

**THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE IMPACTS OF GAMING MACHINES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON 15 APRIL 2002.**

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**Mr BURNIE TARR AND Mr LAURIE DILLON WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.**

**CHAIR** (Mrs Silvia Smith) - Thank you Laurie and Burnie, if I may call you that, it is much easier and much more informal and please use my Christian name. Thank you for your submission, a very detailed, in-depth submission with a lot of supporting documentation. I found the South Australian Study of Impact of Gaming Machines on Small and Regional Economies most interesting. I would like you to talk to your submission and perhaps we could intervene with questions as we go along rather than wait until the end because sometimes you lose the context, if that is okay with you.

**Mr DILLON** - I have followed this issue for a few years now since the Brighton Council took an interest in it, although at a distance - I did not get involved in it - and I sourced information from America to just have a look at what the real situation was regarding this type of gambling. At a point in time recently I received a letter from Federal Hotels. It alerted me to the fact that - something that was alerted in the American experience - people in certain positions in politics or local government or whatever can be targeted to assist in the expansion of certain industries and other things. I decided to do some homework on this because of that. This is the culmination of our inquiries into this industry, probably a lot more so in American and Australian - I will explain why I say Tasmania is not as up to date. Your inquiry is probably the first that I am aware of. In one of the letters that I received it says - it is in these enclosures - 'I must state that I was surprised to read your comments regarding the alleged impact that gaming machines have had on small business as to my knowledge, no studies have supported this claim and at best, any arguments supporting such claims would be based on mere anecdotal evidence.' This was the reason that we looked at the wider picture of it. It has applications regardless of whether it was Tasmania, South Australia or Australia or overseas. The applications would be a similar thing because of human nature being what it is.

**CHAIR** - You can transport any decision from elsewhere and what is happening elsewhere into the Tasmanian situation.

**Mr DILLON** - That is right. I think that what we felt was that we would learn from the latest experiences instead of letting ourselves learn the hard way. That is the reason for our submission. We have put a lot of work into it to try and explain the situations that do exist around the world and in Australia.

**CHAIR** - Yes, you certainly have done a lot of work. I found it a very detailed submission, in that respect.

**Mr DILLON** - My experience is that I have never played poker machines. Coming from a small country town, we do a lot of work in our town looking at the social problems; dealing with youth problems and so on. The issues that exacerbate this must be addressed. That is one of the reasons we feel strongly about doing this work. This is one of the issues that we think is exacerbating home lives and social issues in country towns.

Bear me out on this: I think the country towns that they talked about in South Australia are directly related to the targeting of country towns and the results of the effects of the machines in country towns. On television, the mayor of Mount Gambier stated that the losses in poker machines were greater than the revenue of the Mount Gambier City Council. Issues like that are of extreme concern.

**CHAIR** - Yes, I think I saw that comment in the study itself. If not, I picked it up somewhere else.

**Mr DILLON** - So they are the issues that have driven us to do this amount of work; to at least put it on the table.

**CHAIR** - Do you want to talk to this study in any way, shape or form?

**Mr DILLON** - I think we do. Burnie, do you want to add some details to it?

**Mr TARR** - I think the prime thing that we found from the South Australian study was that overall, in the country there is a negative outcome. All forms of taxation from all forms of gambling bring in about \$4 billion per year but the outcome is about \$5.5 billion to fix the problems that it creates.

**CHAIR** - This is Australia wide? I am just trying to get the context of it.

**Mr TARR** - Australia wide. Most of those taxes go to the States but the problems are exported to the Commonwealth by and large. That is the really scary thing. The system has been allowed to develop something to such an extent that it cannot stop it. I can appreciate the revenue point of view. It literally cannot stop it but it is actually not working.

**CHAIR** - It is taking out more than it is actually putting back.

**Mr TARR** - One and a half billion dollars a year. Ultimately, the Commonwealth or the States or whoever has to put that back in.

We used the illustration here of a single dollar going into the machines. If that goes through a sufficient number of times you give 50 per cent of it to the poker machine, 50 per cent to taxation but the guy who gets the taxation has to input the other 50 per cent back into the local economy to make it work. That results in a constant requirement to increase the gambling base in order to keep it functioning. You see from the original agreement with the Federal Hotels group that it was a staged expansion all the way through and we're coming up to the 4 000 machine level in whenever it is.

I would bet that at this moment somewhere there's another agreement being hatched to keep that expansion going because the experience in America particularly is that if you

halt the expansion the thing self destructs. If you basically halt the expanding you have to input 50-odd per cent each year in order to keep it functioning.

**CHAIR** - Governments have to input.

**Mr TARR** - Governments ultimately have to input it one way or another. In the case of Australia it's \$1.5 billion a year that has to be input in order to keep it going.

The other thing is that in this country we've got an awesome percentage of the world's gambling machines. New South Wales has something like 10 per cent of the world's gambling machines period.

There's a statement in the report concerning the size of our national economy and population compared to America. We've got something like half their problem with a twentieth of their population so Australia-wide it's an awesome problem.

The South Australian report looked at small regional economies and I'm assuming that on an island with a coastline and 500 000 population in this State we're really a local economy whether we like it or not. So theoretically what's happening in South Australia is going to be happening here in Tasmania whether we like it or not.

**CHAIR** - If it's not already happening.

**Mr TARR** - Oh yes, it is happening. I believe it is.

I don't know what the economic ramifications are, that's for someone else, but essentially I think what my input alludes to is to say that it's not working on a big scale. Potentially it may not be working on a small scale but there's no evidence to show that.

**CHAIR** - So are you suggesting that a study needs to happen here?

**Mr TARR** - Yes.

**CHAIR** - What sort of study and what should it cover?

**Mr TARR** - The same thing. Either these guys could do it or the University of Tasmania could do it quite easily. They'd love to, I reckon, and it could be funded out of that community support levy.

**CHAIR** - Yes, I did note that comment in there.

**Mr TARR** - If that was done than a lot of the difference of opinion between ourselves and Mr Farrell could be seen by an arbitrary outside expert who could say, 'Righto, the true factor is that Mr Farrell's right' or 'Mr Farrell's wrong'. If Mr Farrell's right then no problem here exists. If Mr Farrell is wrong then a massive problem here exists because we're just about to increase the number of casinos by 30-odd per cent.

**CHAIR** - Gaming machines not casinos.

**Mr TARR** - Casino itself in gaming machines.

**CHAIR** - Casinos themselves?

**Mr TARR** - There's another casino being mooted for the west coast.

**CHAIR** - Oh, okay. I've not heard that.

**Mr SQUIBB** - It may have been mooted but legislation will prevent it.

**Mr TARR** - Possibly, yes. The thing this is the manoeuvring -

**CHAIR** - I haven't heard that one. Legislation would prevent that happening.

**Mr DILLON** - In the case of machines where you get to a plateau. If the plateau stays at 4 000, and there's no guarantee that it will, depending on government there would be similar to the Victorian situation where Melbourne's Crown Casino has an allocation but machines outside the Melbourne casino - it's in our documentation here - it's capped at 27 500.

This issue is a real concern to us that once we get to 4 000 and some areas start to lose momentum in the revenue collection capacity the option there would be to cherry pick the townships around Tasmania by moving machines. That is really a frightening thing and I've actually put into the Local Government Association in the past a request that we have a plebiscite for communities to decide whether they will accept it or not. I know that government would say, 'No, you're not going to do that, we make these decisions' but I noticed the other day they didn't make that decision on shop trading so therefore, maybe there is a door opening -

**CHAIR** - A precedent has been set.

**Mr DILLON** - and we would like to do that because if a community starts to fail in its revenue collection in poker machines and they're moved to another community, that community should say, 'We don't want them. We are becoming collectors or spenders for the purposes of others'.

Another issue that does concern me that I have not covered in this is the AHA approach where they need the machines for hotel survival et cetera. I believe there is a marketplace out there for hotels. If they survive, they survive, and if they do not they do not, the same with clubs. The argument to have poker machines for their survival is not really worth listening to.

**Mrs SUE SMITH** - Just to expand on that for a moment, I think the law allows that clubs from 1 July 2001 can have 35 machines in each venue if they so wish. When you look at the list there are 11 clubs around Tasmania with poker machines, and yet none of them have made anywhere near that. Glenorchy RSL is the largest with 30. There are two on 20. They then go down to sort of 10 and 15 machines in each venue. Doesn't that show that someone, presumably the owners of the venues, are saying, 'This is the capacity we have', rather than 'We can put 35 in so let's do it'?

**Mr DILLON** - That may be right, but it possibly is not exactly what I meant. I was saying an argument for the machines to maintain your viability cannot be made. I believe there is a marketplace and if the marketplace for your normal purpose of being fails, your business fails. I don't agree that you come in with an outside activity like poker machines for mere survival of that business. That is all I am saying, that AHA I believe has used that argument and I do not agree with it.

**Mrs SUE SMITH** - So your argument is if a hotel is going to fall over it will fall over and they should not say 'We need poker machines to prop it up'.

**Mr DILLON** - That is right.

**Mrs SUE SMITH** - It should stand on a larger business plan than just 15 machines in a corner.

**Mr DILLON** - Yes, that is correct, because the hotels have a special purpose. They have a service requirement under their licensing requirement, and also they have a tourist function, as does Federal Hotels, I don't deny that. But if the business fails under those requirements I think that to prop them up may keep your industry in a state of limbo, whereas if they were allowed to go into a free marketplace you would probably get better hotels and better facilities, more competitive facilities. That is the implication I am saying, that it is an illusion just to cover up a failing bar et cetera and hospital industry with an outside activity like this. It is not really a hotel-related activity.

**CHAIR** - But do you believe that hotels have a right to choice as to whether they put machines into their hotels or clubs?

**Mr DILLON** - No.

**CHAIR** - Why not? Why can't they have that right of choice?

**Mr DILLON** - It is not a core business. It is not why the hotel or club was licensed in the first place. It was not their core business, and to prop them up with this type of industry is prolonging perhaps the extended numbers of these types of operations within the State. I have had experience of being secretary/treasurer of RSL clubs. There were probably too many licenses issued in the past, and tavern licences, that were not hospitality related, not directly hospitality and tourism related, whereas I think the hotel industry has a very significant role to play in the tourism and hospitality industry.

**CHAIR** - I suppose, just being the devil's advocate here, there is an argument that could be mounted to say that things change and that hotels and clubs could consider that having the recreational activity of being able to play on these machines could be argued as a fair and legitimate part of their business. And you say that it is not a core part of their business under their licensing act. I suppose one could take the service stations, for example, and say that selling groceries is not necessarily a core activity under the way they get their licence to run their business. So couldn't the situation change that they would be able to use these as a core part of their activity, not necessarily just for getting revenue and sustaining their business?

**Mr DILLON** - It does bring up a wider question. I'll just touch on that for a second.

In the case of purchasing of groceries and consumer items there is a fair flow on towards the manufacturer, the freight people, the grower, the farmer et cetera but you don't see that in poker machines. I think it refers to it in this report that gambling produces nothing.

**CHAIR** - Yes, you did say that. I was just being very much the devil's advocate there. In fact gambling produces nothing is right on the bottom of the page that I've got here. So you're looking at it from that point of view in particular?

**Mr DILLON** - Yes, and it may sustain an industry that in some cases it may be best to let go and get better operations.

**Mr TARR** - There's a subtle difference in selling groceries and something that we suspect has a \$1.5 billion a year deficit.

**CHAIR** - And causing a problem within the community, as you said earlier.

**Mr TARR** - This is really quite scary this South Australian report.

**CHAIR** - Yes, it is. It has a lot of pointed information in it.

You said earlier, Laurie, that there was a major effect on small communities and you mentioned you come from a small community. I wonder if you could just expand on that statement in your anecdotal evidence how you believe local communities are affected by the machines in the hotels and clubs in particular because that's the only place they would be in small communities.

**Mr DILLON** - I've had anecdotal evidence that - we don't want to rely too much on anecdotal - in a bank queue a pensioner was at a counter and took their pension in coins and went to the hotel. I don't like to see that type of thing. It's really sad.

Another person I heard of has put \$16 000 leave and long service pay through without her husband's knowledge. In this case I understand - and we're a bit local in the Huon Valley and I don't like to talk of these sorts of things - the husband kindly took the wife home when he found out about it. It hurts to hear this.

Another lady that I've heard of is allegedly spending up to \$3 000 a week on poker machines in a town. It can happen to people we know and the people we don't know, what's happening to those families?

We've mentioned in here that for every problem gambler there's three people affected - that's four - that's one to three. That means 20 per cent of our population is affected by problem gambling and that is a very serious situation.

Looking at my community role, we have - you'd see it in Hobart here, I'm sure - children on street corners at all hours of the night perhaps wondering what they're going to do the next day or what the future's going to be. But the community has changed and we must create aspirations for these people. Perhaps 40 years ago the family did this but now there are a lot of interventions in family life and this particular one is one of the worst.

I think that by putting it on this sort of record this is what we'd like to say, that there's a very real concern out there for people who are badly affected, whether it translates into domestic violence or into crime issues and all that comes in here.

When you talk about anecdotal, I would like to mention that where a hotel or any venue can put up a \$2 breakfast or a \$3 breakfast on pension day as against a real deal restaurant and cafe who has to make and pay all its costs and are not subsidised by gambling or whatever else, I think it is totally unconscionable that that can happen. I think we've seen that where you'd probably drive through Hobart and see signs like that.

Also the opening hours are changing where we are open at  $x$  hour in the morning until late at night and hotels are open until 3 a.m. and this type of thing. It doesn't help our small community sleep at night when there are people out drunk on the streets at three in the morning. That's not what this is about but I just wanted to point out that in our communities we are very concerned about government decisions that are put down upon us at the community level to fix problems that we think are caused by government. In my opinion - again, opinion is probably not good enough in this case; all this information here was sourced - I think the Federal Government has a lot to answer for on these issues.

In the case that we mentioned in here where in 1988 two states of the United States had legalised gambling, by 1994 President Clinton wanted to put a four per cent tax on gambling turnover for welfare benefits - 31 states objected. Over a six-year period, two states that were dependent on gambling went to 31. That has created an issue. America, of course, does have the right to take plebiscites. Their states do allow this. I did have a list here of states that are doing it.

We have no power. We are powerless out here. Your committee is a godsend to us. At least we can put something on record and say to you what we think and hopefully you will take it away and make a judgement on it and say that it has merit or that the South Australian one has merit. This has not been done early enough.

**CHAIR** - Are you suggesting on the issue of the plebiscite that local government would like to have a plebiscite on this issue and that the results of that plebiscite would initiate a major government response?

**Mr DILLON** - We have put it through the Local Government Association. I have put it up at the Local Government Tasmania conference. It was carried but the Government only has to act on or not act on the recommendations from that. Obviously they will not act on that, I suppose. Regarding the case of our plebiscites we are powerless. We cannot go to local government. We cannot go to our Local Government Association to get something through and say, 'Look, we are concerned about this'.

I think there are ways of remedying these issues where the Government is dependent on it and it is through the Commonwealth. The Commonwealth has to listen. I understand that the states do have a very narrow field of taxation. I believe this happens to be one that has filled a gap. The Commonwealth is just losing money, I believe, on it - \$1.5 billion we suspect.

**CHAIR** - That is your estimate.

**Mr DILLON** - There is a big gap there for them to fill in the holes that these states are going to miss out on with a reduction or gradual withdrawal of poker machines or electronic gaming machines. If we were to allow plebiscites - and I point out that in this report it says that there has been no constituency that has ever asked for the Government to push gambling.

**Mr TARR** - It does not happen from the local level.

**CHAIR** - From the local government level?

**Mr DILLON** - There is no case of it happening. You might have a marijuana push or no old-growth logging and so on but you do not see anyone out there saying, 'Give us more poker machines'. You are not going to see it because people do not really want it. I would like to think that government would work something out to address this matter, whether it is through the Commonwealth or a State conference but start working on it.

We, as a community, are powerless to say through a plebiscite that we do not want this in our community. I think that there is a failure in our system somewhere.

**CHAIR** - And you want the right to hold a plebiscite or have the Government hold a plebiscite and get the community's real input into this?

**Mr DILLON** - Yes, because in the case of poker machines, the poker machines make \$41 000 per machine that is lost in the machine. That is not turnovers. Multiply that by the number of machines - I do not know how many are in the Huon Valley but I think it is about 45 -

**CHAIR** - Is that per year, that figure?

**Mr DILLON** - Yes, 45 times \$41 000 for the Huon Valley is \$1.8 million lost out of the Huon Valley. According to our report here, it says that unless 50 per cent was imputed back into the Huon Valley we have lost money.

**CHAIR** - And just as a comment on record, that money that is being lost is being lost in the local economy.

**Mr DILLON** - Yes, that is correct. It is taken out of our shops.

**CHAIR** - You are saying that because a household has a finite amount of money to spend, they are changing their spending patterns.

**Mr DILLON** - Yes, that is correct.

**Mr TARR** - Yes, that is what happened in South Australia and it seems to be what is happening in Victoria as well.

**CHAIR** - Yes.



**Mr DILLON** - And if you will notice the Atlantic City figures, they were catastrophic. I know some will say they are American and they don't count here but, believe me, they will count here.

**CHAIR** - Figures can be transposed, I don't doubt that.

**Mr TARR** - There are two models. One casino model is the Atlantic City model which is an urban one, and the other one is South Australia's, which is sort of stuck out in the desert, and the only casino in this country that equates to Las Vegas is Christmas Island. One of my friends was managing security up there when the Asian currency crisis broke out, and that almost broke that place. So every other casino operation in this country is the Atlantic City model, which purely and simply runs on the local economy. It does not import economies from outside. You don't get visitors coming from Japan to play \$4 million on the machines.

**Mr DILLON** - And that is a situation where you have more than 50 per cent of your income coming from external to the local economy, whereas the figures we have shown up in here state that at least 80 per cent of these gambling places in America, and no doubt Hobart as well, would come from the local economy and need to be replaced or taken back.

**CHAIR** - All right. I just open up the session to questions from my two assistants here.

**Mrs SUE SMITH** - I think they have given us an excellent submission. The South Australian issue is exceptionally interesting. I did find the American one was large. I know we follow America to a major degree, but I found what happened in South Australia very interesting, and you can transpose that. They are as close to Tasmania as we can get in Australia as a nation.

**Mr TARR** - Mr Farrell in his letter to Laurie dismisses anecdotal evidence.

**Mr DILLON** - In the United States at the moment there is a referendum in South Dakota. Massachusetts, South Carolina, Arkansas, Colorado, Maine and West Virginia are coming up this year against gambling.

**Mr TARR** - And that is a fair percentage. That is something like 10 of the 50 states. Two of the 50 States I think are gambling-free. Eight are now back-peddalling from a position which was taken, say, 10 or 15 years ago.

**Mr SQUIBB** - Is that gambling in its total form? I know some of those states do not even have horseracing.

**Mr TARR** - That is right. Those two do not. I think they are talking about things like lotteries and machines and so on, primarily in that sense lotteries.

**Mr DILLON** - But you can see the point there. The important point with Colorado, for instance, is that the issue is whether or not to join the multi-state high-stakes lottery. They may already have a lottery in Colorado, but at least they are asking people. I think it says something for the democracy of a State that we get a say.

**CHAIR** - And those that are considering a pull-back or removal of gambling facilities or abilities within their states, are they sourcing information on how they are going to replace that revenue?

**Mr TARR** - I should imagine they would be because I think the pull-back was triggered by alarm over the direction of where it was going.

**Mr DILLON** - South Carolina was one that did shut them down. They had a referendum and shut them down. Gamblers are now pushing a state lottery. They do not have a state lottery. They are pushing a state lottery, so it is a moving game.

**CHAIR** - So they are really replacing one form with another.

**Mr DILLON** - The thing that I suppose we want to point out is the hurt and heartbreak that is in the homes that are badly affected by this, and I know people say it is their own decision to do this sort of thing and they are adults and all this sort of thing, but I do not think that is a good enough thing. Governments are there to protect people from issues that are a danger to them when they are put at risk, and I think it is not too much to ask.

**Mr TARR** - I think, too, we have been caught on the back foot because the whole gambling industry, if you like, in total is not ad hoc. It is sort of a science, if you like, and there are some very cluey people involved in that on the legal side, statisticians, you name it, economists and so on. What we did pick up was looking at the American situation totally there are patterns there and we think we can see that type of pattern being repeated in Australia definitely and probably in Tasmania. So it is not accidental, it does not just happen, and these guys think long-term because there is a lot of money involved.

**Mr DILLON** - I just might add in the case of Mr Farrell, who says it brings economic growth, it only brings economic growth if of the money brought into the area more than 50 per cent is external to your area and I doubt if you could make - maybe I would make a case for the casino here, I do not know, but you could not make it for Dover or Cygnet or Huonville.

**CHAIR** - Just the same money rolling around, no external money coming in?

**Mr DILLON** - No, local money coming from shops, coming from people's homes, coming from household savings. Economic growth that comes up also, it comes from savings. Often it is when our national economy shows four per cent growth, gambling is counted as part of economic growth. But a lot of that comes from household savings where people are drawing money out of the bank to gamble it. That is a very misleading impact.

**CHAIR** - Yes, not a nation of savers anymore as we used to be.

**Mr TARR** - We are a nation of gamblers.

**CHAIR** - Spenders in one way or another.

**Mr DILLON** - We are saying, I congratulate you people for doing this. I think it is wonderful that you have given us something to put some solution to and we leave it in

your hands and I know you will do your best for it. But it is just great to see you doing it. Thank you very much.

**CHAIR** - I thank you both very much not only for putting together this detailed information and the information you have given us but for your concern about this. We will do our best with the information that you have given us. If you have any other information that comes to hand that you think might be of benefit to the committee, make sure you let our committee assistant have that information. We would appreciate it. Thank you very much.

**THE WITNESSES WITHDREW.**