether they should go or whether they should stay, I would say they should go. I do not think that is going happen.

Mr ARMSTRONG - If you had a venue you would not have them in?

Mr LAWRENCE - I am involved in a venue that does have them.

Mr ARMSTRONG - But you are saying they should go.

Mr LAWRENCE - On balance, if I had to choose, yes.

Mr ARMSTRONG - Why do have them if you don't want them?

Mr LAWRENCE - As a matter of fact, we originally signed up for 20 machines not knowing anything about them, what they were going to do, but when the opportunity came around to increase to 30 machines, we said no. I am only a very small shareholder; it is part of a larger group, the entity that I am involved with. That industry operates out of Smithton and I can assure you that the owner of that business donates more to the community than we earn from poker machines.

Mr ARMSTRONG - You have 20 machines in that venue.

Mr LAWRENCE - That's right, yes.

Ms RATTRAY - A pub or a club?

Mr LAWRENCE - It's a pub, Tall Timbers.

Mr ARMSTRONG - Again, from your submission it wasn't clear which model you were advocating. Do you favour the single licence model that we have now?

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Mr LAWRENCE - There have been pluses with the single licence model. It has been easy to control and it gives more social control in that it gives the community more control. I wouldn't argue against perhaps having a two-network model. Whether there are enough efficiencies there for it, I'm not sure, but if there were two network providers, two or three - I don't favour licences at the venue level and I don't favour perpetual licences. I would prefer a similar sort of arrangement to what we have now, whether it is one licence or two.

Ms RATTRAY - We received some evidence that suggests that clubs and, in some respects, pubs should be treated differently, particularly in the club situation because they give so much back to the community. For instance, bowls clubs and golf clubs should have venue licences at virtually no charge and perpetual licences. Do you think that would deliver an unlevel playing field or do you think that is not a bad playing field?

Mr LAWRENCE - We must remember that clubs already receive special treatment by the Income Tax Act. They are not taxed on their income.

Ms RATTRAY - Because they are mostly non-profit, is that it? That is what they say.

Mr LAWRENCE - It is not so much non-profit, it is the principle of mutuality. It is basically their income, so you are not taxed on your income. It basically goes from your pocket into a joint pocket. The principle of mutuality means that they are not taxed on their income so they get an advantage there. I don't think we should particularly give them more advantages although, as I suggested in my submission, a stepped tax rate would mean that the first \$5 000 or \$10 000 in EGM turnover per machine would be tax-free so they would get an advantage that way. The eight clubs in Tasmania are all at the lower end. Even the Glenorchy RSL still ranks 70 or 80 in the state, well behind all those other pubs in Glenorchy.

CHAIR - I would like you to comment on the Government's post-2023 concerning MONA. You make mention in your submission about the firestorm around it. Do you have any further comment you would like to make about how you see that? They have put on the table an offering of another license to the north.

Mr LAWRENCE - I thought it was a bit cheeky of Federal Hotels to take advantage of that situation to try to get an extension on their licence and David Walsh clearly did not want to be a party to that. Given his known distaste for poker machines, he didn't want to be seen to be involved in that. I don't know David Walsh, I've never met him, but I don't think he wanted to be seen to be involved in any deal that would extend the poker machine deal.

CHAIR - Were you listening to the debate yesterday when Federal were asked about -

Mr LAWRENCE - I was driving down and I caught bits of it at the end.

Mr BACON - You talked about spin rates and bet limits. I just wondered if you have a suggestion about where they should be set?

Mr LAWRENCE - No, I don't really, Scott. I'm not an expert on all those parameters that really determine the losses. I would be winging it too much to give an opinion.

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CHAIR - You mentioned the rates on keno. Could you expand on that a bit further for us about how you would compare them, because we were informed yesterday that the rates for keno were - you heard the response from Mr Farrell.

Mr LAWRENCE - Yes, I did. It didn't sound very convincing to me because I couldn't really see why not. Anyway, I don't think we should be bound by what happens interstate. It is what is best for Tasmania. There are some extraordinarily high rates of tax on lotteries and it doesn't seem to inhibit investment in lotteries. I don't think a higher rate of taxes on keno would stop people playing keno. In any event, why should it go to the Farrells? On my calculations in my submission I thought they were making at least \$15 million from keno.

CHAIR - If you were to give three suggestions or say to this committee, 'These are the most important points, I believe, through my paper and the impact on the future of gaming from 2023 on,' what do you think they might be? If you were to dot point the things that you would want us to take away from your paper in this discussion, what would they be?

Mr LAWRENCE - Don't give long-term licences, certainly not perpetual licences, because you have another lot of interest holders that all of a sudden they are beholden to. Should things change, those people will be lining up with their sovereign risk arguments and wanting compensation. The community should maintain control. By all means, people need certainty, but five years is long enough.

Mr BACON - Can I just ask on that point, when you said before you thought that competition was harmful, do you think there should be a single licence or the venues should be licensed themselves?

Mr LAWRENCE - No, I do not believe in licences at the venue level.; I think that is getting too complicated. I think there are some pluses with the single-licence model. Robert asked whether we go to two providers. One thing that makes it easier for clubs and so on under the single-licence model we haven now is that Federal Hotels own all the machines. All those little clubs down the bottom don't have to worry about financing machines, which would be a real hassle for a lot of small pubs and clubs. The transition would be a real hassle. I think there should be an opportunity for the existing type of model to at least continue where the licence holder actually owns the machines and just leases them to the small venue operators. Whether or not there is another model where venues can maybe own their own machines if they want to, I don't know. Sorry, where was I?

CHAIR - If you could have three or four main points out of this, what would you like?

Ms RATTRAY - You said no long-term licences, maximum five years.

Mr LAWRENCE - Ensure that the returns are similar to other areas of the hospitality industry, but bearing in mind, as Sarah said, we may have to extend that to a wider view of industry. Where possible, tweak all the parameters to squeeze all the excess profits out so the players and the punters are getting a better deal. Use the system of stepped tax rates to get rid of any surplus. They would be my recommendations.

Ms COURTNEY - Going back to what we talked about before, the allocation of capital, if you squeeze all excess profits out of an industry or a business, isn't it therefore logical that they will take their capital and invest elsewhere? We see it in other industries all the time.

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Mr LAWRENCE - We don't need any more capital in the gaming industry. All the facilities are there and if they need upgrading, they can be upgraded out of ordinary returns. We don't need excess profits there.

Ms RATTRAY - There is a submission you probably ought to read sometime that says they do need some more funds.

Mr LAWRENCE - The gaming industry?

Ms RATTRAY - Clubs - number 133, for your reading. They are saying it is hard yakka for them.

Mr LAWRENCE - Under what I have suggested they will get some relief.

Ms RATTRAY - Because they already have low tax.

Mr LAWRENCE - They don't pay income tax. If you have stepped rates, because they are the lower end turnover-wise, a lot of their gaming profit might be tax-free and they'd benefit that way.

Ms DAWKINS - Can I ask a question on better returns to punters? How do you suggest that could be managed? Would it be in the programming of the machines?

Mr LAWRENCE - I'm not exactly sure, but I think so. Currently they're getting 90 per cent, but why can't they get 95 per cent? I'm not sure how you do that. The statutory rate is 85 per cent, I believe, but generally around here it is about 90 per cent. I'm not sure how they do that, whether there is a machine setting or not.

Ms RATTRAY - Have a look at the *Kerching!* video online. It's quite interesting.

Mr LAWRENCE - I've seen that video but it doesn't explain it.

Ms RATTRAY - It does explain how they make the machines.

Mr LAWRENCE - How they set the house percentage? I can't imagine it would be hard.

Ms RATTRAY - I have seen it somewhere. I am sure if you Google it, it will come up.

Ms DAWKINS - Yesterday Mr Farrell said he didn't believe people who played poker machines thought they were going to win. Do you think that's true? Do you think people play poker machines just for the entertainment value or with a hope there might be some positive return?

Mr LAWRENCE - I'm not really sure. I would have thought there was an expectation, but it would be too speculative for me to offer too much.

CHAIR - Thank you very much. We greatly appreciate your work and if at some stage in proceedings you hear somebody make an assertion about spending, the tax rate or whatever, and you think that is contrary to your belief, we would be more than happy for you to comment on

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that to us. That would be very helpful because your experience and background is informative for the committee.

Mr LAWRENCE - Are you going to issue a draft report for public comment?

CHAIR - There will be an interim report. I am not sure if it will go out for public comment, but that's not likely. The committee reports back to Parliament - that is the process - and we are hoping to do that by 30 September.

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Mr BRUCE MATHIESON JNR, CHIEF EXECUTIVE OFFICER, AND **Mr DAVID CURRY**, HEAD OF REGULATORY AND CORPORATE AFFAIRS, AUSTRALIAN LEISURE AND HOSPITALITY GROUP, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome. All evidence taken is protected by parliamentary privilege, but outside here you may not be afforded that cover. The evidence you present is recorded on *Hansard* and a version will be published on the committee website when that becomes available. If there is any evidence you would like to give in camera, that can be arranged.

Mr CURRY - We operate 330 licensed venues and over 550 retail liquor outlets across Australia and employ almost 16 000 people. Our hotels have a very diverse hospitality experience, sports bars, bistros, restaurants, cafes, electronic gaming, retail liquor, accommodation, nightclubs and wagering. We operate in every state in Australia, except the ACT.

Some facts around our hotels: we serve over 57 000 meals a day, we have over 1800 accommodations rooms, we spend over \$28 million per annum on bands, acts and DJs, and sponsor over 1000 clubs nationally. In Tasmania we operate five hotels employing over 200 people and our pubs in Tassie have 135 accommodation rooms. In the last financial year we paid almost half a million dollars in payroll tax, spent over \$600 000 in capital expenditure and paid \$6.9 million in gaming tax.

As a group we have a clear commitment to be Australia's most responsible hotel and gaming operator and we've already led the industry in terms of responsible gambling best practice with voluntary pre-commitment installed on every gaming machine we operate in mainland Australia. I say mainland Australia because at 281 venues that we have voluntary pre-commitment installed on we cannot install them on our venues in Tasmania at this point in time, because Federal have advised us they operate and own the equipment, so they are unable to do so. We had a letter from Federal in August 2015 stating that, but we have completed our rollout in every other jurisdiction.

On all our gaming machines players can preset time and/or spend limits. For the last seven years we have worked with David Schwarz, a well know former AFL footballer and reformed problem gambler and he has actually come down to Tasmania on multiple occasions. David is our responsible gambling ambassador and he provides employee education and customer awareness about the importance of asking for help if gambling becomes a problem. He is also available to discuss any gambling problems our staff or their families and friends may have.

We also have a self-exclusion program that helps people who decide to limit their access to gaming machines to implement that decision. We have devised a mandatory online responsible gambling and training module for all our relevant staff. This is unique to our organisation. This module shows how to approach and interact with customers who may be showing signs of problem gambling and explains how our self-exclusion program operates.

The indicators of people who may have a problem with their gambling was a piece of work that was done with Anna Thomas from the Australian Institute of Family Studies and Paul Delfabbro from South Australia. We participated in that trial with our hotels.

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As part of our commitment to deliver responsible gambling ALH partner with Bally Technologies as a preferred system provider across our Australian hotels to facilitate our pre-commitment functionality. Bally is a market leader in gaming systems and has enabled us to deliver voluntary pre-commitment functionality. As I mentioned before it enables our customers to, if they so choose, elect to stick to their limits by nominated spend and/or time limits either on the machine at a kiosk or at the cashier.

We are very keen to install Bally in-machine hardware technology and external card readers across the 150 gaming machines we operate in Tasmania in order to facilitate the voluntary pre-commitment capabilities to our customers.

We are of the view that gambling is now a mature industry, particularly gaming in clubs and hotels and wagering on racing. Gaming machine spending per capita is in decline falling by 4 per cent over the period of 2009-14. Within wagering there is an ongoing migration from a parimutuel to fixed odds and sports betting. Whilst it has been coming off a fairly low base, the growth has been significant over the last few years.

Gaming machine market share relative to other forms of gambling has decreased and this decline has primarily been driven by an increase in spending on other forms of gaming: particularly casinos; interactive gaming and lotteries; the explosion in sports betting, which increased by around 158 per cent from 2009-14; and the impact of online gambling.

A recent study indicated about 1.8 million Australians have gambled online in the past 12 months. The decline in EGM market share is not driven only by growth in other products, it also reflects a significant decline in rates of participation in EGM gambling, itself. EGM participation has fallen over the past decade, from 39 per cent in 1999 to 19 per cent in 2011.

Expenditure on gambling as a percentage of household disposable income peaked in 2000-01 and has since been on decline, more specifically expenditure on electronic gaming machines, and a percentage of HDI has seen a decline of 2.14 per cent in 2001-02, to 1.06 per cent 2013-14. Consistent with transience, expenditure on sports betting has increased as a percentage of HDI.

I guess in the electronic gaming space where we compete more broadly for competition with the entertainment market and over the past decade, particularly the past five years, the level of competition within the entertainment industry has intensified. That includes things like internet and pay TV-related services. From our perspective, the gaming machine product offering needs to be regularly updated and refreshed to make the product relevant and attractive in a highly competitive environment, and this requires capital investment.

Spending on gaming is clearly linked to household disposable incomes. Gaming machine expenditure, we predict, is likely to increase by 1.1 per cent. Spending on lotteries and race wagering is likely to fall by 3.9 per cent on lotteries and 13 per cent on race wagering, and sports betting and casino play are forecast to deliver strong growth. Casinos are to grow by 19 per cent, and sports betting by 136 per cent.

A greater emphasis on economic efficiency and entitlement allocation - that is what the market would look like - and on supporting an investment environment for venues will be important to ensure the gaming machine industry delivers continued growth, investment and employment, as well as a fair financial return to the state of Tasmania.

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As venue operators, we effectively compete within a price-regulated industry. The minimum return to player rate, the closest thing to a price of gaming, is set in legislation, removing the key avenue by which concentration in a market causes consumer detriment, which is higher prices.

Venues can compete for EGM players by their location, by the quality of their environment and machines and by the quality of their complimentary businesses - things like bars, bistros, accommodation, et cetera.

Gaming venues are increasingly subject to competition from other forms of gambling. These forces discipline all gaming venues into providing better product, regardless of ownership. Venues also compete for recreational gamblers, which means competing with non-food gaming, beverage venues, as well as other gaming venues.

The electronic gaming machine share of entertainment expenditure has fallen by a quarter since 1999, while the share of other recreational expenditure has grown by two-thirds. Where more varied consumer options are now available, gaming competes in a broader entertainment market.

Under the current arrangements in Tasmania we have no ability to determine the price, the quality, the type of game and denomination of the product that we offer to our customers. These aspects of the business are licensed to the Federal Hotel Group, responsible for sourcing and distributing product to venue operators. The licensees choose the source manufacturer, the product denomination and return to player for all EGMs in all other states in Australia.

Whilst under these arrangements, some competition exists at a network level between the licensees, there is more potential for vigorous venue-to-venue competition on the basis of product quality, price and marketing. We believe that bill note acceptors should be fitted to all club and hotels machines in Tasmania as per all Australian mainland states, with the exception of South Australia, and this would ensure regulatory neutrality with Tasmanian casinos.

A key rationale for moving to the venue operator model is to ensure the financial benefits of gaming are fairly and more broadly distributed. A venue operator model would break the monopoly, where a single operator by law is entitled to a revenue share that provided them extensive profits at the expense of venues and taxpayers. A new owner-operator model ensures venues benefit directly from operating EGMs, and pay the wider community for the right to do so via taxation and competitively determined premium payments.

The financial benefits of gaming machines are understood to be distributed to the community through four channels - taxation revenue, direct community benefits provided by venues, economic activity created by venue operators in their local community, and broader economic activity arising from the gaming machine industry. We support the existing tax structure, while emphasising the need for certainty over tax rates in order to encourage investment in venues and products. We believe licences should be issued in perpetuity, which will increase an environment of investment confidence, and often increased levels of revenue risk and perceived tax and regulatory risk in the industry.

Gaming venues face stronger competition from other forms of gaming and mobile sports betting than in the past. We are seeing declining participation rates and average spending. More intense competition for consumer dollars raises the level of ongoing investment required to

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provide an innovative product via new machines and games, and also a quality venue environment.

Creating an environment of investment certainty has a flow on effect of capital investment in our properties and job certainty for our staff. As a group, we will continue to focus our capital investment in Australian states based on both return and where gaming machine licenses are issued in perpetuity. We also feel that industry should be provided certainty over future taxes and levies and other major regulatory settings. Our industry exists under a constant threat of regulatory change that raises risk perceptions amongst venues and investors and reduces the market value of EGM entitlements. We believe regulatory changes can also impose significant costs, deterring investment and reducing the value the industry are prepared to pay for the entitlements.

A key metric for our group is a return on investment and value to shareholders. If the rate of return on investment in the gaming machine sector diminishes ALH, our group may find it increasingly difficult to justify further investment. A reduction in capital investment in the gaming machine business is likely to have flow-on effect, such as; downward pressure on our gaming machine revenue, downward pressure on gaming machine tax receipts to the government, and impact on industry employment.

We understand governments cannot truly bind future parliaments except by a constitutional change, but they should be able to legislate strong signals to future parliaments. Governments should provide strong protections against regulatory risk where this generates certainty, investment, employment and license revenue to the state. Guaranteeing tax rates will lead to more certainty amongst entitlement purchasers and may ultimately increase total revenue, that is, license premiums plus tax, to the state.

Mr ARMSTRONG - Some of my questions have already been answered. You have five venues in Tasmania, 150 machines?

Mr CURRY - That is correct.

Mr ARMSTRONG - How machines do you have in all your venues, throughout Australia?

Mr CURRY - Just under 12 000 machines.

Mr ARMSTRONG - As you are aware, many people in Tasmania argue there should be less electronic gaming machines in Tasmania. What do you believe would be an appropriate number? Have you got an idea?

Mr CURRY - In terms of the state, I am only going to comment on our hotels. We have 30 in each of the hotels that we operate. I think that gaming forms part of a balanced business offer, particularly in our hotels combined with bars, bistros, accommodation, and it makes them a venue of choice for people. We are very much of the belief that by offering a broad spectrum of entertainment under a single roof provides opportunities for all people who visit our hotels to avail themselves of different offers.

Mr BACON - You have 12 000 machines in Australia and 150 in Tasmania, and the 150 are the only ones that don't have the voluntary pre-commitment?

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Mr CURRY - That is correct.

Mr ARMSTRONG - Do you think there should be a limit?

Mr CURRY - I am not offering an opinion on a limit, but I think gaming should continue to be available but under an owner-operator model.

Mr ARMSTRONG - You state that you have introduced unique and innovative ways, and you have touched on some of them. Are there any others that you would like to tell us about?

Mr CURRY - In addition to the voluntary pre-commitment installed on all machines outside Tasmania, we have our responsible gambling ambassador, we have a pocket guide, which we distribute to all our staff which talks about our commitment to the gambling codes of practice and how our self-exclusion program works. That sits behind an employee's gaming licence. In addition to the mandatory responsible service of gambling training, we have our additional training online, which goes through both a message from our CEO around our commitment to responsible gambling. It also talks about things like indicators of people who may have a problem with their gambling and how to interact with those customers.

Mr ARMSTRONG - I also notice that you are in excess of legislative requirements.

Mr CURRY - In excess of - correct. Those things are all in excess of legislative requirements.

Mr ARMSTRONG - They are all in excess of that. Do you have any comment on our terms of reference? Do you think they should be expanded?

Mr CURRY - The only comment I would make is that in every other jurisdiction, we operate as effectively an owner-operator, which enables us to provide the most competitive offer, be innovative in terms of our product offer to our customers. At the moment we are restricted from doing that in Tasmania.

Ms DAWKINS - When the Federal Hotels representatives were here yesterday, we were talking about voluntary and mandatory pre-commitment. They suggested that there was no evidence to suggest that it worked. What is your experience of voluntary pre-commitment?

Mr CURRY - We have had voluntary pre-commitment. It is legislated in Victoria and other jurisdictions. It's not that we still offer that. There has not been any data released. We do not have access to the data in Victoria. I suspect that the Department of Justice and the Victorian Casino and Gambling Regulatory Body will release some once they have had a full 12 months of data collected.

The way I view voluntary pre-commitment is it is one of a raft of consumer-protection measures that people have the opportunity to use. Self-exclusion may work for some people, or ringing the national gambling helpline number, the 1800 858 858 number. It is just another kit in the swag of things that people who have a problem with their gambling may use. Noting that somewhere between 3.3 and 3.8 million Australians gambled on gaming machines last year, and the prevalence rates, which I think in Tasmania is about 0.5 per cent; it is at about 0.7 per cent

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nationally in terms of adults defined as severe problem gamblers - I think there is a significant raft of consumer-protection measures currently in place.

Ms DAWKINS - Obviously, you have approached Federal Hotels and said this is what we want to do. Do you have any suggestion that there is something they might reconsider in the future?

Mr CURRY - I don't know. All they advised us was that they could not do it at this point in time, and we did not have the ability to make adjustments to the machines.

Mr BACON - Could the committee have a copy of that letter from Federal Hotels, if that would be appropriate?

Mr CURRY - Yes, certainly.

Ms DAWKINS - We also heard from Liquor and Gaming yesterday. They are looking at their next raft of harm-minimisation measures. They were quite concerned about the losses disguised as wins. To people who have studied poker machines, we understand this is an essential part of a poker machine's operation. People put \$5 in, they get \$2 back, and it's bells and whistles. It feels like they have won something when they have actually lost \$3. Do you think it is possible that we could change the settings for the machines so that people do not have losses disguised as wins?

Mr CURRY - I do not think the machine settings need to be changed in the current environment. Given that is the subject of a court action, I do not feel that I should comment further on that at this point in time. It is more a question for the manufacturers.

Ms DAWKINS - Sure. In Tasmania we have 10 per cent more EGMs in lower socioeconomic communities, so there is obviously a concern that the people who have got the most to lose have been right in front of them. It is very hard to move in some suburbs in the pubs and clubs and not see a poker machine. Do you have a view on why poker machines are more prevalent in low SE areas?

Mr CURRY - All I can do is say that the five hotels that we operate with gaming down here, we bought and they had gaming in them. I haven't analysed density around the number of hotels with or without gaming in those lower socioeconomic areas.

Ms DAWKINS - The other thing that was suggested yesterday by Federal Hotels was that people gambling on poker machines don't expect to win. Do you have a view on that?

Mr CURRY - I think people who gamble predominantly understand the odds, be it on Lotto, horse racing, sports betting etcetera. I don't think people generally expect to win when they play. They are buying a form of entertainment and enjoying that form of entertainment. It's no different from me going to the cinema and seeing a good movie or a bad movie and buying an ice cream; it's an experience.

Ms DAWKINS - Do you think that message is shared throughout the poker-machine-playing communities? Do you think they understand that generally they're not going to win?

Mr CURRY - I think most gamblers understand that.

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Ms COURTNEY - You are the first person we have heard evidence from around bill note acceptors. Can you tell me about your views on them and why they should be fitted. I am not familiar with their benefits or otherwise.

Mr CURRY - If you look at the prevalence rates of problem gambling across each different Australian state - as I said, there are bill note acceptors fitted to machines in all jurisdictions except South Australia and Tasmania - it really is a convenience thing for our staff. To have to do hopper clearance and clear out coins is quite antiquated. I do not think there is any link between bill note acceptors and the prevalence of problem gambling so I can't see why that technology change shouldn't be allowed.

Mr BACON - As to coin machines in pubs and clubs, do you think that has an impact on problem gambling? If you want to get some change you don't have to speak to a staff member, you just go to a machine and get your change there. Is that a similar thing to what you're saying with note acceptors?

Mr CURRY - It is just a convenience thing. There are a couple of hundred thousand websites I can access now and gamble on my credit card Australia-wide. There is nothing in the Interactive Gambling Act can prevent me from doing so. It is simply a customer convenience.

Mr BACON - What do you think would have the biggest effect on problem gamblers - different to recreational gamblers? What would be a targeted way to reduce problem gambling, in your opinion?

Mr CURRY - When you say 'what would be a targeted way', we think already Australia is the most heavily regulated market in terms of consumer-protection mechanisms. If you look at the number of people, as I mentioned before some 3.3 to 3.8 million Australians gamble on electronic gaming machines. We have reached a point where we are constantly looking at things we can do. We have measures above and beyond legislative standards with voluntary pre-commitment etcetera, but at the end of the day I don't think there are further consumer-protection mechanisms that need to be introduced. In the past 10 years - and I made this submission to the Productivity Commission in their last 10-year study - there were 98 legislative changes made around responsible gambling in the decade preceding that across all states. No one has ever sat back and said, 'What impact has that had?' If you look at the decline in participation rates and gambling as a spend of household disposable income, it would suggest there are enough and appropriate consumer-protection mechanisms in place at the moment.

Mr BACON - Do you think Tasmania should adopt the things you have gone above and beyond with your voluntary pre-commitment and extra training for staff? Do you think that is something that should be regulated right across Tasmania, given you have gone into that area yourself?

Mr CURRY - That is up for individuals to assess whether all those measures are appropriate. We have done them because we think it is the right thing to do but we are certainly not looking at further measures at this point in time.

Ms COURTNEY - When we are talking about the EGM model going forward, you have said that it would be a good idea to move to a venue-operator model to ensure the financial benefits are fairly and more broadly distributed. We have heard evidence from the regulator that they think it

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would be more challenging if we have a highly fragmented market with EGMs. How do you think, from the regulatory perspective, they deal with the extra cost burden of moving to that type of model?

Mr CURRY - I don't necessarily agree with the comment made by Federal in relation to that. Victoria moved in 2012 from a duopoly model where Tabcorp and Tattersalls were in effect the wholesaler to an owner-operator model. You still have a licensed machine operator or LMO which then acts as a conduit to manage, but there have been no significant changes in regard to venue compliance et cetera in that space. What we are saying is that the Government should reap the benefit of the additional tax rather than have someone clip the ticket on the way through.

Ms COURTNEY - Do you think there are challenges if we move to the venue operator model that we are precluding clubs or venues that might have lower capacity in terms of financial or corporate resources to be able to compete against the big players within the industry, whether it is you or another big player? Do you think we're creating an unfair marketplace for those players?

Mr CURRY - When you are saying competing are you talking at a product level or a regulatory compliance level?

Ms COURTNEY - At a product level.

Mr CURRY - At a product level at some point in time consumers make their own choice to what product offering there is. I think customers have a right in an ever-changing and evolving marketplace to be able to select what they believe is the best product offering out there. I think all it does is drive greater innovation and if you look at what happened in Victoria there is a much more dynamic offering now than there was when Tabcorp and Tattersalls operated the market under a duopoly scenario.

Ms COURTNEY - The reason I ask is because I am coming at it from not a geographical market, which is already highly contested; I am talking about the more regional areas of Tasmania where there might be a town or a pub with an operator there and the sustainability of that operator to continue in the future when there is not necessarily a competitor down the road, but it is something that helps the sustainability of a venue that is in a regional area and sustaining jobs and hospitality offerings there.

Mr MATHIESON - I think the settings that are applied in any reconstruction of the industry is really important to take into account.

Ms COURTNEY - That is something I am very conscious of and I know other members are too.

CHAIR - Just on that, how do you feel about sliding taxes for returns on EGMs? Say you have one EGM that is quite lucrative for a company and another one that is just surviving. At the moment it is an upfront cost. What is your opinion on the sliding tax scale on the income received by the owner-operator?

Mr CURRY - It's a difficult question to answer. That is something for the Department of Treasury and Finance to ascertain.

Ms RATTRAY - They're hoping we're going to find out the answer and let them know.

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Mr CURRY - No, unfortunately not, because it is based on many factors. It is based on licence term, perceived regulatory risk and sovereign risk, locked-in tax rates, certainty around regulatory reform or potential regulatory reform or any regulatory changes, and term of the licences. Then really it is up to individuals to decide whether they would then purchase those machines based on an internal rate of return.

CHAIR - What is your opinion? Does that mean tenders with payments upfront favour the bigger players? Because Tasmania is different to Sydney and your clubs and pubs in other places, does it favour the stronger organisations or the bigger pubs?

Mr MATHIESON - We can only really use the example of Victoria that has been through a similar transition. To date, the industry has gone on and still maintained some consistency. It has not favoured one party or the other. I suppose the market ends up dictating the outcomes and the settings established by the Government are the more crucial parts of it than the tax rates, and obviously the committee can see from all the different states how they are performing.

Mr BACON - When you talk about sliding tax rates, someone has claimed to us that Federal Hotels own 12 of the 20 best venues in the state. Do you have a feeling about where your five venues sit in terms of returns?

Mr MATHIESON - I think we're about the middle of the road.

Mr CURRY - We are around the middle of the road but we would like to think that a more dynamic product offering would lift the total market and enable people to compete.

Just on your question, Chair, there is a whole variety of permutations that could be considered. If there was an upfront payment there could be a discount or interest-free period over a period of time and there is a variety of different options that would ensure the ability for venues that do not have a strong performance to pay over a period.

Ms COURTNEY - Your submission states that you think licences should be issued in perpetuity and we have had evidence from other people that if licences were issued they should be fixed-term. How can you justify a perpetual licence? I understand the need for certainty for investment, I get that, but for a government or parliament to give somebody a licence to a regulated market in perpetuity it seems that the state or the taxpayers are bearing the risk, not the company.

Mr CURRY - I don't necessarily agree with that. We operate in perpetuity in Queensland, New South Wales and South Australia and that not only provides investment certainty but underpins the value of the properties we have actually bought and gives banks and investors more confidence in the business. It enables you to be able to spend money with certainty in terms of capital expenditure on the property and it also creates a secondary dynamic trading market for authorities and the value of those authorities whereby the government can benefit financially from that as well in the event that GMEs - or gaming machine entitlements - are sold or bought.

Ms COURTNEY - Is there a risk in the future? We have the evidence you have put in that the EGM market is declining so we have x number of licences out there in perpetuity. Is there a risk that in 20 or 30 years time when the market has declined even more that the increase in

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competition to ensure the value of those licences stays high means we are somehow targeting therefore more vulnerable people in the future to be able to maintain that revenue?

Mr CURRY - If you look at the prevalence rates I think that's a long bow to draw. Based on trend and historical analysis on a variety of indicators - household disposal income, participation rates, shifts to other forms of gambling - I don't know you could draw that conclusion.

Mr MATHIESON - If I may just add to that, we have seen only a couple of changes like this in the gaming industry across Australia so I can't emphasise enough that the settings that are established within each jurisdiction really underpin what the future looks like for us. It is not just an owner-operator model but it is the ability for ongoing investment in product innovation for this industry to have a future. It is that important. So it is not just one isolated instance over another, it is a whole series of settings that need to fit together in order for us to hopefully not have a declining industry over time.

Ms RATTRAY - In regard to the granting of licences in perpetuity, you suggested that there would be no further investment by clubs - or did I misunderstand that - if you did not get venue licences for perpetuity?

Mr CURRY - No.

Ms RATTRAY - I must have misunderstood that you said they would be unlikely to invest without those licences.

Mr CURRY - No, I am saying banking and other financial institutions are unlikely to support or would make it more difficult to support significant capital expenditure, et cetera, unless they are underpinned by that certainty of licence.

Ms RATTRAY - So you think a lot of those venues will get pretty tired and ugly without licences in perpetuity.

Mr CURRY - The reality is we will invest in states where there licences in perpetuity because we have a certain amount of capital expenditure that we are allocated each year and it is weighted towards environments where we have regulatory and investment certainty.

Ms RATTRAY - I apologise for not knowing where your five venues are. Do you want to share with the committee where they are in Tasmania?

Mr MATHIESON - Yes. One in Devonport - the Gateway - two in Launceston and two in Hobart.

Mr CURRY - The Mowbray, the Granada, Riversdale and the Carlyle.

CHAIR - On the perpetuity matter, how often do you turn your machines over?

Mr CURRY - Generally we would look around five years. They depreciate on a five-year straight line but on top of that you would have around about the 20 per cent change each year in terms of software updates which change the games or the configurations.

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CHAIR - If there is more than one provider of machines, would you suggest that, if the Government went down that path, they would then have to come with some consistent parameters around machine rotation so that at least there was an equal playing field between the providers of the machines?

Mr CURRY - No, I think that is what provides the consumer with choice. At the end of the day the customers, I guess, dictate what they like to play, what denomination and what type of game. Individual venues can provide a unique offering if they are not bound by having a monopoly operation to dictate what product they can provide on their floor.

CHAIR - Governments may want to decrease or take EGMs out of the community. There is perpetuity in licences and one of the criticisms of today is that when they have had 20 year deed agreements and then it becomes part of the Tasmanian fabric or part of the Tasmanian community. Isn't it wise for the Government not to go into perpetuity? If you are providing a good product and if it is above market, do you need that assurance?

Mr MATHIESON - I think it is important. If we go into this process, why would the Government want to take machines out of the market to start with? What do they think the outcome is going to be?

CHAIR - I think the post-2023, they have already indicated that they will take 150 out and that is why we are having this discussion about the social impacts on the community, to see if that is a required number or if there should be more.

Mr CURRY - If the market is capped or there is the ability to change per cap over a period of time, that is a decision for either Government now or future governments. One option would be for the Government to purchase machines out of an existing entitlement pool that exists if there is a cap in place and that could be an option for them. So people who wish to sell their product could do so, in effect, back to the Government.

CHAIR - So there are ways and means.

Mr CURRY - Yes.

Ms COURTNEY - Some of the submissions we have had have suggested that it would be a good idea to remove EGMs from bars and hotels and just confine them to casinos. Would the venues you have in Tasmania be sustainable if EGMs were removed?

Mr CURRY - I don't think we have any venues across Australia that could have a significant removal of one source of revenue for them. It would certainly reduce employment, it would reduce capital expenditure on those venues and it would make it difficult for them to be viable because we rely on attracting - we have almost 120 accommodation rooms across our pubs - by having a dynamic that appeals to all comers and what we are - a family-friendly environment. So I don't think that would be a very good solution.

Ms COURTNEY - How many people do you employ in Tasmania?

Mr CURRY - 216.

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CHAIR - You may not be able to answer this or you may not want to. The Western Australian market seems to be different. As an organisation, have you made approaches to see if pubs and clubs could have machines? They decided as a state and as a community, they don't want them, they just want them in the casinos. When was the last time that there was an approach made at a legislative level? Can you give us a bit of background to help us understand WA and your relationship?

Mr CURRY - We do have a number of hotels in Western Australia. We publicly stated we believe that gaming would provide a more diverse and broader entertainment offer within those venues. So we would support gaming machines going into Western Australia. One of the reasons why it hasn't been considered in the past is their revenue stream from mining. The Government hasn't gone down that path or considered that.

Ms RATTRAY - That is changing a tad.

Mr CURRY - It is at the moment.

Ms RATTRAY - It is interesting. In response to the question that my colleague asked about whether pubs and clubs in your organisation could survive without EGMs, well, Western Australia already does.

Mr MATHIESON - It's a completely different market and industry. All the hotels that have been bought have been bought on multiples, with all those existing income drivers in there. You can only buy a business on its return base. If you take out any one of those returns out of those drivers your business, based on the foundations, may not survive. Gaming has been operating in New South Wales for more than 60 years, so you just couldn't remove any driver and think the viability of that business is going to be the same as it was before either bars, food, retail or gaming was taken out.

Mr CURRY - Secondly, what message does that send to the broader investment community? In terms of sovereign risk, if you suddenly take away something that provided a revenue stream, the people who had purchased that asset had taken that into consideration and worked it into the price.

Ms RATTRAY - As to the direct community benefits your facilities put into the community, were you specifically talking about the employment opportunities or are there other direct community benefits you can add to that?

Mr CURRY - We sponsor many sporting clubs. We have a diverse community support and donations program we run.

Ms RATTRAY - Footy teams and that sort of thing?

Mr CURRY - Yes, at a local level, but we also partner on a wider operation, particularly around hospitals, defence and returned servicemen, et cetera - things that resonate with our customers.

Ms RATTRAY - That is specific to Tasmanian venues as well?

Mr CURRY - Yes.

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CHAIR - Thank you both very much.

THE WITNESSES WITHDREW.

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Mr CARLTON DIXON, DIRECTOR; **Mr PETER DIXON**, DIRECTOR; AND **Ms KERYN NYLANDER**, ADVISER/CONSULTANT, DIXON HOTEL GROUP TASMANIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Gaffney) - Welcome. The evidence given at this hearing is protected by parliamentary privilege, but once you are outside you may not be afforded that privilege. If you would like to give any evidence in camera that can be arranged. All of the discussion today will be recorded in *Hansard* and put on our website at a later date.

Mr PETER DIXON - We strongly believe that a venue owner-operator model be adopted. That is that venues own their own machines with no middleman, such as Network Gaming. In other words, the hotel owners deal directly with the suppliers of the machines. All of the other states, as you know, allow EGMs to operate on that system without the need for an intermediary.

Annexure 1 of our submission to you showed the severe impact on venues with the fact that 40 per cent, inclusive of GST, of the gaming revenue goes to Federal Hotels. Unless venues receive similar gross profit percentages to other states - that is about 55 per cent net of GST - they will certainly be unable to borrow to purchase machines and/or to pay anything towards the upfront licence fees.

Rather than a tender system, I think we are going to have the introduction of the community interest test, I would have thought rather than an open tender there would be an opportunity for the Government, through Treasury, wanted to charge an upfront licence fee, to pre-determine what that fee should be. There would be a number of different ways that could be worked out. The simplest way would be - they would know the gaming revenue in the 2023 year or the prior year, they would know the actual revenue per venue, that is the gross profit or player expenditure, or player losses, whatever you want to call it. You could then easily work a model up saying so much is allowed for rent, wages, rent of machines, interest on machines, to come up with a net figure and then that would determine what the value of a licence would be.

The other consideration is, I think we probably all know, that generally speaking in the commercial world a long-term annuity payment is better than some sort of an up-front payment. It may well be, for example, I was looking at the numbers and there are a lot of options, if you look at 100 per cent revenue for a venue, the situation of a community levy of 4 per cent, a tax rate of say 32 per cent average, a GST of 9 per cent and the venue getting 55 per cent of purchased machines, et cetera. That would be an increase in rate to the government of 6.12 per cent, or \$7 million per annum on current numbers. That would ride up and down, based on the revenue that is coming in to venues, and who knows what is going to happen with EGMs. There is every chance that over time they are probably going to disappear because that is what is happening at the moment. We don't see anything that is going to stop that.

The government can tap into that and suggest if they are going well the people can share and participate in the profitability or lack of profitability. As I said, every other state operates without the need to have a middle party and I think we should move to that model.

The other significant point I wanted to touch on - some of you know that I am a chartered accountant by trade and spent most of my life in the taxation area, but that doesn't make me a guru in it. I think the significant thing that has been missing to date is the lack of a progressive tax system where - as we know, it is like our federal income tax system, our land tax system - the

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more you earn, the more you pay. We've been playing around with the model on this and I put in that submission I believe the rate should go from, for example, zero to \$250 000, at a rate of 5 per cent, \$250 000 to \$500 000, 20 per cent, and then go to 30 per cent, 40 per cent, 50 per cent and 60 per cent. That would make it a lot easier for the smaller venues to survive, because that is the problem. It is all higgledy-piggledy at the moment and there is just not a way forward.

I put an example in - I think it was annexure 2 of our earlier submission - about a venue turning over \$200 000 a week, which would generate about \$1 million gross profit. Under the current system there is a flat tax rate of 30 per cent, as we know. Under that model, out of 97 venues, 48 fall below that \$200 000 a week turnover. As I have shown in that annexure, at \$200 000 we estimate the net profit is about \$43 000 a year, so it gets worse from there.

About half the venues are actually netting less than that. The idea of a progressive tax system is that it takes money off the bigger venues and that flows down through to the lower venues. That way it makes the smaller ones a lot more sustainable. A lot of our venues are in country areas where we spend money. Times are pretty tough in those areas and it keeps employment going and it enables the owners and the operators to spend money in the community. It is actually doing something. That is what we do.

Later on when I hand out the sheet you will see that on an average rate, the lowest venues would pay an average of 10.41 per cent on their net revenue out of gaming, and the highest venues would pay 37.38 per cent. Rather than a flat rate of 25.88, you are going to have that sliding scale which makes -

Mr BACON - Would the total tax take for the government still be the same?

Mr PETER DIXON - It would be, Scott. I knew you would ask that question, so it's the first thing I checked.

Ms RATTRAY - He is our finance guru.

Mr PETER DIXON - Yes, I can understand that. As a matter of interest, in Victoria in 2012 when they changed things, they made a deliberate attempt to help their smaller venues. In Victoria, if a 30-machine venue generates revenue of \$960 000, the tax rate is 8.33 per cent. Over that level they quickly move - no doubt you will come to this in your research - to 55 per cent tax and then to 60 per cent tax. They have adopted a situation where the smaller venues doing it tough get a very low rate. You get over that and it is very punitive. My system's rate is a little bit more than that 8.33 per cent. It is interesting that they adopted that.

Even if you made no other changes, what we know at the moment is we have a total of 55.88 per cent between the revenue - the percentage flowing to venues and the tax rate. All I'm saying is, that would not need to change. If you changed nothing else, you could leave that at 55.88 per cent, but just adopt a progressive tax scale which actually means that top venues pay less and smaller ones get more. I don't want to bore you with all this, but just as an example, because I was interested to look at this myself, the west coast has the lowest average gaming revenue per venue at \$390 000 a year.

Ms RATTRAY - I think that has something to do with the population.

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Mr PETER DIXON - It is, Tania, that's right. They currently pay tax on that of \$101 000. Under my proposed scale that would be reduced to \$40 000, a decrease of \$60 000. That may not be a lot of money but in their situation it is a lot to them. What happens at the top end? The current top venues pay an average taxation amount of \$614 000 a year. Under my scale that would be increased to \$887 000, an increase of \$273 000 or 44 per cent. It still leaves them with a lot of money because they are excessively profitable.

The table shows that in the Launceston municipality, where there are 13 venues which average \$1.3 million a year, under my scale they would be no better or worse off. It works out at about \$342 000, so you can see that is almost the break-even point where below that you are better off and above that turnover venues are worse off.

When I analysed it, it meant that if you introduced a scale similar to that, 13 venues would have no change in tax - that's the Launceston region - 36 venues would pay more tax and 47 venues would pay less tax. I know you have looked at all sorts of submissions and options and so on, but if there is no other change that makes a lot of sense. Apart from Queensland, the other states have adopted that sliding scale. I think the one I am talking about is fairer. You start off lower and end up higher than most states, but everybody could live with that. The total tax take to the Government would be as much as is paid at the moment.

Mr CARLTON DIXON - I want to make two small points. We believe the existing venues should be offered licences for a perpetual term to operate the machines. This would allow the banks and other financiers comfort so the venue owners can borrow funds for the purchase of the gaming licence if there is a fee that would apply, and also to purchase the machines.

In regard to the community interest test, we would like this committee to have input into the test. We want to stress one particular aspect for consideration. We believe the test should not apply for existing licensed venues that wish to change the location of the machines within the same local government area. We believe that has been overlooked to date.

Ms DAWKINS - I'm sure others will ask about the perpetual licences and the sliding scale; there have been other discussions around that today, so I will leave that for others. I would like to talk about some of the claims you have made and the 140-odd submitters who discussed problem gambling and removing poker machines from our pubs and clubs.

You were just saying that country pubs wouldn't be viable without gaming machines. We are experiencing a tourism boom in Tasmania and, if you look at the Sense-T data, a lot of people are coming here for the food and beverage offerings. We all know why, they are fantastic. We also have a skills and staff shortage in the hospitality area. We cannot get enough trained staff to work in that area. Around 85 per cent of people want a reduction in poker machines in pubs and clubs, if you look at the Productivity Commission's 2010 research. If we looked at it from that position, would that not be a more sustainable way to employ people in our country pubs, to upskill them, teach them about Tasmanian wine, beverages and food, and to give a real certainty to the future of those businesses without poker machines?

Mr PETER DIXON - With respect, that sounds like a dream to me. We speak from the heart on this. I have had 40 years in this industry. We invest in country areas and I can tell you the vast majority of our places would be broke without poker machines. Every venue we have we constantly renovate and update, trying to help the operators survive. You need a base to work from. There is all this talk about tourism. We think it has been softer this year; this is what we

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are feeling out there. When you get into the areas where we deal - Scottsdale, New Norfolk, Longford, Exeter, George Town - most of those venues haven't seen a tourist. They need substantial upgrading and it is almost impossible to get people in country areas. People ring me all the time saying, 'We are desperate for a chef'. As you know, I am chairman of the Josef Chromy Group. We are always chasing trying to get skilled chefs and people. They are not in Tasmania. I flew to Sydney to try to get people down, offering huge salaries. That is an Australia-wide problem, and it is a big problem in this state. For our little venues in country areas, it is just a dream to imagine you could get them to that stage and we would love to do that. You think we could do up the dining room and get signage, paint it up and give it a theme, but it takes a lot of overheads. As you will know, to staff a place - a good chef these days costs \$110 000. You need a sous chef, on it goes. Places are broke before they start and even a lot of the places you read about, the significantly large venues in this state that people think are successful, are not.

The bottom line is they are doing it tough. Do not believe all you read on that. The hospitality industry, as I said, I have spent all my life in it and doing figures for people and talking about it, costs have exploded. When you look at rates, land tax, insurance, wages, the impost of all the government regulations, it is a tough gig. I don't think anybody in this room would be prepared to do the work that most of our operators do for the miniscule amount they get out of it.

Ms DAWKINS - How were those pubs before poker machines were in those areas? How did they survive then?

Mr PETER DIXON - Well they didn't. For example, Scottsdale, we bought that out of receivership. A lot of the properties we have bought went broke and we have bought them off banks. Carlton bought the Campbell Town hotel last year. That has gone from \$3 million turnover down to whatever it was when we bought it. Broke. Millions lost on it. We have spent \$800 000 there, done all the units up, put a bakery in. The machines there they make -

Mr CARLTON DIXON - It is one of the smaller venues.

Mr PETER DIXON - Five hundred dollars a week.

Mr CARLTON DIXON - But it just greatly assists. It is just something.

Mr PETER DIXON - People drop in. That just helps those people pay one more wage. It is not a big part of the business but it is the total offering. If you went in there, you say 'that is a nice venue'. There is everything - the bakery, the units. That helps us by because we say, 'Okay, we can access the money to buy that property; we can afford to support good operators'. We have good operators there, we encouraged them to go in because we could give them a very good deal, offer to do the renovations, get it up to speed.

We could go around them all. If you took the machines out of all our country venues they would be broke. What we know is EGMs they are probably doomed. In 30 years time, I cannot see how they are going to be making a significant contribution. We all know everybody is hooked on the online stuff. Most of the young people are going that way. They don't need to come to our venues to gamble. That is what is happening. What we are trying to do is transition to something better because bottle shops have been wrecked and the other problem with food and beverage is that every man and his dog wants to open a restaurant, a cafe, a boutique brewery, a bar.

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Ms RATTRAY - Pizza and beer pub.

Mr PETER DIXON - Pizza and beer pub. The truth is it is a tough gig. We sort of share your vision in a way. It is nice to do it. We have recently bought a venue at Longford, an old hotel - dirt cheap - and that is probably the way we will go with that. It is close enough to the city. We bought it without gaming machines, and so on.

Ms DAWKINS - The evidence from Norway when they removed poker machines they wanted to have a look and see how many people went to online gambling, and not that many did. There was a small increase, but not as significant as you would imagine. That does tend to suggest that it is a particular cohort in the community who use poker machines and they are unlikely to shift in one mass group to another form of gambling.

Ms NYLANDER - You say why should it be. It is a legitimate legal form. People want to do it, they are not made to do it, they choose to do it; it is a choice. We say that we do not see the evidence of why they should be removed. We see it as an important mix and we should not tell people what they should do.

Mr PETER DIXON - I was looking at the last six months to December and the EGM revenue dropped a million dollars in the same period last year. That is significant, following on from the drop the previous year. I am not sure what is going to change. It is a general transition anyway. We don't want to be relying on gaming machines forever, but at the moment they are a significant contributor.

Ms DAWKINS - How do you respond to the community voice on pokies reform then? That is 42 organisations - churches, Anglicare, TasCOSS, local government organisations - how do you respond to the kind of communications they have been making, representations around removal of poker machines from pubs and clubs?

Mr PETER DIXON - It is interesting. We come from a broad business background. Most industries have issues - live cattle, salmon, forestry, on and on it goes. You are always going to get a group that say, 'No, look, please stop now; this is just killing everybody.' One has to take a balanced view. If you don't take a balanced view it falls over.

Carlton was kind enough at Christmas time to give me a book on Wrest Point and it was fascinating to read it. I noticed, before the 1968 referendum, what the anti-groups were saying then, things like gaming contravenes Christian principles because at the root of gambling is the love of money. Gambling is a serious problem in the community and the establishment of the casino will only increase the means of gambling, it would increase the number of brothels and prostitution and it will need to treble its workforce. When you read it and look back how hideous those arguments were - without casinos coming into this state where would our tourism industry be? It would be wrecked. It has been the catalyst for investment in this state and it still is.

It is all right to say, 'Look, please stop it. Please stop it.' If you take a sensible and rational view and you talk about the anti-brigade, we were coming down here a few months ago on different things and I was listening to the radio and there was all this talk at Glenorchy. They had that public forum and there was a chance for everyone to voice their anger. How many people were there, 12 or 14. Most of the people in the community are not worried about poker machines.

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The ones who are not worried about it, they don't write in. It is always the agitators that do. There was, what, 300 submissions or something to your committee?

Ms RATTRAY - 150.

Mr PETER DIXON - It was so tiny, quite frankly, I wouldn't place an emphasis on it, Andrea.

Ms DAWKINS - Except that 150 submissions to an inquiry like this is a lot. That is a lot of response.

Mr PETER DIXON - Yes, but a lot of them are only two lines.

Ms DAWKINS - I understand what you are saying, but 185 objections, I have been on local council, even if only for a short amount of time. That 185 is an enormous amount of representation from a community, based on how many people would normally make a submission. I would suggest that that does represent more people than you would know. Also, there is a reason this alliance has come together, it is because there are so many vulnerable people - 2000 people were problem gamblers, another 12 000 were moderate, at moderate risk of problem gambling. That is a lot of people. These are the organisations that have to pick up the pieces at the end.

Look at what Liquor and Gaming said yesterday about the operant conditioning techniques, because they are very concerned about the losses disguised as wins, which I say are the rub of poker machines. People put money in, they get less money out and it looks like they have won money, but they have lost. I do not think, by any stretch of the imagination, this is over yet. This particular alliance is only growing. People are very, very concerned in Tasmania and all around Australia about poker machines in low SE communities.

Ms NYLANDER - We are actually really keen to talk about the investment that the Dixon Hotel Group has done in this state, which is 35 hotels, investments around \$100 million and in many locations and towns is the only investment that is being done in terms of creating jobs and wealth in those communities. That has to be offset by what you are saying, which is more of an argument about morals and that side of thing, the social side, of which we are here to talk about really, the fact that the hotel group is investing in the businesses and providing wealth and employment in those rural and regional. I guess we're not the best people to talk to about that sort of the merits of poker machines. They are an important mix of the business and investing in communities that otherwise wouldn't have any investment. I guess that is the balance we are trying to strike here.

Mr PETER DIXON - Importantly, if we went your way imagine the carnage with employment and everything else. It would be incomprehensible what that would do to fix this problem that you are talking about. A problem exists, but we have to keep it in perspective, because as I said if you go right back to before the casino started, it is not a dissimilar argument that you are peddling. It's a factor, there is a problem with horse racing, greyhound racing - all those things.

Ms DAWKINS - Except they are not using operant conditioning techniques.

Mr PETER DIXON - We are not people of extremes, we are sensible people.

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Ms DAWKINS - This is what Liquor and Gaming suggested yesterday and I think they might be one of the regulators.

Ms RATTRAY - I am going to get back to being that devil's advocate. I was interested, Peter, in your progressive tax scale. You were saying smaller venues would have a lesser tax commitment. We don't know what businesses' financial circumstances are and they could well be relying on that higher return from the machines because of the investment they have made in a business. How do we wind that back without impacting on those businesses at the higher end? I am mindful that we don't know people's circumstances, and I always say that because I know people sometimes assume somebody has x when they often have y , and perhaps they don't want to share.

Mr PETER DIXON - Carlton may know the answer better than I, but all the bigger venues that are impacted will be owned by wealthy people.

Ms RATTRAY - But, again, we don't know what their financial circumstances are.

Mr PETER DIXON - Federal own a lot, so I think they have capacity; ALH has some large ones. I am sure with the people impacted by that you are talking about seriously wealthy people. It is probably no different to what happens with income tax rates jumping around. At one stage our land tax bill went from nothing to being up significantly when aggregation was brought in.

Somebody has to wear the tax burden and I am mindful of that. What I am talking about there is not a fortune. All those big hotels - bottle shops, bar and food trades - \$200 000 sounds a lot, but it is a far more desperate situation for those smaller venues where, with that extra \$60 000, they will think they have won gold. Would you phase something like that in over time? Presumably there are no changes to 2023, so there would be a lot of time for people to look at that and work with it.

Ms NYLANDER - It is based on revenues.

Mr PETER DIXON - Yes, and Treasury would be able to check my numbers. The other thing we are pushing for is that under the single-venue model all operators would get - what I am proposing is an extra 25 per cent, which would cover buying machines, maybe an upfront licence cost. As a general thing, what is happening to every venue is that you have to buy the property, put it in the room, paying all the wages and the power, doing all the hard yards, the day-to-day grind and at the end of the week you pay a big amount to Federal, a big amount to government, and the venues have the worst part of the deal.

Ms RATTRAY - I was interested in that. I know Carlton is keen to add something.

Mr CARLTON DIXON - Approximately the top 30-35 venues are very strong venues. Peter alluded to the fact the top ones might have to pay an extra \$200 000-\$220 000 a year and then that will start to ratchet down. They are all significant businesses. That does seem to be a lot of money but for a lot of those it's not really, they are very substantial businesses.

Ms COURTNEY - You have made a few comments in your recommendations about the tender system and options, apart from the tender of upfront licence costs, as well as a trading mechanism. You also reflected on the Victorian tender system in 2012. The Government has

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outlined it has no fixed view on the operating model but has stated it be allocated by a market-based mechanism. If you are concerned about a tender, what other market-based options do you feel are available? If a government is choosing the cost, then that is not particularly market based. I just want to tease out what other options are available to the committee.

Mr PETER DIXON - I looked at it and I was not sure what that meant, but presumably if you stick with Federal, then do they pay an up-front fee? Do they tender against themselves or do they tender against somebody else? Then under that model, we would continue with the existing system. What I was really referring to was that if Federal were not in the picture, or to a different degree, and you wanted to impose a charge on venues upfront, how are you going to put that to a tender system? We will have this very difficult and, I think, impossible to pass, community interest test going forward.

From what I read, it would be very hard for any new venues to be licensed. Therefore, what do you do? Do you go out to all the existing venues and say, 'We want you to tender for your machines'? If you are going to do that, then you would have to end up saying, 'We will accept the average price of the tenders in this category or that category'. To save all that, which seems a nonsense to me, you could actually have - as I said, I think Treasury could work it out and say, 'This is the revenue for each venue. These are the costs that we are going to allow on some sort of a sliding scale,' and get it back to a net profit. Then the price of the licence is a multiple of that net profit, like any other business decision.

If you were buying a hotel leasehold investment, for example, that is what happens. We, or a client, might bring in the figures and say, 'Look, on average this business has made \$100 000 for the last three years. What do we pay?' It is a similar thing. That is a total licence, if you like, a licence to operate a hotel in its entirety for a period of time. It could be predetermined. Hotel leaseholds sell on about a 40 per cent return, which is two-and-a-half times the net profit. It is not hard to work out. I think that would be a sensible way to go. Then you do get back to all those other issues, and I heard it mentioned earlier, like, how do people fund that?

Ms RATTRAY - The little fellas particularly.

Mr PETER DIXON - How do they fund that? It would have to be then on that basis of saying, 'Well, you pay us over time.' Then you get to the point and say, 'What is the point of doing that? Are we not better off to strike a higher taxation rate upfront from day one? Instead of charging 25.88, I think it could be 32 per cent and that is that extra \$7 million a year.'

I think, and I have looked at some numbers and went through it all, the upfront sales of licences will not generate a lot of money. Most venues are just not making enough money out of it, for what it is worth. At a 40 per cent return across the state, I would say it's \$20 million. For a 15 per cent return, it's \$52 million. It is in that sort of category what those licences would be worth.

Over time you are better off to have a higher taxation rate and then you are riding with exactly what's happening out there in the industry. That is a practical way. Certainly we think the venue operator model is the best and most efficient model. Federal Hotels know what they are doing. There is no reason, if it all got too tough, to go down the venue road. If Federal Hotels would drop their percentage, you could have the Government getting more tax. You would probably get an extra 10 per cent going to the venues. It would leave Federal on about 19 or 20 per cent.

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They would still be doing really well. They would buy the machines. They would continue as is because as operators we rent the machines from them. They finance that. Your deal would be with them if there is an upfront licence fee. That's a trade-off for the tax rate. All this, from our point of view is about - and it gets back to the Treasurer's statement, those words, 'to make sure everybody is getting a fair piece of the pie, a cut of the cake'. There are several ways you can go. That is another option. We do not hate Federal Hotels. We have never had an argument with them. They are good operators.

Ms RATTRAY - That is refreshing after this morning.

Ms COURTNEY - You said you have got 35 hotels. How many staff are employed across those hotels?

Mr CARLTON DIXON - We only trade three hotels in different partnerships. The rest are all leased out. That makes it a little bit difficult, but we think it is about 600. That is in broad numbers.

Ms COURTNEY - In terms of the regionality of it, how many are outside of those 35 outside greater Hobart?

Mr CARLTON DIXON - The vast majority.

Mr PETER DIXON - Thirty.

CHAIR - Carlton, earlier you raised the community interest test. I was interested where you said about moving licences from one venue to another that hadn't actually been discussed in the community interest. Could you expand on that for us, please? I want to know the reason for it and how that would work because that is an aspect that hasn't been put to us before.

Mr CARLTON DIXON - Probably the easiest example would be Longford, our home town. I have the hotel that does have the gaming machines. There is only one hotel in the town that has gaming machines. It is really looking forward as to whether that is the best-positioned venue to have the machines located. Towns grow, things change.

To us it seems crazy that where, down the track, it might not be the best-positioned hotel to have the machines so if we wanted to take them and leave them to one of our other hotels in another part of the town, an existing hotel, in the same local government area, we don't think we should have to go through a community-interest test. It is not placing any more machines in that area or local government area; it is moving them. I don't think has been thought of through the whole scenario because it did come on fairly quickly, as some of us are aware.

Mr PETER DIXON - They have a general licence anyway.

Mr CARLTON DIXON - Yes, the other properties have the general licence. It is not like they have come through the back door to get the machines at all. They have a liquor licence. If we wish to move the machines - there are no more in the town or in the local government area - it doesn't really make sense to us where to have to go through a community-interest test if we wanted to move the machines from one venue to another.

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CHAIR - If you look at the local government areas, it's fine if you want to move it within Longford. If you want to move it from Queenstown to Rosebery, in that situation, wouldn't the community-interest test - I am not going to say 'be a shoo-in' - but wouldn't that make common sense? Until we see the process they come with, I wouldn't see that would be an issue. If there are no extra licences or machines in that area, there should be no concerns. But could it create some impact, say, at a larger area? There could be 10 or 12 venues. If you don't have a community-interest test and you want to move it from where it is not doing too well and put it right next to a pub that is doing really well, even though you own it, doesn't that create problems with intensifying EGMs within certain areas?

Mr CARLTON DIXON - I hear what you are saying. Maybe it is not the local government area; it might be town specific or something like that. I think there is definitely reason to look at that. This community-interest test has been rushed through. There will definitely be some venues that would be better placed to have the machines moved. What if a big developer comes in and wants to buy a property -

Mr PETER DIXON - Or a supermarket?

Mr CARLTON DIXON - Yes, or a supermarket, moves them to another hotel. Why should you have to go through all that angst?

CHAIR - Where do you present that information? To the commissioner?

Ms NYLANDER - We don't know; we are just floating it here.

MR PETER DIXON - That is coming up at the end of February. That interest test matter, we thought we would like to bring it up to you.

CHAIR - That is fine.

Mr PETER DIXON - That is exceptionally draconian but if it comes in we will have to live with it. The fact of the matter is that with the existing number of machines out there, if you wish to move to another venue, if it is not a licensed venue already you have to get a general licence. So you have to go through that rigmarole. There also is a community-interest test there. There is no doubt there is that group of people who will be screaming about any attempt to move machines just to try and get them out of the system. It imposes an unnecessary cost that shouldn't be put on venues that are already licensed.

One of the Treasurer's statements was that none of it was to have impact on existing venues. It is a simple thing. It is not going to happen a lot. It is a way of letting the normal free market and fair enterprise system work.

The other thing is in which I didn't touch on but I did put in there. I think it is part of a trading scheme, which is different again. If somebody wants to buy our entitlements or licences then the government - like in Queensland they take 33 per cent on the sale process - and, as you know, in other jurisdictions there is the loss of an entitlement. One out of four disappears. That is fine-tuning but I think the point Carlton makes is relevant purely on a commercial basis because there are other controls there. It just wouldn't be opened up widely and unnecessarily.

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CHAIR - Thanks very much. With a few moments to go, is there anything else you would like to provide to the committee that you have not touched on already, being aware of the time?

Mr PETER DIXON - I think we have probably drowned you with information. All I would say is please remember people like ourselves. We are genuine investors, we are here for the long haul, we spend money in every area, and gaming machines are necessary going forward. They are declining, not increasing. We have the toughest controls in Australia; that has been borne out. A fair-minded balanced person would not see an issue with the majority of what happens.

This state, despite what anybody might read, has always done it fairly tough. It is still relatively tough times with difficult and shrinking margins in most businesses. We think tourism has a big future but it is going to take a long time to really get the impact of that through to the community. It is going to be a long transition to upgrade most of the facilities through the state. It is what we are doing. We would be glad to show you all our venues. It takes horsepower and takes money and that does not come out of fresh air. People dream about a simple solution to things. The reality is it does not happen.

THE WITNESSES WITHDREW.

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Mr JOSHUA LANDIS, EXECUTIVE MANAGER PUBLIC AFFAIRS, AND **Mr ANTHONY TRIMARCHI**, MANAGER POLICY AND GOVERNMENT, CLUBS AUSTRALIA, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome. All evidence taken before us has parliamentary privilege but outside this room it does not. It is being recorded and the *Hansard* will be published at a later date. If there is evidence that you would like to give in camera, that can be arranged.

Mr LANDIS - Clubs Australia is the national peak body representing the interests of Australia's 6413 not-for-profit licensed clubs, including those in Tasmania. Clubs have been a long part of the Australian national identity, promoting our country's traditional values of community, cooperation and mateship. From the RSLs, which perpetuate the legacy of the diggers, to sporting clubs, which bring together young and old in the spirit of teamwork, our clubs play an important and dynamic role as community and service centres. Across Australia clubs provide an annual economic contribution exceeding \$8.3 billion per year and a \$5 billion annual social contribution supporting in excess of 170 000 jobs and being social hubs for over 13.2 million club memberships.

Tasmania has had a long association with gambling. It was the Wrest Point Hotel that secured Australia's first casino licence in the 1970s, but prior to that it was only New South Wales clubs that had poker machines in Australia and they were approved in 1956. Gambling in our view is a lawful, enjoyable, recreational pursuit for millions of Australians and has been for decades. In any 12-month period at least 5 million Australians will play poker machines at least once. When provided through the not-for-profit club model, gambling provides significant social and economic benefits to the community in terms of entertainment, employment, taxation, and funding for sporting and social infrastructure, as well as a range of community and charitable organisations. The social impact of gambling is overwhelmingly positive, even after accounting for the harm experienced by problem gamblers and their families.

The Tasmanian socioeconomic impact study found gambling brings Tasmania a total benefit of between \$174 million and \$222 million, even after taking into account the harms. We're of the firm view that it is in the public interest for gaming to continue to be available in Tasmania, and particularly for gaming machines to be available in clubs. Importantly, we think greater recognition of the unique benefits clubs bring is required to be recognised in Tasmania's gaming arrangements. It is fair to say that Tasmanian clubs are very small when it comes to gaming. We understand there are 163 clubs in Tasmania, and as we understand it, only seven of those have gaming and operate something like 170-odd machines.

We find it very hard to get stats on clubs in Tasmania because they are so small. They are really just trying to keep the doors open and keep people looked after. We understand they employ just over 1000 people, utilise nearly 6500 volunteers and derive 45 per cent of their revenue from food and beverage sales and only about 8 per cent from gaming machines. They don't have an association here, they use the Tasmanian AHA to speak for them, and they represent just under 5 per cent of Tasmania's gaming installations compared with 75 per cent held by clubs in New South Wales and 100 per cent held by clubs in the ACT.

In our view the regulatory framework in Tasmania does not favour clubs. They are treated the same as hotels and casinos but they should not be. In Tasmania clubs are taxed a flat rate, the same rate as for hotels and casinos, and this puts them at a disadvantage because they don't operate like a hotel or casino. They are not for profit, their purpose and functions are different.

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Other jurisdictions have operated a progressive tax system recognising the distinction of clubs and that includes tax-free thresholds and lower rates of taxation. Tasmania, then, has not enjoyed the full benefit that clubs can bring, because clubs simply are unable to generate that revenue. We think more can be achieved for social, sporting and community organisations if clubs are stronger through the revenue that gaming can bring.

Importantly as well, we are of the view that public acceptance of gaming increases when the club sector is strong. This is critical for government, because where the community sees the profits from gaming reinvested into the community instead of reinvested into individual's pockets, they see more benefit from gaming and feel it is a more acceptable activity.

In Queensland, the Northern Territory and New South Wales where venues own and operate their own machines, they hold the entitlements in perpetuity. They are entitled to hold substantially more machines than hotels. They are taxed at a lower rate and that provides certainty and stability, but it also ensures greater public acceptance of gaming in those jurisdictions compared with Tasmania, Victoria or South Australia where clubs are treated the same as hotels and casinos. This shows us the public accept poker machines under these circumstances.

As to harm minimisation, we believe problem gambling is an enormously complex issue, with each person affected in different ways. Notwithstanding the net social benefit of gaming, Clubs Australia has always recognised that for those people who are affected by the harms of gambling it can be an enormous problem for themselves, their families and communities. That is why we work with state and territory governments throughout the country to implement cost-effective and proven harm minimisation policies.

The challenge, we believe, is to identify those policies that are evidence-based, cost-effective and assist those who need help without unduly impacting on the majority of people, the overwhelming majority of people, who engage in gambling in a safe way. Clubs Australia supports further improvements to the Tasmanian harm minimisation regime through the introduction of measures such as; multi-venue self-exclusion, venue-based voluntary pre-commitment, chaplaincy programs, and perhaps a responsible gambling ambassador program.

You should be aware all those measures I just mentioned are industry developed, industry implemented and not required by governments in any jurisdiction. They were all trialled and developed by clubs. They are evidence of a cultural shift in our industry, which treats gamblers differently because we are not expected to take as much profit from them as we can. They are our members and the clubs exist because of them; they in fact own the clubs. These measures are designed to redress the harms experienced by those few people without impacting on the majority of our members who enjoy gambling safely and responsibly.

Ms RATTRAY - Can we go to your submission where you talk about the venue operator model? You may have been in the room and heard about the sliding scale from the previous presenters, about how smaller venues would benefit from a sliding scale, particularly when you made the point that the clubs in Tasmania are extremely small and do not have a lot of opportunity to generate huge turnovers. Would you like to make a comment about that?

Mr LANDIS - We are not aware of another jurisdiction in Australia that doesn't have a venue owner operator model. In Victoria, it was only about 10 years ago that arrangement ceased with Tatts and Tabcorp, but even there the return to venues was far higher than it is in Tasmania and

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venues received a better share of the machines than they do here. It is fair to say the thing clubs in Tasmania want more than anything is to own and operate their own machines. We are joined here by a number of people from the Glenorchy RSL, which is the biggest club in Tasmania. It has only 30 machines, but of Tasmania's 170-odd that is of substance. We see all kinds of clubs and there is no doubt a venue owner-operator model is in their interest and allows them to return substantially greater value to the community.

Ms RATTRAY - A club in Tasmania can already have 40 machines, so why doesn't Glenorchy take the advantage of that if they only have 30 machines?

Mr LANDIS - In their case, they have made it clear they would have to make a substantial renovation to the club in order to fit in those extra machines. There are some challenges there and they do not feel at this particular time those machines are absolutely necessary. I guess it is fair to say, not that they put it this way, but when you only make 10 per cent gross on the revenue from gaming you are not making a lot of money. There are costs involved in providing those machines. Perhaps if they had a greater return on the machines they would be incentivised to add more machines. We think that would be in the interests of Tasmanians because we believe gaming is safer in clubs than it is in any other form of gambling.

Ms RATTRAY - An uncapped limit on the number of gaming machines for clubs wouldn't necessarily help increase their revenue at this time?

Mr LANDIS - It might not, but it creates the option for clubs. It incentivises them, and it encourages them to think about what they might do with their machines. If linked with a more beneficial regime we think it can open the way. We have an uncapped regime in New South Wales. It does not mean clubs are out there applying for 5000 machines, that is not the case, but it does allow those clubs who want the flexibility of increasing their installation to do so. It gives them the confidence to know that Government supports them to grow and the community is comfortable with clubs growing, by comparison perhaps with hotels or others. We think it sends an important signal.

Ms RATTRAY - What about the ability to pay if there is a change in the structure and the clubs will be expected to pay a licence fee for the EGMs? How do you see that evolving if finances are tight? You may not be able to answer this for the Glenorchy club, but maybe you have a general view?

Mr TRIMARCHI - I think we are all in agreement the clubs here are very, very small.

Ms RATTRAY - Even the Glenorchy club is very, very small?

Mr TRIMARCHI - I think they have about 500-odd members and only 30 machines, which by national standards is tiny.

Mr LANDIS - There would be almost no capacity to pay a licence fee upfront from clubs if that were to be the case. It would need to be done in a payment in arrears type of arrangement based on the revenue those machines can then bring.

Ms RATTRAY - Or potentially a higher tax rate right from the beginning? That has been suggested as well.

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Mr LANDIS - It depends. I understand others have been suggesting these things. Let me be clear that a licence fee is not paid by any other jurisdiction in Australia apart from Victoria. No other jurisdiction requires their clubs to pay a licence fee for the gaming machines, recognising the government makes, in most cases, a pretty healthy return from the operation of those machines. It is also fair to say talking about how much clubs might pay, how much the tax rate might increase, how the payment might be made, is premature. The reason it is premature is because you haven't determined the terms on which the machines will operate. Without knowing what the future looks like how can anyone put a price on it.

For example, in the absence of guarantees around sovereign risk, how can a venue put money on the table? You might as a government, as is your right, say that you want \$1 max bets, you might say you want mandatory pre-commitment, you might say that venues in the future will only be entitled to 20 machines, no one knows what the future looks like and therefore they are taking an enormous risk in putting money on the table to buy entitlements, so sovereign risk has to be addressed.

The length of term of the licence must be addressed. Is it going to be in perpetuity for 10 years, for 25 years? Those things make a critical difference to whether banks will lend money, to the ability to get certainty for the operation of your gaming and whether you can then justify the investment that you make. Imagine if clubs think, what a great opportunity - we can invest in these machines, we are so excited to own and operate our own machines like every other club in the country and then the ground rules change because a new government has a different point of view about how gaming should operate and clubs go bust based on the investments they have made in good faith. It is a critical question on how much should be paid and what the appropriate tax rate is, but it must be considered alongside the operating conditions of those licences.

Mr BACON - It has been suggested to us that larger, sophisticated organisations that own a lot of hotels would be fine to own and operate their own machines, but it would be difficult for smaller operators, which I guess includes clubs. Would there be assistance that your organisation could provide to Tasmanian clubs in terms of how they could go about that, or would they just be left on their own?

Mr LANDIS - We would provide assistance. We have a range of industry events, there are expos where clubs come along, they see machines and they get information about which machines operate well and which don't, and how to set a club up. There are a lot of club managers out there and hotel managers who might well be enticed to come to Tasmania to be a gaming manager, or to be a club manager and who have an expert understanding of the operations of those machines. The reason we are here is because we put a lot of effort into lifting the awareness, the standing, the governance arrangements of clubs, so of course we would be providing assistance as I think we are indicating we are here now, and happy to do it.

Mr TRIMARCHI - In New South Wales we have almost 900 clubs we consider to be small. They have a handful of machines, they might employ four or five people, the directors of the club are also the people pulling beers and operating the club itself. We consider them to be very small and we cater for them as part of their membership to Club New South Wales, so that support can be provided.

Mr ARMSTRONG - Do you offer financial assistance for them to buy machines?

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Mr LANDIS - We don't. Obviously that comes with some risk for us. As I indicated, it comes with some risk for clubs in terms of buying them from the government. Some clubs will look to the bank to lend that money and some might look to borrow against their assets, whether that is a building or the gaming machine entitlement. That is why the longer-term licence perpetuity is ideal because you can then loan against that asset. If it is a shorter entitlement, a shorter licence period as in Victoria, banks will not loan money because the future is too uncertain. For a lot of these small clubs it is challenging to get finance but they can also lease the machines or get payment terms from some gaming machine manufacturers, so that can work for them as well.

Mr BACON - Would small clubs be better off to lease, in your opinion, if it goes to an owner-operator kind of model?

Mr LANDIS - It depends on the club. Some clubs will have to because they just do not have the capital. Other clubs might have the capital. With our small clubs, for example, they might have only 12 machines and they will replace one or two machines every year or two as finances permit. They will allow their machines to get a bit older and that might be okay but their members will have to deal with that. They just have a longer ownership period, whereas our big clubs might turn their machines over every three to five years.

Ms RATTRAY - When you talked about security into the future, there is substantial evidence that people are moving to online betting, young professional men - I'm looking at you, Anthony - who do online gambling and the demographic for gambling is shifting and the EGMs potentially are an older demographic. Do you have a view about what certainty there is anyway?

Mr LANDIS - Can I just round out from the last point by saying that clubs in New South Wales sell second-hand machines. Once a big club is done with them some of the clubs here might well be able to buy machines for not a lot of money. A new machines is around \$25 000, whereas on the second-hand market they will be under \$10 000 and a club can then buy those machines. We think there is an opportunity to purchase well-performing second-hand machines.

You are absolutely right that the age demographic of those who play is shifting. We know in New South Wales that more than 75 per cent of people who play gaming machines now are over the age of 55, so the future for gaming nationally looks challenged. Certainly the prevalence of poker machine play has been falling year on year for more than a dozen years, and that is since we understand records of these things have been tracked. The increasing trend, though, is that people want to gamble but they are gambling on their phone instead.

You might have seen that we announced yesterday a partnership between Clubs New South Wales and CrownBet to provide digital wagering for club members and give clubs an opportunity to share in opportunities that come with online wagering and sports betting because we think that is the future. We would rather have people do it safely through their clubs and be able to redeem their loyalty points in the club for food and drinks than do it in other ways and where we can have some control to ensure best-practice harm minimisation and that sort of thing.

You are absolutely right, the future for gaming is enormously challenging, but it has underpinned the viability for clubs in New South Wales for us six decades and nationally typically since the mid-90s. We think Tasmania should be part of that in a much more substantial way. We hope to be able to roll out a partnership with CrownBet to our Tasmanian clubs. These offerings work together to underpin the viability of clubs. We think Tasmania needs clubs.

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People need to have a memory of the Anzacs and their veterans preserved, they need sporting fields and they need community groups that are well funded. Our clubs do that. That is why they exist. These things must work hand in hand and it requires supportive government policies which in our view simply have not existed sufficiently to date in Tasmania.

Ms RATTRAY - The Glenorchy RSL has a bowls green attached to it, which is often the case with them because that caters for the older gender grouping. My last question is around bet limits and reducing the amount you can bet. Do you have a view about that? Do you think that might be something that would assist in your representation for clubs?

Mr LANDIS - I'm not sure how it can assist clubs. If you are talking about reducing bet limits, you are potentially talking about reducing the opportunity to generate revenue.

Ms RATTRAY - It would keep them there longer potentially.

Mr LANDIS - And the experts tell us that increases harms. One of the greatest harms comes from keeping people at machines longer. Different people bet in different ways. I don't want to sit at a machine for a long time. I want to get there, have a whole bunch of fun putting in what I can afford, and then get out of there and have fun with my friends. That is how I choose to gamble.

This is the critical part of this whole maximum bet conversation, which in our view has been quite a misleading debate. The critical issue is if you want to bet 1 cent per spin, you can do it right now on a 1 cent machine and you can play with \$1 for perhaps an hour. It is the cheapest bet you will be able to make on any form of gambling anywhere perhaps in the world. If you, however, choose to spend to the max on a machine, at \$5 a spin in Tasmania - and in New South Wales it is \$10 - the reality is that you should be able to do that. There are people who have the money and want to play that way. We should be giving people choice, but we recognise that different people have different levels of their own financial capacity to spend. There needs to be harm-minimisation treatments available which cater to those people. We should not fix the machine to try and fix the problem. We should be helping fix the people who have a problem instead.

Mr ARMSTRONG - With the downturn in betting on EGMs, has Clubs Australia seen a decline the same as the hotel industry has?

Mr LANDIS - We don't have the stats for Tasmania. I think Tasmania is about the only jurisdiction where we don't get the stats on gaming performance. In all the other jurisdictions, the revenue has been typically flat over the best part of a decade. New South Wales I think from memory is the only jurisdiction exceeding CPI. Certainly South Australia, the ACT, the Northern Territory and Victoria are all below CPI for the best part of a decade. Gaming is struggling as an operation. It is declining in prevalence and declining in spend typically.

Mr ARMSTRONG - It is below CPI but it has not declined.

Mr LANDIS - That is declining. If you're not exceeding inflation you're going backwards.

Ms DAWKINS - Federal Group submitted yesterday saying they did not think voluntary precommitment worked, yet you've said it's the most effective measure. Have you had any correspondence with Federal?

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Mr LANDIS - We haven't talked with Federal for quite some time, not since the mandatory precommitment issue. Voluntary precommitment is one of a range of measures which can be effective. It gives the ability for someone to set their own limits. Ultimately we think that is the critical piece, together with counselling and other things that help them understand what their limit should be. Clearly there is not a substantial take-up of voluntary precommitment, but there doesn't have to be, because as I said, most people don't have a problem with gambling on poker machines. It is a very small percentage. Australia has one of the lowest prevalence rates of problem gambling in the world. If the right people take it up and use it as a budgeting measure, we think it can be an enormously helpful tool.

Ms DAWKINS - They also said yesterday they didn't believe people gambled on poker machines with any idea that they were going to actually make any money, that they would not win. Is that something you would concur with, that people see it as a form of entertainment, much like buying a video or going to the movies - you pay some money and get some entertainment?

Mr TRIMARCHI - It is a form of entertainment certainly. Myself personally, no, if I put money in I want to win. I think that is part of the deal. It is a form of gambling.

Ms RATTRAY - Want and expect are two different things.

Mr LANDIS - You should not expect to win with any form of gambling. It is an inherently risky activity where I think people understand the house has an edge, whatever it is you do in gambling. Having said that, increasingly we think the need is for almost purely entertainment devices in gaming so that people have more fun. There should be skill-based games. There should be more interactivity with the machine because these days people have PlayStations and have games on their phones. It is a very interactive skill-based activity, whereas a poker machine is a pretty static device. It is typically seen by people as a hardened gambling device and we don't think it should be. We would like to see more entertainment.

Ms DAWKINS - So you see a future where perhaps the younger people who aren't looking at poker machines as a form of entertainment might be able to meld something they do at home, something they do in a video arcade, with something they do in a club?

Mr LANDIS - We would like to think so and that is dependent on a couple of things. Firstly, it is regulator approval and that comes following these devices proving they are not a harm-minimisation concern. If we can show that, in our view those sorts of devices should be approved.

Ms DAWKINS - What would be the motivation if you have a PlayStation at home you can play on whenever you want? Why would you go to a club and play on a very similar machine and have to pay for it?

Mr LANDIS - For the same reason you drink in the club instead of at home. You pay less to buy the drink from Dan Murphy's but you go for socialisation, to support your local community. You go to engage in bowls, golf, or to support the memory of the Anzacs. This is what clubs do and people respect that; that is why they have been attending clubs for well over 100 years.

Mr TRIMARCHI - We see with club membership it is growing. Clubs are more popular now than they were 10 years ago. This is despite the fact everyone now has a big plasma screen

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TV, some incredible food options and choice available to them. People still go to clubs. They get an experience and the social interaction they provide.

CHAIR - Do you have a presence in Victoria?

Mr LANDIS - Yes.

CHAIR - In your maximum EGM entitlements you don't mention Victoria or Western Australia. I understand Western Australia, but is there a reason it is not in your table?

Mr LANDIS - Victoria is treated like a hotel. It has a maximum of 105 machines per venue and the tax rate is more or less the same. There is a slight discount for clubs in Victoria but it is not a club-friendly jurisdiction.

CHAIR - Have you thought about getting into Western Australia? We asked the same question of the last group. What is the state of play with WA?

Mr TRIMARCHI - The state of play is that poker machines are restricted to the casino, as is other forms of gambling. Clubs are very, very small and there is no gambling and I don't think there is any prospect any time soon of that changing. The industry there is incredibly small.

CHAIR - In the ACT in May 2016, a casino was granted a licence. What was your involvement in that debate and discussion?

Mr LANDIS - We have been involved there to a degree. There is a Clubs ACT as well, but they have not been granted entitlements yet. The Government has indicated it is open to an application if a community benefit test can be passed and if there can be justification for up to 200 machines in that casino. Those machines would have to comply with a range of harm-minimisation conditions. So there is a little way to go on that. We believe clubs are the safest place for gaming. We believe there is community acceptance in the ACT for club gaming. You won't hear concerns to a great degree as you do in Victoria, South Australia or Tasmania about gaming in the ACT because of the quite transparent community benefits. We would be happy to keep it that way with the clubs being the only operators of gaming in the ACT.

CHAIR - You mentioned the community benefit test, and that is something that is being introduced here and announced by the Treasurer in 2016. You have an overview of the community benefit test in each of the states. Is there one you think is a better model or are they all much the same?

Mr LANDIS - There are some broad similarities. There are assessments of socio-economic impact. You assess the density of the population compared to the number of available machines. There is an assessment of the financial strength of that community, whether one suburb is richer than the population in another. There is typically some greater acceptance for clubs to get machines than there is for hotels.

For us, the challenge is that some require consultants - and we don't want consultants to have to be involved. It shouldn't be that complicated. The club should be able to make an application and say, 'Here's where we are at. We have this number of machines.' This is a sense of our community, which the government should be able to pull together and understand much better than a venue can. A government should know what the socio-economic situation is of its

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communities and there can be a conversation about the relative merits of a venue having more machines and then what the impact is on others. If you have a cap, which we understand is the intent in Tasmania, and that cap is either falling or static, you are simply moving machines from one venue to another - from one community to another - so it shouldn't be that challenging. Clearly, the community where it moves to may have some concern and the community where the machines leave may be elated, or vice-versa. It is a matter of being realistic and not overly challenging about the shift in those machines.

Ms COURTNEY - We have had a range of views from different stakeholders about the Victorian experience when they tendered their machines. We heard evidence that there was a pre-tender for clubs or not-for-profits, could you please talk through your experience with the Victorian model?

Mr LANDIS - The view was that clubs would get priced out of an auction but pubs, where the two compete, have far more money. They are more able to borrow, their owners are typically wealthy and use their own funds to invest. Pubs are, typically, always going to be a nicer looking venue than a club because the club is obligated to spend its money on a bowling green or a golf course. It just doesn't have the cash in the same way. So clubs sought and received an allowance by the Victorian Government to have a pre-tender where they paid, I think, the first two years of expected revenue based on their current revenue for those entitlements in a ten-year licensed term. It has been seen to be a very bad mistake. Those clubs ended up spending a lot more money than they would have if they simply went through the auction and the tender. It has caused enormous problems for those clubs with a number of clubs now increasingly going broke. That is obviously a very poor outcome for Victoria and those communities.

Ms COURTNEY - The Government has put forward in their policy document at looking at a market-based mechanism. Do you have a view on an appropriate market-based mechanism that would, while still being market based, would be seen as fair to either smaller venues or not-for-profit venues?

Mr LANDIS - We do not have a best practice design on what a market-based mechanism might be but what we would advise is that any market which treats clubs and pubs the same is a bad market because they are not same. Their capacity to pay is not the same; their capacity to borrow is not the same. They are just not, in any way, akin.

Clubs have volunteer boards who determine the direction of the club. The owner of a pub is an individual or a corporation that can make decisions based purely on the financials of the deal. Clubs do not work that way and so you must separate clubs from pubs.

In almost every other jurisdiction, the entitlements that clubs have sit in a completely separate pool from the entitlements that hotels have. You cannot move a pub machine to a club machine or vice versa. The two are treated completely differently and we would strongly encourage that here.

The price should be different, the term of entitlement should be different - all of it should be different. If you want to keep a viable club industry, if you want to keep clubs operating machines and supporting communities in the way they do, then you should separate the two and look to grow your club industry. We believe you will grow public acceptance of gaming because the visible outcomes of gaming will be more transparent and beneficial for communities.

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CHAIR - Take for example, a club in New South Wales. The proceeds are to go back into the community via the club and what they can provide. Who assesses, manages or overviews to ensure that the club is putting the funds back into the community? How is that measured? What role do you play in that if, in fact, you do play a role?

Mr TRIMARCHI - The official mechanism through which that community support is provided in New South Wales is the ClubGrants program. It is essentially a scheme whereby clubs receive a rebate on some of their gaming tax, provided that money is distributed to the community. So less money for the government, more to charities, community groups, sporting teams. It was set up in the late 1990s. It is, in my opinion, by far the largest grant scheme in the country. Last year, I think, clubs through ClubGrants donated about \$100 million to thousands of charities and sporting groups.

How does that process work? Clubs essentially make the decisions themselves. The grant system is localised, there is no central bureaucracy or anything like that. Clubs are the grant makers and they do that in consultation with local government and with local stakeholders who have some degree of expertise on these matters. They form a committee; the committee receives applications from the community. It is all very transparent. The clubs and the committees then work through the applications and donate the money. At the end of the year they are required to submit, essentially, an audit report to Liquor and Gaming, the regulator, to say, 'This is where we spent our money; it is consistent with the rules, we are eligible for a rebate.' The regulator then goes through it with a fine toothcomb, 'Yes, yes, these are eligible projects, no this one wasn't.' There are guidelines that underpin the scheme that set out who you can donate to and it is all very thorough. It is a pretty good scheme.

CHAIR - Are the clubs taken to task for not managing? You talk about volunteer boards and that sort of thing and we know within the world of volunteerism that people are shying away from that responsibility, so how do you manage that for the future, in perpetuity?

Mr LANDIS - In a number of ways, we have a club director's program at Club Directors Institute where we lift the standard of club directors. Club director training is mandatory in New South Wales in a number of areas, which ensures good governance at our clubs. Increasingly, our directors are becoming experts. They are not just the guy who likes sitting at the bar; they are people who understand the law, project management, construction, finance. These are the people we need in our clubs ensuring that clubs are well led into the future, and providing the services that their community wants. Increasingly, it is not a place filled with old guys; it is a place filled with families and kids. We are providing a range of services from gymnasiums to child care, seniors living, and in some cases even aged care. Clubs are meeting the needs of their communities in other ways, through medical centres. Clubs are becoming, where they can financially, increasingly sophisticated.

We think that is a great thing. The challenge is, as we indicated, is clubs in Tasmania would really struggle with that - to have the funds to be able to do it, the sophistication to be able to assess those and if the investment goes bad, if the diversification strategy fails, the club goes broke. It is quite risky. Underpinning all of that is gaming revenue. You cannot do it unless you have got solid revenue that you can rely upon to invest in those benefits for the community. When we say gaming is the critical piece and allows clubs to achieve that community benefit, that is how it all happens.

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CHAIR - I was interested in the second-hand machines - thinking eBay poker machines but the example doesn't work - how do you monitor second-hand machines? I thought they had five-year turnovers here so they can make sure the machines are operating correctly and effectively under the guise of the Australian National Standard. Who monitors the effectiveness and the quality of the machines and where do they go to?

Mr LANDIS - They can go to all kinds of places. I think, to be fair, the Gaming Technologies Association who is up next are better placed to answer how that second-hand market works. We have seen machines go overseas to other jurisdictions.

We have seen arrangements where clubs come up with contracts with their gaming machine provider so that if a machine fails to perform for whatever reason, and it is a dark art as to which machine will perform, they can simply say to the manufacturer, 'Take that machine and replace it with another one.' Then it is on the manufacturer to find another venue that wants that machine.

There is a second-hand market and it has to be regulated. Only licensed venues can have machines. I cannot have one in my backyard. We can't have one in our office. They have to be very carefully monitored and when their life is over they must be destroyed and the evidence of that destruction must be provided to the regulator.

CHAIR - Do you find infringement within any of the areas? How do you monitor clubs that may infringe their licence obligations or regulation? What powers do you have to make sure that it is a quality organisation?

Mr LANDIS - We have a code of practice as Clubs New South Wales. It is a highly detailed code, which has minimum standards and it also includes some best practice guidelines that ensure a very high level is provided to clubs to understand what best practice is. For my sins, which are many, I am the code administrator. We had an independent board who sit with us, including an expert in law. We have the former regulator of Liquor and Gaming New South Wales, we have a former senator and minister in the Keating government and the former CEO of Clubs ACT, who sit as an independent panel assessing complaints from the public from club boards. Sometimes they come from club staff about where clubs have gone wrong and we make rulings that bring clubs back into line and ensure good self-regulatory arrangements are ensured. We have seen in the media some comment that if you move to an owner operator model it increases pressure on the regulator. That is only the case if industry does not step up and look after its own affairs. We have been doing that in New South Wales and in other parts of the country now for well over a decade, taking the pressure off the regulator and ensuring that we have a co-regulatory arrangement where we provide to the regulator instances where clubs do not follow what we advise. In every case I have ever dealt the clubs follow what we advise. We bring them into line and we ensure best practice.

Mr TRIMARCHI - From a pure compliance perspective, the regulator in New South Wales has complete oversight of all machines in the market. They have a media compliance division who are out there on the road going into venues, conducting inspections and audits and they will pick people up for it. They are quite proactive in that regard.

Mr LANDIS - Our last census showed there were 10 clubs in Tasmania that had gaming. There is now seven. The reason for that is they are struggling to afford to stay open, let alone to continue operating gaming. It is quite remarkable, the deal that Federal Hotels has been able to

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get from the government of Tasmania. It is in our view unparalleled worldwide and it is to the detriment of clubs and we would like to see the arrangements changed.

We think that clubs deserve to operate and own their own machines, like every other club throughout the entire country and like every other operator of gaming throughout the entire world. We think clubs are up to it, we are happy to support them and we think ultimately this is to the benefit of the people of Tasmania to do it that way.

Ms RATTRAY - Will your clubs be able to hang on though?

Mr LANDIS - That is entirely up to the Government and how quickly it is able to move and how much it is prepared to support clubs.

Ms RATTRAY - There is a deed in place - 2023.

Mr LANDIS - There is, but if you can say that clubs have a bright future in 2023 then I think clubs will do their utmost. It sends a signal to the people of Tasmania that if they want clubs to exist, then they should be supporting their clubs.

Mr TRIMARCHI - It comes down to supportive government policy.

THE WITNESSES WITHDREW.

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Mr ROSS EDWARD FERRAR, CHIEF EXECUTIVE OFFICER, GAMING TECHNOLOGIES ASSOCIATION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Gaffney) - Welcome, Ross. All evidence is protected by parliamentary privilege while you are in this room but if you are outside that may not be the case. It is being recorded and the *Hansard* version will be on the website when it becomes available. If there is evidence you would like to give in camera, that can be arranged.

Mr FERRAR - Thank you on behalf of the Gaming Technologies Association and its members for the opportunity to contribute to this inquiry. The association is a not-for-profit industry association which represents gaming technology manufacturers. The association's members have supplied all of Tasmania's poker machines. We accept that issues relating to poker machines will be debated in the community from time to time and we welcome the opportunity to participate, but it is essential that such a debate is balanced and based on fact. That is why our submission sought to provide factual, verifiable information to the inquiry, and I take the opportunity to do so again today.

First, it is a fact the association supports the five principles contained in the post-2023 gaming structural framework proposed by the Tasmanian Government. To paraphrase, gambling is a lawful form of entertainment and a wide range of gaming products should be available to consumers that are fair.

Second, gaming industry regulations should be designed to create a sustainable industry with the highest standards of probity, whilst minimising harm caused by problem gambling. Financial rewards from the industry should be appropriately shared among the industry players and the Government, representing the community. Placement or relocation of EGMs into new venues outside of the casino environment should not be solely determined by the industry and the public interest should be taken into account. The duration of a gaming licence should be commensurate with, among other things, the level of investment necessary to underpin the delivery of the gaming operations.

It is a fact all gaming machines and games are to be designed to ensure fairness, security, integrity and auditability. This is the fundamental premise of the National Standard and its Tasmanian appendix under which the Liquor and Gaming Commission approves the use of poker machines. It is worth understanding the relevant detail of the National Standard:

Each poker machine must not give the player a false expectation of odds; accurately display the result of a game outcome; provide clear game rules and instructions; not provide false information; not be misleading, illusory or deceptive, such as a 'near-miss' design; provide sufficient information to facilitate informed choice; provide outcomes which are not dependent upon previous outcomes or favour one player over another; not encourage the player to continue playing or increase the amount bet per play; not officer automatic play; and not alter or modify the presentation of maps, symbols or artwork.

No game or machine can be approved by state regulators, including in Tasmania, unless it meets these standards. Each gaming machine is tested, rechecked and reviewed multiple times against these standards before any player is permitted to use it.

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Third, it is a fact that Tasmania has amongst the lowest maximum bets in the world for gaming machines and that the speed of play is the slowest in the world. Fourth, it is a fact that poker machines are designed to be entertaining. They are a legal form of gambling and are intended to be enjoyed responsibly by adults. Last, revenue to government since 1995 from poker machines in clubs and pubs has no doubt provided very significant support for critical infrastructure and public benefit projects for the people of Tasmania.

While problem gambling prevalence rates in Australia are on a downward trend, our industry remains committed to supporting harm-minimisation initiatives where they are shown to be effective. Thank you, and I am pleased to answer any questions.

Ms DAWKINS - Let us talk about the no false expectations, because that seems to underpin your submission. With the losses disguised as wins, which we've been talking about over the last couple of days, people will put in \$5 and \$2 will come back to them, but it looks as though they have won \$2 rather than lost \$3. Do you think that is fair, or do you think there is a reasonable expectation when people play the machines that that's a part of the process and they understand they have lost?

Mr FERRAR - I don't agree that it looks that way. If a player bets \$5 it is shown on the screen in front of the player. As I referred to, the National Standard requires and indeed no game can be approved unless it accurately displays the result of a game outcome. The moment the reels have come to rest the payout will be shown adjacent to the bet amount. The \$5 bet will be shown and the \$2 outcome will be shown. Furthermore, there are different levels of alert. I am not sure if you mentioned it, but I read somewhere about bells and whistles, I think was the quote. There are sometimes as many as a dozen different levels of notification to the player in terms of what goes on the screen and what is played on the audio of the machine.

Ms DAWKINS - But they're all very similar sounds, aren't they, the sounds for losing \$3. They hear a 'bom-bom' when they have -

Mr FERRAR - I don't recall ever hearing a 'bom-bom'.

Ms DAWKINS - That sort of sound as opposed to a positive melodic sound that might indicate a win.

Mr FERRAR - For one of the largest wins certainly there will be a melodic tune and a different screen shown compared to a lower win. Typically a player will be playing more than one line - for the sake of explanation, more than one game. They will be playing a number of credits on a number of lines. This requirement means that every win on every line must be notified.

Ms DAWKINS - And that is with the showing of the numbers of exactly how much you have put in and what has come back, whether it is zero or whatever. Are you suggesting then that those in the industry, the neuroscientists and various people who are concerned about the losses disguised as wins, have it wrong?

Mr FERRAR - I reflect back on evidence that was given to the committee yesterday, and again I am paraphrasing, I think we need to show a little more respect for the players. We are suggesting that players do not have control of their own activity. We are talking about a secure

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hospitality environment. We are talking about equipment that is provided to provide entertainment services within that secure hospitality environment. That hospitality environment is a positive one. You do not go to a pub, club or a casino to have rotten time. You would typically go with friends. You would typically go to take advantage of food, beverages or entertainment facilities that are located within those premises. Frankly, I think it is a bit of long bow to draw to start talking about brain functions. What do we ban next - every pleasurable activity in Tasmania?

Ms DAWKINS - Neuroscientists would say dopamine is released during these losses disguised as wins in a similar way that would happen with other people who are facing problems of addiction. I don't suggest for a moment that we do not have problems of addiction all throughout the world. We do have it in Tasmania and it is something that we have to face all the time. I think that we would belittle the people who spent their lifetime studying this if we suggested that they were incorrect in this assumption.

Mr FERRAR - I disagree with the premise, as I have said, of losses disguised as wins. I think it is incorrect terminology and I think it is a false claim when right in front of your eyes is, in your case, a \$5 bet and a \$2 payout. There is no disguising anything in a poker machine. They tested by test laboratories that are independently accredited by its jurisdiction or government, in this case the Tasmanian government. Every game and every machine is forensically audited by those accredited testing facilities against the standard I have quoted and other standards, and then a test recommendation report is made to the regulator as to whether the game or machine complies with the standards or not. A standard state that, in my terminology, losses disguised as wins cannot be approved so I dispute losses disguised as wins as even existing.

Ms DAWKINS - I guess it is something that the court is going to play out anyway over the next year with the case that is before them at the moment.

Mr FERRAR - I cannot comment on legal actions.

Ms DAWKINS - No, none of us can. At least that is another level of scrutiny, I suppose, on that particular claim.

Mr FERRAR - I will repeat though, if I may, the second bullet point from the first page of the relevant section in the National Standard is that every poker machine must accurately display the result of a game outcome. That, to me, is the absolute reverse of a loss disguised as a win. If a game were submitted to a test lab, that test lab would have no choice, if there was a loss disguised as a win, than to recommend to the regulator that game was approvable under the national standard. So there is a definite clash there.

Ms DAWKINS - Yes, sure, absolutely.

Mr FERRAR - That is the reason I dispute the definition of losses disguised as wins. There are none.

Ms DAWKINS - Yesterday, when Federal Hotels were here to represent their submission, it was suggested that people saw poker machines as a form of entertainment more than gambling that has an outcome that there is an expectation of a win. So people do not go to gamble on poker machines to win money, they go to socialise and be a hospitality environment - all of the things that you just said - would you say that was true in your experience?

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Mr FERRAR - I am wary of sweeping generalisations. I started working in the gaming industry in 1979, at Wrest Point. I have met hundreds, maybe thousands, of players over that time. In my experience my opinion is that people play poker machines for entertainment. They are fun, with a chance of winning. That is my sweeping generalisation but within that there are many different approaches to the activity.

Ms DAWKINS - We just heard from Clubs Australia who were saying there is a trajectory down for poker machines, it isn't the way that they are programmed now and what they look like. They were talking more about a melding of poker machines and video gaming machines, for example. Do you see that as the future for poker machines in Australia?

Mr FERRAR - I certainly don't not see it as the future. When poker machines were first implemented in Tasmania's clubs and pubs in 1995, it was a very different environment than what we have now. Not many of us, if any of us, had smartphones or tablets; virtually none of us were gambling online. One possible explanation for only 3.3 to 3.8 million people using poker machines in Australia a year is that you can bet online on poker machines and you do not have to be in a venue. That is one possible explanation. The level of gambling on sports betting now, compared to 1995, is magnitudinally greater. The entertainment options to people now, compared to 1995, are far greater.

To answer your question specifically, recently in the US the state of Nevada varied its legislation and regulations to permit the development of skill-based games, which was the phraseology used. The first new models, if you like, of that type of machine are currently being implemented in a number of casinos in Nevada. The jury is out on whether they are appropriate and acceptable to patrons of those venues or not. At this time I think all, but certainly most, Australian jurisdictions would require legislative change to permit skill-based games on poker machines.

Ms DAWKINS - Turning our minds to pre-commitment, there has been a lot of concern about mandatory pre-commitment and the impossibility of being able to reprogram the games, so it would mean a whole new generation of games. There have been some experiments in the world. The jury is out about Norway. Whether or not that was a positive experience or not, but they have tried it and they have done it - coming off a time when they had complete prohibition on machines, so it is a slightly different situation. We do not have that opportunity for mandatory pre-commitment here. Anyone can voluntarily pre-commit to themselves, but that is not the same as having a card that you use at the machine. Do you think it is an effective form of harm minimisation?

Mr FERRAR - I do not think the jury is out on mandatory pre-commitment in Norway at all. I think it was a dismal failure. I think it was a very expensive and highly ineffective measure, which was implemented and then removed because it cost too much. Indeed, you mentioned a prohibition prior to that moment, the problem gambling prevalence figures, as I recall, increased during that prohibition period in Norway. I hesitate to use examples like Norway because the differences are manifest. Differences in the type of machine, differences in the culture, let us just say difference in climate. No, I do not think mandatory pre-commitment is an effective approach to problem gambling. I think voluntary pre-commitment is. I think because, as I was saying earlier, we are talking about a secure hospitality environment whose purpose is entertainment; hospitality, food, beverages, entertainment within a secure and safe environment. The idea of someone going to that type of venue for a bit of fun, some social time with friends and having to

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give a 100-point check before they could play a poker machine seems, to me, to be the antithesis to the idea of entertainment.

Ms DAWKINS - Thank you.

Mr FERRAR - You are welcome.

Mr BACON - Ross, you said earlier that Tasmania has the slowest spin rates in the world.

Mr FERRAR - Australia. The reason for that is that, going back to the first Productivity Commission inquiry into Australia's gambling industries, the commission in its final report - well, it was not hugely definite but felt there could be better information and a few changes made to poker machines. I will give you a couple of examples of better information. At the time, there was no clock on the screen of poker machines and credits were only shown in a number, not in currency. It was our association who, working with all the regulators around Australia and New Zealand, suggested we ought to be putting on-screen clocks on poker machines, and that we ought to be showing not just credits, but also the currency amount. We could not see how it could hurt.

I am pleased to say that after a few years of discussion about font size and location on the screen, every poker machine has an on-screen clock and currency meters as well as credit meters. I am not aware of any efficacy testing that has been conducted on those measures to see whether it has had a positive or negative impact. It does give you a point of difference between Australia's poker machines and the rest of the world's.

In direct answer to your question, everywhere else in the world you press the button and the reels start spinning. You can press the button again and interrupt the reels, and it goes straight onto the next bet. You can play several, perhaps many times, in a second. In Australia and New Zealand you cannot do that. I mentioned auto play and the National Standard. That is what auto play is or 'play through' it is also known as.

In Tasmania, in Australia, you have to wait until the reels have stopped spinning before pressing the button again to commence the next bet. That is a process that typically, at its fastest, will take in excess of three seconds. If you go to the US or southeast Asia and play a comparable poker machine, you will be able to place, in 10 seconds you will be able to place probably 30 bets. In Tasmania you cannot do that.

Mr BACON - Everywhere around the world they have these machines that are not predetermined spin rates of three seconds or five seconds or -

Mr FERRAR - Correct.

Mr BACON - You can override it just by hitting the button?

Mr FERRAR - Correct.

Mr BACON - Everywhere else around the world?

Mr FERRAR - Correct. Australia and New Zealand. Did I omit New Zealand?

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Mr BACON - No, you said New Zealand before. I read that on your website. When you were talking about the national guidelines before, you talked about near misses. There has been the issue raised around safety conditions and the fact that there are different numbers of symbols or different reels. Say there are five reels on a machine, they do not all have the same number of symbols for each five reels or whatever they are called. Is that displayed on the screen? How many symbols there are on each reel?

Mr FERRAR - No. Forgive me, but this topic is the subject of some legal action at the moment in the Federal Court, and I do not feel comfortable discussing it. I am more than happy to discuss it in camera if that is what you would like.

Mr BACON - I would just like an explanation about that at some point. It does not have to be today, but at some point I would not mind an explanation around that. I do not mind if the Chair can decide when that is.

Mr FERRAR - There has been a lot of talk about return to player. One of the ways of delivering a return to player, or an expected theoretical return to player, is through the configuration of the reels. May I hark back again to my introductory remarks, and in particular, a machine may not alter or modify the presentation of mapped symbols or artwork. This goes directly to the heart of the argument.

Mr BACON - So you cannot change the configuration, but it is not easily apparent to a player what the configuration is?

Mr FERRAR - That is probably a reasonable summation. As I said, I feel somewhat uncomfortable -

CHAIR - Are you happy to provide that in writing, comment on that?

Mr FERRAR - Yes.

CHAIR - We will treat that as confidential.

Mr ARMSTRONG - You are saying it is three-second spin rates here, but it actually takes six seconds?

Mr FERRAR - Yes. When I mentioned three seconds, I thought about enlarging on it, so I thank you for the question. Certainly, it is possible to press the button, wait until the reels finish spinning, and then three seconds after first pressing the button, press it again, and you have placed two bets. The idea that that can apply over a period of an hour is a false one. What we see time and again is that that three-second figure is extrapolated across an hour. In my view, it is not possible to play a poker machine 1200 times in an hour. Indeed, where the 1200 times in an hour originally came from, from my memory, was the Productivity Commission, which did do that extrapolation. If people read the commission's report in full it then refers to some advice that a more reasonable maximum speed is 654 times in an hour, which is just more than half. We regard that as rather more realistic, but even though a little optimistic.

I reflect, too, on some comments that were made earlier by Clubs Australia that the extrapolation of 1200 spins in an hour is often followed by multiplying that by the maximum bet to come up with, what I regard as, outrageous numbers, which are extremely unlikely to actually

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occur in the field. When a player plays a poker machine they have a choice. They can place a bet between the minimum bet and the maximum bet. As was articulated by Clubs Australia, if they choose the minimum bet then for \$1 they can statistically expect to play for at least an hour. This is not what most people would regard as expensive entertainment.

Mr ARMSTRONG - The graph that we have here from the Tasmanian Liquor and Gaming Commission actually shows us that graph using those scenarios of three seconds. That is possibly not correct in those terms.

Mr FERRAR - I am not suggesting that it is incorrect but I think it is slightly optimistic in terms of practical reality. The commission, I would imagine, would have the average bet, or the median bet, or I am sure the Federal Group could provide them with statistics that are actual reality. In the absence of that, we are just suppliers of machines. We have no participation in the operation of them so I cannot provide you with that information. We could consider the options that the player has. My view is that most players would prefer not to play the minimum bet because not as much happens. It is not as much fun. It's like when you place a bet on a horse it's more fun, in my view, to place a number of bets rather than just one. Certainly, not all players play the maximum bet. It would be like suggesting that all Tasmanians drive their car at 100 kilometres per hour everywhere.

Mr ARMSTRONG - Not on our roads.

Mr FERRAR - I am very familiar with Tasmania. There are some great roads in Tasmania.

Mr ARMSTRONG - When you get free spins, would they spin at three seconds?

Mr FERRAR - Yes, but of course there is no incremental bet. A free spin is literally free.

Mr ARMSTRONG - It spins and then continues to spin.

Mr FERRAR - You cannot participate in that process. Some people would call that a break in play. The player can merely observe.

Mr BACON - You can stop that, can't you?

Mr FERRAR - There are different approaches to that; usually, you can't.

Mr BACON - There is no regulation against having a machine where you can stop it.

Mr FERRAR - There are different approaches. There are all kinds of different ways of handling free spins. That is an example of why, over an hour, you can't play every three seconds. It is a break in play.

Mr ARMSTRONG - That's where I am coming from.

CHAIR - Can you explain the differences, technology-wise, between the gaming machines that we have heard on the east coast and the ones available in Western Australia? We have been shown that there is a difference there. Western Australia has a different gaming model. Can you explain the differences between the machines?

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Mr FERRAR - I can go into great detail if you like but essentially the machines are almost identical. What we are showing is a different means of depicting the outcome of random numbers. What we're talking about with Tasmanian poker machines, as we all know, is five spinning reels. The Western Australian casino legislation and regulation does not support the use of spinning reels so when the casino was set up there with machines, they wanted to show casino related games - keno, poker et cetera. They have changed a bit over the years, but that is essentially the only difference.

CHAIR - Is the percentage return the same to the punter?

Mr FERRAR - It will vary according to the game being played. Typically, and this isn't always the case, where casino-table-style games are being shown on a machine, they will replicate the return to player from the actual table game. There are variations but your question was technologically speaking and technologically speaking they are almost identical.

CHAIR - So the return to player, is that across Australia?

Mr FERRAR - There is an average across Australia of very close to 91 per cent.

CHAIR - We have heard the terminology 'high-intensity poker machines'. One submission said that Australia has 21 per cent of the world's high intensity poker machines. Can you elaborate on what the term means? He cited www.powerhousemuseum.com as the reference.

Mr FERRAR - As I mentioned earlier, Australia has the slowest gaming machines. The difference between gaming machines and poker machines is that poker machines are the spinning reel machines and gaming machines, by definition globally, include things such as pachinko machines in Japan, which are very loud, very brash, very colourful and very - dare I say it - intense. I utterly disagree Australia has high-intensity gaming machines. I state that Australia's poker machines are the lowest intensity because they are the slowest and have amongst the lowest maximum bets in the world.

In our submission, I pointed to the World Count of Gaming Machines survey, which our association commissions annually. We have done so since 1999 when the first Productivity Commission inquiry report was provided. Australia has never had 21 per cent of the world's gaming machines; it has 2.5 per cent or thereabouts of the world's legislated and regulated gaming machines. Some jurisdictions around the world do not legislate or regulate gaming machines so, I can reasonably confidently say, Australia has less than 2.5 per cent of the world's gaming machines. I categorically state that they are the least intense in the world.

Ms DAWKINS - Just on the pachinko machines -

Mr FERRAR - They are also known as 'pachislot' but there are subtle differences.

Ms DAWKINS - If you put money in those, don't you get a toy out?

Mr FERRAR - There are tokens involved. You get tokens out of them and you can exchange the tokens. You can exchange them within the room for a prize or you can exchange them outside the room for cash. Indeed, the revenue from pachinko and pachislot machines is extraordinary. It's in the billions of US dollars, as reported last year.

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CHAIR - On a worldwide stage, how does our percentage return to a punter - because it is regulated - compared with other areas? Where does that sit?

Mr FERRAR - They are comparable. Spinning reel gaming machines - aka poker machines - are comparable around the world. If people go to Las Vegas, they will have a broader range of return to player. They have poker machines at the airport; they will have a low return to player. Poker machines in the busy big casinos will have a high return to player simply because that is what the business owners want to do.

It probably bears explanation as to how these returns to player, the rates, are fixed. It is in the mathematics of the game. I have mentioned that a supplier will submit a game for approval. It will go to an accredited testing facility - a software testing lab and a hardware testing lab, and it will go to the respective regulator. There will be a number of options for the return to player within that submission. Ultimately, if and when the game is approved, there will be between three and six different return-to-player settings which can be configured by the supplier, so the suppliers salespeople will go to their customer, the venue or the machine operator, and say we have these options and the venue or operator will pick which return-to-player they prefer - I would imagine what they think their players will find most appropriate.

CHAIR - That is interesting. In Tasmania, if there were three to six, do we have much difference between pubs and clubs and casinos? Is it a level playing field?

Mr FERRAR - Yes. Typically all venues in Australia within a state or territory will have similar options but they will have different preferences. It is up to the venue. Once the machine is installed with a return-to-player rate it cannot be changed without prior regulator approval. That change would typically involve a technician, after regulatory approval, going to the machine, breaking all its security seals for removing software and putting in new software, then reinstating all its seals and putting it back onto the monitoring system.

CHAIR - So within a venue there would be different machines that would have different rates of return to players.

Mr FERAR - Yes.

CHAIR - The players are not aware of the different rates of return. Other than sitting there and using each machine -

Mr FERAR - Again, from my long experience in the gaming industry I give great credit to the players. They seem to know instantaneously what games they prefer to play. Those games, I guess, they might prefer because of their entertainment value or their return to player, whatever the personal preferences of that particular player might be.

Ms RATTRAY - Because they saw somebody win on it yesterday?

Mr FERAR - It is not impossible at all. Would I play if I saw someone play on that machine yesterday? I don't know. Probably not, but I should know of all people that it is completely random, spin after spin after spin after spin. If someone won on that machines yesterday the very next button pressed has the same odds of winning. That is the probity and integrity of poker machines. There can be no human involvement or any interference with the randomness of the activity.

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Ms RATTRAY - We heard from a previous submission that if there was a new venue operator licence, they may be given opportunity to buy a second-hand machine - they must be very prevalent in New South Wales - and then Tasmanians with clubs much smaller may be able to outright buy a machine and not necessarily have to lease one. Can you talk me through a little bit about how something like that would be managed and is there a graveyard for pokie machines as well?

Mr FERRAR - Yes. I will do my best, but may I preface my answer by saying that our association's members supply new poker machines and games.

Ms RATTRAY - But you must get some old ones back, or redundant ones. No?

Mr FERRAR - No. It depends on the jurisdiction. In some jurisdictions there is, as you say, a graveyard for old poker machines, which some people find very newsworthy. In some jurisdictions a machine over the life of its hardware might be sold to a number of venues.

Ms RATTRAY - Is that about a five-year life?

Mr FERRAR - In Tasmania it is five or so, yes, but nationally it is longer than that. In New South Wales, for example, it is closer to 10, but it is probably unfair to compare the number of machines, the population and the geography.

Once a new poker machine and game have been approved by the regulator and it is in the field it is demonstrating the probity and the integrity that is required by the commission and everyone else in the industry to be able to operate effectively. There are a variety of means by which, let's say, a bigger and more viable venue could transfer the ownership of those machines to another venue. The means for doing that has been a source of discussion in other jurisdictions for decades.

We worry about the security and integrity of the products that bear our members' company names when ownership passes from venue to venue. Once the original owner of the machine has divested itself of that machine, clearly any warranties and such about it are no longer valid. So our members do not have any involvement in the ownership or operation of the machine once it has first been sold, but we worry about the integrity of the operation of the machine simply because we have become not just an arm's length but several arms' length from its operation.

CHAIR - It was stated yesterday by Federal that in Tasmania it is a five-year term. You just said that in other parts of Australia it could be seven years. What drives that? It is not worn out after five years, they just replace it, so it could go for seven. Is there a financial benefit to Federal to have them rolling over at five years and not a seven-year turnover because they are the supplier?

Mr FERRAR - It is a decision for our members' customers to decide how often they turn over their hardware and you will have heard that within that five years there will be several turnovers, typically, of the game - the software in the machine. Where there are large venues with hundreds of poker machines, it might be that a section of those machines, the busiest 50, might not look as presentable after five years as they'd like, so they replace them, the same as they will replace any hospitality equipment - crockery, glassware, point-of-sale equipment. You'd replace point-of-sale equipment a bit more often than five years, I think.

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It is a matter for decision by the venue. I am mentioning New South Wales because that is a venue model, but if they are only replacing, say, 50 of their 200 machines inside a five year time frame then the 150 are getting older and older. That is perhaps oversimplifying but that is what I observed happening in some of those venues.

CHAIR - Do you have any comment on with the rate of turnover of machines, perhaps in New South Wales, where they are between clubs, pubs and casinos? Is there anything to say, 'I'm thinking that a club here in Tasmania may not need to replace them because of lots of different reasons'. Are there any studies or do you have any information about that?

Mr FERRAR - I may be the wrong person to ask because it is not me driving the decision to replace the machines, but if I may make an observation or two, if you have a really busy venue or a really busy section of a venue and there is massive traffic through a particular area that contains a number of machines - let us say 50 - then, clearly, it might be appropriate from time to time to move new machines into that area and move those machines to an area that is not as busy or for whatever reasons might be appropriate for your business and your customers at that time.

CHAIR - This question may be outside your purview but I would be interested if you could make a comment. Success in the industry is creating an experience for the punter to go in and have an enjoyable experience. You would have known lots of different harm-minimisation strategies that have been employed. Do you see more effective ones than others? Do you see within perhaps the design structure of gaming machines a way that could be better utilised or is more effective?

Mr FERRAR - I don't think there is a magic bullet. I think it is a really complex issue. The last Productivity Commission report, which we all refer to and it is to the Commission's eternal credit that they put such an effort in their work. It took 50 pages, as I recall, it might have been slightly less, trying to explain how difficult it is to measure problem gambling and how difficult it is to ascertain whether a measure or a series of measures was effective or not.

The oft quoted, '40 per cent of players are problem gamblers', even the Productivity Commission itself didn't seem confident about that number. It talked about a lower range of 20 per cent and an upper range of 60 per cent. That is a massive margin for error. Suddenly we had 40 per cent being extrapolated, even into the Tasmanian population. Here we are, seven years later. I worry about quoting those sorts of statistics when the commission itself went to such great trouble to explain how difficult it is to measure.

CHAIR - Our legislation requires a social and economic impact study every three years and there is one being undertaken this year. It has been put to the group, I think it was Federal that said they believe three years is too short a time frame. At the last one I think there were only six submissions and only two of those - theirs and Anglicare's - were substantive, not denigrating the others. Are you aware of the different types of studies and impact statements other states have to do?

Mr FERRAR - I think the most substantive study is the Queensland Gambling Expenditure Survey, from memory, which is a large scale survey undertaken at regular intervals. I'm not sure I am qualified to fully answer the question, but if I may, I think doing such surveys regularly is at least as important as the frequency with which they are done. I think the importance is in a commitment to keep doing it, to keep getting an idea and making each survey comparable with

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previous surveys. We are not then left in a forum like this discussing margins for error and the difficulties for measuring and different screens for problem gambling and different methodologies. I think what is important is a commitment to keep doing it.

CHAIR - I suppose also, as you mentioned earlier, it does highlight the changing market and what is happening out and about, if those studies are undertaken. At least it can highlight it, as you said. Is there anything you think we have missed that you would like to impact? If you could say to us two or three main points that you would like to reinforce?

Mr FERRAR - I think, at the risk of repeating myself, the most important point is that no game or machine - no poker machine game and no poker machine - can be approved unless it meets really strict standards, which are set in stone. Those include things like some of the accusations that have been made in recent times. I note we are sitting here under Tasmania's coat of arms and I note *Ubertas et Fidelitas* means 'bounty and faithfulness'.

Ms RATTRAY - I didn't know that, well done.

Mr FERRAR - What I said about probity and integrity is a really important point about poker machines in pubs and clubs, since 1995. The model has worked, so there is your faithfulness. In terms of bounty, I note from the Queensland Statisticians Office Australian Gambling Statistics publication that the Tasmanian Government is about to receive its 500 millionth dollar in government revenue from gaming tax from poker machines in clubs and pubs, so there has definitely been bounty, in my view, to the people of Tasmania.

In my opening remarks I mentioned that revenue to government since 1995 has provided very significant support for critical infrastructure and public benefit projects for the people of Tasmania. That, I think, is something the industry and the Government should be proud of.

CHAIR - Thank you so much for what you have presented today.

THE WITNESS WITHDREW.

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Mr STEVEN OLD, GENERAL MANAGER, Mr GREG ASTELL, DEPUTY GENERAL MANAGER, Mr PAUL JUBB, PRESIDENT, TASMANIAN HOSPITALITY ASSOCIATION, Mr DARREN BROWN, LICENSEE, THE SHORELINE HOTEL, AND Mr PETER SCOLLARD, OWNER, THE WELCOME STRANGER HOTEL, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome.

Mr BROWN - I am currently the general manager of the Shoreline Hotel, a position I have had for the last 16 years. I have had about 39 years in the hospitality industry. I started off as an apprentice up the north-west coast, at the Bridge Hotel at Smithton, and then worked in brewery hotels for a number of years. I had a very short stint with Federal at Network Gaming, some 17 or 18 years ago.

Mr JUBB - I am currently THA president and vice-president nationally of the AHA, a partner and owner in six venues in Tassie, including the Central Hotel in Collins Street, which is a gaming venue, and the Murray Bridge Hotel which is also a gaming venue in Murray Bridge, South Australia.

Mr OLD - I am general manager of the Tas Hospitality Association. I have been in this role about nine-and-a-half years. I do not have any interest in, or own pubs or anything, just so you know. I am just the CEO of the association. Before that I came from a political background for seven years.

Mr ASTELL - I am currently deputy general manager of the THA and also a life member. I have got some 30 years' experience in the industry, starting in 1986 when I purchased a hotel in Devonport. I had that for 15 years. I was also a member of the committee which lobbied the Government to introduce EGMs into pubs and clubs in the state. I have had 12 years with the Federal Group, two of those were as the licensee of a gaming hotel, and 10 of those as general manager of two tourism properties in iconic locations, one in Strahan Village and the other one at Cradle Mountain.

Mr SCOLLARD - I am currently the owner of the Welcome Stranger Hotel. I have been there since 1995. I bought my first hotel in 1978, which was the Overlander Hotel at Nyngan in far west New South Wales. I have been in the hotel and accommodation business ever since.

CHAIR - Thank you, gentlemen. All evidence taken at this hearing is protected by parliamentary privilege but once you get outside the building that is not the case. The evidence you present is being recorded and the *Hansard* version will be posted on the committee website when it becomes available. If there is evidence you would like to give in camera, that can be arranged.

Mr OLD - The THA represents the hotel industry in Tasmania but also looks after restaurants, cafes, accommodation venues and we also look after Clubs Tasmania so we also take on all the community clubs - RSLs and those sort of things. They can be a member of ours as well.

We would like to give you a quick indication of a venue operator's position on gaming, a day-to-day venue operator, and how they deal with the gambling industry - they deal with patrons that come through the door, how their policies affect those people who come through their venues,

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how they train their staff et cetera, because I think probably the one key ingredient that the people in this room with all the experience they have is to answer some of queries that probably other people have not put on the table.

From the point of the community support levy, which is obviously a big part of the money that the gambling industry puts into Sport and Recreation grants and Health grants and stuff, I want to use this opportunity to point out that I wrote to the Premier - and I have a copy of a letter if you want it, Chair - on 20 June 2016 asking for a break-up over the years of where the CSL been spent in community areas so that we could really look at what areas have been focused on, where the money has gone, et cetera. I just want to table the fact that I still have not got a response to that. That was 20 June last year. This committee may well have a bit more power that I do to be able to get some of that information.

CHAIR - You will table that for us?

Mr OLD - Yes. One of the other things we want to say in relation to the community support levy is that obviously it's a really key ingredient for local sports clubs and community clubs out there. That is where sports clubs, as you are probably aware, get all their grant money from and sports clubs out there that are struggling at the moment. I declare that I am the president of a football club and have been a president of many sporting clubs and community clubs and a member of community clubs like RSLs and stuff. One of the things we would like to see also come out of this committee is the fact when grants through the CSL fund go out to people in the local community a lot of the time there is no actual reference to the CSL and where that money comes from. I think it is an important part of this conversation.

If we are going to have a fair debate about the gaming industry and the pros and cons of it I think we also need to be upfront and declare it. Everyone is pretty quick to have a go at the cons or the negatives of the industry but there are a lot of positives that the industry is doing in communities and it does not get noted. Going back many years ago to the past Premier, Jim Bacon, it used to go out in all Sport and Recreation and Health letters that the money out of this grants funds comes from the community support levy which is the money from the gambling industry. That doesn't happen now so I think there is a bit of perception out there that it is dirty money. Let's be honest, there are a few councils that have joined the committee to fight against the gaming industry. They're pretty happy and pretty quick to put their hand in the bucket and take some of that money, but then they want to have a crack at our industry for not giving back to local communities. I want to put on the table that if we're going to get this argument out there it needs to be a fair debate and there are certain things that I think are hidden about the pros what the industry actually does out there and we would like to see that changed.

One of the things our industry is also very supportive of, whatever future process is put in place by the Government, is that we think there is a real opportunity for the CSL to be increased. We think there is a real opportunity given that community clubs and sports clubs are really struggling out there and I am sure some of the members around the table are aware of that. There is a real opportunity for us to do more in the community from a sporting space and the CSL is an opportunity for us to do that.

I know one of the key issues you have faced over the last days is about employment in the industry and how that is affected by gaming. Greg Astell and I wrote to every mayor of every council in Tasmania months ago to say, 'If you want us to come and talk to you about gaming and get an understanding from an industry's perspective on what gaming is about, we are happy to

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meet with every council'. Probably one-fifth of the councils took that on board. We met with Burnie, Glenorchy and a raft of councils, which was fantastic. One of the questions we got from the Glenorchy Council was that if we took EGMs out of the Glenorchy district what it would do for the employment levels. We went to the nine venues in the Glenorchy municipality and asked for that data and from the feedback of the nine venues, they said the total losses would be 100 staff in the Glenorchy area alone if they lost gaming. That is an average of 11 staff per venue.

There is also a report that was done in 2009 titled 'Australian Hotels - more than just a drink and a flutter' that the Australian Hotels Association did in relation to the industry. It talks about gaming, support to the industry et cetera. It is well worth my tabling that report because it also goes into a lot of detail about what hotels do in relation to providing support to community clubs. It also talks about if gaming came out of venues - and this is back in 2009 - and said the average venue in Tasmania would lose between nine and 11 staff per venue. There is interesting data in there that is also worth having a look at.

The hospitality industry is the third-largest employing industry in Tasmania and gaming obviously forms part of that package, so the gaming industry does not add up to the third-largest employing industry but as part of the whole package of hospitality, it is the third-largest employing industry. One of the things that is key to us is that regional areas especially rely on gaming and a lot of the venues in our regional areas rely on gaming revenue to upgrade and maintain their venues. If you think back probably 15 years, a lot of our regional venues were in an ordinary state, which I probably don't have to tell some members around the table. One of the things gaming has brought to the regional areas especially is regional employment and a lot of investment back into our regional areas such as accommodation venues, allowing us to maintain restaurants and food offerings a lot more than we did. With the forest industry in some of the regional areas now decimated which has cost a lot of regions a lot of jobs, the one thing we can't have is hospitality dying in some of those areas. Gaming forms very much an integral part of the entertainment those venues offer. In regional areas the pub is very much the community centre or meeting place for a lot of people in these municipalities. They are also the sponsors of a lot of the sporting teams, community groups and the like and without gaming, many of those venues would not only lose staff but obviously lose the support they give to sporting teams and clubs.

Training is a very integral part of our industry. Every employee who works in the hospitality industry who wants to serve alcohol needs to do a Responsible Service of Alcohol course. That is generally at the employee's cost. Also, every employee who has to deal in the gaming area, whether it be through a UBET site, formerly the old TOTE, or through a gaming machine or keno, needs to do a Responsible Conduct of Gaming training. Our industry is highly regulated and every employee needs to do that if they are going to work in these areas. We need to make the point that in our industry you can't just rock up one day, get a job and start at 4 o'clock that day. There are some processes and training you need to go through to work in our industry.

I know there has been some media speculation over the last couple of days about the 147 submissions that have come in to this inquiry. Interestingly, if you read through them, 95 of those submissions have come from a generic website called campaignsaregood.do. If you look through them, 87 of the 147 are one page or less. I hope the committee doesn't take submissions that say a one-line thing such as, 'We don't want to see poker machines in Tasmania full-stop' off a generic website to be someone taking the time to put in a submission about the industry because, fair dinkum, if we're going to run media campaigns on that sort of stuff, it's an absolute joke. There may be some misquoting in the media but if that is the path we're going down I think we need to put it into perspective.

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Harm minimisation for us is the key part of this whole debate. We need to remember that gaming is a legal form of entertainment as part of the entertainment mix venues choose to have. For example, everyone always says that every venue in Tasmania would love to have poker machines. Our president, Paul, had the Customs House, which is a historic pub on the waterfront - just next door. It was only a few years ago that Paul took the machines out of his venue, which is obviously his choice. There is a big myth out there that every venue would like to have gaming. It is up to an owner or operator as to whether they have gaming. It is up to them whether they think it is the mix that they want for their customers. I will let Paul explain it but Customs House made a decision years ago to take out the machines.

Mr JUBB - That's correct. In consultation with Network Gaming some six or eight years ago, we thought that could be a great opportunity for us to introduce the machines there. We had the space. After three or so years we came to the realisation that we have a unique location; we're not about gaming in that particular location. Our accommodation would be served better if we had a function room. The point is, I think, they are not the universal panacea for every business. Some businesses they suit. We have a unique location. We were lucky that we could identify another business path we could go down. Regionally, that might not be available to hoteliers in the regional areas to make such a decision.

Mr OLD - One of the issues for us is online gambling. It's obviously one of the biggest and fastest growing areas at present. I can sit here and bet on my phone now. I can bet on credit. I can have no limits. I could blow \$10 000 while I'm sitting here in 15 minutes. It sometimes intrigues us that we're going through a big parliamentary inquiry on electronic gaming machines, while, as you probably know - and it has been referred to - EGM revenue is declining in Tasmania. It is a highly scrutinised and highly regulated industry. We will talk more about what the industry does to maintain that.

One of the things for us is that 70 per cent of alcohol in Tasmania is purchased and consumed off premise. What that means is that more and more people are going to bottle shops buying alcohol and drinking at home. What worries us about that is the norms of people drinking in unregulated environments where there is no responsible service of alcohol, no one keeping an eye on how much they drink, etcetera. What also worries us at the moment is gaming is starting to go the same way. We're starting to push people to say that if you decide that you want, as your own choice, to have a bet on a gaming machine at a venue, there are policies, regulations and codes of conducts in place and staff there to try to protect your interests. If we let people more and more go home and bet online, it is an unregulated environment. That is where the alcohol industry has gone. I guess our warning is we don't want to see the gaming environment go down the same path.

We believe the Government has a clearly stated policy position on gaming. It has made it clear that the EGM numbers are now capped. They are going to do a social impact study for future venues that are seeking machines. I know that was tested only a few months ago. There is a clear and strong position on harm minimisation. The THA accepts that.

What we really want to do is to run you through the day-to-day operation of a hotel that has gaming and give you opportunities to ask Darren Brown, the general manager of the Shoreline Hotel, about how he deals with people who come through the door who might have gambling problems, how he identifies these people, what procedures he has in place for that and what numbers of people Darren employs who are there for the gaming side of it. I think that is

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probably been one of the areas that hasn't yet been touched on in front of the committee. What we would like to do is give Darren that opportunity, if you are happy to, Chair.

Mr BROWN - Thank you for the opportunity. To give you a bit of an overview of the Shoreline, we're a fairly large suburban hotel. Currently, I employ 59 people. Of those, it is around 38/39 full-time equivalents, so it is a reasonable size hotel. I went there 16 years ago. It did have a gaming presence but it was in a very rundown state. At that stage, it had three full-time employees and a total of 28 total in the place. The investment that we have put into the place has been employment over time.

To get back to gaming, we currently have 22 licensed staff out of 59. Of those, there are 17 you would say are directly involved in gaming. I am licensed myself, but very rarely spend a whole day in gaming. It is really 17, which is about 13 full-time equivalents who are directly employed in the hotel on the gaming side.

The frontline staff are the people who are best placed to carry out harm minimisation. The way we go about it at the Shoreline is we use an escalation policy, as I guess if you would like to call it. We have the staff observe to see what they observe. If they observe something out of the ordinary, they pass it up to a more senior person. We have 18-year olds who are observing people drinking or people playing the machines. They simply pass it up; pass it to a team leader or to a supervisor and sometimes to myself as well. The way we go about that is every time somebody walks in the venue, we have to start make assessments of them. It could simply start with what they look like, what is their demeanour, are they of age, so they are scrutinising the fact that they are old enough to be there.

If they enter the gaming room are they on the self-exclusion list? Are they banned from our venue or somewhere else? Are they banned from only our gaming room but they are allowed to be in our venue, which is the area of self-exclusion that I think you need to look at. If you are going to be banned from gaming, to me it should be banned from a venue.

CHAIR - Do you have many people like that?

Mr BROWN - Yes, one in particular. We have known him very well, he continued to use our TOTE but wasn't allowed to play keno or gaming.

CHAIR - So the numbers are small.

Mr BROWN - Yes, small but problematic because you basically follow them around the venue all day to see where they are. They sneak in and out. We have a lot of people on the self-exclusion list that fall back into their habits. Some of them will disguise themselves. They will come in with a different hair colour or long hair that was established as short or whatever.

The staff become very good at spotting those people. The reason they do is because our staff know our patrons. The majority of our players are fairly consistent and fairly regular. They are our community. You may not see them every day but, over time, you get to know who they are. It is the people who you don't see every day that stand out, so the staff are in the best place to see those people. They go through all of those things before somebody even, if you like, buys a [inaudible]. There are a lot of touch points to say whether someone should be here.

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Under the influence of alcohol or drugs is another issue that we face every day now - unfortunately, more drugs than alcohol. What we do is, we observe when we transact - if we are exchanging coins or serving a drink, and then we have staff on the floor.

We use the premise of simply cleaning or straightening up chairs to spend time in and around the people, so it is unobtrusive. Then you can start to say, 'Has that person's demeanour changed? Have they become aggressive? If their play patterns change, are they looking for more money? Trying to get a second EFTPOS transaction which they cannot have. You start to observe over a while as to whether somebody has reached their limits or they are chasing their losses, potentially.

That is when we intervene. The easiest way to break the ice is with a drink - either a soft drink or a coffee - and a quick chat. That is what I say about escalations; we don't leave that to the frontline staff, we leave that to supervisors.

Usually, when approached properly, most of the time, you can find out where somebody is at. Some of the time they very quickly say, 'Look, I am XYZ, I might be doctor, a surgeon, I might own an abalone licence, I can do what I like with my money and go away' - at least you get to know that. Other people, it is like, 'Yes, I understand, I shouldn't be here', or 'I am self-excluded', and you can have that genuine conversation about removing them.

To give a real-life example of that, I had a young mother who became a regular of the hotel. She would start by getting coffee most mornings after dropping the kids off to school; very well-dressed, a well-spoken lady. There was nothing out of the ordinary at all except she became more regular and then it became every day. Then we could start to see that this is not the same lady that was here a few weeks ago. I was called in. I intervened, sat down and, yes, she had started to blow the savings. Her husband didn't know that she was gaming but she needed a way out. I didn't bar her at the time, I didn't ask her to leave but I said, 'We are here to talk' and whatever. She came in, and it was almost the next day. Would you believe, she got a win? I wrote the cheque out, a little bit of cash, walked her to her car and said, 'I have really enjoyed getting to you know over the time but I never want to see you again.' We have not seen that lady back and I believe she is still with her husband.

So we can make a difference because we get to know people. There is a real personal side to self-exclusion when you get to know the people who need help. There are certainly those that do need help but they need to want the help. There are people, if they don't want to be helped, they can't be. They have to say, 'We need a hand'.

All I guess I wanted to get through is that I have heard some things said about Network Gaming and Federal's role. Do not get me wrong, they do a great role in the space they are in, but it is actually our staff in the frontline of harm minimisation in this industry.

Mr BACON - Steve, you said in your opening statement you want to see an expansion of the community support levy. Where would you see that part, if that was increased by 2 per cent or 4 per cent, whatever you want to see it increased by - who would lose out under that scenario?

Mr OLD - If you read our submission - from talking to our members, the general consensus from ours is - the number 1 option for them is to look at the owner-operator model that is in other states, which I think every other state has got at the moment. Simple maths, mate, will tell you that if you take out the middle - if you go a third, a third and a third, as we do simply at the

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moment, if it becomes an owner-operator model, you could say there is a third up for grabs. I think there is an opportunity to look at what part of that goes into the CSL.

Mr BACON - What does the THA want to see with that? If the total is split up, what do you see as how that should be set out post-2023?

Mr OLD - Percentages?

Mr BACON - Yes.

Mr OLD - 99, one, zero - 99 to the operator, one to the Government, and zero -

Ms RATTRAY - Take the question seriously.

Mr OLD - I did take it seriously. That was a serious answer. You said what do I want? What do I think?

Mr BACON - What do you think would be a reasonable thing -

Mr OLD - I think it might be that you would start to get back to a compromise of - if you go half and half, Government and operator, the operator has got to take the risks. They have got to train the staff et cetera. I would hope that the operator's share gets up more towards, let us say, 50 per cent, whatever that could be. Then off that, if Network Gaming didn't do it, then the operator is going to have to take into account doing some of the role that Network Gaming do. We are going to have to have a monitoring system and all of that sort of stuff. Out of that 50 per cent, the operator is going to have to spend some of that to get the monitoring and stuff done.

I think you will work out that what it allows us to do is the operator, who is the person who has taken the risk, like we have talked about today, they are the ones who employ the staff, train the staff, take all the risk on the venue. If a problem gambler comes in and is not meant to be in the venue, the person who gets fined and could lose their licence is the actual operator, it is not Network Gaming. No disrespect to Network Gaming, but it is actually the operator. If you realistically ask me, I think you would start off with Government getting 50 per cent, operator getting 50 per cent and then work out where you go back from there.

Mr BACON - You do not have a fixed position that you have put to the Government or anything like that?

Mr OLD - To be honest, no, because at the moment I think we are in discussion about what systems - there has got to be a decision made as to what operation they want.

Mr BACON - How it is all going to work -

Mr OLD - If the Government came back to us and said, 'The method is to go to owner-operator', then we will explore into that detail. We have had companies come to us saying, 'We would love to offer the services of how we can monitor for you'. If you ever went down that path like they do in Victoria and South Australia et cetera, to be frank with you, we have basically said, 'Look, that is a conversation that happens down the track if the Government chooses to go down that pathway.'

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If they do choose to go down that pathway, then we would take a more serious line. We are definitively serious about the CSL. The CSL is a hugely important part of every sport and recreation - the Sport and Recreation Grants Fund is out of the CSL. For me personally, as I say, being a member of an RSL and being the president of sporting clubs for years, I know how important it is. I was sport and recreational advisor many years ago, to my late father, as you know. I looked after sport and recreation and I know how important they are.

Those grants have not gone up. I was there in 2000 onwards, and they have not gone up since then. We have got community clubs and sporting clubs crying out for more assistance. I think we need to do something more about that. There is a real opportunity. We can invest in that, into more healthy living and get more money into that CSL. I am scared to also see that some of the CSL - some of the health grants now, as I understand, from the previous Government are now going into community houses and stuff like that in relation to CSL - I think some of the things we also need to explore is where the CSL is going, because I think some of it may well be not spent correctly, or not on what it was originally meant for.

Mr JUBB - I think in our consultation, as in THA consultation with the industry, that we are receptive to an increase in the CSL. You need to put the whole mechanics of the -

Mr BACON - At the moment you really want to talk about how the system is going to be structured and then talk about tax rates and things like that later on down the track.

Mr OLD - If the Government chooses to go down the line of the owner-operator model like they do in other states, there is a lot of work that has to be done behind that in relation to taxation rates, the impact of taxation rates on the casino, what it means for operators et cetera. There is a lot of work to be done there. We will be quite frank with you, we are not going to go down that path of doing all that work if the Government then comes back and says, 'The actual model we want to do is the current model with a middle player', let us call it, 'with Federal to still be it', then we are going to have other conversations about it.

What our industry wants, or what our members want and what my job is as representative, is a bigger part of the pie because they are the ones taking the risk. They are the ones who are employing the staff. They are the ones who are doing the training et cetera. I do not think, given today's day and age and where we are with gaming, is that they get a fair share of it.

Mr BACON - Do you see the only way to get that fair share is to go to the owner-operated model or you can stay on the same model you have got at the moment and give your operators a bigger share?

Mr OLD - We could not give them a bigger share. Network Gaming could give them a bigger share. It is a good question. Our position would be that owner-operator is the preferred for us as we see that as a bigger opportunity for our venues to get a better share of the pie, invest more in training staff, et cetera, but if the Government made a decision and wanted to continue down the same path we are, we would be more than comfortable with Federals holding the same thing they do. We would want to make sure the Government has a conversation with us about saying to Network Gaming the venue needs to get a bigger part of the pie.

Mr BACON - Network Gaming stake goes down, the CSL goes up, the operators take goes up and possibly the Government's take goes up, but Network Gaming misses out.

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Mr OLD - The person who takes the haircut is the middle player would be our position. I think from an operation point of view our industry has a very good relationship with Network Gaming, that is, Federals who own it. I do believe they have done a really good job. I think times have changed, but I can tell you now if the Government went down the path of saying we want a middle player, let us call them middle player in the operation, I think Federals have done a fantastic job.

We have seen other parts of the industry that Government have sold off in different areas where the entity has probably not done the right thing by the state. Let us look back at Betfair, what Betfair did many moons ago and got licensed and then 10 years later they are not here in the state anymore. We gave them a leg up to get in, as in we, Tasmania, not industry but government, and then 10 years later they have gone.

I think in fairness to Federals it needs to be recognised that they have done a fantastic job for the community. I have said this to Greg Farrell; I think the problem with Greg Farrell is he is too honest and too unassuming. They do a lot for local communities, local sporting groups. Unfortunately, they do not like to take any credit for it. I think that has probably harmed them down the track because they do do a lot for communities as well.

Mr BACON - Do you want to see an owner-operated model and you want to see the licences granted in perpetuity? If that fair to say?

Mr OLD - Yes.

Ms COURTNEY - We have had evidence from other people that smaller operators might have trouble, might not have the capacity either from a funding perspective or a resources perspective to be able to deal with either the funding or the compliance. Do you have any representation from some of your smaller members around that?

Mr OLD - To be honest, Sarah, that is one of our primary concerns. If the Government goes down and says we are going to look at that method, the number one issue for us will be how does the smallest venue in Tasmania, smallest being lacking funding et cetera, would be our primary concern, to be totally frank with you. I know you have had representations from clubs. Clubs are doing it extremely tough. We represent a lot of RSLs and clubs out there.

The primary thing with us would be, how can we make sure those venues are not disadvantaged and they can purchase their machines themselves or there is a scheme in place that does not negatively impact on them. If we can get that right then I think the system works for everyone. If the Government goes down that method, which is our preferred method, there are a lot of things that have come in.

To be honest, it is a really good question, one of our first ones would be, how does the smallest operator get looked after in this. The bigger operators, if it is in perpetuity, they will get the finance. They have either got it or the banks will give it to them. The banks will not give it to them unless it is in perpetuity, for little ones, and the little ones do not have access to the funds as well. We would have to come up with a system, we being parliament and everyone else, that would allow them to purchase either machines.

Ms COURTNEY - It is possible, do you feel?

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Mr OLD - Definitely possible. It has happened in other states.

Mr JUBB - It has just happened in Victoria. There are players that will move. It could even be Federal that will move into that. The venues already pay the rental on their machines, so they are already paying for it. It is just moving to a slightly different model. I think in perpetuity, Scott, it is the ultimate but I think at least to mirror whatever the casino licence is, would be best.

Mr BACON - If it is extended beyond 2023, the casino licence.

Mr JUBB - If they get a 20-year or 30-year licence, yes.

Mr BACON - Do you think that would affect then the government? Say the government did make a policy decision in later years to cut the number of machines, if they have been granted for long period of time, how would the government then deal with reducing the number of machines?

Mr OLD - They would take it back to parliament, I would assume.

Mr BACON - If there is a 20-year licence and the government makes a policy decision to reduce, would there be a way of providing incentives or something like that?

Mr BROWN - The South Australian model allows for that. When machines are exchanged, as in some decides to downsize from 30 machines to 25. When they do that, one in four machines are surrendered. It is a way of reducing the numbers as the exchanges happen. If somebody wants to move them on and sell them to someone else, they lose a machine in the transaction. That is a way of bringing their numbers down, even though they had their licences.

Mr BACON - So you would set that up in the original structure of the industry post-2023 without having to make a future decision around it?

Mr OLD - Yes. It is not a simplistic thing to say we want to go own and operate. If the Government came back to us and said, 'we want owner-operator', that's great, but there are still a lot of things we would have to explore. Governments and other members of parliament would have other things on the table. Simple maths say if there are three people in there and you take it down to two there is a bigger share for everyone. In fairness to the operator, the operators are the ones who take all the risk. They are the investors, they employ staff. I think they deserve to get more of the pie. They will still have to take probably more responsibility with that but from all the conversations we have had with the operators they are more than happy to do that.

Mr BACON - Do you support a sliding scale of taxation to support the smaller operators?

Mr OLD - I think that would probably be the only way you could do it. The regional venues have to be able to survive under any model and gaming has allowed some of them to survive. The one thing they have also been allowed to do is reinvest. It is not just reinvest in staff in the gaming area, it is about reinvesting and opening the restaurant seven nights a week. It is about the offering for the tourists who go up to Scottsdale.

Gaming is part of what the business does. It allows them to put those bits of profit into other areas of the business. For example, put more rooms in. One of the things we have at the moment in regional Tasmania is a shortage of beds, and we could get into the sharing economy if you want

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to do an inquiry into that one as well. We need those local pubs to invest in their room product if we are going to continue to grow the tourism numbers in Tasmania. Part of what allows venues to do that is the profit they make out of gaming and other parts of their business.

Mr BACON - From what you have said so far you haven't thought about what those tax rates would be?

Mr OLD - Given a little bit of thought, definitely, but not enough to want to put on the table here today.

Mr BACON - Peter Dixon, I think it was, said in his evidence today he thought that within 30 years there wouldn't be electronic gaming machines, that the decline in revenue is so much that in 30-years time they are not going to be around anyway. Is that a position that is supported by the THA?

Mr OLD - It has not been a conversation we've had, but I am not sure I support that statement.

Mr BACON - Do you have a view on the long-term future of gaming machines?

Mr OLD - Post 2023, we would like to see some sort of agreement that is the same length as the casino, or in perpetuity which would be, we would hope, a 15 or 20 year agreement on where the next cycle is. The industry needs certainty. If they are going to go to banks or reinvest in the industry, they need certainty of length of licence for their gaming. Where would we see it in 30 years? If you take the fact the licence doesn't run out until 2023, you would hope there is probably a minimum, say 20 years, of the next licence. In 30 years we would probably be sitting in this same room.

Mr BACON - Darren, is your venue within one of those top 20 venues in Tasmania?

Mr BROWN - Prior to the investment we put in back in 2001, when I entered that venue, we put \$4.5 million worth of investment into that hotel. It had been run under the brewery scenario prior to that and had been let run down. Prior to then it would not have sat in the top 30 in gaming, now we could comfortably sit in the top 10. We have increased everything else as well and we have more than doubled the turnover in revenue of that hotel from that investment. We are just planning right now another \$3 million investment in the property.

Mr BACON - Would you support a sliding scale of taxation if you paid a bigger proportion of taxation than, say, smaller venues?

Mr BROWN - Yes. If we are only talking two people we have a bigger pot to start with. If we pay a larger percentage of taxation, we are still likely to retain at least what we have now or a little bit more, even on your taxation.

Mr BACON - There has been evidence today that they want to see note acceptors in hotels and clubs as well as in casinos. Is that a position the THA holds?

Mr BROWN - I have three workers compensation cases running right now and they are all bursitis in elbows or shoulders and it is all through lifting coins. That would certainly alleviate that one problem I have at the moment. We have had a \$10 000 lift in our annual cost of workers

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comp since this has started and the only thing that is going to solve it is either a note acceptor or a ticket in/ticket out model. We have to get rid of coins at some point.

Mr BACON - What is a ticket in/ticket out model?

Mr BROWN - You get a win on a barcoded ticket, which can be transported right around the room, you don't need to get coins in and out, or you can take it to the cashier and get your money that way. Basically once you have started to play it alleviates the need for more coins in and out. South Australia, I believe, have just put that into their casino.

Mr BACON - Can you incorporate voluntary precommitment into that system?

Mr BROWN - I'm not sure what they have done with that system, the voluntary precommitment. Certainly, even with what machines are doing now with allowing the new generation machines where people can actually choose to track their own play, some people are already starting to participate in that. The new machines basically say I started at midday and I finished at 1 o'clock and I've put through x , and they start to make their own decisions, so that's a step forward.

Mr BACON - If Network Gaming made it available to you at the moment to have voluntary precommitment, would you take that on?

Mr BROWN - It depends on what the terms are and how it is. Certainly we have to do as much as we can in that space. It is a bit like when you go back to liquor. We are here to serve drinks, not drunks. We are also not here to serve problem gamblers. In the end all it does is interrupt the rest of the people who are there for their recreation. The drunk will upset the bar and the other people will leave. The problem gambler who gets upset or lost whatever amount and starts chasing his money and becomes agitated upsets the other customers as well. We don't want them in our venues. We want the recreational gambler who can be there and afford to come back tomorrow. It is not the one-offs that we really need and want.

Mr BACON - Do you have coin machines in your venue?

Mr BROWN - Change machines? Yes.

Mr BACON - Do you think it would have an impact on revenue if they were taken out?

Mr BROWN - It would certainly increase the cost of doing business from the point of view of staff providing the coins. In our venue we have 30 machines and we have three places for someone to buy coin, one over the counter and two at the change machines. It would be good for employment but it would certainly be a negative impact on our profitability because you just need people standing there all day.

Mr BACON - Do you think it would help with problem gamblers if they had to speak to someone face to face? Would that help you identify someone who was having a problem?

Mr BROWN - Yes, I know what you're saying in that they'd have to come back to the counter. They are limited in what they have with coins. Coins in some way are still good because it limits what you can get. It's hard to be carrying around thousands of dollars worth of coins, but

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we can do the same thing with note acceptors where we could limit the size of the input. There are mechanisms that can be put in place.

CHAIR - We only have a couple of minutes to go but I am going to allocate another five to ten minutes because I know some of your members haven't spoken and they may want to contribute.

Mr BACON - Mr Scollard, if the Shoreline is in the top 10, where would you be?

Mr SCOLLARD - I'm in the bottom 50 per cent. I pay approximately \$1600 a week rent or lease payment for poker machines each week to Network Gaming.

Mr BACON - So you would definitely support a sliding scale of tax?

Mr SCOLLARD - Definitely. Look, why should I pay the same as him? I have heard from Network Gaming, 'You wouldn't get finance to fund your machines.' I've had machines since 21 April 1997 and I've paid my rent every week to Network Gaming. If I went to a bank and said, 'I have to borrow \$300 000 or whatever to pay for the machines - here's my statement, I've paid the rent every week to Network Gaming,' a bank is not going to say, 'No, we're not going to lend you money to fund the machines.' The banks want to make money and the only way to make money is to lend money. The people who can't pay the rent probably shouldn't be in the industry. We see that occasionally where venues struggle to pay but when you start looking at the person you discover they shouldn't be there.

The other thing I would like to say, which isn't a question, but I think it needs answering, is that I have a barrister come in three or four afternoons a week. He is a well-to-do barrister around town, I know he has a big income. He's sitting at the bar and he's on the phone and I said, 'What are you doing?'. He said, 'I'm playing machines' and I said, 'What, on your phone?', and he said, 'Yes'. I said, 'You are using my WiFi to play the machines?', and he said, 'Yes'. He managed to lose \$1000 on his credit card in an hour playing machines sitting at my bar. He said, 'I don't want to go over there because I have to get up and come over to have a drink'. He can't lose \$1000 with me because I can only give him one EFTPOS transaction. He sat there playing machines on the phone. Unbelievable! I was dumbfounded by it. I'm upset with him.

Laughter.

Ms RATTRAY - I might direct my question to Greg because I want him to be able to contribute. Greg, there has been some suggestion that the figures that the industry put out into the arena for people employed in the industry. It may be a bit distorted. Do you have an exact numbers in FTEs that the industry contributes and provides employment for in Tasmania?

Mr ASTELL - No, I don't have them with me, Tania.

Ms RATTRAY - Would you be able to provide those because I think it is really important that we have those because that is something that has been raised with me? Is the number 4000 actually 4000 or is it -

Mr ASTELL - Is it gaming or TOTE?

Ms RATTRAY - For the industry, the THA.

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Mr ASTELL - I can give you this if I may. The hospitality industry in Tasmania employs 22 300 people, or 9 per cent of the Tasmanian workforce. We are the third-largest employing industry, so it is quite a large slice of employment in Tasmania. There are some 1900 businesses operating in Tasmania in hospitality.

Something we need to reinforce for hotels is how important a sector they are to tourism. If something happens to their revenue, if we take gaming away from hotels or even impact on their income, it will have dramatic reflection on tourism, especially in our regional areas. Hotels are normally the cornerstone of communities, we know that, but they are normally also the first stop for tourists in regional areas because a, they use the toilets and, b, they want information - not to mention if they have something to eat or drink. You need to be very mindful of that. We are spending so much time and effort growing our tourism industry, the last thing we want to do is destroy it by having second-rate venues and services.

Ms COURTNEY - Steve, do you have a sense for the number of operations around the state that have gaming machines at the moment that would be economically unsustainable if EGMs were removed from clubs and hotels?

Mr OLD - I don't have the exact numbers but if you looked at community clubs, from when we did the example with Glenorchy Council a couple of months ago - and I don't want to speak on their behalf - the Glenorchy RSL said if they lost their gaming machines they would shut the door. So from a community club perspective, the ones who have gaming would probably shut their doors - and that is them quoting, not me; that is what they said to us.

I think you would find there would be a fair proportion, especially regional pubs, if you took the gaming out - whether that decimates them and they have to close the hotel - I think what 100 per cent of them would certainly do would be drop what they offer to the clients through other services. For example, if Peter Scollard from the Welcome Stranger lost his gaming machines, he might not say he is closing the doors tomorrow but what he would probably do is get rid of 10 staff, and the kitchen is open seven days a week from 12 noon until 9 p.m. at night, so he might only open it four nights a week between 12-2 p.m. and 5-7 p.m. I think what it will mean is the services of what that offers to tourists and locals will drop and, like Greg is hinting at, the service levels that we offer to tourists and other patrons will dramatically decrease. That is as much as our concern as the venue shutting.

I believe we can't afford to lose one regional job. Regional jobs are very hard to find. As we have talked about before, forest industries and other industries have been decimated in regional areas, and the one thing that most towns have is a pub or a community club that supports the local community. One of the things Darren didn't mention as the operator of the Shoreline is that he lives in Howrah, he operates the pub and he has a vested interest in that community, so one of the things we get frustrated about is when people say, 'The money is going offshore and Darren doesn't really care about his community'. Darren lives in his community, he runs the local pub, he supports a local football club, netball club et cetera but he does care about what happens to his community. I think it's a bit of a myth when people say otherwise.

Ms DAWKINS - Going back to Darren's anecdote, in that story you posited your service as the problem and the solution which is quite an unusual situation. You clearly understood the subtlety of the situation to be able to resolve it in a way which was very positive and meaningful

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for that person. Do you think that that story would be told in every other gaming venue or is this a special case?

Mr BROWN - No, I think versions of that story are told. Obviously, people can make choices. We make choice whether we drink too much, whether we speed when we drive across the bridge and get caught, and people can spend too much in a gaming room. It is when we can identify somebody that then puts their hand up and says, 'I need a hand', that is when we can help. There are really stories like that in every venue.

Ms DAWKINS - Just to finish off then. The 2000 problem gamblers then did not have that sort of intervention at the beginning of their problem gambling career or is there something else happening at other places?

Mr OLD - The 2000 might not have got hooked on gambling from a gaming machine point of view, I guess.

Ms DAWKINS - They might have transferred it from another form of gambling?

Mr OLD - They might have been, like Peter said, the ones who are on their phones losing and then the last form of gambling they decide to do was go in and have a go on an EGM. The answer is they do get through. It is not a fool-proof system. The one thing that the industry is committed to is making sure that one problem gambler is one too many, but we don't also want to put it out of perspective. There is half of one per cent of Tasmanians population that are deemed problem gamblers. That is through studies and I guess the issue is that is going down. That is a good thing but is it a perfect system? No. We are always going to be open to working with governments to get that better.

Mr ARMSTRONG - Most of my questions have been answered. People are saying out there that machines are not a big employer where you are saying here the number of Tasmanians employed in the venue that has gaming is nearly double to a venue without gaming. That has fixed that for me.

Mr OLD - That is in 2009. That is from six or seven years ago. I think you would probably find the gaming numbers of employees has gone up, but it is in that report that I tabled earlier.

Mr ARMSTRONG - The other thing is the Dixons raised that they believe that a gaming licence should be able to be transferred from one area to another within a municipal area without going through a community interest test. What do you think of that?

Mr OLD - One of the conversations we have had around that is we believe that the licence should be held by the freehold so it should be by the freehold owner of business not the leasehold operator of the business. That is one thing that needs to be clear from our perspective. We have not had a discussion around if it went from one venue to another.

Mr ARMSTRONG - I could say in my home town of Cygnet that if one hotel had it down the bottom end of the town, and it was owned by them, and they owned the hotel up the road and they think that is a better site that they could move it to that hotel.

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Mr OLD - If they are freehold owners, from our point of view, then the licence would stay with the freehold owner so I guess you could probably say yes we do think they could. If it was leasehold I think it would be up to the freehold owner as to what happened with it.

CHAIR - We often see casinos and we put clubs and pubs together. It was presented to us today that clubs and pubs are different in how they operate within the community and they should be therefore taxed differently. You don't have to have a comment on that. You may want to go back to *Hansard* and see what was presented to us. Their reasoning is pubs are there to make a profit and clubs are there to provide a service, or whatever venues, and support back into the communities. All the profits that go back into the club go back into the community. Their case is that they should not be dealt with the same.

Mr OLD - Going back to Scott's query earlier in relation to the different taxing on the different levels, I think you will find that the community clubs are at the lower end scale of the list we were talking about going down anyway. I think if you implemented what we were talked about, owner operated and the sliding tax, they would be looked after in that process anyway.

Mr JUBB - They do not pay any CSL either.

Mr BROWN - They have more machines.

Mr OLD - They can get 40 to 30. They get different tax concessions in relation to certain things over the bar and all those sort of things, so they do have some advantages already. I think in answering it, going back to Scott's one, if you implemented the system that would be taken care of.

CHAIR - Thank you all very much.

THE WITNESSES WITHDREW.

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Mr LUKE MARTIN, CHIEF EXECUTIVE OFFICER, TOURISM INDUSTRY COUNCIL OF TASMANIA, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Gaffney) - Welcome, Luke. All evidence give here is protected by parliamentary privilege but once you step outside it may not be afforded privilege. This is being recorded and a *Hansard* version will be available on the committee website when it becomes available. If you need to go in camera, that can be arranged.

Mr MARTIN - From a tourism perspective, as an organisation we haven't traditionally taken a strong position on gaming issues. We rationalise our policy agenda around bringing and managing visitors to the state. Often the gaming debate in Tasmania isn't about visitors or tourism, so we generally haven't taken a strong position on it. In the context of that, the decision to submit to this inquiry was one we considered carefully.

The TICT is a very large representative organisation. We have 1100 accredited members across the state of whom 85 per cent of them employ less than three staff, so that gives a context about the nature of the tourism industry in the state, who are predominantly small mum-and-dad operators. Our board, which is quite unique for any industry association, has 24 directors, which is one less than the state Parliament House of Assembly. It is quite a unique beast and we average 20-21 attendees at every board meeting, which gives context to how the model works. That tries to capture the diversity of the industry around areas of common interest and the high-level issues for our industry.

The key issues and points in our submission is that we don't prescribe a strong view about gaming machines. We recognise that electronic gaming machines form the business model of around 30 per cent of our hotel accredited operators. Of the hotels that have machines, about 30 of them are tourism accredited operators so there is a big crossover directly, but also indirectly because in many cases, particularly in regional parts of the state, the gaming venue is the predominant evening venue. In many cases they are the major investor at the moment in most towns in their visitor economies. If we think about places off the beaten track, the places that are not traditionally tourism hotspots - such as Exeter, George Town and the like - the major evening venue is often the one pub that has the gaming machines and the gaming licence. There is a clear crossover between what we describe as the pure tourism industry, the venues that support the visitor economies of local towns, and the operators who have significant investments and undertakings within the gaming industry. We rationalise that down by saying it is undeniable that any significant adjustment in the regulations or the structure of the gaming industry around EGMs will have a direct and immediate impact on those businesses and therefore the broader visitor economy, particularly regional towns.

The issue we probably have more a stronger interest in is around the casino licences. I know that hasn't been a direct focus today. As an organisation we fundamentally support the position the Government has put forward. We want to see the licence extension for the two existing casinos. We recognise that the precedent, the business model and the commercial realities for the operator is such that they need that certainty for their licences for those two casinos to be able to undertake the refurbishments they both need. It is widely acknowledged that there is a lot of investment going into casinos around Australia and our two require it. There is clearly a visitation demand, particularly in international markets, for casinos that is growing and ultimately, both in terms of the scale of how important those two venues are for Hobart and Launceston, plus also

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our ability to compete for that discerning market of particularly international visitors who want a casino experience, those two properties need refurbishment and the investment is clearly tied to an extension of licences.

Secondly to that, the future operations of MONA is a significant challenge the state is going to have to overcome. We all know the commercial model they propose features the importance of the high-roller casino licence. From our perspective we support the granting of a licence to MONA, we support their business model and, quite frankly, their exciting plans to achieve MONA 2, which is what the hotel and the hospitality investment could be. The context of what that could generate in terms of the recognition and the raising of the profile of Tasmania we would expect would be on a similar precedent to when MONA opened. Certainly we want to see that investment happen and the operators of MONA have made clear that a casino licence is desirable for them. We see that there is clearly a market space for a high-roller casino in Australia and indeed something as unique as MONA as a feature.

In the north of the state, whilst it is probably unclear whether there is an existing operator or a proponent who might be interested in extending that licence for a high-end casino in the north of the state, certainly the opportunity is there and will be looked at. High-roller casino licences or any form of gaming casino licences don't generally grow on trees and we expect that the opportunity there sends a marker to the investment community that Tasmania is open for business.

Ultimately we support the aspirations of both MONA and Federal as extraordinary corporate citizens in our industry. I don't think the contribution of either of those two companies could be denied in what they have done in terms of generating visitation demand, investment and their leadership roles within the industry in their own way. Both the companies are extraordinary key players in our industry that support visitation demand that sees benefits right throughout our visitor economy. Each of you know that as well with the visitor boom that we are seeing now.

Ms COURTNEY - In your submission you point out that the Tasmanian Visitor Survey no longer tracks casinos or casino activity when people are here. Do you think it would be useful to start tracking that again in future?

Mr MARTIN - Certainly. Traditionally it did, it is just the numbers of samples have just fallen away. The TVS is interesting. The former minister would know well that there are limitations with it because of sample size, so you get those extraordinary variations where suddenly visitor activity at wineries sparks by 100 per cent over one year to the next. I think the sampling size is the challenge.

There are other opportunities to start tracking visitor behaviour at casinos, though, such as the tourist tracking program check that the university is initiating with industry around GPS tracking of visitor behaviour. Certainly I think being able to define that consumer behaviour around how many visitors actually engage in gaming, whether it is in the casinos or elsewhere, is something we probably have a knowledge gap in at the moment and a research gap that could be filled.

Ms COURTNEY - Do all the states have that sort of information?

Mr MARTIN - Not at the level we do. There is an absolute gap Australia-wide in tourism about tracking visitor behaviour. We are far ahead of the other states because we have the TVS because we are an island. That is something we always preciously need to guard. We can get that sample to some degree about what general behaviours of what people do, but in terms of really

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defining when you get down to the level of how many people pay gaming machines or visit Wrest Point, it kind of starts to narrow out pretty quickly.

Ms COURTNEY - You mention in your opening statement the crossover between some of the operators that are within tourism accredited hotels and are also hotels with EGMs. I am particularly focussed on those in regional areas. You mentioned a few in the north. Do you have a sense of whether they would be economically sustainable if EGMs were removed from their businesses?

Mr MARTIN - No, not specifically, I could not give evidence around supporting any individual statement around a particular operator, but what I have been interested to hear is how many of the owner-operators - and the Industry Association of Hoteliers has made that point today, particularly. I think that is telling, certainly anecdotally. I made the other point that, as we say, the investment that is happening in our regional communities - and we do have a real challenge about securing tourism-related visitor investment in our regional areas on any scale. Overwhelmingly, it is being directed into many of these towns into the hotels that have a gaming component. There is a vulnerability clearly around the investment, but also I think the disruption it will cause to their business models has been made clear by earlier presenters.

Ms COURTNEY - You mentioned casinos and we have not talked about those much today, and the need for certainty of licensed operators in your submission. What type of length do you think would be appropriate for the industry to give it the certainty it needs?

Mr MARTIN - This is interesting. The research - you do not have to go far to see where this debate is playing out in every other state around what is an appropriate licensing extension. In South Australia I noticed it was 20 years for a \$300 million dollar redevelopment, for Crown it was up to 2050 for another 450 hotel rooms or something. In the ACT they are going through a very similar debate to us, and so is Queensland. I think that is the issue that is going to have to be negotiated - the two proponents. There is a commonality nationwide. If you are going to introduce a new player into the market, you need to provide certainty for both licence holders. I know there is implied criticism today, I heard it towards Federals particularly around them making that point at the start around, 'If you are going to grant one to MONA, we want extensions to at least the same date.' I think anyone with sense would understand that is a common practice nationwide.

Again, if you are going to propose a \$110 million investment across your two properties, such as they are indicating, or indeed for MONA and the investment they are going to have to make, you are going to want to ensure that your certainty in the market is there. The time frame of that will be negotiated by, I would have thought, the Government of the day.

Ms COURTNEY - That is not an unreasonable approach, in your view.

Mr MARTIN - It is not unreasonable. It seems to be common practice in the market. As I say, there has not been a major redevelopment that I can see, that has not been tied to a casino or the investment of a new casino. The Queensland debate going on as we speak around the introduction of new casinos into Cairns and Townsville, it is all being matched around a licence negotiation for the existing operators and certainty. I do not think it is an unreasonable thing. I think it is just common practice.

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Ms COURTNEY - Do you or your operators have a view on keno or the model of keno, or is that something that has not come up in the conversations you have had with your operators?

Mr MARTIN - No, not at all. I guess the same principle applies, if you are going to disrupt the market by making any substantial changes to the structure of the market, it is going to have a flow-on effect for the operator, the hotel operator or the club operator. Again, there is no credible data to show visitor behaviour around keno licences any more than around gaming machines.

CHAIR - It was John Lawrence that said this morning that if the percentage were the same as what they expected, it would go from \$2 million to \$10 million. I think he said if the return for the keno were equal to the EGM, the return would be from \$2 million to \$10 million. Greg Farrell yesterday from Federal made the comment that you should not touch the keno market because it is not for problem gamblers, it is for somebody who wants to go in - there is no harm in that one because it is not -

Mr BACON - John Lawrence also wanted that money put in a tourism infrastructure fund -

Mr MARTIN - Whenever I heard the words 'tourism' and 'funds' my ears do prick up. That happened this morning. Yes, look, I cannot comment about the keno. In terms of direct funding from gaming to tourism activities, that is not something we would have an opinion on. In fact, we would argue the appropriate place for revenue or funding from gaming should either be to general Treasury revenues or indeed problem gambling services.

Ms COURTNEY - I am not sure whether you are going to have a view on this, but we have had a lot of conversations over the last two days about a model for EGMs in the future about whether owner-operated and market models - do you have a view on -

Mr MARTIN - No, we don't. We don't want to disrupt the discussions being represented by the operators who are involved in that, themselves. We understand the arguments but it is a level around the EGMs that we are not prepared to engage on.

Ultimately, the main consideration on that debate is around whatever model evolves it has to be on a principle of a 'no worse off' scenario for the operators, at least in the short term. If there were going to be substantial disruption, the unknown, I think, would be the factor.

You have heard today some examples of where the operators are a bit unclear about what the implications will be for them in the short term. That would be the unknown for us as well. What level of compensation would be required? How would operators adjust? What would the implications be for regional towns if you were to go to an extreme result in terms of the model? Again, I understand the arguments but it is probably not a position we have leaned on, about what is the appropriate structure of the licensing.

Ms COURTNEY - The other one that has come up was the CSL and I was wondering if you have a view on whether it should or could be increased, or increase the breadth of?

Mr MARTIN - No, I would probably stay out of that as well.

Mr BACON - I think you are going to say the same thing if we ask you if you have a view on whether there should be a sliding scale on the cash rates for different venues.

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Mr MARTIN - No, in my research of looking at the relative examples of a casino licence - I do understand the argument about the casino licence fees and there is an historical quirk here that needs to be corrected about the cost of licences for the casinos.

Mr BACON - I mean more the support in terms of gaming machine venues, but you would be supportive of things that would support the regional venues?

Mr MARTIN - Yes, clearly my understanding if they went to an owner, the alternative model that directs it - it is going to be a disadvantage for small and regional operators. I think that is clear from other examples and there would have to be some built-in scale to enable those to compete. I see concentration around larger venues and urban areas at the expense of regional areas.

Ms DAWKINS - A quick one on data. You have indicated there was none around gambling and visitation, would you be the people best placed to be able to gather data if there is something that the industry or the state felt they need?

Mr MARTIN - Yes, there is the ability to capture it to some degree through the Tasmanian Visitor Survey, which Tourism Tasmania does through the Government. There are other ways. I think we would have to determine that it would be a specific project that would have to be undertaken to do it. I do not believe the sample size of the TVS to be reliable. Again, it wouldn't be a difficult project to undertake. Someone would have to resource it. Who would do it? I think it would be government through Tourism Tasmania.

Ms DAWKINS - Because one of the submitters today suggested they felt tourism had softened. That is not the impression that we have from you. There is some disparity in information and I am a little concerned that because they have gaming machines in all of the hotels that they own or lease out, that might be the reason that they feel visitation is soft. It is something that is possibly worth exploring.

Mr MARTIN - I hear every day operators have their unique situations about how much visitation they are getting through their doors. It is always hard and I don't have to tell you guys, you hear it every day in your own electorates as well, about knowing individual circumstances of that business.

I think there would be as many examples of hotels that are seeing significant increase in visitor demand in regional areas that are encouraging them to refurbish, so perhaps the visitation is encouraging a shift in their operation.

We all know the quantum numbers we have seen over the last four years and growth in them - it has been 30-35 per cent growth in visitor numbers and about 60 per cent growth in visitor spending in the last seven years.

CHAIR - We heard from the THA a few minutes ago they thought the gaming network and the middle man should not be there. It is because they would have a bigger piece of the pie, I suppose, I think that is how Steve framed it.

Yesterday, we were presented with a case by the Federal Group - that they provide a lot of training, supervision and opportunity for people in hospitality; whether the chefs, waiters or waitresses or RSA; they do provide that because they have that on scale and on mass.

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Can you provide any comment about Federal's role in the gaming place? If they are a beacon of hope for our hospitality in their training there will be impact if they are not involved in the gaming network side of it if that is a decision of Government.

Mr MARTIN - I would say there are two principles around Federals with what they do in the industry from a training perspective. One is that their values are such that they have, over the 50 years they have been in operation, been a company that has sought, invested in and developed its talent. We all know that there are literally thousands of Tasmanians who somehow started their career in hospitality through, primarily, the two casinos and the other venues around the state. I think there is a principle there about the values the company clearly has; that they have adopted. The other thing they obviously have is scale. We have lacked other scale operators who have the capacity to invest in genuine, first-class training systems and operations. They are a leader in their own right in terms of their internal training programs, also their partnerships and investments with other training providers. We just haven't had the scale of other operators who have been able to do that on the same level. Is there a risk around doing that? If they removed themselves, I don't think the value of the company will change. I think they will continue to invest. There is now a substantial group of new operators of genuine scale who are entering the state so you are going to see an exciting competition to capture and retain your talent. I think it will evolve. By their own measure, they are leaps and bounds ahead of most other operators in terms of the internal training programs they run, both out of the casinos and their other venues across the state.

CHAIR - That is one of the things we hear from regional venues, where they train and skill up their apprentices. They get them to a point where then they go because they need to do that for experience. That group have to start again with another lot of apprentices; they get to a certain point where they are skilled and then they go. At least with Federal, they have a good rapport with them, where they can do some swapping and changing, internships and that sort of thing.

Mr MARTIN - Yes, absolutely, and the career progression. That is the critical thing they offer because of the scale; they can see a clear career path. You can start out at the Claremont Hotel, do your traineeship and know that, if you are identified, then there is pathway for you to end up at one of the casinos or one of the high-end hotels. They will evolve. They still own properties within their own network. I can't imagine the intent will change; possibly the scale of what they are able to do will change.

CHAIR - You made a comment earlier about the MONA experience and the Government's willingness to perhaps grant a high-roller licence to MONA because it such a beautiful venue. It would complete it, if that was the case. They have also said they would be willing to have a licence in the north of the state just for the high roller. When you wrap the high-roller experience in with MONA, where else in the north of the state - Realistically, with the Government's post-2023 proposal that they are quite comfortable for another casino operator to come into the north of the stat, but only if they have the high-end-roller market. Is that realistic?

Mr MARTIN - I don't know. The cynic might suggest it is just a south-north thing. That's how the casino licence evolved in the first place. We don't know the level of investment, the level of interest that is happening or the shift in the market. These licences don't grow on trees so there will be an opportunity. They will be well promoted. The message to send out to the market is that Tasmania is open for business for another licence, particularly if the MONA one is a success and comes online. I would rather not adopt the cynical view of why they are motivated to choose

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one for each region. One it is out there it provides an opportunity. I can imagine a high-roller at Blue Tier.

Ms RATTRAY - I was thinking more that they have a game of golf and then settle in for a high-roller game after that. I can see opportunity there. I am not even a business person.

CHAIR - My concern is not with offering a licence for the high roller; my concern is that in the 2023 market, why are we not offering a casino licence in the north of the state that would be in competition to Federal, whether it be gaming, EGMs or whatever? My concern is that they have said, 'Yes, we can have a licence as long as it is for high rollers but, no, we are not going to let a casino group come in to anywhere else in Tasmania because of our relationship with Federal, or is that not NCP?

Mr MARTIN - I interpret that as a desire that they seem to be applying by creating a market of competition between two casino operators in a relatively small, economically disadvantaged state. That's the way I interpret it. I do not know that, but it's my reading of it.

I think most comparable places to us in terms of scale have got single operators in a city or regional area. I think that the opportunity for high rollers, there is a clear distinction between what MONA will offer and what Wrest Point offer in the south. Clearly, in the north, if there was to be one, it would be very different to what Country Club offers. It would be a different policy decision for government if they were going to encourage two open licences in the north of the state.

CHAIR - Federal made it reasonably clear yesterday that they would be supportive of the licence for the high roller in MONA, as long as they could get their licence in perpetuity as well so that there was some commitment at the same timeframe. They would not be happy if government had a discussion with MONA and offered them that if they did not have the same. Any comment?

Mr MARTIN - As I said I think that is just common practice. The Queensland example at the moment is a classic. They are going through essentially the same process of existing operators. They are trying to encourage new investment and new licences. I think they have made two new ones available in Queensland. Obviously the existing operators protect their interests. I think that is reasonable. As I say, there was implied criticism. Today I noticed in the media about Federal's motivation for doing it. Anyone with on a very superficial understanding of business sense would understand that they are trying to protect by agreeing at the same to enable MONA to achieve what it wants. The alternative is to have an open tender at some point in a few years. Ultimately what that would mean on the ground is that you would not see very much investment happen at Wrest Point.

Ms RATTRAY - Luke, is there anything that you feel that the committee could benefit from with your expertise and experience?

Mr MARTIN - I could offer to take you to MONA and Saffire or something.

Ms RATTRAY - We have had a look on an electorate tour. We had a cup of coffee on the balcony at Saffire. It was pretty spectacular. I have been to MONA, so what about anything else you can offer?

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Mr MARTIN - It is really up to you. We can further expand upon some of those specific examples. The research question is one that I can do some research around if there are examples of how this has been done elsewhere. It would not be hard to capture a market demand analysis; it's just who does it and who funds it.

From our perspective, the key point here is that in a really complex, challenging policy debate on an issue with a lot of strong opinions and a lot of issues to weigh up is that one of the advantages we have, I think, in this whole debate when it comes to the main licence holders that we are interested in around the casinos is we have two Tasmanian companies that have, I believe, the best interests of Tasmanians at heart. I think if we can achieve a resolution that provides a bit of certainty for them as well as reduce some community concern around machines so the pubs can get their cut.

Ms RATTRAY - Don't throw out the baby with the bathwater.

Mr MARTIN - That's right. Again, if we are having this debate in Queensland at the moment, for example, where there are four international investors looking for the best deal, that is the contrast of where we would be having a debate about casino licences. We have a very different context down here.

CHAIR - Thank you very much.

THE WITNESS WITHDREW.

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DISCUSSION WITH KATE ROBERTS, EXECUTIVE OFFICER, GAMBLING IMPACT SOCIETY (NSW) INC., BY TELEPHONE.

CHAIR - Thank you so much for your submission and for agreeing to speak with us today. We are being recorded by Hansard. All evidence at this hearing is protected by parliamentary privilege. The evidence you present is being recorded and a *Hansard* version will be published on the committee website when it becomes available.

Ms ROBERTS - Thank you for the opportunity to contribute to this inquiry. I will tell you a little bit about myself and where I sit in relation to gambling and problem gambling in Australia. I am a senior social worker, problem gambling counsellor, adult educator and a PhD researcher. I bring a systemic and public health perspective to the issue of gambling and problem gambling in Australia. I am also the part-time executive officer of the Gambling Impact Society (NSW) Incorporated. This is a health promotion charity I established with others in the late 1990s to increase awareness about gambling harms, provide self-help information and educational support to those affected, along with community education professional skills training to professionals in health and welfare in the field, and also provide a forum for those affected to have a voice in the policy field.

I have been involved on numerous submissions to government inquiries on the issue and have appeared at many government hearings, including serving as a member of the ministerial expert advisory group for the federal government 2010-11. I continue today to make representation on behalf of communities impacted.

In addition to these professional roles I have also had over 27 years of lived experience as the partner of someone who has struggled and now fully recovered from a binge-type poker machine addiction from the age of 18 until his early 40s. We are one of the often unacknowledged and silent families who have been harmed by poker machine exploitation in the community.

Whilst the gambling industry labels anyone who challenges them, including myself as an anti-gambling zealot, I am a well qualified public health professional with a diversity of academic, professional and personal experiences in the social welfare, health and gambling field. I recognise that gambling is a legalised activity but also one that has known harms and includes certain products with particular known risk factors.

In the case of poker machines, these include features specifically designed to addicts. Similar to other products of dangerous consumption such as tobacco, alcohol and high energy-dense, low nutritional foods, these are products marketed by big businesses with vested interests in growing their market share and maximising profits with minimal regulation. They require considerable public scrutiny and management, including a population health approach to their product dissemination and regulation, including appropriate product safety and consumer protection standards.

I am aware that as a government, you are tasked by your community to balance the needs of social and economic growth, whilst protecting social and community health, including reducing and minimising harm to the communities you serve. It strikes me, and I know over 42 other agencies in Tasmania, that you have an opportunity to seriously address the known harms from poker machine exploitation in your community and develop some meaningful reforms in Tasmania. I am aware that many in your community have requested that poker machines be

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removed from street corners, pubs and clubs, and retained only in destination gambling venues such as casinos. I assure you that with the benefit of hindsight, if we had this opportunity in New South Wales, we would grab it with both hands.

I am here not to answer specific questions about Tasmania. You know your state better than I, but to share both personal and professional knowledge and experiences. These form a body of lessons learned from New South Wales, a state which has seen a rapacious and dangerous product embedded in the social milieu since the 1950s. We have learned a lot in New South Wales and I am proud to be part of a public health and consumer voices movement to call for some serious commitments to meaningfully addressing gambling harms in Australia. I am here to support your considerations of how to use this unique opportunity to seriously consider the needs of your families, your children and your businesses in how you manage this dangerous product in your community.

CHAIR - Harm minimisation tends to focus on the symptoms of problem gambling. Given the diversity and comorbidity in and amongst problem gamblers, is there more that can be done to address the underlying causes of problem gambling?

Ms ROBERTS - Yes, no doubt. I have been a problem gambling counsellor specifically for the last 17-odd years and, as I say, I have lived experience and am a supervisor of counsellors in the field. Through that time I have seen hundreds of people who are at the pointy end of a gambling problem. I am also very well aware of the latest research showing there are really significant harms for people who we also consider in the low-risk categories along the continuum.

That is where I think harm minimisation really has a lot to develop. Certainly the policies of responsible gambling and their strategies primarily focus on individuals. This seems to me shifting responsibility to the gambler and not looking at the more complex arrangements and offerings in the community. This is often after the harm is done. We know that things like duty of care and the responses by venues are often very minimal and really do not go far enough to attend to those issues, but it goes well beyond the venues and out to the general community.

Responsible gambling policy tends to stigmatise people and it also tends to reinforce victim blaming in the community, which does not help the issue at all. It has been demonstrated by Carroll's work at the ANU in 2013 that it is a policy that has significant barriers to help-seeking, so in some respects it is shooting itself in the foot. As a community we need harm minimisation that is focused beyond individual behaviour change and located back with the product and consumer protection. We have done this with other harmful products and we need to do it with this one.

Mr BACON - Are you talking about these features that are designed to addict, as you put it in your submission?

Ms ROBERTS - Absolutely, yes. I come from a public health perspective and from that we need to be looking at a whole-of-population approach to gambling harms that goes across the field, not just focusing on people who are already drowning in the river. We need to build the fence at the top of the cliff. The best starting point is to look at this product. What is it about this particular product that is causing so much damage? When you have 30 per cent of your best regular customers becoming ill, if you were a restaurant you would be shut down. Yet we don't think to apply the same community standards to this product. For many years we have known that. This goes back to 2001 and Mark Dickerson who held the Tattersall Chair at Western

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Sydney University. He clearly stated that 50 per cent of people who use poker machines exactly the way they are designed to be used will lose control. So losing control is a norm; it is not a rarity.

CHAIR - Kate, some people would contend that the penetration of EGMs in Tasmania is relatively low compared to eastern Australian states. If Tasmania was able to take steps to enhance harm minimisation, do you think it would enhance attempts to reduce harm in our jurisdictions, such as New South Wales where it seems to be a problem?

Ms ROBERTS - I think it would be wonderful if Tasmania grabbed this opportunity to take some leadership. It goes beyond harm minimisation to prevention. The suggestions have been around trying to get the product off street corners. What we have learnt in New South Wales is that embedding in the social milieu creates a level of under-mined resilience. Clients have said to me they grew up with RSL clubs that were putting on Christmas parties and they would be down there with the family. They had no idea the funny little item in the corner with all the bells and whistles was a gambling device in the first place.

The placement of machines into casinos, at least you have that sense of resilience before you walk in the door. That's not to suggest we don't need to have changes on products in casinos, but I think this idea these are harmless entertainment devices that can be put on every street corner, we have learnt from New South Wales, much to the community's detriment. We then exported them in the 1990s everywhere else. You are very lucky in that you have kept them in very low numbers, but I hear you still have at least over 2000 to 10 000 people who are dealing with the significant harms from that.

For every person who is impacted there are at least 10 other people who are within that network and they rarely even get counted when you hear industry making claims they have done such a great job at reducing prevalence. Prevalence doesn't cover incidents, it doesn't look at intergenerational harm, and it doesn't look at continuing harms and continuing to live the life of having been impacted by this product. So I think you have a great opportunity here.

CHAIR - Does New South Wales have a cap on the machines? What is the situation there?

Ms ROBERTS - We have a bandwidth thing by LGA process. We did at one stage try to introduce a cap on venues. It meant somewhere like Penrith Panthers had to go from 1000 machines to 450 so that was ousted fairly quickly. Now what we have is a kind of test of what they call 'bandwidth'.

If you are bandwidth 3, somewhere up north in the Chatswood area of Sydney where you have relatively comfortable families, high socio-economics and low density machines, you know if you want to introduce a few more or move them around a bit the test is much lower than if you are in, say, a bandwidth1 whereby you have low socio-economics and high densities of existing machines, somewhere like south-west Sydney for instance.

Fairfield City Council recently had to spend about two-and-a-half years fighting the proposition that Mount Richard, which already has several hundred machines, wanted to move them from another area - a higher socio-economic area where they weren't performing quite so well - into their area. That council put up quite a fight, as did the community. That is a rarity in our area because mostly LGAs and local government doesn't get a consultation. They are offered but as they are not mandated they very rarely respond and ultimately ratepayers don't get a say.

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CHAIR - In this state at the moment the cap is 3680 machines. Post-2023 the Government has indicated that number should go down to 3530. There is the proposition there should be no gaming machines in clubs and pubs and they should be confined to casinos. We heard today from Clubs Australia - and in our state it is quite dispersed, unlike many of the other states. The hotel provides, for some communities, the place, the local watering hole. It is like when a school closes or a bank closes or a post office closes, it takes away. It was made fairly clear to us that in some places if the pub closed and part of their revenue was from the gaming that that would have a detrimental impact on that community.

Ms ROBERTS - That is where communities need to be consulted about the levels of what kinds of gambling they want to have access to, and that rarely goes on. In Victoria there have been considerable consultations, and then state government overrides them. What we do know is if you look at what has been happening in our jurisdictions, such as New Zealand, where they have the sinking lid policies. If either machines are forfeited or businesses move on they do not replace the machines. Ultimately, they are regularly reducing the number of machines in an area. As far as I am aware those communities are flourishing, nobody is out protesting for more pokies to be put back into the community. One of the reasons for that is the community benefits, for instance, the cash donations and the so-called community levies. They are often going outside of their original community, and they are raised off the back of people with significant addictions who end up paying for the local kids' soccer club T-shirts. People are concerned about the equities in that.

I do know at the moment there is a Proudly Pokies Free campaign launched in Sydney recently by Anna and Tom Lawrence and they are now combining a register of all the venues around Australia, starting with Sydney, and celebrating those that have selected not to have pokie machines or have got rid of them. I think someone who was interviewed today was saying they found they were not a product for their particular venue. I think there is a diversity of businesses. I think businesses need to stop relying on this kind of product, from which 40-60 per cent of the revenue is taken from people being significantly harmed - and not just those individuals but their families as well.

CHAIR - Did you say 'sinking lid'?

Ms ROBERTS - Yes. I can recommend that you speak to the Problem Gambling Foundation of New Zealand who implemented that. That has been a very successful process across New Zealand.

CHAIR - Are you aware of any other jurisdictions - I am not only thinking Australia, I am thinking worldwide - that had a similar issue or a similar situation where they had gaming machines, they noticed the harm that it was doing and they have been taken out of that community?

Ms ROBERTS - There is the whole Sweden experiment. Was it Sweden or Norway, I am trying to remember, with the pre-commitment arrangement where they shut down their EGMs. Various, depending on whose research you want to look at, go back to the researchers and look at it, rather than the industry's interpretation of those statistics.

The calls from community to the help line dropped dramatically. People were not ringing up looking for help for poker machine gambling problems, or the industry will tell you that they all

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ran off to poker machines on line, which was not supported. Then, of course, they introduced them back in within a period with a monthly limit on them. As far as I am aware that is still going.

CHAIR - We have a community support levy.

Ms ROBERTS - I have been hearing about it, 4 per cent or something.

CHAIR - Do you have anything similar to that in New South Wales?

Ms ROBERTS - Yes, firstly, all our treatment service providers, community education research is funded by a 2 per cent levy on the casino. They are the only gambling operators that contribute to anything in terms of treatment, rehabilitation, and community education. No other gambling provider contributes to that.

In New Zealand, you have a formula that is worked out across all gambling providers have to contribute into the pool. What we then have is hotels therefore do not contribute. They are capped with 30 machines on there, but clubs have no capping other than the bandwidth thing.

They have what is called the Community Benefit Fund, which I think is about 1.83 per cent now of any profits made from gambling over \$1 million. They basically have to put back into the community in some fashion, or they pay as a tax. It is a forfeited tax, if you like, which they then get to decide themselves, more or less, with a bit of guidance from a local social committee about where to distribute those funds.

The Gambling Impact Society has definitely had funds from that to develop some resources. We basically cleanse it and do other good things with it, but we are talking about minimal amounts of funding, which often stop when we start raising concerns. Basically that is the kind of levy that is applied in New South Wales. Invariably, what has been shown if you look at Betty Con Walker's work, she is from former Treasury New South Wales, a public servant. She did her PhD research and wrote a book called *Casino Clubs New South Wales*. She based the evidence somewhere between only 1 per cent or 2 per cent of gambling profits go back to a community in donations.

The industry would argue the new bar they had to put in or extra hairdressing facilities are also community contributions. My challenge to that is what you are really not doing is funnelling these facilities into one organisation at the cost of other services in the community who do not get those kinds of tax breaks, whereby they pay minimal tax on their services.

Without a level playing field you have this growth of this gambling industry at the cost of other community services. Including the fact that right now Clubs New South Wales would like to position themselves as a service from cradle to grave. They wish and are already providing child care facilities and want to maximise that, and report to the Productivity Commission Inquiry into Childcare and also aged care facilities. My concern about that from a community perspective is that this is again building huge associations and maintaining a business model that relies on addiction.

Mr BACON - You think it would be positive if we changed our CSL in Tasmania to keep the money in the community where the money was gambled. Effectively, you would keep it within the local government area?

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Ms ROBERTS - I think there is no doubt that if the community is contributing to a fund then it needs to be spent back. Again, most of those funds in our area don't go back into rehabilitating the people who have contributed in the first place. I think it becomes a bit of a whitewash for ameliorating the harm, to be honest. I have heard that already across the board in all representations from the industry you have had today and yesterday. We do all of these good things, we do all of this good work and we give all this to charity, with no acknowledgement that 40 per cent to 60 per cent of their profits are made from people who they are outrightly damaging.

Mr BACON - Would you say it is fair to say if they are going to try to whitewash it, they should at least do it in the community where the money came from, or you don't think that is right?

Ms ROBERTS - My personal concern is that in New South Wales the pockets of money get distributed to favourite arrangements, and often it is not equitably distributed in the community. I personally would say I have a preference for it being pooled at a state level and people being able to apply. Whether or not there is some formula worked out in terms of distribution amounts in communities is another matter. It is hard for me to talk specifically to your communities.

Mr BACON - We have heard the claim today Australia has the slowest spin rates in the world when it comes the electronic gaming machines, and I wondered if you had any comments?

Ms ROBERTS - Yes, that is not my understanding. I think that came out of the mouth of Ross Ferrar, didn't it? My understanding is that we have 20 per cent of the world's fastest, most sophisticated electronic gaming machines. As you can tell I am a Pom originally, and when we deregulated gambling a few years ago they wouldn't let them out of the casino.

Mr BACON - The comments around the spin rates aren't really three seconds. They are more like six seconds and at other places around the world you can hit the button again straightaway and go straight to the next spin without waiting any time at all; is that your understanding?

Ms ROBERTS - I am not convinced. I don't know. All I know is that we have, and the Productivity Commission 2010 reported on the high-intensity machines we have in Australia. That is a huge body of work, a huge piece of research that went on across Australia. I would be looking to that kind of information, not necessarily what the manufacturer is basically promulgating.

Mr BACON - That is effectively the only place we can go to get that information.

Ms ROBERTS - That is a big issue, isn't it? If you look at the ABC documentary *Kerching! - Pokie Nation* - have you seen it?

Mr BACON - Yes.

Ms ROBERTS - They have to go out of the country to be able to get better information. That is exactly what the ministerial expert advisory group was up against when we were looking at precommitment technology. You really need to do the research outside. That becomes a bit of an anomaly, doesn't it, but it is a very significant one that one needs to resolve.

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CHAIR - Kate, can you describe some of the Gambling Impact Society of New South Wales successes in your state and could some of those programs and actions be implemented to foster change in Tasmania?

Ms ROBERTS - We are a small not-for-profit organisation but because New South Wales historically has had a very pathologised medical model and not a lot of funding, I would have to say - the 2 per cent in the past has produced about \$3 million of \$13 million which primarily goes to treatment which is what I am saying is the focus. I was involved in setting up the Alzheimer's Association in New South Wales and have been involved in various issues through my health background and unlike those issues it has been quite easy for those organisations looking at health promotion, harm minimisation, early intervention, community education to be able to receive government funding, for instance, to support their work.

That hasn't been the situation for us, we have relied on small grants but, having said that, about four years ago we were successful in getting a reasonable grant from the Department of Social Services who funded our Consumer Voices program. That has now recently had a 12-month funding from the New South Wales government and that runs out at the end of this month coming.

That is where we train up people who have been impacted negatively by gambling. Poker machines tend to be predominantly the product that is causing the biggest problems so therefore that is reflected in our community of speakers which includes both gamblers and family members. We tee them up with the local gambling health services to provide a one-hour presentation around understanding gambling in the community and gambling harms and also then tell their personal story from the perspective of the person who has been impacted, and that gets contextualised by a counsellor. Then we basically open it up for discussion.

The aim in the program is to reduce stigma and stereotyping - for example, this could be you, this could be me - and help people understand the issue in the community and why there is a need for reform but also, most importantly, where to get support services, including our own which are self-help resources online, booklets and training and various programs. We don't provide counselling treatment, we refer to our existing services through the Gambling Help service - I am a counsellor now in private practice but I was working for Gambling Help at one point - and also give people an opportunity to engage with us in a variety of ways, which includes the Consumer Voices program. That has been very successful but we are not the initiators of that. South Australia has been running a program similar to that for about 10 years and Victoria started theirs about 18 months ago.

We have been going now for four years with about a 12-month period where we didn't have funding and we have probably reached about 4000 people through that. We go out to mental health teams, social work departments, housing departments, Probus groups, Rotary groups, service groups, and we have done training with staff in local clubs et cetera. We have gone across regions in Sydney. At the moment we have been doing the far south coast, southern highlands and continuing doing work around the Illawarra, Shoalhaven and south-west Sydney. That has been enormously successful, not only as an awareness-raising program but in terms of enforcing people to recovery and empowering people as well to have their voices heard.

Ms DAWKINS - People have been saying that problem gamblers are self-identifying and therefore there is a kind of hidden problem that people are not coming forward because they are

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embarrassed, don't know who to turn to or don't how to go about seeking help. Is that the situation you have found to be true?

Ms ROBERTS - Yes, it's an enormously stigmatised issue. It is on the rounds of sexual assault - it's an enormous taboo subject. I am a researcher in public health and my PhD is looking at the issue, looking at policy and looking at the product and the rebinding of humans with technology in poker machines, but mostly the stigma and shame is what holds people back. As an example - and this isn't being overly critical of people trying to do their best - current responsible gambling focus is very much centred on the gambler. Family members don't get sought after for the campaigns and when they are there, they're really only there as an adjunct to the person with the gambling disorder. Again, we are only seeing the sharp, pointy end.

Erika Langham's work is now showing us that people who are considered low-risk gamblers are not low risk from harm and are demonstrating a 50 per cent decrement in quality-of-life years. People don't even get discussed in our responsible gambling policies. Family members tend not to show up at all because, although they are very welcomed by our gambling services, they only represent approximately 10 per cent of people who are presenting. Those who are presenting are only about 50 per cent of the people who are struggling with this problem. To think the only way to recovery is over the threshold of my door, the counsellor, really doesn't address the issue; it needs to be much broader. We haven't really acknowledged in New South Wales that it is a health issue, the same as we do with diabetes, obesity, depression, anxiety et cetera, so therefore it is not treated the same and the structures are not the same.

Previously we had the Office of Liquor and Gaming and now it has gone to the Department of Justice, but basically the regulatory body for the industry is also managing treatment services, research and community education. That is a terrible conflict of interest and denying the professionalism of a whole body of people in the Department of Health. That does an injustice and marginalises people affected. On top of that, most of the information around is in venues. There is a plethora of people who are harmed who don't necessarily go to venues. We have to treat this the way we do other health issues and, until we acknowledge that we're going to have an uphill battle.

Ms DAWKINS - Yesterday we had the Department of Health and Human Services in and I questioned them about how they know whether someone has been cured and what sort of KPIs are there. Essentially they said they apply the grants to the community services sector and then look at how many people they have spoken to, but that's the only measure they have.

Ms ROBERTS - In New South Wales the counsellors now are required to follow up clients for a period after they have stopped attending the service. There are also external evaluators who do some of that. I know in New Zealand at one point the gambling helpline was responsible for doing that kind of work. Again, there is evidence that a lot of people recover without ever seeing a professional, but don't think that is unassisted because it involves family members such as myself and others and self-help. People are always looking for ways of recovery that are also self-help driven and the evidence is there needs to be more of that as well. The challenges around identifying and the issue itself means people are often in denial for a long time. Why would you not be when it has been so normalised in the community? There are very few messages out there really.

A good example would be my own case, if I can share something personally. It probably took me seven years to acknowledge to anyone else that this was an issue in our life, and I am a

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well-educated, articulate woman who has been a social worker for 30-odd years. I have never probably come across anyone with a gambling problem in my life before - or probably have but never screened for it, or never had it brought to consciousness. At the same time the presentations that were given to me when I first looked for help as a couple were hard to find. I still think it is quite hard to get couple counselling on this issue; they did not fit. They did not fit what was going on. It was easy to think that this is rather strange. There was nothing that was really giving other messages.

Whilst I hope that since that time, which was back in the early 90s, the situation has changed, I am pretty convinced it hasn't changed that much. That is one of the issues. I think if we keep focusing on the sharp pointy end and not being inclusive to other harms and we buy into the story that the industry is saying, which is it is just less than 1 per cent, 0.5 per cent, of the people, then we really are doing a disservice and continuing to marginalise people. We really need to open up the discussion and debate and really embrace this as a public health issue and put some serious health outcomes into it. This is why I became involved in it. I have done a lot of work in public health and health promotion for many years on other issues. I could not believe that this was something that was so behind in its models and so behind in terms of its outcome measures. Why don't we have national outcome measures on gambling harm?

CHAIR - Kate, thank you for providing us with that information.

DISCUSSION CONCLUDED.