

THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON THE IMPACTS OF GAMING MACHINES MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON WEDNESDAY 17 APRIL 2002.

Mr GREG FARRELL, MANAGING DIRECTOR; AND **Mr BRENDAN BLOMELEY**, CORPORATE AFFAIRS MANAGER, THE FEDERAL GROUP, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mrs Silvia Smith) - Welcome, Greg and Brendan. Thank you very much for being here. I might add Brendan has been here most of the time so he's obviously gathered a lot of information that he wishes to speak to. We have your submission in front of us and obviously you wish to speak to that and probably wish to add more information so what we will do is let you have something to say and I guess fellow committee members and even myself might intervene as we go along if that's appropriate for you.

Mr BLOMELEY - Thank you. We would like to work through all the terms of reference.

CHAIR - Okay. As per your submission?

Mr BLOMELEY - As per the submission. We would also like to make two opening comments which relate to some of the prior submissions one of which is about the positioning of the marketing of the Oasis brand. It is fair to say that the Oasis brand was established some four to five years ago now and the brand established, which was in the hotel industry and the club industry in Tasmania, was in recognition of the word oasis and the sign of Oasis to mean quality venues that would include good food and beverage offerings, entertainment, trained, well-informed staff, good lighting, where possible car parking and a gaming opportunity.

In two-thirds of those venues gaming machines are available and in the other third keno is available so in all of 150 venues that have the sign Oasis out the front, each of them offers a gaming opportunity not exclusively, however, gaming machines.

Mr SQUIBB - If I recall the presentation at the time of the introduction of gaming machines to pubs and clubs, were there three - Oasis and two other names?

Mr BLOMELEY - There were actually five sub brands under Oasis.

Mr SQUIBB - They were all under it?

Mr BLOMELEY - They were and we actually only this year dismantled that.

Mr SQUIBB - So Oasis is the remaining -

Mr BLOMELEY - Oasis is the sole brand. This is a vast contrast to what has occurred interstate where in Victoria you have Tatts pokies or TAB pokies or in New South Wales venues market individually with the words pokies or casino in front of every venue and

we felt it was an inappropriate way of positioning the hotel industry in Tasmania which is why we chose the word 'Oasis' to stand for total entertainment and quality venues as opposed to a one-dimensional product which is gaming or keno.

CHAIR - And the Oasis brand, is that a brand belonging to Federal? That means those hotels all belong to Federal or not?

Mr BLOMELEY - No. What it means is that each of those hotels is supplied with gaming product from Network Gaming, either gaming machines or keno -

Mr SQUIBB - Or both.

Mr BLOMELEY - Or both, and a small group of those venues are also owned by Federal Hotels. The second point I would just like to make is that every venue in the State since day one has had responsible gaming brochures in the venues. Those brochures also include such information as a guide to whether or not you may have a prevalence to be a problem gambler as well as including such information as a budget to allow people who wish to set out and see how much money should they be affording towards an activity such as gaming.

Mr SQUIBB - Where would those brochures be displayed, generally speaking?

Mr FARRELL - At this point in time, they are all displayed in a perspex stand at every venue which also includes the Network Gaming's code of practice which every venue in the State complies with, as well as there being business card signs - business cards which also include a 1800 number for the Break Even services and there's also signage available in every toilet.

CHAIR - At what point, for example, I think was where Mr Squibb was trying to come from; I'm not sure. At what point in the venue - are they at the machines, the pamphlets, or are they at -

Mr FARRELL - They're normally at the cash desk or in a prominent area where the perspex bill board can be put up because it's probably about two foot wide by two foot deep, which is a point of reference for all people about gaming material in the venue. It's fair to say the way in which the brochures have been designed is to make them non-affrontive so it doesn't say, 'If you're a problem gambler grab this' what it says is, 'It's a guide to gaming' which is meant to make it as inoffensive as possible so that people picking up the brochure won't feel as if people are looking at them. I just wanted to make that point that since day one at every venue -

CHAIR - That's clarified something for us.

Mr FARRELL - What we'd like to do now is to go straight into our submission. In the first instance is the impact of the long-term social and economic impacts upon the community of the expanded operation of gaming machines. It's very fair to say that from an infrastructure point of view there's been a huge level of investment in the State by individual hotels, by individual clubs and by the Federal Hotels Group and in fact the Federal Hotels Group in itself has spent some \$70-odd million in the last five years in improving the assets infrastructure within the company and as well the hotels, only in the

last 12 months or so, have spent well over \$12 million. So I think it's fair to say that from a capital perspective there's been a significant investment in this industry and in fact if we went back to day one of the introduction of gaming in hotels and clubs we'd see that figure being substantial. In fact, even this year there are multimillions of dollars being invested right around Tasmania for further improvements in hotels, clubs and casinos. So obviously that has a huge flow-on effect within the building industry as well.

CHAIR - You state here that the Federal Group has under the Federal Group Vantage Group invested the \$15 million in recent times on the acquisition of capital improvements to hotels in the State. On that acquisition side, would you have many venues - purchased many hotels under that?

Mr FARRELL - Federal Hotels through Vantage Group has purchased four venues.

CHAIR - Four, okay, not very many.

Mr FARRELL - Not very many at all.

CHAIR - That's four out of 300 or so they tell us in Tasmania?

Mr FARRELL - Yes.

Mr SQUIBB - They are spread around the State, too?

Mr FARRELL - They are spread from Wynyard to Launceston to Hobart.

Mr SQUIBB - You didn't even have to change your name on a big one.

Mr FARRELL - No, I didn't. In fact we're about to spend a large amount of money on that hotel in the coming months. From a taxation perspective, it's fair to say that what the State Government received from gaming last year was over \$76 million which is obviously a substantial sum of money which helps underwrite a large number of other activities which the State Government wouldn't be able to do if it wasn't for gaming as a form of income. At the same time, however, there is no argument to suggest that the Tasmanian Government is more dependent on gaming than other States - in fact, it's less dependent. We include a table in here on page 2 which shows that the Australian average for taxation and charges as a percentage of income for State governments is 12.2 per cent with Victoria being the highest at 15.9 per cent and Tasmania at 10.8 per cent being the third lowest after Western Australia which doesn't have gaming outside of the casinos so Western Australia has contributed 8 per cent purely out of one venue and the ACT at 8.2 per cent which has gaming only in clubs. So I think we are really demonstrating there that although it is an important source of income, there is no argument to suggest that Tasmania is more dependent on gaming than other States or Territories.

Talking about the economic spin-offs, I think it's fair to say that at this point in time the Federal Hotels Group is the largest private sector employer in the State with over 1 500 employees. It would be very fair to say that the group purchases over \$30 million of goods and services each year and a large percentage of those goods and services are purchased within the State and in fact the company has a policy where it is prepared to

pay more for goods and services purchased within Tasmania than it could pay for the same quality goods and services purchased outside the State.

CHAIR - Do you purchase much outside the State? There would be a certain amount, I understand that.

Mr FARRELL - We do but only when we can't buy the same quality product or service in Tasmania or if it's substantially dearer in Tasmania. Depending on the type of perishables or food products it depends on the time of year as to what proportion of that is sourced from outside the State.

CHAIR - That's what I would've thought.

Mr SQUIBB - It's difficult to buy bananas.

Mr FARRELL - In Tasmania in winter.

CHAIR - We might have to work on that up the Sunshine Coast.

Mr FARRELL - We also comment there that there's a strong link between gaming expenditure and increased expenditure on other recreational industries such as restaurants and takeaways. It's probably fair to say if we cast our mind back to 1973 and the opening of Wrest Point that Hobart wasn't a particularly cosmopolitan city and nor did it have many restaurants so in some sense the explosion of Hobart as a cosmopolitan city with a wide range of restaurants and entertainment venues has very much mirrored that of the success of Wrest Point Casino and to a similar extent the Launceston casino. We really see both of them as being huge catalysts and stimuli for helping to stimulate the recreational industries.

We go on to say that Federal is the largest private marketer of Tasmania with a marketing expenditure in excess of \$8 million per year.

CHAIR - Is that in your advertising and tourism ads?

Mr FARRELL - That is for marketing and advertising throughout the year.

Mr SQUIBB - How does that compare to what the State spends?

Mr FARRELL - In real terms it's probably about a third. We work as cooperatively as possible with Tourism Tasmania to ensure that where possible we're getting the maximum exposure.

CHAIR - That's part of your agreement with the State through the deed, isn't it?

Mr FARRELL - Through the deed we have to maintain in real terms the amount of marketing expenditure expended by the company in 1992-93 indexed into the future and to that extent we have an annual presentation to the Minister for Tourism to demonstrate to him how much money was spent and where it was spent.

CHAIR - So they assess that real-term value.

Mr FARRELL - They certainly do.

Over the page we then talk about the social impact of the expansion of gaming machines and very much we're commenting here about the 2001 third study into the extent and impact of gambling in Tasmania which was conducted by Roy Morgan Research. It was a follow up to the studies conducted in 1994 and 1996 and conclusively demonstrated that the prevalence of problem gamblers hadn't escalated during that period of time and we believe that was very much due to the high level involvement of the gaming industry in Tasmania and the amount of emphasis placed on consultation with the AHA with registered clubs and also with the Gaming Commission of putting in place the most proactive and responsible gaming policies and practices of any jurisdiction in Australia. We think that is really borne out too by showing that there is over 71 per cent of awareness of gambling support services as evidenced by that survey.

CHAIR - You probably realise that we're hearing comments contrary to that, that the awareness of services to assist gamblers with problems or perceived problems - we're hearing evidence all the time and Brendan might be aware of the comments that have been made here, that people are not that aware of those services out there, so it's an interesting figure, that 71 per cent, isn't it?

Mr FARRELL - It is when the 71 per cent was for a properly conducted research because I think the anecdotal evidence, to my mind, is very questionable. Every one of us will have a personal view, plus or minus, on any subject and we really believe in what is required as an objective analysis. We believe that this report actually did that.

CHAIR - Yes, and contrary to that we have also heard the opposite side of that saying that the snapshot figure of 1 000 people, or whatever it was, was not enough to actually determine some of the figures so I guess it's reports for reports, isn't it.

Mr FARRELL - Yes, although Silvia, at the same time statistically speaking clear research has been done to indicate what type of sample size do you need to have, what degree of accuracy.

CHAIR - Yes, that's right.

Mr FARRELL - And I think what you will find is the accuracy of the sample size in this case would have been adequate to ensure that plus or minus whatever per cent, that the results are sound.

CHAIR - Fair enough.

Mr FARRELL - We go on then to talk about the -

Mrs SUE SMITH - Can we stay on the social impact for just some short amount of time and I might preface what I am going to ask by saying I don't think anybody has any dispute with the amount of input that Federal Hotels have had, through their casinos, et cetera, to the economy of Tasmania through jobs, money spent, the tourism potential, et cetera so there is no doubt on the contribution that your company has made but I do have to ask the question on the social impact of the expansion of gambling machines in what has

changed since 1992 when Federal Hotels had a different concept of gaming machines, the numbers that they felt would be viable, the capacity that Tasmanians have because of a lower income base, et cetera, against the rest of Australia, to actually sustain what was perceived in 1992 as maybe just an open slather approach by the Government and I think at that time Federal believed 1 200 gaming machines might be the optimum and I note, I think in the Gaming Commission's report, you are up to 1 153 in your establishment and there are 2 063 in the hotel's external establishment.

I am trying to get a picture of why, when our economy has until very latter times, not grown, our population hasn't grown, et cetera, you see that the social impacts that you believed might happen in 1992-93 haven't been perceived as happening now.

Mr FARRELL - That's a very good question and the reason for that is very clear. Back in 1993 when we submitted submissions on the then prevailing debate about whether or not gaming should be extended beyond casinos, it was clear in our mind that if inappropriate models were introduced to the extension of gaming, it would have significant negative impacts. The company was fortunate enough to be in a position ultimately to have a large amount of input into a model that allowed for the widespread expansion of gaming in Tasmania and that model included a relatively low number of machines in venues compared to any other State. We started with very small numbers of machines in venues in Tasmania compared to Victoria. On day one it was up to 105 to - comparing it to South Australia on day one it was up to 40. We started also in Tasmania with restricted bet limits for the first two years of operation - the first 24 months - which led to the gradual introduction of gaming, not only to the people who hadn't had as much exposure perhaps to Hobart and Launceston previously but also it was as a competitor to the social recreational dollar.

We also started off with the most well thought through player protection measures in Australia. We also established from day one such things as not having bill receptors on gaming machines outside of that of the two casinos and we also don't have access to the ATMs as prevalent as in other States. We believe there was a number of measures that have been taken in Tasmania which has led to two conclusions. One has been that gaming has had nowhere near the potential negative impact that it could have had on the community. At the same time though, the gaming has been allowed to be made available as a legal product to the 98 per cent of the population who may wish to enjoy it, who won't, at any time ever, have problem gaming tendencies and so we believe in a sense that the Tasmanian model is the best model in Australia.

Mrs SUE SMITH - So it's the model of slower introduction, educating the community as we have gone along, the issue of there is no more or less disposal income and that was a concern back then. Do you consider that the income has just swung from other areas? Has it come from entertainment? Has it come from savings? Has it come from retail? What has happened in your opinion?

Mr FARRELL - Rather than have it from our opinion, what we did is we did some research and we actually included a table in here on page 7 which is research conducted by BDA, a company based in Victoria, using as a source the ABS material and what we tried to do there was to compare the periods June 1993 to June 2001 and look at what has occurred as changes in household disposal income - comparing Australia to Tasmania - you will

see in fact then whether Tasmania had been more negatively impacted by the expansion of gambling.

Gambling is actually included in the figures, Recreational/Culture, and so what we see in this case is that Australia, during that period, grew by 1.2 per cent and Tasmania grew by exactly the same percentage, 1.2 per cent. If we look at clothing and footwear, which is about six or seven lines up, clothing and footwear in Australia shrank by 0.7 per cent and we see in Tasmania it shrank by 0.9 per cent and we can see some other relatively interesting figures - food shrank Australia-wide as a percentage of household disposal income by 0.8 per cent and in Tasmania by one per cent and you can see in Tasmania we have grown by a larger margin in such things as health. You can see that we have grown substantially in transport where we have had a one per cent increase whereas Australia has actually shrunk slightly, and we can see in education services we only grew by 0.4 per cent where Australia grew by almost one per cent, so in a sense what we are really saying here is that in Tasmania the outcome is fairly similar. Transport is up in Tasmania, similar changes in lifestyle preferences though, and very much what we believe has happened is there has been a change in prevalence in the type of activities that people participate in.

There is absolutely no doubt that people are spending more of their dollars on recreational activities or outdoor activities. The creation now of the outdoor activity type shops and recreation type shops have blossomed over the last number of years, whereas a number of your high-end retail shops have actually failed, so we are seeing a change in nature on the way in which people enjoy their time and we believe that much of the griping being done by the retail sector is, in many respects, an inability for them to recognise the change in trends which are occurring within the demographics of people generally and tuning their products to what people want.

I think it is probably fair to say that Wrest Point has probably been recreated four or five times over the last 30 years. If any one phase had stayed in the same niche too long, our business would have had enormous negative repercussions so you now begin to continue to assess your position, you assess what the market wants and you need to move with it.

CHAIR - And I suppose the question that could come out of those comments is the figure there that recreational culture, as you say, includes the net losses on gambling and of course these are ABS figures and we can't get that information but what percentage of that is gambling as opposed to other types of recreation and culture? I guess that's probably the question that needs to be asked there.

Mr FARRELL - You mean what percentage of the 1.2 per cent?

CHAIR - The 1.2 per cent because that includes the net loss in gambling. I think it was brought to our attention either yesterday or the day before this particular figure and that, I guess, is the figure that one needs to really have and we would have to ask the ABS because that increase in recreational culture, depending on what the balance is there, in there, between gambling and other recreational culture, transpose on their losses in other areas - for example, I think you mentioned food and clothes and furniture - less on clothes and furniture, and we know there's less on food and a means to extrapolate all that figure out just to see where the picture really does sit. I mean we can't get a total picture there, can we?

Mr FARRELL - I think in reality you can in a sense, given the fact that since 1994 you have seen the expansion of gaming in Victoria outside of the casinos. You have seen the expansion of gaming in Queensland. You have seen the expansion of gaming in South Australia and you have seen the expansion of gaming in Tasmania so I would suggest that a significant portion of the 1.2 per cent is planning related but at the same time when you say a loss of food it doesn't necessarily say that. To my mind what it could also be saying is that -

CHAIR - People are going out.

Mr FARRELL - the ability for people to purchase food - ready-made food is becoming more and more available and in fact food is contributing less as a total percentage of household disposable income but it doesn't mean that people eat less.

CHAIR - That's right, it could mean that part of that could be transposed further down.

Mr FARRELL - To my mind I don't really look at the gambling side as people's net losses, I look at it in the sense that they are paying good money to buy an experience which may or may not result in their having a chance to win or lose.

CHAIR - We understand that some 98-plus per cent in Tasmania - or 99.1 per cent - enjoy gambling as recreation but we can't discard the other 9 per cent on the figures we've got.

Mrs SUE SMITH - The other issue that comes up on social issues is the access. We have heard a lot of evidence - and you might have heard the last witness - about the access of machines so close to where they live so that they can virtually walk out the door. Again, that was an issue that you certainly brought to the fore in the previous concern. Can you give the committee some comfort now as to what you perceive are the access issues? I look at the north-west coast in my area, for instance, and see the number of self-exclusions there. Before, they would have had to drive to Launceston at least to spend their gaming dollar but now they can virtually walk up the road and we've had several people give submissions that that is their concern. Like an alcoholic, if it's there in front of them it seems to draw them in.

Mr FARRELL - I think, Sue, there are probably two points. The first one would be that there are approximately 620 venues in the State that are either hotels or registered clubs and of those we are saying 106 of those venues contain gaming machines. If the industry and Federal Hotels had taken a less responsible management of the industry the number of venues with gaming could be substantially increased, so in fact rather than the access we have now we could potentially have two or three times that. Our view has been that gaming should be restricted to those venues that can demonstrate that it is successful economically for the venue and also that the venues are not so close together that it is going to cause a diminution of good business practices, on the basis that there is no doubt that Tasmanians have greater access today to gaming than they have ever had before but in reality every one of them has even greater access to the product that we offer through Oasis because a large number of Tasmanian households now have a computer and most of those computers are connected to the Internet and there are over 2 500 Internet casinos available right now to any one of them without any form of player protection measures whatsoever.

So in a sense we say that access is an issue and there is no doubt, whether it is access to a phone TAB account or walking down to a gaming venue or playing on the Internet. The issue though in our minds is that for the percentage of the population who have problems concerning the control of gambling then the venue and the company and the industry must do what it can to make those people aware of the services available and how best to assist them. Then if they do have a problem and they cannot control that problem it is through such things as the ability to limit people's access to frequent venues by putting in place the policies and procedures and photographs to recognise when a banned person is in the premises and ask them to leave.

We believe that every reasonable step and every measure we are aware of that is available anywhere in the world from a best practice perspective has actually been implemented in Tasmania and in fact if we can find better measures to implement here to better help and protect the small percentage of people who are at risk then we are the first people as an industry to want to do that. At the same time certainly at no point do we believe that is sufficient reason to deny the 98 per cent of the population who enjoy the venues and enjoy gaming to be able to frequent those as part of their social entertainment responsibilities.

If we look at it from the perspective of rationality, the gaming machines on average produce revenue throughout the network of \$7 per machine per hour. In a sense then I can put it back to a more rational basis than looking at it on the basis of player losses or player playing time so on average it is \$7 per machine per hour.

CHAIR - How do you extrapolate that figure?

Mr FARRELL - That's extrapolated by looking at the revenue that the machines create divided by the number of hours the machines are open and out of that \$7 the Government takes roughly 33 per cent in tax and we pay the money to the community support levy and then the balance of that is distributed between the hotels, the clubs and the Federal Group.

CHAIR - I just have a hard time coming to terms with that figure and that's why I asked that question because \$7 -

Mr FARRELL - Seven dollars revenue -

CHAIR - Per hour?

Mr FARRELL - an hour per machine.

CHAIR - From evidence that people have been giving us there's a lot more money than that pumped into the machine in an hour. So I just want to know what the costs are that are coming out that leaves -

Mr FARRELL - There's no cost coming out of that. What it really says though is that the machines are inactive or not played for a large amount of the time that they're available so, in a sense, what it means is the machines during peak periods could be producing

many times \$7 but through many of the hours of potential operation they're dormant because the machines very much have peak cycles and play time.

Mrs SUE SMITH - Have you done how long your average client would spend in one sit, like 15 minutes, three-quarters of an hour? Has there been anything done in that domain?

Mr FARRELL - I haven't but I would have thought it's probably around an hour and then it would really depend on what type of machine they were playing, what sort of player returns, how many lines and what denomination as to how long that playing time normally on average would buy them, because in a sense, in our view, they're buying time, they're buying the entertainment value.

We then go on to comment on the prevalence of problem gambling and we talk about the actual problem gamblers as the percentage on page 5 as determined at actually 0.3 per cent - 0.3 of one per cent of Tasmanians and the at-risk category is 0.6 per cent. So in reality what we are saying is that though the number that's most often quoted is one per cent of Tasmanians are problem gamblers, in fact the actual number of problem gamblers is 0.3 of one per cent, not one per cent, and the 0.6 per cent of the population who may develop a problem gambling tendency - and that is using the recognised SOGS plus five as being the determinator of whether a person is at risk and a problem gambler is 0.9 or above.

Mrs SUE SMITH - Would you accept that in any of these problem areas there is a hidden element and that in gambling in particular - well, you can see the drunk or the drug addict by their social behaviour but with the gambler it is usually when they have run out of every conceivable capacity to get more money that it shows much further down the track and, as such, we may have a hidden number of gamblers who haven't yet surfaced?

Mr FARRELL - Well, I think the way in which these tests are derived is not by looking at actually people who are problem gamblers, it's using the screen to screen a cross-section of the population who answer a large number of questions and from the questions and the way they're answered it is determined whether or not they are a gambler or not a gambler or whether they're at risk.

Mrs SUE SMITH - This is the SOGS screening. We had some interesting evidence on that one yesterday to be followed up. You've got to get to 10 on a screen of 12 before you are seen as a problem gambler and before you are seen as at risk I think you are at eight.

Mr FARRELL - I think the answer to the question is probably twofold and one is that the tests are considered to be an accurate assessment of whether someone is either a problem gambler or a potential problem gambler which would mean then that the percentages should be relatively accurate given a plus or minus, whatever the factor is. On the second issue I think what you're saying is correct, that they're a percentage of the people who are really problem gamblers who would do anything they could not to recognise the fact that they are and that's why we see that the requirement then, from a responsible industry perspective, is to do what we can about helping those people identify themselves and then through making very much available the contact numbers for the Break Even service providers.

We then go on briefly to talk about in the same report what the alternatives were: people were asked if they weren't spending their money on gambling what would they do and roughly 50 per cent said they would spend their money on other recreational activities and one per cent said they would use it to pay their mortgage, two per cent donate it to charity, three per cent would spend it on petrol, five per cent would use it to pay credit card and 32 per cent said they would spend it on perishable or small personal items so we just thought that was relevant from the perspective of seeing that there wasn't a fixation on one particular area except for the fact that they want to spend it on other forms of recreation which now further demonstrates how gaming venues or gaming competes against such things as cinemas and what have you.

CHAIR - What's the explanation for perishables and small personal items? What does that cover?

Mr FARRELL - Well, I would have thought the small personal items would be - I don't know whether that's talking about perfumes or -

CHAIR - It would be interesting to know what that means.

Mrs SUE SMITH - Perfume I'd buy if I don't want my money -

CHAIR - Yes, it could be and perishables could be food by the same token, couldn't it?

Mr FARRELL - Yes. And then we go on over the page to talk about what we touched on a moment ago which was the change in actual disposable income which we think is very relevant to the debate that's taking place and it is probably best then to move on to our response to the second question raised by the committee which was the adequacy of current funding and support services for gaming machine-addicted persons, families and communities. I would like Brendan to address that.

CHAIR - And roll it together, are you, with role and application -

Mr BLOMELEY - I will, Silvia, if that's all right and I will provide our answers to both 2 and 4 of the terms of reference if I may and, like Greg, I will just run through our submission as well and please stop me at any time if there are any questions.

CHAIR - Okay.

Mr BLOMELEY - I will say that the majority of the detail and the figures that are provided here of course you have already heard earlier today in the AHA submission but I think it is important, just for the record, to mention it again and that is I suppose we would all recognise that gambling is a legal and recreational activity which is highly regulated and there are, as Greg said before, significant benefits that accrue from the gaming industry in Tasmania. But for some people gambling can develop into a problem. It must be noted, however, that contrary to the claims or statements made by some anti-gambling groups and some of the people that we have heard over the last four days of hearing, gaming expenditure in Tasmania does remain at very low levels in comparison to other jurisdictions from the Commonwealth of Australia. In fact the prevalence of problem gambling as contained within the figures in front of you here is less than half the national average and you mentioned the SOG before, Sue. As outlined in the Tasmanian Gaming

Commission Australian Gambling Statistics 1973-74 to 1999-2000, which I am sure you have all seen a copy of, gaming expenditure in Tasmania was amongst the lowest of all jurisdictions. Tasmanians spent on average \$518 per capita in that last year, 1999-2000, compared to \$810 nationally so that sort of puts it in some sort of perspective.

HDI - household disposable income - was also lower in Tasmania at 2.35 per cent in that same year, whereas nationally Australians spent 3.04 per cent of HDI in that year. And those figures are contained within the submission for your reference. Considering also that in Western Australia there are no EGMs outside of the casino means that Tasmania has the lowest per capita spent on gaming and the lowest percentage of household disposable income spent on gaming compared to all other States and Territories throughout Australia.

As has been mentioned as well, in the Gaming Control Act 1993 is contained the community support levy which is, as we all know, the fund to assist gamblers that do suffer from a problem. This fund already commenced on 1 January 1997 and in the financial year 2000-2001, just over \$3 million was paid into that fund. The Tasmanian Gaming Commission is responsible for making recommendations to the Treasurer as to the allocation of that fund to appropriate projects and services and, as we are aware, the percentage is four and two per cent of the gross profit from gaming machines operating in hotels and clubs respectively.

The community support levy under the act must be distributed in a certain manner, twenty-five per cent of the fund for the benefit of the sport and recreation clubs, 25 per cent for charitable organisations and 50 per cent of the fund for the provision of such things as research into gambling, services for the prevention of compulsive gambling, treatment and other health services, et cetera, as outlined in our submission. The Department of Health and Human Services has responsibility for making recommendations to the TGC as to the expansion of the 50 per cent component and also the 25 per cent of the levy for the benefit of charitable organisations. The Office of Sport and Recreation have responsibility for making recommendations against the 25 per cent of the community support levy set aside for that purpose.

On page 11 of our submission we've included a table of a brief history of the community support levy since its inception which can tell you what money has been raised over that period of time and I think it is also worth noting that there is a balance of \$2.5 million currently held in that fund. I think it's important to note this because since its inception the community support levy has consistently received more funding than has been required to finance the programs to provide assistance to problem gamblers.

Mrs SUE SMITH - If I might just come in there, this morning we had some evidence from one organisation who makes application every year and has not been successful every year, so I am of the opinion that if there's \$2.5 million sitting in that fund - and we may know later on whether or not there is some particular reason for that in that particular process - but I am interested to see why you relate the fact that there is money left in the fund to it not being needed to be expended.

Mr BLOMELEY - It's probably more appropriate for the Gaming Commission to tie up that but I will just say though that this is public funds and I am sure that for any sort of

decision there would be strict criteria. As you're all aware, there has to be some accountability for this money and I can't answer specifically for applications.

Mr SQUIBB - If I could ask it in a slightly different way, if it was administered outside of Treasury do you feel it would be fully expended?

Mr BLOMELEY - Geoff, I think that's something we probably covered in another part of our terms of reference - part 3.

Mr FARRELL - Treasury doesn't really derive any benefit by having the money there.

Mr BLOMELEY - Some may have the view that Treasury might be more accountable than other areas or other bodies. The point we are submitting there is that supply of the money far outstrips demand at this present point in time - or legitimate demand.

CHAIR - I was just thinking on that same chart you have there, it is rather interesting to see that as the rollout of machines has perhaps partly contributed to it, the need for money in problem gambling services, for example, and even in charities has gone up over the years consistently until 1999-2000 where it actually dropped down last year in the problem gambling services, but there certainly was a major jump in the need for money to charities.

Perhaps there is some relevance there with the numbers of machines that are going out - this is what I'm getting at - that the numbers of machines going out are perhaps creating more need for services and charity work to be done because of gambling. We can't extrapolate that information from there but it's interesting that you put that chart in front of us and it shows that trend. I don't think you really need to comment on it but you say your source is various Tasmanian Gaming Commission annual reports, so it's something you've got from a variety and compiled this report for us.

Mr FARRELL - What is fair to say though is that as gaming has expanded in the State the total amount of revenue has increased and so the community support levy as a percentage of that revenue has grown proportionately. The pool has got larger and larger so Sport and Rec will share in a larger part of it, as will Health and as will gambling services.

CHAIR - And perhaps the need is expanding too.

Mr FARRELL - At this point in time there are large amounts of money available and so if needs can be justified there's no doubt that there's money there. The pie is big and the amount of money there is substantial and will remain so.

Mr BLOMELEY - On page 12 I'm sure you've all seen the breakdown of the community support levy for this past financial year.

On effective harm minimisation strategies, this is something that you would have been aware of from earlier submissions. The Tasmanian gaming industry is widely recognised as leading the nation in harm minimisation awareness strategies. The definitive 1999 Productivity Commission report determined the percentage of problem gamblers in

Australia at 2.07 per cent with of course the Tasmanian percentage being less than half the national average and there is a total there for your information.

Also the report released by the Minister for Health and Human Services, the impact of gambling in Tasmania with particular reference to problem gambling, which was released in March of last year, highlighted the fact that the overall participation rate has declined in Tasmania over the past four years and, importantly, the number of problem gamblers and those termed at risk has also decreased over this period of time as well.

The Tasmanian gambling industry group was discussed in some detail by the AHA submission today but once again I will just say that the gambling industry group has led the nation, is recognised for leading the nation in ensuring that effective harm minimisation and awareness strategies are available to assist those with gambling-related difficulties and Greg mentioned those earlier this afternoon - some of those - but the main point here of course has been the strict regulatory regime and also the staged rollout and the limit on the number of machines in venues and this has proven to be a genuine and effective brake on per capita expenditure on this type of gaming.

Mr SQUIBB - And did you say then machines and venues or machines in venues?

Mr BLOMELEY - Machines in venues. So in summation for these parts 2 and 4 of the terms of reference, we submit that gaming is a legal activity which is highly regulated and controlled. It is enjoyed in some form by the vast majority of Australians. Our gaming industry is recognised as leading the nation in harm minimisation and awareness strategies and with the prevalence of problem gambling in Tasmania at less than half the national average, it is apparent that current practices are working effectively.

Mr SQUIBB - I think probably for the record, you did say, 'it is a legal activity'?

Mr BLOMELEY - Yes.

Mr SQUIBB - It is clear in my mind but as you are talking it does sound like, 'Illegal activity'.

Mr BLOMELEY - Thank you for that.

Mr SQUIBB - I am saying it for Hansard when they come to do the transcript so they can put it as it is supposed to be.

CHAIR - I am very aware that time is running to a close but I know Sue has a question to ask you. I also have one question. If need be, can we call you back, because I don't think we have touched much at all in this hour and I would appreciate and I think the committee would appreciate some more time. I know I haven't asked nearly enough of what I want to ask so would you approve that?

Mr BLOMELEY - It would be a pleasure.

Mr SQUIBB - I think we can say that we have had time to read the total submission.

CHAIR - As opposed to others, yes. I will let Sue ask a question then I will throw a couple of quick ones in there.

Mrs SUE SMITH - Is it my perception that table games have decreased and the gaming machines have increased in the casinos?

Mr FARRELL - Table games have been on the decrease prior to the expansion of gaming outside of casinos but it is fair to say that gaming tables are a relatively mature product. It has been proven to be extraordinarily difficult to innovate new table games that have any sort of length of tenure so it's fair to say over the last six or seven years that we have experimented with a number of table games that have been patented and operating in other casinos around the world. By and large those games have lasted for a relatively short period of time as financially viable, such games as Caribbean Stud Poker.

Mrs SUE SMITH - It's a popularity thing?

Mr FARRELL - It's popularity and because of Tasmania's demographics of not having a large Asian population, it is probably fair to say that the casinos that are most successful with table games in Australia would be Star Sydney in Sydney and Crown Casino in Melbourne. They are highly frequented - their regular tables as well as their premium tables - by Asian orientated people. It is also fair to say that that trend was occurring and it is in fact occurring in other casinos right around Australia and around the world. In American casinos, even in Las Vegas, we have seen table gaming revenue as a proportion to their total revenues doing this and we are seeing machine gaming revenues doing that over the last 10 years.

CHAIR - Interesting that you make that comment because I have heard others make a similar comment and one of the other comments that comes to mind on that issue is that there has been discussion about it, advertising and the Oasis advertising you have mentioned and talking about socially interacting activities that can be had at gaming venues. I was just thinking way back into the past here now, considering one of the games that has disappeared and that's two-up which was very much a socially interactive game, wasn't it, and that's one of the ones Sue's saying with the table ones, where you had people around the tables and people did interact a little bit too.

Mr FARRELL - It is interesting because two-up has disappeared from most casinos in Australia now.

Mrs SUE SMITH - I was looking at it from a taxation point of view. I believe with table games there is less tax taken by the State than there is from the machines and that was one of the rationales in the second reading speech in 1994 or something - before my time - that it would be an encouragement to keep table games because the tax is low.

Mr FARRELL - The tax rate is 15 per cent and in fact what we have done and will continue to do is to try to stimulate table gaming. In the last 12 months we have had a successful reintroduction of premium play in the two Tasmanian casinos by offering programs for individuals from around Australia to participate and that has certainly been successful to date at prolonging the lifespan of table gaming in Tasmania.

Mr SQUIBB - So a table game would be described - and probably in the definition section - as a game in which there is no electronic interaction at all for staff in comparing it with, they call it multiterminal games, is it?

Mr FARRELL - Yes.

Mr SQUIBB - Where really it is a table game except that the only thing that is missing is a croupier that wouldn't be classed as a table game?

Mr FARRELL - No, and at this point we don't operate those games.

Mr SQUIBB - You are not allowed to or you don't?

Mr FARRELL - We don't. And the reason those games are operated is because they can be operated at a lower labour cost and therefore they offer a lower bet price.

Mr SQUIBB - And they would be taxed at the same rate as electronic gaming machines?

Mr FARRELL - No, I don't believe so. I would have to check that.

Mr SQUIBB - The general observation though is that they don't appear to be all that popular in other jurisdictions.

Mrs SUE SMITH - Do you quantify your staff into different areas so you could give us a figure on the gaming staff that are employed within the two casinos? Is that a possibility or is it multiskilling?

Mr FARRELL - We have a number of multiskilled staff. We could certainly give you a break-up between those that are appointed in the gaming part of business to the hotel and the restaurant services part of the business.

CHAIR - Part of the discussions in the beginning of the advent of poker machines to venues in Tasmanian casinos first and then into hotels and clubs was to maintain the casino at an international standard. I just wonder if you could give me a quantification of what that actually means. What is an international standard for a casino? Greg, you are probably the one to answer that for me, just so I know.

Mr FARRELL - It's an interesting one because we believe that an international standard casino is a casino that offers a variety of products both gaming and entertainment products, with a variety of bars, restaurants, a quality of furniture and fit-out which is one of international standard, so not run-own premises, and one that would be available over a sufficient spread of hours with different products and services to satisfy the majority of patrons who may wish to utilise the services.

CHAIR - So there is no real standard that you have to lead up to?

Mr FARRELL - There is not because if you use the standard being one of say Las Vegas, it might mean that you have to operate 300 table games or it might mean if you are using one that is operating in Europe, they might only operate two tables so in our view it is more about the quality and the way in which you conduct your business affairs as

representing that of an international style casino so it is what someone would be expecting to have available to them when frequenting either restaurant or country club.

CHAIR - Does that include in that a dress standard because I must say that I have noted, not recently, but over the years since the first casinos were here in Tasmania and they were a very good venue to go to, that the dress standards have changed. Once upon a time you wouldn't be allowed in, for example, without a tie, if I remember rightly, for gentlemen and you wouldn't be allowed in in sneakers and those sorts of things.

Mr SQUIBB - Jeans.

CHAIR - Or jeans, that was another one. Are there still dress standards?

Mr FARRELL - There are dress standards however there is no doubt that dress standards are less restrictive than they were a number of years ago. Also to dine in the Revolving Restaurant probably seven or eight years ago, if a gentlemen didn't have a jacket on he didn't get to have a seat. In fact we had to lend gentlemen jackets to sit down which is obviously no longer what we do.

CHAIR - And I think at Wrest Point you used to actually lend ties or things to gentlemen who wanted to come in and had everything else but the tie.

Mr FARRELL - Yes, but in reality, as I mentioned earlier, in a sense that we, as businesses, to be successful must continue to make available what the vast majority of people want and what people want today is a more socially relaxed atmosphere so what we find is our standards then are about the nature and appearance of people to try to ensure that things that are grubby or worn out aren't allowed in, however it's very difficult today to ascertain what's a \$10 pair of joggers and a \$400 pair of joggers or a person wearing a \$300 silk shirt to someone wearing a \$5 shirt. And so, in a sense, then it's much more difficult and it's an issue that you could constantly have friction about and I guess in our view there's no right or wrong answer, except however we also believe that by having a quality fit-out and turn-out within the premises, which is actually slightly different from area to area, what we try to do then is be able to make people feel more comfortable in one space than another space. So, in a sense, we have spaces that people feel more comfortable about dressing up in and other places where they feel more comfortable about not dressing up and being able to casually attend after work or after another function.

CHAIR - I guess there's a percentage of the population like myself who think that that's not a good thing and there's a percentage who think it's a great thing obviously.

Mr FARRELL - Yes. But I would like, before we conclude, to address the issue of the company's undertakings, because obviously it's a very important issue -

CHAIR - Either that or we can do that at the next session but that could take some time and I think we would need to deal with that carefully rather than in two seconds. But Geoff did have a quick question.

Mr SQUIBB - No, mine were somewhat related to that and it may not take long but it's just to put on record and help me understand some of the current provisions of the deed. My

understanding is that there is a limit on the number of machines that can be in a club or a hotel -

Mr FARRELL - That's correct.

Mr SQUIBB - and that the final as of right increase in that will occur next financial year?

Mr FARRELL - Well, from 1 July the maximum number of machines in a hotel would be 30 and in a club 40.

CHAIR - That's this year?

Mr FARRELL - This year. Twelve months later there would be a review by the company and the Gaming Commission and if the company was of a mind that that number should be different to 30 or 40, it would have to put forward a recommendation to do that of which then the Gaming Commission would either say yes or no. Each year thereafter, though, a similar opportunity would be presented for the company to put forward a case as to whether or not it felt that there was any reason to change the existing -

Mr SQUIBB - As of right next financial year and after increasing that number.

Mr FARRELL - No, it could be the year after that -

Mr SQUIBB - Only by -

Mr FARRELL - only by annual -

Mr SQUIBB - By negotiation -

Mr FARRELL - That's correct.

Mr SQUIBB - not as of right as set out in the deed.

Mr FARRELL - No, and in a sense then that the company's under no misgivings about the fact that it has no rights to increase the number of gaming machines without forwarding a case if it felt that that was appropriate and having that case endorsed by the Tasmanian Gaming Commission.

Mr SQUIBB - There is currently no capping on the total number of machines or the number of venues?

Mr FARRELL - There is no capping with the total number of machines in the State or the number of venues in the State.

Mr SQUIBB - For some reason the maximum number of machines allowed per venue hasn't been taken up as of yet and even if that was the case, the number of machines could be considerably increased by increasing the number of venues in which they were placed because there's no limit or is there some overriding thing, other than the market?

Mr FARRELL - What's really overriding is the commercial considerations. As of 1 July where hotels or clubs can increase to 30 to 40, of the 106 venues in the State we anticipate that less than 25 will increase the number of machines by an additional five, and the reason for that is that the vast majority of venues in the State do not have the market demand to commercially increase the number of machines, pay rent on those machines, market those machines, pay the additional costs of wages in supporting the machines and maintaining them and make a commercial return. So that does two things: it means that in a sense the market of gaming machines in Tasmania is a commercial market, not an artificial one, and it also means that any thought about increasing the number of venues in the State in some sense would have an impact which would need to be very carefully considered by the company on other venues within the State. We believe that the friction those two things create means the potential number of machines in the State - that someone could arithmetically work out by multiplying six machines by 30 in every hotel and 40 in every club - is a total nonsense.

Mrs SUE SMITH - If I can expand on that, I'm a hotelier with no machines or 18 out of 25 that I'm allowed and I go to the Gaming Commission and they tick off that they see no problem and they then move it on to you as the supplier of the equipment et cetera as the holder of the licence in this State, do you then look at the financial capacity of the areas to facilitate them or do they put up a case to you or the Gaming Commission to prove they can take the machines, pay the rent and make them viable?

Mr FARRELL - They would put forward a case to Network Gaming, one of our divisions, who have in a sense a pool of expert executives to assess that application. Whether it is an increase for another four or five machines or whether it's for a venue that doesn't have machines and wishes to, Network Gaming would assess it on the basis of whether that venue is going to be viable commercially to either commence gaming or to increase gaming and in the event that they feel it was going to be viable to increase gaming they also take into account the competitive influences within the region in which the gaming venue operates.

So essentially what I can really say is that the total number of gaming venues in this State is probably going to float around 110. It may go up by one or two or go down by one or two but there are venues in this State now that are reducing the number of machines and there are venues that are increasing the number of machines and it will probably float around the 100 mark, give or take a few.

Mr SQUIBB - That number would be controlled by Network Gaming more than Treasury.

Mr FARRELL - That's correct, yes. We believe that a number of the models that have been applied with other gaming products in the State were incorrect. When Pubtab was first introduced there were some 176 Pubtabs in the State which essentially led to the fact that there was very little ability for hotels to generate sufficient profitability from the products to support the products. Pubtabs are being removed right around the State aggressively to try to improve the viability of the Pubtabs. But we have tried from the very first instance to work through a solution that will provide the hotel industry with sufficient income and profitability to provide first-class services and amenities to their patrons with better-quality food, larger amounts of capital being reinvested, large amounts of additional employee training.

That is not only an advantage to the people who frequent it on a daily or weekly basis but it has also had a dramatic improvement in providing better infrastructure to the 600 000-plus visitors to Tasmania who now have available far greater choices of venues and places to stay than they would have had four years ago.

CHAIR - Is there any argument as to why there shouldn't be a moratorium and a cap on those machines rolling out now?

Mr FARRELL - Yes, a very good one.

CHAIR - You seem to be saying to me that the pubs and clubs have pretty well got about as many as they can take in most areas with a bit of shuffling here and there, so why can't we just stop it now?

Mr FARRELL - Because in reality a large number of venues have made significant commercial decisions going back a number of years about their potential and their viability as gaming venues. It is really not even what the net result is of 1 July because post 1 July there will be venues within two or three years time that will be doing an absolutely wonderful job and in fact they might only have 15 machines now and they might go to 25 while another venue that might have 30 machines now might end up with 20 in five years' time. There is going to be a changing amount of dynamics within the Tasmanian community and the successful development of hotels by the flair of individuals is going to lead to a continual change in the dynamics of gaming and we believe that is only a very healthy outcome of sound business principles.

CHAIR - You just confirmed what I was actually thinking.

Mrs SUE SMITH - I presume you have the authority to speak to this Network Gaming arm?

Mr FARRELL - Yes.

Mrs SUE SMITH - There has been some evidence given that on some occasions a hotelier applies for a licence, the licence is rejected - I never went into the pros and cons of where or why, whether it was the Gaming Commission or Network Gaming - and then down the track that hotel is granted a licence with another operator to it. Does that come into the basis of the person who puts forward the first proposal can't back it up enough for you to grant that licence?

Mr FARRELL - Well, it could be a number of things. It could be the fact that the person who put forward the original application wasn't a fit and proper person to hold the licence and maybe a person has got a criminal record, and maybe a person who is deemed to be not a responsible person to hold a gaming licence in the first instance, and maybe the fact that they weren't prepared to invest substantially in their hotel. Many people who gain gaming licences in Tasmania invested millions of dollars in investment. People who wanted to have a gaming licence and invest nothing don't have gaming machines. This is about investment, it's about employing people, it's about improving the standards and services available for all Tasmanian visitors.

Mrs SUE SMITH - We have that balance of an individual who applies, doesn't get, for quite legitimate reasons no doubt, gaming, finds that the value of their property is downsized

at the next valuation, it is sold off very cheap and then along comes somebody and achieves a licence and gets a significant benefit on it. That was one side. The other side was hoteliers who haven't been granted licences but up the road has and they have seen a substantial upgrade up the road, quite naturally a lot of money spent because they are required to, to ensure that. They do have the capacity financially to provide subsidised meals et cetera and therefore on that arm, they also see the depreciation of their assets because of their competitor up the road.

Do you wish to make any comment about that?

Mr FARRELL - I think probably the real crux of that would be that what we would be seeing is the potential for that to occur less in the future than it has in the past because of the relative maturity now of the Tasmanian gaming market which means, as I mentioned earlier, that the total number of venues in the State and plus or minus four or five or six or whatever, remain fairly constant for a number of years going forward.

There will be a change in dynamics between those venues but in reality whether we have two restaurants, whether we have a gaming venue and a non-gaming venue or we have a town with gaming venues, what we will find is one venue, most likely, will be better than the other two and it's because they actually do a better job of running their business and in a sense, in our view, rather than have the argument and say everyone who wants a gaming machine should get them and therefore we have a lowest common denominator model where there is less jobs created, there's less profits created, there's less reinvestment created, we believe that would be the worst possible outcome so in a sense at the end of the day there may be some winners, there may be some losers but we believe the benefits that the wins provide far outweighs the negatives of the occasional venue who will say that they wanted gaming and didn't get it.

In many cases, as was common earlier, we have seen the case where there are many successful venues in Tasmania, hotels and clubs, that are successful without gaming machines so gaming machines by themselves obviously don't make any money whatsoever unless they're actually part of a total matrix which we see as the Oasis brand.

Mrs SUE SMITH - And my last question, the issue of perhaps a perceived pecuniary interest where you have Wrest Point and the casinos, you have Federal Hotels being the suppliers of the machines and you now have them in the open marketplace purchasing. I think you said you have four hotels at the moment. Would you like to make a comment on the record about any perceived pecuniary advantage in that.

Mr FARRELL - Well, I would see that the facts speak for themselves in that by having the one operator in a sense managing gaming in the State has led to the lowest incidence of problem gambling, the most successful monitoring of advertising, the least aggressive marketing taking place in any State or jurisdiction in Australia and the reason for that really, quite frankly, is clear. If we go to Victoria where you have multiple operators, casinos and two gaming operators, you have an intense and immense competition occurring and the result of that intense and immense competition leads to, in my view, a greater problem with problem gambling because in a sense what you are doing is you are having more people providing more people with more incentives to extract money from them.

What we are seeing from the Tasmanian examples is that that doesn't occur. In fact Wrest Point and the Country Club, in a sense, compete with Network Gaming but at the same time it is very clear that it is nowhere near the cut-throat competition that occurs in other States.

CHAIR - Some could argue that.

Mr SQUIBB - Do we comply with National Competition Policy?

CHAIR - I was just going to say that.

Mr FARRELL - Well, certainly.

CHAIR - Anyway, we really must wind this up. We're well and truly over time. But if you will be agreeable if we have a need to call you back that you would come back.

Mr FARRELL - That would be wonderful.

THE WITNESSES WITHDREW.