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THE JOINT SELECT COMMITTEE ON FUTURE GAMING MARKETS MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON 11 AUGUST 2017

Mr PETER HOULT WAS CALLED, MADE THE STATUTORY DECLARATION AND
WAS EXAMINED

CHAIR (Mr Gaffney) - Welcome everybody. Peter, could you provide a brief background. That will give people some understanding of why we have invited you back, because of your information and experience in this area.

Mr HOULT - Up until February last year I was chair of the Liquor and Gaming Commission for a period of eight years. Prior to that I held positions including secretary of the Department of Health and Human Services, and secretary and deputy secretary of the Department of Justice; I was also director of Corrective Services for a period of three years.

CHAIR - Peter, some of the information and questions we ask may be reiterations of what we have asked before. It is impossible not to do that. No doubt you have been following the committee's deliberations. Do you think the regulatory and governance framework we currently have in Tasmania is appropriate? Are there any modifications you would suggest?

Mr HOULT - If we are talking about the status quo in terms of the gambling modalities available in Tasmania, there is nothing wrong with the governance structure. It has proved itself to be reasonably robust over time. It has proved itself to be independent over time. The problem we have, of course, is that in the growth sector of gaming, which is internet gaming, the state regulator has no powers. That more and more makes the harm minimisation powers, in particular, of the state regulator less and less effective. During my period as chair I was comfortable that we had the ability to regulate as per the Gaming Control Act 1993. That was and remains the piece of legislative authority for the commission.

It is a complex and difficult act and as I think I wrote in my submission, you really want to throw the whole thing away and start again. You could probably write it in 20 pages instead of a couple of hundred or whatever it is now of unintelligible closed numbering systems, because it has been amended so many times.

Mr BACON - You think regardless of what happens in terms of recommendations out of the committee that with effectively the Gaming Act you should start from zero again?

Mr HOULT - It would benefit the commission a great deal to move to a modern piece of legislation that focused only on the absolute core functions of regulating gaming and compliance issues in gaming, and then have proper subordinate legislation or delegated powers under the act for the minister to get on with the rest of it. You have to refer to the act for everything. You basically can't draw a breath as a member of the Liquor and Gaming Commission without going to the act. It's cumbersome and it's not effective. I understand it is not a very popular thing because you open up the whole concept of the act again.

My only other point on regulation, and I said this in my submission, is that the government looks at the regulatory environment and suggests that it has a responsibility for the sustainability

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of the industry. If you listen to nothing else I say, that is a very bad thing to suggest that this regulator should have a responsibility for the sustainability of the industry.

CHAIR - We might go there a bit further. In your submission, regarding the Hodgman Liberal Government's post-2023 gaming structural framework, you said -

The regulation of the gaming industry should be designed to create a sustainable industry with high standards of probity whilst minimising harm caused by problem gambling.

In particular, as you just alluded to, you indicated a tension between the objective of the gaming industry sustainability and harm minimisation. Can you elaborate a little further on that and what should the proper focus and objective of TLGC's governance of the industry be?

Mr HOULT - The focus of the regulator should be on compliance with the act. It should not be about sustainability of the industry. Every time, in my eight years as chair, we wanted to make changes to the rules of gaming that might impact on industry, the industry responded saying, 'We can't do that because it would threaten jobs in the industry; it would reduce revenues'.

We were lucky because there is nothing currently that mentions sustainability whatsoever. We are able to say, 'Our job is the act. It is not to measure whether your industry is sustainable or not.' This is not like a regulator of the egg board. This is not a product that people need. It is, in fact, an inherently risky activity for which a group of people and companies have been given a licence to operate under guidelines.

It is not the regulator's job to say, 'Oh, I had better not worry about whether Federal is making its revenue targets this year'. I want to stress that it would not be a tension; it would place the Liquor and Gaming Commission in an intolerable position. The two functions do not sit together and this is not a normal regulatory environment. You are not regulating a product that is beneficial, that the people need, with an industry that must be sustained for the good of the community. You are regulating one that is an inherently dangerous activity that is licensed by government under certain circumstances.

CHAIR - Where your last presentation was more holistic, today we intend to ask you some specific questions.

Does anybody else have any questions about governance? Tania, would you like to go into the electronic gaming machine - EGM - questions.

Ms RATTRAY - I will. Before I do, Chair, I might ask Peter about the point of sale tax that South Australia has for online gaming that was introduced in 2016. It does not deal with overseas gaming or internet online gaming, but it does address William Hill and those who advertise in Australia. Were you aware of that?

Mr HOULT - Yes. South Australia has made a couple of attempts to have some influence or control over online gaming and tried to do that with advertising as well. I am not sure how successful it has been with its point of sale stuff on entities licensed outside the jurisdiction that deliver their product online and not through a physical environment. I think they are struggling with that. I admire the fact that South Australia has actually tried it.

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Ms RATTRAY - They are being proactive at the very least.

Mr HOULT - On at least two or three occasions, the national group of regulators wrote to the Commonwealth. To actually get seven regulators to write anything and agree to it was quite impressive. It was almost a quite impassioned letter that the Commonwealth really needed to take control of the online gaming act and environment through its control of the Communications Act.

They wrote two letters to the relevant ministers at the time but had no response. The Commonwealth is not interested in taking this on, to the best of my knowledge. I have seen nothing to change that opinion.

Ms RATTRAY - It makes it very difficult, doesn't it? Thank you, I appreciate it. The online gaming issue is one of the big issues that keeps being raised with the committee.

Mr HOULT - To the extent those regulators actually said there should be an online casino-style environment available and regulated within Australia so that Australian harm minimisation credit card protections could operate and some tax revenue could go to the Australian Government. Right now, it is all going offshore to very unregulated and dodgy operators.

Mr BACON - Do you know how big that would be?

Mr HOULT - It is incredible. A woman academic has done some terrific work trying to work it out, but you are certainly talking several billions of dollars a year.

Mr BACON - Do you know the Australian figures at all?

Mr HOULT - I am talking Australian figures. It is big; there is no doubt about it. Online sports betting and betting on overseas casino-style games combined would be in that order of magnitude. State governments basically have no control over any of it. Unfortunately, there has been a race to the bottom of it. With Betfair, we tried to keep them in the state and basically allowed them to act as a betting agency with no return to the state - within the regulatory environment and the harm minimisation environment - but no, the revenue is nothing. The Northern Territory has basically said, 'Come here. Set up. We will take the jobs, anything else, do not worry about it'. My Northern Territory colleagues probably would not like that statement but it is pretty accurate.

Ms RATTRAY - Thank you. I appreciate that opportunity. It continues to be raised as a significant issue.

Peter, I apologise; I was not here for your first presentation, but I have read your information. I am interested in your view on reducing EGMs and how you would do that. In your previous submission, you said that it would be simpler to set a density limit around certain local government areas. Could you explore that a little more for me and the committee?

Mr HOULT - If you are concerned about the proliferation of EGMs in low socio-economic areas and you want to do something about that, there are models such as in Victoria where there is a process by which communities can object to new machines. My observation is that it has been fairly disastrous for local communities. It has been incredibly time-consuming for them because they are all volunteers. They are opposing people who have resources by definition and, apart

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from a couple of minor successes, they have largely failed; they then end up in the tribunal system and then it is more complex again et cetera.

To me, if you are serious about it, it would be much simpler to say something like 'Divide the number of adult Tasmanians by the number of pokie machines outside casinos - about 2500 - that's X per thousand Tasmanian adults. Then you cannot have any more than that in any LGA and you have five years to get there. Do it.'

That would take the arguments out; it takes the onus back from the communities, who I think will always be fighting from behind the eight ball on this. They are fighting against the arguments about jobs and they are fighting big money et cetera. It makes it a simple mathematical thing to do and limits the time. I think that would be a simpler model all round.

Ms RATTRAY - Your view on the public interest test -

Mr HOULT - It is a rat's nest.

Ms RATTRAY - is that it just does not work.

Mr HOULT - No. I mean defining public interest in any set of circumstances - next it will be called a social licence and then we will really have -

Ms RATTRAY - Good luck with that one.

Mr HOULT - Good luck in finding a definition in the *Oxford dictionary*.

If you are serious about reducing the numbers and the hotspots, make it a simple linear proposal over a time period that cannot be argued about, because it is just counting. If you are not serious, do not do it. Either that, or you will just burn out a lot of local communities as in Victoria. They've worked their arses off for months and years putting forward cases and getting nowhere.

Ms RATTRAY - Thank you. In regard to pokie machines in the community, is it your view they should only belong in casinos, as they were initially? You don't have to answer that.

Mr HOULT - I am a private citizen; I can say whatever I want.

I was there in 1993 when Pembroke introduced the legislation for this into the upper House. I was in the Department of Health, working as a senior policy advisor seconded to write up the stuff for this.

Mr GAFFNEY - Do mean Peter McKay?

Mrs RATTRAY - He's the most famous member for Pembroke.

Mr HOULT - Sorry, for my generation Pembroke is - sorry, I didn't mean to insult the current member for Pembroke.

That was done in the depths of Tasmania's worst economic circumstances since the Great Depression. The government was scrabbling for revenue. There was some silliness about people

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going to the mainland to spend their money because they wanted to gamble on the pokies, which is just rubbish. It always was. The only reason it happened was as a source of revenue for government at a time when it was in dire straits, and had declining revenues. If that bill were brought forward today, it would be laughed out. No government would ever bring it forward today.

If you start from that point, I think it is unfortunate that EGMs exist in Tasmania. The benefits - and let's not just talk financial and economic benefits - of EGMs largely fall to the people who own them and not to the Tasmanian community. I think the tax revenues raised are actually non-events. We are talking about total gaming revenues of \$85 million a year - I suppose you are more up to date than I am - in times of a \$5 billion-a-year overall budget for the state. It is within Treasury's daily estimate range of getting it right or wrong.

I think if we went back in history and knew what we know now, we would not do it.

Ms RATTRAY - Yes. We are where we are.

Mr HOULT - Yes, we are where we are.

Ms RATTRAY - That is the issue.

Mr HOULT - No, I do not think they should be in the community. My personal opinion is no, I do not. I think that when you look at the statistics of who gambles, a very large proportion of the losses come from, the very small number of people who actually use these machines a lot of the time. From memory, Productivity Commission numbers show that only about 4 per cent of Australians touch a pokie more than once a week.

That is where we have addicts slide because that is what addicts do. Suddenly it's the 1 in 2 per cent of people who are problem gamblers who are harmed, which is taken from the gross population figures, not from the people who actually use the machines. It goes from 1 in 2 per cent of people who are harmed by them to regular users being harmed in the order of 20 to 40 per cent of the people.

For people who use the machines on a regular basis, they are highly dangerous things. There is no question about that. That is just the numbers. Forty per cent of the income from these machines comes from people who are at-risk or problem gamblers. I do not know any other industry of any kind ever where 40 per cent of the revenues would be allowed to be taken from people who are being significantly harmed by the product of that industry. If Ford produced cars that damaged 40 per cent of the people who drove them once a week - it is just a very strange concept to me.

Ms RATTRAY - What do you think is the best approach for allocating licences under a competitive tender process, as in a single operator, or should it be open to all potential operators? Do you have a view on that?

Mr HOULT - Yes, I do. We have dealt with one very large gorilla in the room, which is Federal. That has been difficult at times. They swing a lot of clout et cetera, but once the decisions are made by the commission and the rules are written, Federal has largely been a good corporate citizen - it is not worth their while to break the rules because they get penalised, reputational damage and all the rest.'

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If you talk to the regulators in Queensland, New South Wales and Victoria, where they have dispersed ownership down to the venue level, basically their compliance is gone. They are endlessly chasing their tails, trying to get hundreds and hundreds of people - (a) the owners no longer understand the rules of the game, which are complex and difficult, and are largely oversighted by the large owners; and (b) they are now individual owners, and they are in competition with every other venue within spitting distance of where they are.

You would not want to read about the things they do to attract people to their venues. In New South Wales, they run minibuses from old age homes. They park outside venues that close at 12.00 at night to pick up drunken people coming out of those venues to take them to another venue that is staying open later.

There might be an economic argument that you maximise your return by having the largest number of tendering entities, but your social costs and your compliance costs would go through the roof.

Every time you have to take action against an individual, there will be cries of 'This fine is going to force us to close down, we're going to have to sack people and it's going to be death by a thousand cuts.' At least when you deal with Federal or a subset of the larger entities, you deal with a single point and you know they can wear the economic pain if you're going to whack them with a damned great fine. You know they run risk of reputational damage, which will probably moderate their behaviour as well.

CHAIR - We will ask some questions about harm minimisation and look at taxation and a couple of other things. Then, at the end, I will ask Sarah, who is listening on the phone, if she has any questions.

Ms DAWKINS - I have really enjoyed the clarity you have brought today, and the last time that you were here, so thank you for that. Talking about Victoria and harm minimisation: YourPlay voluntary precommitment doesn't seem to have worked very well. It is almost as if they might as well have not introduced a precommitment system at all.

Mr HOULT - Useless as a postal ballot really.

Ms DAWKINS - Yes, a survey. Are there other harm minimisation methods, apart from perhaps this no-density allocation, that you have seen that works?

Mr HOULT - If you want to minimise the harm, you should change the way the machines operate. You slow them down; you reduce the number of lines; you get rid of bonus games; and you keep the opening hours of the venues relatively tight. Lots of owners of venues will tell you off the record - they are not going to say this publicly - that they hate the last two hours on a Sunday or a Friday morning because all that are left are the sad, the mad and the drunk, and they have to put their security in place. The reason they do it is because if they don't, the venue down the road will and they are worried they will get a transfer of business.

The machines themselves are inherently risky. There are many ways the risk factors can be reduced by changing the machines.

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Ms DAWKINS - Is there any way to do that? We've asked this question before: what process could we use to determine how the machines are set in Tasmania?

Mr HOULT - The commission could easily be given the authority to do that. It has been done. Tasmania has fewer lines - a limit of 30 lines on machines. Tasmania has done all sorts of things. We only have 30 in a pub and 40 in a club. Tasmania has done much more - I am not patting my back - it was mostly done before I turned up. Tasmania has done it by not allowing EFTPOS transactions. We have done it by not having ATM capacity in the pubs and clubs, and we have done it by controlling ATMs in casinos. All of this was done when the industry said that it couldn't be done, by the way. They said we couldn't control the ATMs in the casinos; it was just not possible and nobody would do it. We told them they had 12 months, 24 months or something. The more sophisticated the machines are, the more capacity the machine has to change. They are moving to open architecture and some of them are server-based machines.

There is the risk of orphaning Tasmania's 3680 machines. There are a wide number of things. The mandatory code was set within a framework. The government said, 'We basically can't do much to the machines'. If you analyse the mandatory code, much of what is in it is a set of proxy things to try to break people's sitting - how long they have played for by not allowing them to be served food and drink at the machine et cetera. What we did was try to think of some non-machine based things that might impact. The industry hated it - there would be 200 job losses and all the rest of it - but it's happened and the sky didn't fall.

Ms DAWKINS - In Victoria, we heard that problem gambling isn't really spoken about as problem gambling any more. Gambling in itself is a part of a primary health concern. They have moved away from that old style model of trying to quantify exactly how many people fit into this continuum of problem, the at-risk or moderate-risk gamblers. Have you heard anything about that?

Mr HOULT - It's been discussed quite a lot over the years. Back when I was in Health in 1989-90, a group of people said this is a social health issue and so on. It helps if you can avoid the fruitless argument that 1 per cent or 2 per cent of the population are harmed by gaming machines, partly because that is a statistical nonsense argument. I always say that is like counting how many air crash fatalities there are against all the people in the world when only a quarter of the world's people have ever been on an aeroplane. It is that sort of silly statistical argument. Get away from that and say there are significant harms. If we were looking at this as a social health issue under the UN definition of social health, we would definitely say we should be doing something about this on health grounds.

The industry argues that people who are problem gamblers have problems - they have mental health problems, they have alcohol problems, they have relationship problems. That is a significant truth, but those machines are designed to be more attractive to people who are already vulnerable. They are designed by very clever - and this is not me, it is well proven that the industry has employed a bunch of very clever behavioural psychologists and psychiatrists to design those machines to be very attractive to people who are vulnerable and damaged.

To say that if you fixed their personal problems they would not suffer is just crazy. It is like saying I am will get somebody off heroin, but I am going to hang a bag of heroin outside their bedroom door every day. It is just a silly thing.

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Ms DAWKINS - One question I need to ask on behalf of the committee is: should the community support levy - CSL - be applied to EGMs in casinos?

Mr HOULT - Absolutely, on several grounds. One, it is financially economic. Why should the casino have an economic advantage over a pub or a club? If you were going to tender the maths separately and the devices were going to be split between the Oasis system and the casino one, what is the justification of the casino being in that position? On the other level, if we are using CSL funds, as we should for harm minimisation programs and health programs that assist, if you contribute to the problem, why are you not contributing to the costs of the solutions?

Mr BACON - Peter, what is your opinion, in terms of the tax collected, given that there are some very profitable venues and then some that do not raise anywhere near as much money per machine, of having a sliding scale so the more money you make on machines, the more tax you pay?

Mr HOULT - I think you certainly could.

Mr BACON - Do you think that would be effective?

Mr HOULT - It would be effective in the sense that it certainly would not provide a disincentive to the owner of the machines to generate revenue from them because they will still want to put their machines in the highest generation venue even if the proportion they receive is slightly less.

Mr BACON - So you would not see less of them in low socio-economic areas?

Mr HOULT - No, that is where the money comes from.

Mr BACON - Okay. Could you set up a different taxation rate that would tax higher in those areas? Would you see that as an effective way to reduce the incentive to put them there?

Mr HOULT - Yes, it certainly would, but I do not know how punitive it would have to be to do that because on the information I saw as chair, the earnings from some of those high-return pubs is orders of magnitude better than you would receive in the - I don't know - the Waratah RSL Club or the bowls club in Devonport. I do not know whether Devonport bowls club actually has a licence, but you know what I am saying - their returns are so much lower than those big pubs.

Mr BACON - So if you could use a sliding scale to get more government revenue, that would not have an impact on where the machines are -

Mr HOULT - Probably not. I mean, unless you instituted a tax regime, and I am not sure how or whether you could do that, under which the ones owned by corporate entities and groups such as Federal Vantage had different tax regimes.

Mr BACON - If you had more than one venue, you pay a different -

Mr HOULT - Yes.

Mr BACON - Okay.

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Mr HOULT - If it were not a community-based venue - only a single owner - perhaps you could then change the tax regime for them.

Mr BACON - Is there any argument to promote that the Tasmanian tax rate on machines should be similar to other jurisdictions? There is no argument there.

Mr HOULT - It is Tasmanian money. It does not go anywhere. There is no leakage. You can do whatever you wanted with the tax in Tasmania. It would not mean that more than 1 per cent of your punters were going to get on an aeroplane and fly to Crown and feed money into the pokies there.

Mr BACON - In terms of the current compliance mechanisms, where do you think the biggest improvements could be made?

Mr HOULT - Compliance currently is one of the least things that worries me in Tasmania. The Liquor and Gaming Branch does quite a good job on compliance. I am a year-and-a-half out of touch on that, but compliance was sometimes time-consuming and often involved investigating complaints made by members of the public about an operator.

The processes of compliance were pretty good. Whether we always had the resources we would like, how long is a piece of string? We did do too much of the Casino's job for them on compliance, like counting the money. That is largely by and by.

Mr BACON - When you talk about resources for compliance, if you go to more of a disbursed model, not having the one owner/operator, how much more resources would be needed?

Mr HOULT - Again, you cannot be accurate on this, but if you go from dealing with one, two or three large entities that you can penalise for failing to meet the compliance standard to 150 venues that own their own machines and are responsible for their own compliance, in a complex environment, we would have to deal with the responsibility of staff being trained, about taxation, about hours of opening, who can touch a machine. It would triple, quadruple. To be honest, I could not tell you.

If you want it to work, it would be a damn sight more.

Mr BACON - You talked about the mandatory code before and claims from the industry about 200 job losses when that was brought in, do you think the mandatory code has been effective in reducing problem gambling?

Mr HOULT - We did a lot of research and it was the best we could come up with within the parameters we were given. Parts of it, particularly about payment of winnings, has been a very good thing to do. Other states have said to me, 'I wish we could do that and stop people from walking out with five grand and then back to the machines again'.

The concept of payout over a certain level by cheque with time delays is a very effective means of breaking that, particularly because people think they are on a hot run. They win, and a hot run becomes a very long and sad night. A review of the mandatory code is starting very soon. It is out today?

Ms RATTRAY - Another report to read.

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Mr HOULT - I am sure it is succinctly written and highly entertaining.

Ms RATTRAY - I will take your word for it.

CHAIR - Thank you. Sarah, are there any other questions you would like Peter to address.

Ms COURTNEY - No, there is nothing that comes up, but I want to thank Peter, as other members have done. It has been really interesting having him in. Thank you, Peter, for your well-considered comments. You have given all committee members a lot to think about and a new perspective with a lot of issues to consider.

Mr HOULT - Thank you.

CHAIR - Before you go, Peter - I forgot to mention about parliamentary privilege being in here, but when you are outside, you are on your own.

Mr HOULT - Yes.

CHAIR - The Devonport bowls club does not have machines, but the RSL does. I thought I would clear that up in case I get some phone calls from my area.

Mr HOULT - Tell them it was entirely my fault and I apologise.

CHAIR - No, I am sure they will be pleased with the notoriety. Thank you very much; it was really appreciated. We may need to ask you questions about some of the things you have raised, but that will come through in correspondence to you.

Some of the things you raised have been very interesting and once again, thank you for coming in.

THE WITNESS WITHDREW.

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Ms JENNY CRANSTON, CHAIR, AND **Mr STUART BARRY**, MEMBER, TASMANIAN LIQUOR AND GAMING COMMISSION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR (Mr Gaffney) - Thank you for coming in. As you are both well aware, all evidence taken today is affected by parliamentary privilege, but once you leave the parliament you are on your own. You have been here before. We have brought you back because there have been some relevant reports we want to use as part of our committee report, and we would like you to give us some background on what's occurred, and how and when that process happened so that people listening can understand your role in the recently released papers.

Ms CRANSTON - Are we talking about the community interest test?

CHAIR - Yes.

Ms CRANSTON - As I am sure you are aware, the government announced a public interest test, as it was called then, in March last year to give the community an opportunity to provide opinion on applications for new gaming licences in venues. That proceeded through the amendment to the act stage and was given royal assent in December. We were asked at the same time to develop the relevant matters that the commission would need to consider in taking account of public interest or community interest, and a process and guidelines both for applicants and the community to put forward their views.

We put out a paper in January asking for opinion on a range of matters that exist in other states as well as whatever anybody wanted to tell us about how the process should work in Tasmania and what should be considered. That process concluded, and we have developed a paper for government with recommendations on what that community interest test should look like. The recommendations of that have been accepted in full by government. We are expecting that the relevant regulations will be developed and could possibly be ready for implementation as early as September this year. Would you like me to talk about what that might look like?

CHAIR - Yes, that would be good. Then other committee members may have questions for you. Thank you.

Ms CRANSTON - A community interest test that will give an opportunity for the -

Mr BACON - Can I just ask one question?

Ms CRANSTON - Yes.

Mr BACON - I just cannot remember the detail. Are we currently 150 machines below the cap? Is that correct?

Ms CRANSTON - Absolutely.

Mr BARRY - The current cap or the new proposed cap?

Mr BACON - Yes, that is what I mean. Is it the current cap? Are we 150 below the current cap at the moment?

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Ms CRANSTON - Could we say approximately?

Mr BARRY - Something in the order of that, yes.

Ms CRANSTON - Something in the order of.

Mr BACON - The government has proposed that the cap be brought down by 150.

Mr BARRY - We are 30 over the proposed cap at the moment.

Mr BACON - Yes. Sorry. Thank you.

Ms CRANSTON - Yes.

Mr BACON - The cap will not be brought down until 2023?

Ms CRANSTON - Correct.

Mr BACON - There are 120 machines that could go into new venues?

Ms CRANSTON - Between now and then.

Mr BACON - Yes.

Ms RATTRAY - If they meet that test?

Ms CRANSTON - Yes.

Mr BACON - Thank you.

Ms CRANSTON - It is a process to give a voice to the community on the matters that affect it regarding new licences, making them transparent to all parties, both applicants and objectors, and what the commission will use to make its decision. I think it is really important that it is not an overly cumbersome or costly process for either applicants or objectors. We know what has happened in other states around those processes, which add costs to applicants, but also perversely almost disenfranchise some communities by having to write community impact statements or whatever. We did not want to go there either.

The matters that will be considered. An applicant would need to give general information about the number of electronic gaming machines - EGMs - they were proposing, their name, address, the relevant area they were looking at and the venue, and then specific information about the venue - the floor space, the type of room. That is pretty standard.

We would also like from the applicant what we are calling 'gaming sensitive sites' in the proximity, within an area around the proposed venue. Are there other licensed premises, community facilities such as gambling support or counselling services around the area? Also, what sort of financial or credit facilities are available? Is there a Cash Converters down the road, or a pawnbroker, or banks? That would need to be provided by an applicant.

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We also determined we would need EGM data to make a valid or proper decision. We would like to know what is already there in the community - EGM density - so the number of venues and the number of machines already in a particular area. I will talk about that in a minute. The turnover and the expenditure - how much money goes in and how much money is lost currently in the proposed area.

Ms RATTRAY - Wouldn't you already know that? The commission would already know all that.

Ms CRANSTON - Yes, we do, but in a process like this, if we are using that information to make a decision, the other parties need to have that information at their disposal as well.

Ms RATTRAY - You want them to know that as well?

Mr BARRY - We are not asking them to provide it though.

Ms CRANSTON - They will not provide that. We are saying that the information the commission holds is an important decision-making tool for us and we are giving it to you, both applicants, so they know they do not need to seek that out, and the objectors. Similarly, in terms of the relevant area we are looking at, a lot of the submissions talked about local government areas, LGAs. That was possibly too broad. With Australian Bureau of Statistics - ABS - you can drop to the next level, which is statistical area 2. That seems to give a more fine-grained look at, not necessarily a suburb, but a smaller area than an LGA. We have gone with both of those as relevant areas to look at in what makes up a community.

If you look at Claremont, for instance, there's a lot of different local areas within that LGA. A really good example is Risdon Vale, which is fairly disadvantaged; it falls towards the top of a disadvantaged index. Tranmere is also in the same LGA, which is in a different completely sort of socio-economic area. If you look at an LGA, you would have a smoothing that is not quite accurate if the proposed venue was in, say, Risdon Vale.

So we need to look at the SA 2 level, as well. Mostly in metropolitan areas we will go to that level. In non-metropolitan areas, with very small populations, that might be a bit anomalous, so you would possibly stick with the LGA.

We intend to give all the information surrounding that ABS information, also on the website, to applicants and to objectors. We want information on what comprises the community. We have the data. If we allowed applicants and objectors to produce it, we would need to verify it anyway, so we may as well put it out there. That is, I hope, a benefit to both sides and will save time, effort and money in looking at data that is verifiable, defensible and non-contestable. It is there. So that is the community boundary, if you like, we will look at. Generally, in metropolitan areas it will be that second level down.

CHAIR - On that, if somebody wants to apply for some EGMs somewhere - say, in a certain area, you have a community that has 270, but over here there is only 140, with a similar population size, how can you say, 'You can't have it, because we have already set a benchmark where we have allowed 270'? Even though that may be not be wise in that area so they cannot use it. Do you understand what I am talking about? They cannot say, 'You have 270 there, there is only 140 here, why can't you allow me another 15 there?' How will you go about answering or justifying that?

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Ms CRANSTON - This process did not exist when those decisions were made. There was no legislative or regulatory process around it. In some sense the horse has bolted in terms of where everything already exists for this process, if this is for new applications.

Another factor, it is not just about the number. What is the community made up of? Again, using various measures of social and economic advantage and disadvantage, what does the community look like? Submissions talked about the range of ABS data around those figures. We are going for an index of relative advantage and disadvantage that covers a whole lot of things like post-school qualifications, participation rate in the labour force, unemployment rates, median house prices, all those social determinants that indicate relative levels of advantage and disadvantage.

The measure we will use is that whole dataset, which we will provide to people: this is the community, and these are all the statistics showing something about the relative advantage and disadvantage of communities. So, mainly, it is a picture of what the community looks like and then also the kind of gaming picture - the density, the turnover and expenditure data for that area. All of that will be provided.

Then there will be a process whereby the applicant will have comment about the positive benefits to the community of the proposal and the negatives - if they see any negative issues surrounding the proposal - and how they propose to deal with them. That is, an analysis by the applicant of why they think this is a good idea for this community and, if there are disadvantages, how they propose to deal with them.

That will be part of the application process in full. All those datasets will be publicly available on the website. People will have a period in which to make comments on it, and we will make our decision based on that.

Ms RATTRAY - If we are already 30 over the proposed cap, wouldn't it be simpler to say 'There will be no more' and nobody can apply? Why we are doing this if there is not going to be an increase in the future? This may be a question for government, not for you.

Ms CRANSTON - We cannot say 'No more'. The cap exists now.

Mr BACON - You can move machines. If a place closed down, you could move machines there. This would cover a new application for a new venue, wouldn't it?

Ms CRANSTON - Yes. Or venues where machines have not been existence for six months. They might have had a licence but nothing has been happening for six months.

We have two applications on foot at the moment that will need to run through this process.

Ms DAWKINS - Towards the end of your presentation you talked about the analysis by applicants of the negative aspects of the test and how the applicant would deal with them. What kind of things would you expect to find in that part of the application? How could they deal with the negative aspects of pokies?

Ms CRANSTON - I suppose it gives them an opportunity to pre-empt what will be an objection. That will be around harm minimisation and coming up with ways in which they might

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ameliorate the harm. We were thinking that maybe there will be something out there that is innovative for people, apart from what they are required to do by law. There is no use saying that we are going to do all these harm minimisations. We require them to do that.

Ms DAWKINS - They already have to.

Ms CRANSTON - Exactly. But if there something else they have researched, come up with, that may be a way of ameliorating -

Ms DAWKINS - Like mandatory precommitment?

Mr BARRY - There is a particular question to the proponent. What additional harm minimisation measures, if any, do you propose for this particular venue above the minimum requirement?

Ms DAWKINS - Yes. That would be a really interesting question for all of us. If there are new ways, we would all like to know what they are.

Ms CRANSTON - We wanted to give that a voice as well. They could put that into the proposal.

Ms RATTRAY - If government directed and then parliament approved a very large reduction in machines in the Tasmanian community, could you use that process to determine where the numbers should be in the future?

Ms CRANSTON - Because we were given the task applying to new licences, that is where we had to restrict our thinking. Certainly, the submissions, over and over again, were around renewal of licences. We had to write it for new applications.

Other states have processes such as auctions and entitlements. Some processes like this, whether you use this exactly, but effectively the base could be there. The matters would be reasonably similar. The process might alter a bit, but basically the fundamentals are here.

CHAIR - It is interesting what you say about other states. There are a range of other ways and measures. Some of those have been successful and some have not. Which other jurisdictions did you mainly look at when you started this process?

Ms CRANSTON - We looked at all of them. I was most taken by New South Wales. We have to remember scale. Here we have two on foot. This is not for new applications. This is not a major activity as it might be in the larger states.

New South Wales has those same matters - EGM density, turnover expenditure and an analysis of the socio-economic areas. They have a process of placing risks against various criteria. We thought we have a small enough kind of scale issue that we don't need to have a massive process of running through risks. We were most attracted to the gaming and the socio-economic pictures, I guess, and not trying to build a massive process because of the scale.

I come from Queensland where community impact statements are an industry. A whole industry has grown up around consultants who do this for a living. That is my point about disenfranchising people. It then becomes taken over; there is not much industry ownership when

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you have somebody else doing all that work. You get big reports, and communities that can't match that kind of effort. That seems an unfair and inequitable situation. Because these are new applications we are trying to make something that is not too cumbersome, costly or time-consuming for people.

Mr BARRY - It is simple and efficient, but is also flexible in the way we can make the judgment around a particular case. Rather than a strict formula-driven, very dogmatic process, it is one where we just have to balance up all these factors and make a judgment.

CHAIR - New South Wales may have 300 EGMs in the one venue. The Hodgman Government has suggested 150 machines in 2023. Does that mean the last 120 to go in would be the first to come out?

Ms CRANSTON - I wouldn't have thought that's what they were thinking, but maybe that's a question for them. I wouldn't have thought that was how it would work.

CHAIR - You were in the room when Mr Hoult talked about population density. Because of the intricacies of community interest and how good or bad some of those processes are, Mr Hoult said, 'Why don't you divide the state by so many thousand' - he used that as an example - 'and look at it across the board like that to decrease?' Has the commission discussed that angle or is that something new?

Ms CRANSTON - In the past, because in the absence of anything other than the cap guiding a decision, provided the person is fit and proper and provided the venue is suitable, it is more or less the case that the application is given. There are some tests. The commission has not had to properly turn its mind to that at all. It ought not to, because that is not the regulatory environment.

Mr BACON - If you already held a licence for one venue and applied for another venue, as long as the venue was suitable, there would be no grounds to say no.

Ms CRANSTON - In the past, more or less.

Ms DAWKINS - Last time we spoke, you talked about the operant conditioning techniques and you suggested you might be looking at other ways to control the way the machines are programmed for Tasmanian use. Has there been any development?

Ms CRANSTON - No. We have reviewed the mandatory code. This is the big document for harm minimisation. The legislation requires it to be reviewed every five years, and that five years is now. I think we looked at a whole lot of things that would, as you have done, potentially address harm minimisation. Just looking in that space, we are again restricted to what are relevant matters in the act. Machine operant characteristics are not in the act so they cannot be reviewed as part of this process.

Ms DAWKINS - The design of machines is not considered in the act at all. So the other changes made around the lines and those sorts of things, what part of the act do they relate to?

Ms CRANSTON - They have come to the commission and the community through ministerial direction.

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Ms DAWKINS - Okay. What part of the act do they relate to?

Ms CRANSTON - They have come to the commission and the community through ministerial direction.

Ms DAWKINS - Okay. It was not gelling when we were speaking about it with Mr Hoult.

Ms CRANSTON - Yes, of course. The \$5 bet limit is a ministerial direction and I think the credit lines are also. I have been here a year and a half so I cannot claim to be new too much longer, but I thought that the review of the code would be broader. The act mentions the 10 matters in the current code. We have had to restrict the view of the code to those 10 existing matters, which is not bet limits, spin rates, lines on machines and so on.

Ms DAWKINS - The only way for the machines to change in Tasmania would be through a ministerial direction unless the industry were to voluntarily do it and look at those techniques?

M CRANSTON - The commission is also able to - I suppose it is the words 'ministerial direction' - put it to government at any point as part of its suggestions for policy change. They could, through an amendment to the act, come into the code. That is a possibility if the government were in agreement. We could put policy suggestions to government. This commission has not done that; we have had a bit on our plate.

CHAIR - The proposed 2023 framework includes the principle that the regulation gaming industry should achieve both industry sustainability and harm minimisation from problem gambling. In your view, is there a tension between these two objectives? The commission is stuck in the middle. We have talked to other commissions' jurisdictions in other states. They operate a little differently to the position you find yourself in. Would you like to comment on that conundrum people could think from your regulatory obligation?

Ms CRANSTON - I would have to agree with Peter that the commission would find those two would create a much greater level of wise judgment required. On the surface they would appear to be somewhat contradictory. So for a commission to have to fulfil both of those, if they were objectives in the act or something like that, it would make our job more difficult to do.

CHAIR - Perhaps it depends on how you would define 'industry sustainability'. I think the industry would see that in terms of revenue. If you define industry sustainability as having a good product where users are not damaged and therefore the industry has a long-term future, that would be in line with harm minimisation but would not be in terms of maintaining profitability where it is accepted that 40-odd per cent of revenue comes from people who should not be playing.

Ms CRANSTON - There was an analogy in the Liquor Licensing Regulations where the previous Liquor Licensing Board had to consider applications associated with vineyards. The board was more or less required, other things being equal, to approve those applications and that was at a time, again in Tasmania, when the government wanted to promote and support a fledgling industry. That was a way of doing it - not making the licensing process too difficult for vineyards. That regulation ultimately lapsed. That was a good example of a time and a place that, in terms of the sustainability of the industry you are mentioning, when it was useful. I am not sure we are in that space with gaming.

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Ms RATTRAY - Thank you. Jenny and Stuart, you indicated you have looked at other jurisdictions. I am interested in your view of the models adopted in other states in regard to venue licensing, the EGMs being licensed and venues. I am interested in what you found and what your views are on venue licensing?

Ms CRANSTON - Are you talking about, for instance, the out-to-tender process?

Ms RATTRAY - Yes.

MS CRANSTON - That is not what we have looked at in other states because that is not our remit.

I think we said at our last appearance that we could concur with the statements of Peter Hoult. There is a public interest around anything that is a monopoly provision, and you worry about how you get public interest into a monopoly provider.

From our perspective both Network Gaming, the supplier of the machines, and the Federal Group, which owns Network Gaming, have been good corporate citizens. In terms of Network Gaming and the machine side of it, you have one provider that deals with every machine and it is fixed instantly. It self-reports if there anything comes up across the network.

That has been very helpful from a compliance point of view and for ensuring that people who use these machines are protected. I am not sure that if you had another model that people would get the same level of protection. I understand the issues around it.

Mr BARRY - In any business you need a certain level of scale to do compliance properly. A small operator will not have the resources to put an appropriate amount of money into that, whereas at a certain level, it does not have to be a single operator, but at a certain level you have enough revenue to support a professional compliance operation. That is why with Tasmania being relatively small, there has to be a certain level of scale before you can have good compliance.

Mr BACON - Do you have a view on one or two or three or -

Mr BARRY - No, I do not, but it would be those numbers rather than -

Ms RATTRAY - Do you have a view on the term of a venue licence?

Ms CRANSTON - Again, we have not really turned our mind to this, but personally and as a regulator I would be horrified with in perpetuity. No society should give away anything in perpetuity. You need an environment where government and regulators are able to respond to changing social and economic conditions. In perpetuity of anything is not the way to go. I know that is a strong push from some quarters. The current licence period is acceptable.

Ms DAWKINS - Did you read the article in the *Mercury*, I think it was last week, about the Patents Act and the granting of monopolies? Do you have any opinion on that?

Ms CRANSTON - I did not really understand the article.

Ms DAWKINS - I just cannot work out how it would be challenged or -

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Ms CRANSTON - I was confused, yes.

Ms DAWKINS - Yes.

Ms CRANSTON - I almost thought until I looked down and saw his qualifications that it was wrong, was rubbish, but I did not like to say that. Anyway, I am not a patent lawyer, so I do not know.

Ms DAWKINS - It has never come to you before? No-one has ever challenged on those grounds?

Ms CRANSTON - No.

Ms DAWKINS - Thank you.

CHAIR - Should the tax rates and scales applying to hotel and club EGMs be broadly consistent with other Australian jurisdictions? Do you meet with the other commissions to discuss issues that may surface within each jurisdiction? I am wondering how you as a national group operate. How do you function? How do you see things happening in South Australia or Victoria? Do you think, 'We could transfer that or that has some merit?'

Ms CRANSTON - We certainly meet regularly. I was in Auckland earlier this year for the Australasian - which includes Singapore and New Zealand - regulators. We have never discussed taxation because that is a government issue really rather than a regulator's issue.

CHAIR - Yes.

Ms CRANSTON - We are aware of the point of consumption tax in South Australia. I think that is what Peter was referring to as well. My view around voluntary precommitment, for instance, has been sharpened by those discussions, with Queensland saying it absolutely and utterly does not work. These are things we do not have in this state, so you don't really know until you hear other jurisdictions' views. That is regulators speaking among themselves in a closed environment. I don't know whether they would say publicly that precommitment doesn't work. You chase that down and you have discussions on that, so they are useful meetings.

CHAIR - When you have been at those forums, has Tasmania been approached about some of the things you've done over here that differ to other states? Peter named a few firsts that happened in Tasmania.

Ms CRANSTON - No, I've only been to two, so not in that time. I tried to take a lead on sports betting advertising at the last meeting. As Peter indicated, it is hard to get regulators to agree and then everybody goes back and talks to their people and the moment has passed to say anything. The sports betting stuff is on everybody's mind, but it's a common role. South Australia has done some stuff on advertising on television and has some restriction on television that is slightly more rigorous than elsewhere. We didn't take that any further.

Ms RATTRAY - Just a supplementary on that. Peter also said there were several strong letters sent to the Commonwealth about online gambling and yet you indicated that people go

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back to their own states and the momentum is lost. Is there no follow up from that collective view about online gaming?

Ms CRANSTON - The people who are there take it back to their commissions or they take it back to their ministers, and ministers are of different persuasion and it always looks as if everybody is criticising the Commonwealth government. This is their territory so there is some politics around that. He may have been luckier at that time, depending on what the issue was, I am not sure. I think we should have a concerted look. I know the commission for licensing has a working party looking at a number of issues. I've been involved in so many government portfolios over the years - it is not just this one - where trying to get harmony in lots of things, from industrial relations through to school stuff, is very difficult.

Ms RATTRAY - We still don't have teachers with universal qualifications accepted around the state, which beggars belief. Anyway I'm not in that space, unfortunately.

CHAIR - Gaming Network has a very good reputation from what we have heard and there have been very few criticisms of its compliance role. Stuart, you mentioned you only want those that could manage across the board. Peter said there seems to be a push from the industry about venues being able to purchase and run their own machines. Then he outlined some dangers that could bring. Would you like to reveal your thoughts on potential dangers of that situation?

Mr BARRY - As Peter said, you don't want to be in too much of an ultra-competitive situation between venues in terms of how that might feed into a harm point of view from players if there are venues with completely different machines and operators sitting next to each other, how they might ramp up the incentives and inducements, or they can potentially feel the pressure to do that to be battling with the place next door. Peter was alluding that he would not want to see incentives for everyone to be at a really high level of competition to get the expert gamblers into their venues. Maybe there is some sort of middle ground.

It is not really the commission's role, but if there were several operators rather than one, at a very small level, where you could choose, as a venue, which operator to use, that would give some competitive tension at the industry level in terms of what they might pay for leases for machines or models that operator A versus B might offer at a particular venue.. It would stop one person making a call on whether you have machines and what they look like, but without going too far down the free-for-all system and all the compliance problems and harm minimisation that might follow.

CHAIR - Yes, Peter said that could create some additional responsibility for the commission and the staff to be able to maintain contact with the whole range. At the moment it is as simple as it can be. Is that a correct assessment?

Ms CRANSTON - There is no doubt that if you have more, the compliance burden will increase, the costs will increase. Be careful about what you wish for. Those venue operators who are wanting to take that on have not thought that through enough - what that might mean in terms of their own compliance regime, which Network Gaming does now for them.

Mr BARRY - And the cost of the software to run these systems is tremendous, in the tens of millions.

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CHAIR - What are some of the other responsibilities a venue may not realise is actually covered now by the Gaming Network or by the purchasing from the one area?

Ms CRANSTON - When the machines come to Tasmania they must comply with the Tasmanian appendix. They must be set for the 30 lines. They must conform to the Australian and New Zealand standard here and then the Tasmanian appendix, which is anything special to Tasmania that we want the machines to do. If it were all individual venues, the suppliers would still need to provide machines that conform to that standard.

Let us assume they all are perfect. The problem is they are not all always perfect because people make mistakes on coding. We have had examples where despite a 30 credit line, a couple of machines only in the whole of the stock were set for 40. That is not discovered until perhaps a player realises, or maybe through a compliance inspector or some other way. Often Network Gaming finds these things through its automated oversight of the whole system. It is fixed and they alert and we usually penalise, but it is fixed and all the machines are checked. An individual provider is going to have to manage that level of complexity themselves. It is a whole level of complexity taken away from them at the moment. They do not have to worry about the integrity of the machines at all. Once they are in, that is Network Gaming's responsibility.

CHAIR - And they can see a system-wide integrity too so they pick up trends on perhaps a similar machine across multiple venues and use that as a way to highlight issues as they come up.

Mr BACON - The individual venues are only more interested in control so they can make more revenue. It would be easier to give them a bigger share of the revenue without necessarily giving them control of the machines. You could just change the way it is divided up?

Mr BARRY - Part of it is also about machine choice and options in terms of how a machine might end up in the venue. They are very interested in more choice.

Mr BACON - So they can choose more popular machines?

Mr BARRY - Yes, or just a different style. Rather than having to negotiate with a central operator who might have a different view, they would prefer their flexibility. Woolworths, in their original submission to you, wanted precommitment on all their machines and they were frustrated they were unable to do that in Tasmania because the operator would not let them do it.

Mr BACON - But they are only fairly recent owners of Tasmanian venues?

Mr BARRY - I'm not sure.

CHAIR - One question raised has been: is it right that in this state, we have Federal with a monopoly on the machines, we have Network Gaming, which is close, and we have Federal owning other venues that have EGMs, which does not occur in any other state. We have not found this to be the case as a committee.

We understand the history of it as a way of getting it in here. They made the decision they only wanted to deal with one person. Is that something of concern? Do you have a position on that, or is it something that has been raised in other discussions?

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It is not being critical of the situation, it is acknowledging how it is and how in some people's eyes it is not the right way of working.

Mr BARRY - Other operators are frustrated they are dealing with a competitor when asking whether they can have machines in their venue.

There is an unusual set-up in our system. We have a large corporate in competition with another large corporate-owned venues, one of which owns the right to put competing machines in to your venues. Strange.

We have not been approached as a commission. It is not our area.

Ms CRANSTON - If the nexus between Network Gaming and Federal were broken, and this cannot occur, and there was a monopoly provider of machines completely separate from operators and venues, that would be less of a concern, but, as Stewart says, they own the machines and they are competitive.

They own the hotels, they own the casinos. They do not perceive that as a level playing field.

CHAIR - Sarah, do you have any further questions? She is on mute.

Ms DAWKINS - About the social and economic impact study, do you have any issues with that? Is there any way that we could improve that?

Ms CRANSTON - Short of expanding the time between SEISs?

Ms DAWKINS - Yes, they are coming pretty thick and fast, aren't they. They don't really change that much. It is a lot of money.

Ms CRANSTON - I am meeting next week with them for the fourth SEIS. The SEIS is problematic, particularly regarding the methodology where you seek through telephone survey or whatever the views of problem gamblers or people at risk of problem gambling. How do you actually tap into that group of people and in a way that is ethically sound?

Ms DAWKINS - We know they are not self-identifying. We know that it is not until there are co-morbidities and a whole lot of other issues -

Ms CRANSTON - - and sample sizes and all those sorts of things. There are some issues with the whole methodology of it. It might be time for a review then.

Ms DAWKINS - What about the CSL on casinos? It is a question we are asking everybody. Do you think it should be attributed to casinos as well?

Ms CRANSTON - Yes. It is pretty simple.

CHAIR - The SEIS. It was in the legislation every three years and it has been read to us that perhaps it would be worthwhile being every five. I would be interested to hear what other people have to say.

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I would like the commission's point of view on something that has come up. A venue applies for a licence and then goes to Network Gaming for some machines, but Federal can put in a paper opposing those machines. Some people could question the integrity of that situation. Does the commission have a view, have you been caught in that position before, or is it something of concern under the framework in which we are currently operating?

Ms CRANSTON - To date, it has not been an issue. Theoretically, if a venue somewhere were to seek an application and there were no community interest concerns, but it was not a very profitable affluent area or whatever, there might be a belief that Network Gaming would say no for the reason that they do not want those machines in a place where they are not returning the greatest profit.

The places where they will return the greatest profits are over here. They have that capacity to do that. I am not saying they do. It certainly has not been an issue in my time. Or in yours?

Mr BARRY - No.

Ms CRANSTON - That is the potential of the model: the machines go where the provider wants them to go as a separate process to where the commission says they may go through the approval process.

CHAIR - Do you think that should change? Or do you think there is room for movement to make the commission stand alone more in the decision-making process? At the moment Network Gaming does have the capacity to do that. How do you see that working in the future?

Ms CRANSTON - Whether it is Network Gaming as a subsidiary or a part of Federal Group or whether it is completely separate or multiple operations, the commission cannot ever own those. It cannot make a decision on where a commercial entity leases its property to. So there needs to be a mechanism that does not assist a subversion of choice for people.

Mr BARRY - It is a natural outcome of a system where you have a cap, or a limited number of machines. Any operator, whether or not they are conflicted, will always allocate by maximum profit potential.

Mr BACON - When they are the owner and operator of the machines and the venue, they have a conflict in how they make that decision.

Mr BARRY - Yes.

Ms RATTRAY - I do not know how they decide whether they say no or not, but if it isn't commercially viable and they won't get their money back, of course they are going to say no.

Mr BARRY - That's right.

Ms RATTRAY - They may be doing the venue a favour, in other words.

Mr BARRY - They may well say no for good commercial reasons, but the venue will think they said no because they do not want the competition. So it is impossible to unpack that.

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Ms RATTRAY - That is a difficult one to work out. You would have to know what was in the thinking of Network Gaming when they were allocating machines or not.

Ms CRANSTON - The only you could get round that would be through a straight lease arrangement, not a profit-sharing arrangement. Then it is in their interest to lease to whoever seeks a lease. That is how they make their money, rather than a return on the machines' turnover. That is a profit issue.

CHAIR - Thank you very much for appearing before us again. We appreciate it. Jenny, I think you released your paper today.

Ms CRANSTON - Could I table that, Chair?

CHAIR - That would be very good. We have had a couple of other papers that are important as part of our evidence. Unfortunately, the fourth SEIS is not going to be ready, which will make it difficult for us to get the report written in time. A lot of information is coming now which we will still have to deal with to get a report out in what we believe is a satisfactory time. But it would be silly of us not to take this on board until it is released. We appreciate the work you have done.

Ms CRANSTON - I would be very happy to come back if you seek any clarification.

CHAIR - That would be great. Thank you everybody.

THE WITNESSES WITHDREW.

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Ms MEG WEBB, MANAGER, SOCIAL ACTION AND RESEARCH CENTRE AND **Ms MARGIE LAW**, POLICY STRATEGY AND DEVELOPMENT, SOCIAL ACTION AND RESEARCH CENTRE, ANGLICARE TASMANIA INC. WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED

CHAIR - Thank you very much for being present today. We need to go through a few formalities. I welcome you once again to the Joint Select Committee on Future Gaming Markets. I remind you that all evidence taken in this hearing has parliamentary privilege, but once you leave this place that does not occur. You have been here before, thank you very much, and I know that you would like to speak to further evidence that you have prepared recently.

We are going to sit back and listen. I am sure the people listening and those who read the transcript will want to know what this work was and why it was undertaken. We are pleased it has been able to be part of our evidence. Now we have it as a hearing. Over to you, Megan, thank you.

Ms WEBB - Thank you very much. I am Meg Webb, I manage the Social Action and Research Centre at Anglicare Tasmania. With me today is policy worker Margie Law.

As we said in our first appearance in February, we believe this parliamentary committee and state parliament's response to its findings is a once-in-a-generation opportunity for our state's leaders to make clear, accountable and evidence-based decisions on the future of poker machines in Tasmania.

We are calling for poker machines to be removed from hotels and clubs at the expiration of the current deed and from that time located in casino environments only with a greater level of consumer protection in place. Poker machines cause harm to individuals and communities. Today, with Anglicare's supplementary submission, which compares Tasmania with the rest of Australia and the pokies industry overseas and with Professor John Mangan's economic analysis of removing pokie machines from communities, you have solid evidence that Tasmania would be better off with the machines removed from our hotels and clubs.

I am now going to ask Margie to describe how Tasmania compares to other states and international jurisdictions, drawing on our supplementary submission.

MS LAW - Thanks, Meg. First of all, I will look at Western Australia where pokie machines only exist in their casino. I am aware that some of you enjoyed their hospitality recently.

Ms RATTRAY - We paid for it, thank you.

Ms LAW - I will talk about a few measures, against each of which Tasmania comes out worse off than Western Australians.

So firstly per capita spend: Tasmanians and Western Australians spend approximately the same amount of money on gaming per capita. Tasmanians spend \$691 per person per year on gaming. Western Australians spend \$617. If we look at what this represents as household disposable income, Western Australians spend about 0.9 per cent and Tasmanians spend about 1.3 per cent on gaming. We spend almost 50 per cent more out of our household disposable income on gaming. All these figures are in our report.

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What is important in comparing a per capita spend and the amount of disposable income spent on gaming is that about one-third of what Western Australians spend on gambling is on lotto, instant lottery and minor gaming. These are forms known to present very few direct problems. In Tasmania, however, just 10 per cent is spent on these more benign forms. The majority of the money spent here is taken by poker machines. Poker machines are proven to be the more dangerous form of gambling. This is because of how they are used and how often they are used. For example, consider a one-off lottery ticket versus continuously feeding a poker machine. Only 0.3 per cent of people who spend mostly on lotteries experience problems. This compares to about 20 per cent of people who regularly use poker machines experiencing problems and serious problems. They are very different products with very different effects on their users. It is made even more difficult for Tasmanians because the machines in WA must have spin speeds of five seconds, but here the Government permits three seconds. The Tasmanian gambling industry has told you that it would ruin enjoyment if speed was slowed down, but where is its evidence?

I would also like to talk about accessibility to the machines. Tasmanians are also exposed to a greater risk of losing money to gambling than Western Australians because we have more machines per person and they are located throughout the state. There are 1029 people per poker machine in Western Australia; Tasmania has 144 people per machine. The majority of our population lives within 2 kilometres of a machine, whereas in WA the machines are located in only one venue.

The main difference between Tasmania and the other states, apart from the differences I have just spoken about with Western Australia, is that Tasmania has no limit on the maximum payout. In contrast, New South Wales, Victoria and South Australia set limits of \$10 000 and the Northern Territory sets \$25 000. Maximum payout is important because it contributes to the volatility of the machine. The volatility of the machine is important because it determines how closely the machine conforms in the short term to its programmed long-term return-to-player outcomes.

Tasmania compares even more unfavourably when we look at other countries. Our maximum bet limit of \$5 per spin is twice as much as in New Zealand and Quebec, Canada; \$2 more per maximum spin than is allowed in Finland; and more than \$3 than allowed in the UK. In Ireland, the maximum bet is just 4 cents Australian. These figures are from a gambling industry round-up of poker machines made by the Gaming Technologies Association. I have the raw material here as a handout for you.

CHAIR - Can you table that?

Ms LAW - I'm tabling that.

CHAIR - Thank you.

Ms LAW - This document also describes maximum payouts. It is embarrassing to compare. Apart from Finland's \$7000 and Iceland's \$1300 maximum payouts, which are already minimal compared to ours, the payouts for Quebec, Belgium and New Zealand are under \$1000 and for the UK, it sits at less than \$200. This is for community-based venues similar to our hotels and clubs. These much smaller maximum payouts mean the machines are less volatile and the player will be more likely to experience something like the programmed return-to-player in a shorter time.

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The industry parameters allowed by respective governments lead to the level of harm their populations suffer. It won't be a surprise to hear that Australians lose almost double the amount lost annually by New Zealanders and Americans, and more than double that of people in Canada and Britain. Our high rate of loss to the poker machine is a result of the accessibility and the configuration of our machines.

This committee also asked us to look at the nature of the machines - how the machines are programmed. These comparisons from other states and other jurisdictions show that the nature of the machine and how it is programmed is important. How machines are programmed is a decision of public policy. Poker machines are not ordinary entertainment or like going to the movies, as the gambling industry claimed earlier at these hearings. The industry has purposefully designed their machines to compel people to use them. Len Ainsworth, the founder of Aristocrat, which makes the machines used in Tasmania, proudly describes the machines as 'mouse traps'. We now have human mouse traps all over the state. They are so successful for the industry because the machines are designed for what the industry call 'play-to-win-to-play' people. They call these machines drip-feed machines. They are designed to prolong the persistence of the behaviour by making the loss period brief, with little time given over to financial considerations. The loss period seems brief because the machine keeps making it look like you have won something.

Last night I went to Shoreline. Because Shoreline made various claims to the committee, I thought I would go and have a look at some of these claims. I will talk about that later, but I sat at a machine.

The industry has told you they don't have losses disguised as wins, but I can tell you they do. I bet 20 cents. The machine told me I had a win; a wizard gave me a high five. When I looked down to see how much I had won, I had won 10 cents. That is a loss, a 50 per cent loss. It is not a win. I lost 10 cents, but the machine tells me that I won 10 cents. That, to me, is a loss disguised as a win, and I do not know how else anyone could describe it. An independent game designer, Nicholas Koenig explains -

Once you have hooked them in, you want to keep pulling money out of them until you have it all. The barb is in and you are yanking the hook. It is like the player is reclining on a math model and you need to get them comfortable. They are investing a lot of money into an invisible structure, and they need to be made to feel that they can trust it. The machine needs to communicate that trust through its delivery of rewards.

My reward was the high-five wizard, which was actually a loss. The industry has been very successful in building a better mouse trap. Not only does a person lose their money, but they return to lose more. Tasmanian governments have been endorsing a product that has been deliberately programmed to keep people at the machine losing money until they have nothing left. This is why we are calling for the removal of poker machines from local communities.

The committee also asked us to talk a little bit about Gambler's Help. I will briefly mention a few things to do with Gambler's Help. I refer to our submission for further details. What I would like to put to the committee today is that while the Gambler's Help program is important, it only sees a tiny fraction of people harmed by poker machines.

It is not a deficiency of the program that there are only about 300 clients each year and only about 130 people excluded from venues. Most people who are harmed by gambling try to deal

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with their difficulties themselves. They borrow money, they get into more difficulties, their health and relationships suffer. We mentioned this in our previous appearance at the hearings.

Their shame prevents most people from seeking help. Hopefully, you will remember Caroline Hirsch, Jonathon Booth and our counsellor Angela Lutz as well as Relationships Australia and other service delivery agencies that talked about this in earlier sessions of the hearings.

The industry and our government contribute to people's shame by promoting responsible gambling as if all that anyone needs to do is control themselves, but the machines are designed to keep people at them. They are designed to be addictive and they permeate our suburbs. We ask: if venues are so good at identifying people being harmed by poker machines, why are do so many people experience harm?

Ms WEBB - Thanks, Margie. I would like to speak now about some additional concerns we have raised in our submission. I am going to briefly touch on them here. First, the community interest test. If poker machines remain in hotels and clubs, this test is all but useless unless it applies to all new renewals. We either give local communities a voice in the placement of poker machines and the numbers, or we do not. As it is framed, the community interest test does not do that.

I would like to talk a little about claims made by the industry in their submissions and the hearings. We have covered this in our subsequent submission as well. We are concerned that many claims were made by industry in earlier submissions and hearings, and no evidence is being provided to support them.

For example, the committee asked numerous questions of industry about the efficacy of harm minimisation measures that could be introduced to reduce harm, such as slower spin rates, \$1 bet limits and pre-commitment spends.

As well as failing to provide evidence on whether these measures would be effective in reducing harm for the consumers, the industry recommended the introduction of a number of further measures that would actually increase the likelihood of harm, such as bill note acceptors, faster spin rates and more machines in clubs.

They provided no evidence on why their suggestions were in the best interests of Tasmanians or good public policy.

I would like to mention some comments about addiction versus freewill. We heard from industry many claims that no-one forces people to gamble. This completely ignores the nature of addiction.

The diagnostic tool which is used by psychiatrists, DSM5, states that a person with a gambling disorder, which equates here in this state to a problem gambler or a moderate-risk gambler, usually has a preoccupation with gambling and chasing losses.

Thousands of people who have been harmed by using poker machines can only be harmed by repetitive and persistent attendance at venues. The venues see them over and over again. These people are not exercising free will in the way that you or I might be able to do were we to do it. They are addicted.

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I would like to talk briefly about gambling venues and employment. The industry made a number of claims about employment but again failed to provide evidence when they appeared before you. They claimed the removal of poker machines would see staff sacked and service levels dramatically decrease, including the loss of meal services, for instance.

We believe the industry has grossly overstated its claims about employment and gambling and gaming. Dixon's told you employment for gaming was just 7 per cent of player losses. On his Tasfintalk blog, John Lawrence made calculations based on that figure and found this equates to approximately 200 full-time equivalent jobs across the state in all hotels and clubs. That means, if we think about it as an average, that about two full-time equivalent positions are directly involved in gaming per venue.

Yet at the hearings Shoreline told you they have 13 full-time equivalents directly involved in gaming. I know Margie mentioned she went to Shoreline yesterday. Perhaps she can comment on the staffing levels that she saw there.

Ms LAW - This is obviously one visit, but it is not the only time I have been in a gaming venue, so it does relate to being in gaming venues at other times. I have never noticed very many staff.

Shoreline made the claim that there were 13 full-time equivalent staff, therefore when you are making your considerations, you consider 13 full-time equivalent staff would be affected by your decisions.

You really need to drill down into the figures the industry gave. I went to Shoreline last night, I ordered a meal, I had a drink and I got \$10-worth of coins, served by the same person. The meal was served by the same person.

Three staff were there but those three staff do not in any way equate to 13 full-time staff over a period of a week. All my interactions were dealt with by the one staff person. While I was in the gaming area, where I ate, there was very little staffing interaction. They collected a couple of empty cups, they brought my meal. I did not see the staff. They have coin machines.

Ms WEBB - We ask that you look at those claims. We think they are exaggerated. Were you to remove poker machines from hotels and clubs, there would be some impact on employment, but that other aspects both of those businesses and the broader economy would pick up those losses and in fact turn them around.

You are going to hear more about the economic aspects of this issue from Professor John Mangan shortly so we might leave that there.

I will conclude and then we are very welcome to hear questions. We restate that there are three very clear reasons why removing poker machines from hotels and clubs in Tasmania is the right thing to do and the best outcome for our state.

The first reason is that poker machines are not a normal entertainment product. They are a dangerous product - they are designed to be so - and they cause harm. It is crystal clear that poker machines are not an entertainment product comparable to going to the cinema or buying an ice-cream.

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The second reason that taking poker machines out of hotels and clubs is the right thing to do for our state is we are not economically reliant on them. Our state finances do not rely on taxation from poker machines as other states do. In fact, as you will hear from Professor Mangan shortly, it would be beneficial for our Tasmanian economy to see poker machines roll back to casinos only.

The third reason our proposal is the right thing to do is that the community wants change in this direction. Through submissions and presentations to your hearings, through surveys and through signing an open letter we have set up, Tasmanians have made it clear they want this to be the moment we remove poker machines from hotels and clubs and make our communities safer.

Academic research also supports this community view. The only opposition for the removal of poker machines from hotels and clubs comes from the vested interests of those who have failed to back their self-interested claims with credible evidence and whose interests can no longer be conflated with those of the whole Tasmanian community.

Anglicare urges the parliamentary committee to support the community's aspirations and to remove these machines from hotels and clubs.

Thank you, we welcome your questions.

CHAIR - Thank you, Meg and Margie. We asked you for further information in questions and we look forward to documenting that in our presentation. Any questions around the table? We asked Margie and Meg to go through the main points of their submission because not everybody has had the chance to sit down and read a lengthy report. It was important for this committee we heard from you both.

Ms DAWKINS - Now that pokies again have been in the media and people have been talking about them for the past six months at least, can you tell me whether more people have been coming to Anglicare for services or if you have noticed a spike in people suggesting they have an issue with poker machine gambling?

Ms WEBB - We would need to take that on notice to be able to give a really good, accurate response to that.

Ms DAWKINS - We have heard evidence at this inquiry that people do not want to self-identify. They find it humiliating and try to manage the issues themselves. It would be interesting for the committee to find out whether talking about it has enabled people to be more open.

Ms WEBB - We can get back to you on that.

Ms DAWKINS - Thank you.

Ms RATTRAY - Chair, I might as well be devil's advocate here. Margie and Meg, you talked of the community's aspiration about removing poker machines from pubs and clubs. Have you asked the community whether it is prepared to have some sort of payout for those? It is all right to say, 'Let us take them out' but the compensation that might go with that policy - have you

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had that conversation? Often people are quick to say yes, but if you then ask them to pay for something, they balk at it. I am interested in what conversation you have had about that.

Ms WEBB - We are not making an argument that there should be compensation as part of a transition to remove poker machines from hotels and clubs. We have a natural transition period ahead of us. A decision could be made that would come into effect in 2023. The businesses involved would have that transition period to adapt their business models.

We have not put that question to people because we do not think it is the community's responsibility or that they are equipped with full information to comment on what arrangements could be put in place during that transition period. The businesses benefiting from having poker machines at the moment have already had very favourable business conditions in which to operate. They have benefited from the Tasmanian community a great deal with those favourable conditions.

I am not sure what the community would think about further compensating them once they have already had these favourable conditions in place. It is not a question we would put to the community. We would see that as a responsibility of government; if - hopefully when - they make the decision to take poker machines out of hotels and clubs, consideration can be given to what might be included in a transition period for that to happen.

Mr BACON - Just a couple of questions; let's say the status quo remains. You mentioned the community interest. There have been suggestions that it is only for new EGMs. What is your view? Currently we have some areas that are over-proliferated by EGMs in comparison to the population. If we leave them there, do you believe that places that already have EGMs need to undertake a community interest test if they take that on into the future, if they want to have poker machines sustainable?

Ms LAW - At the moment, the only people who have decided where poker machines go are the industry. I think that the community has the right to decide whether they want poker machines in their communities. The community interest test as it stands will not give them that right. It is only for brand-new venues or for venues that have not had pokies for six months.

If the Government does not remove poker machines from all the hotels and clubs in all the local communities, it is effectively ignoring the community's interest in having any say in what happens in their local community regarding poker machines. If they do not remove poker machines, if they do sign a new deed that allows a continuation of poker machines, the only way they can involve the community is on renewals. An easy way to do that is that in 2023, every venue has to prove having poker machines is in the community interest - that is, if they do not remove poker machines. They have a community interest test already being developed that can be used for each local community.

CHAIR - When did you come to the decision, 'Okay, we do not want them in pubs and clubs but we can live with them being in casinos?' The purists, if that is the right word, would say, 'Let's us get them out of the state holus-bolus.' But you have come to the decision that we just want them out of pubs and clubs; we can live with them being in casinos. I am interested in the thoughts behind that.

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Ms WEBB - Clearly removing poker machines altogether would minimise harm the most effectively. What we have faced is the fact that this is a legal product - that point is well made by industry - and people have a choice to use it.

We see in Tasmania that a great proportion of the money taken by poker machines is from venues in the local community. It is in excess of what happens in the casinos. In terms of harm minimisation, reducing accessibility is the most effective single decision that could be made to put in place effective harm minimisation in this state. We have arrived at the position, in this first instance, that at the expiration of this current deed, we are perfectly placed in Tasmania to make that decision to remove poker machines from hotels and clubs and put them back in casinos. They remain a legal product and they remain accessible to many people, but within those environments we can also put greater protections in place. It would be only two venues in which that needs to happen.

Mr BACON - You just said, 'Put them back in casinos'. Do you mean increase the numbers in casinos?

Ms WEBB - No, we are not suggesting that would happen.

Mr BACON - The numbers in the casinos would remain?

Ms WEBB - That is right.

Ms LAW - I started working on gambling issues for Anglicare in 2003. In the early days, we focused on improving harm minimisation, which we wanted to call consumer protection, but successive governments and bureaucratic decisions that were made tinkered at the edges. It was great to get clocks into the venues, but the clocks aren't going to do enough. It was great to get from \$10 to \$5, but there was no research based on that \$5 limit. I know that because I have notes from speaking with Treasury staff. There was no research on whether \$5 was the correct limit. They came to that on the basis of what the industry would be able to live with.

Tinkering at the edges may have helped in some way, but it is only tinkering at the edges; people are still being harmed too greatly. That is when we moved from harm minimisation - consumer protection - to these machines are too dangerous and all the regulatory manipulations happening are not protecting consumers. They are too dangerous to have them on street corners.

Ms DAWKINS - If we were to remove poker machines from pubs and clubs and only have them in casinos, would you push for mandatory precommitment on those machines?

Ms WEBB - We're arguing first for that removal from the local communities and into the casinos. We would then love to have discussions about what appropriate consumer protection can be put in place.

Ms LAW - The casinos already have a precommitment system, so that is already of benefit to those two venues. What I don't know yet is how effective their precommitment system is. It has only been rolled out to their premium players.

A premium player is identified as someone who spends more than \$10 000 a year - it is most of our clients, but they are only there by invitation. It would not take much for that system to be rolled out to everybody who comes into a casino. I don't know yet how effective the premium

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player program is. I know that that will be reviewed by the Tasmanian Liquor and Gaming Commission at some stage.

We said in our first submission that potentially that premium player program could get rolled out to all casino users, but it needs to be based on whether or not the existing program is effective and what changes need to be made to it. At the moment, staff watch what people are doing. They have red flags and green flags signalling, 'This person has come in five times this week; we better talk to them and see whether it is okay.' That sort of system is what we would be looking for. It already exists; I don't know how effective it is though.

Ms WEBB - That kind of system within two venues in casino environments is easier to implement and easier to make it effective. As a very basic foundation to that is, when we see poker machines rolled back to casino environments, we can then have a good clear discussion about what evidence tells us is the most effective way to minimise their harm. Then we can implement good public policy and regulations around that in those environments and have much more success in seeing those measures successful.

Ms LAW - Peter Hoult, the gaming commission and venue operators have told you it is really hard for a local hotel to keep track of excluded people and also to observe whether someone is coming in every day. It is not impossible, but it is also not in their financial interests to do it. There is a compliance issue and also how easy it is for them to recognise people who are coming and going. In a casino environment there is greater opportunity to put the proper procedures in place.

CHAIR - You mentioned earlier, Margie, that part of the committee's role and terms of reference was to look at other jurisdictions. Western Australia is different. It is a case of flying there one day, doing the whole gambit with advocacy groups, the casino; then the committee flying to Adelaide that night, doing the same thing there and flying home.

One of the things that was very evident was the destination point in WA of the casino. Initially, when Wrest Point and the Country Club came to Tasmania, they were destination points. There was a night club and there was activity and there were heaps of shows. That was evident, I think when we went to that complex in WA.

Ms RATTRAY - We did not attend any, Chair.

CHAIR - Unfortunately we did not have time. Good for the record there, thanks, Tania. It showed that it is a place people go for an occasion. That was the only place where the EGMs were available. There was that level of scrutiny and activity, which was different to the other places.

I think that we would all agree that in our younger days that Wrest Point was where you headed. It was a night out. Now it not that; it is just a bar for some people. In your reports and studies, have you found you have had many people say that if it were just in the casinos that would be inequitable - 'That would be unfair because I cannot get to the casino. I can gamble at the moment because it is just around the corner'? Is there an equity issue around people accessing what they see as entertainment?

Ms LAW - Poker machines are not an essential product. They are not something everybody wants access to. The people I speak to want the machines gone from their local areas, so that they are not tempted by them every day of the week. Anyone who is in a situation of calling on their

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rights to play a poker machine, needs to review the Human Rights Act. It is not a human right. We have a lot more important things to worry about, like housing and electricity, which are real rights. No-one has a human right to use a poker machine.

Ms WEBB - I have never had anyone say to me that they feel it is unfair they may have to travel if poker machines were only in casino environments. You could also reflect on is what you have heard as a committee via submissions and what we know from polling. People do not march in the streets for the right to play poker machines. You did not receive a single submission from any member of the public in support of poker machines and the current environment in which they exist here and the current regulations around them. Not one Tasmanian took the time to contact you as a committee, through that submission process, to make that case. The only people making the case for the status quo or a variation of it were industry people with vested interests. I think that tells you something.

Ms RATTRAY - They are also our community people.

Ms WEBB - I believe they were speaking to you as businesses and industry figures as opposed to members of the community. If we regard them as community people, then out of 140-odd, we can say you had seven. They were all not only members of the community, but they were people with significant financial interests in seeing the status quo or a variation of it maintained.

I think we have a myth that there are Tasmanians who are absolutely wanting to have poker machines in their local communities. We hear over and over again from Tasmanians who desperately want them out, who are being harmed personally, who see their families being harmed, see their neighbours being harmed. Four out of five Tasmanians do not like them in their local communities. They want to see them change.

CHAIR - Thank you. Any questions around the table? Any closing comments?

Ms LAW - I wanted to give some information about the Woolworth's figures Scott asked about. There are, I think, five venues. I know that they have 150 poker machines, which represents 6 per cent of the machines in Tasmanian hotels and clubs.

Mr BACON - Do you know when they bought into the Tasmanian market?

Ms LAW - I am not sure when. Woollies accounted for the largest losses in Victoria in the last year and Tassie's team Hawthorn was the largest pokies profiteer for the AFL teams. I cannot tell you exactly when Woolworth's bought them.

We have six big operators in Tasmania and only about 30 of our venues are single operator-owned venues out of 100.

CHAIR - On behalf of the committee, thank you very much once again for the extra work you have undertaken on our behalf. I feel it was really important we heard about it. We appreciate your work.

I know you are also responsible for the work of Professor Mangan, who is about to speak to us. I am not sure whether you are staying at the table.

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Ms WEBB - Margie is going to stay at the table while you speak with Professor Mangan and I will step away. Thank you very much for having us today.

CHAIR - Thank you.

THE WITNESSES WITHDREW.

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Professor JOHN MANGAN, SCHOOL OF BUSINESS, UNIVERSITY OF QUEENSLAND, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED

CHAIR - John, thank you so much for appearing. We received your report, but I think it will be much easier for us to hear from you because you will be able to tell us how you came to that and what work has been undertaken. People listening to this committee and reading the *Hansard* transcript would like to hear from you about this whole process and some of its highlights.

Professor MANGAN - Yes, sure. Thank you for that. Briefly, one of the initial questions that arose was why would someone from Queensland come down -

CHAIR - Sorry, you work for Synergies?

Professor MANGAN - No. I do not work for them. The head of Synergies is an ex-student of mine, with whom I associate with occasionally.

CHAIR - I want to put on record that Synergies is a group that is helping us out. So there is some relationship, but not a close one?

Professor MANGAN - I had no contact with them about gambling at all.

CHAIR - Okay. Thank you very much.

Professor MANGAN - Why would someone from Queensland know anything about Tasmania or Tasmanian gambling?

I have been associated with an economic model of Tasmania which I originally built for KPMG about 15 years ago. It has been used on a lot of studies - woodchip, salmon farming, Ten Days on the Island. A whole range of things. I have a little bit of experience with the Tasmanian economy.

I was asked by Anglicare to look at what would happen if you removed poker machines from pubs and clubs and relocate them somewhere, presumably casinos or something else.

I came up with a number of scenarios about what would likely happen in this situation. Before I do that, I might indicate how economic modelling works. This is okay for any industry.

If you are looking at an industry that provides economic benefit, you look at three things really. First, you look at whether it is a new or earlier investment. Does it add to the economy or just simply redistribute income that's already there? Second, is there leakage? Does money generated by that activity stay in the state or in the region, or is it sent to the mainland or sent overseas? So you look at leakage. The more leakage, the less benefit. The more displacement, the less benefit.

The last one is linkage. How does that industry link with the rest of the economy? Gambling, like a lot of service industries, is the end product. It is not input into another industry. It is consumer money which is spent in a particular way. That consumer money could be spent in a number of ways. It is easily disposable.

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Take an example: if there were no gambling, gambling would be taken out of the economy. Is that as serious as, say, South Australia when the car industry was taken out of the economy? The answer is it is no because you cannot replace a car plant easily. You need new investment to do that. If you are spending money on gambling, you can spend it on something else. You can easily shift the distribution of that spending.

On all accounts if you take terms of displacement, which it is, leakage, which is substantial, and linkage, which is limited, without any economic modelling, any economist looking at those figures would say, 'This is not an industry which is going to drive huge amounts of growth'. It has some benefit clearly. Any economic activity has benefit. Say I set myself up as a heroin dealer: I hire guards, I bribe the police, I spend a lot of money, I am putting money into the economy, but this huge social cost goes with it. Quite often that so-called cost is not added into the cost or benefit of the enterprise. What I tried to do within my economic model was to include social costs.

Now, a couple of other studies have been done by some very good modellers. For example, I refer to two reports here. The first report concluded there was probably a slight negative impact of gambling overall. The second report used the term the enormous regional model. They concluded there was a small benefit to the economy from gambling. Now, their results are quite consistent with mine. I agree with what they did, but what they did not do was to include social costs. They just looked at the net benefit of spending money in gambling, not the impact. Everyone knows certain products like cigarette smoking, illicit substance use and gambling have some social cost associated with them.

Most governments in Australia think 'There is social cost, but it brings in this money and therefore we will use this money to fix up the social cost, we will subsidise people, it is net benefit'. It is pretty hard to say that about Tasmania. You have a very small percentage of total revenue coming from the poker machines; you have got a slightly higher, about 5 per cent, that comes in state Government revenue.

It would be very difficult to say, if you added the social cost in there, that you have a net positive benefit. My model was based on the scenario of taking you take poker machines out of the clubs and hotels. What does that do? I think, because it involves gambling and access gambling, which I estimate is about 30 to 40 per cent of it, that if you take that away, you spend it somewhere else and you spend it based upon the consumption patterns of Tasmanians which the ABS has documented.

And what happens? Is there a net gain or a net loss? In the three scenarios we ran there is a small net gain. Now, if you take out gambling completely, it is a big net game. If you just concentrate on the poker machines and you redistribute them, there is a small positive gain. It is not huge. It is not a big factor but it is positive and it indicates that the more money you take out of gambling the better it is for the economy.

Being a professional modeller and having worked on a lot of projects with Queensland Treasury, I look at the studies done by Deloitte and the studies done by Acil-Allen (2011). They are very good studies, excellent studies, but they do not include the social cost. It is like saying, 'Look at the cigarette industry. The cigarette industry brought a lot into employment'. It is a terrific industry in terms of generating employment. Governments loved it because they could tax it, but there was a realisation that the social cost associated with cigarettes simply was not worth the effort. The net value is negative. Having a look at this, and I really have no axe to grind

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about gambling or the Tasmanian economy, in what I hope is an objective way, with reasonable assumptions there is a dead weight loss associated with gambling. If you move your money elsewhere and people spend it in different ways, the economy is better off.

Does this lead to dislocation at the hotel level? Probably, yes. There will be some situation in which small enterprises may be affected, but, as Megan and Margie said, about 200 specialists are working there.

The big growth area of the Tasmanian economy in the service, arts and recreation sectors. Your Treasury has indicated that is where the growth is going to come.

Even if all 200 of these people were dislocated, it would not be too difficult for them to be absorbed into the arts and recreation, hospitality and tourism industries. There is no point pretending there would not be any dislocation, but it would be minor. Across the state, the state would be better off even though some operators might be worse off.

Let's take the best case first. If you get rid of gambling completely, take it away and spend it some other way - that is, poker machine gambling, not casinos - you would be about \$61 million annually and about 670 jobs better off. That won't happen. You won't get rid of it altogether.

Mr BACON - So in that example is some of that money then still being spent in the casinos on poker machines or is all of that money relocated?

Prof MANGAN - Yes. It is all gone.

Ms LAW - May I just clarify? In that model the casinos are still operating as casinos with their poker machines. In this model there are no poker machines in hotels and clubs and the spending that happened in the hotels and clubs is going to other places, not to the casinos.

Prof MANGAN - Scott, the reason I did that was to test their conclusions - as I say, I admire their work - said there is a small negative benefit. It is called a deadweight loss. You would be better off spending money elsewhere.

I wanted to test that deadweight loss. I wanted to test my model against theirs, because it is embarrassing when you get different results. That was exactly what happened. I don't think it is going to happen. I do not really know what the final reaction is, but taking even the most modest assumption, there will be about a \$21 million net addition to state product and about 183 jobs, I think it was.

Ms LAW - Are you talking about scenario 3?

Prof MANGAN - That is it.

Mr BACON - This is a net increase in jobs of 183?

Prof MANGAN - Yes, 183 total economic effect. Economic states do not move from one to another instantaneously. There is always an adjustment period, particularly for those 200 people.

We are assuming in a way that hotels and clubs are going to say, 'We are going to lose our poker machines. We won't do anything about it.' They will expand their products. They will

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increase their restaurants. They will look for ways to maintain their competitive position. They are not going to go out of business, voluntarily anyway.

That small number of the total hotels - 89 out of 340 - that have poker machines will look to redefine their product. It happened when cigarettes were taken out of the clubs. It was going to be a disaster, but nothing happened in the short period. We cannot assume they will sit there passively and say that they have lost this element of their business therefore they will not do anything about it. I suspect they will probably diversify.

You may get some structural change. You might get some larger venues growing up with more services and smaller ones being affected. I do not know, to be honest. No model will tell you that. Overall, I cannot see anything else but a positive effect.

Ms DAWKINS - I put that question to some of the hotel owners who sat in that very chair. They own hotels in rural and regional communities. I said that we are experiencing a tourism boom. It follows if you remove poker machines, there would be a space to move into. They were adamant that these places were too rural, too remote and too reliant on a local population. They were not particularly interested in another product. They just liked a counter meal and a poker machine, really simple stuff. Could you speak to that? I know it is not economic modelling; this is just social theory.

Prof MANGAN - It is not economic modelling. I have to say the report was on certain aspects, but I do have an opinion on that.

Ms DAWKINS - Yes, good.

Prof MANGAN - I come to Tasmania as much as I can with virtually no persuasion whatsoever. I do not come to Tasmania to play poker machines. I do not think many people do.

I can understand them saying, 'This is 10 per cent or 15 per cent of my income that is going to go, what am I going to do about it?' The answer is that they have to be like anybody else facing a business challenge. Universities have to adapt. If we are losing students to online providers, we try to adapt. I think the reason people go to those places is not to play the poker machines; they go there because it's a beautiful place, it's quiet and it's Tasmania.

Ms DAWKINS - What would a transition look like? Would you use the community interest test on renewals? Would you look at another way to reduce and finally remove poker machines from pubs and clubs? Would we consider a transition package for those establishments?

Prof MANGAN - Again this is my personal view; it is certainly not Anglicare's view.

I have been involved in a few transition packages in Brisbane recently for the Uber inquiry. We had to look at compensating taxi owners. A few years ago in a tobacco inquiry we had to compensate farmers for their tobacco being taken off the market.

I think it becomes more palatable and people become less fearful if they think that some kind of government assistance will help them transit. I personally don't think it is particularly necessary because people who have had the poker machines have benefited for a long time. It is like the taxi drivers. They had a monopoly situation. Those people had their licences for a long time. They were more than compensated for their investment. The newer entrants, a person who

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bought the hotel last year and suddenly the poker machines were taken out, yes, you could probably give them some consideration.

CHAIR - I need to clarify something for us. I know you do this body of work for Anglicare, and you have had nothing to do with work on this, but you have a relationship with Synergies.

Prof MANGAN - I am listed as principal of Synergies Economic Consulting. I was there from the initial set-up, but I have no controlling interest. Euan Morton is the guy who runs it. He is an ex-student. We haven't discussed this, nor would I.

CHAIR - Okay. Thank you very much. Have you had other work with gambling institutes across Australia with similar scenarios?

Prof MANGAN - No, I haven't. I have done an enormous amount of economic modelling. At the moment, I'm working for Horizon and I've done some work on BHP for their Potash market - I modelled the Potash market for BHP. I have had nothing to do with gambling before. It has been really interesting. The interesting thing about Tasmania is how insignificant it is as a proportion of government revenue. In Queensland, we have reached the end. We cannot turn back. A huge amount of our revenue is coming from gambling.

Mr BACON - How much in percentage terms?

Prof MANGAN - About 13 per cent. They would be putting poker machines in the churches if they could. It is bad.

Ms RATTRAY - Have to find a church now.

Prof MANGAN - That's probably right too.

Ms LAW - Excuse me, Mike, he's a bit shy, but I've brought his CV.

CHAIR - That would be great. Is there any other thing that you would like to state to the committee while you are here?

Prof MANGAN - I think it has been enjoyable to listen to what other people say. It seems to me that the Tasmanian economy is in a position where you can make structural change. People want to gamble, but public policy should be to reduce the harm it does, to reduce that social cost loss. It seems to me that social loss comes because of impulse gambling and access gambling. If you go to a casino, you make a conscious decision. As you said before, it's a night out. I think a lot of people in pubs are bored. There is this flashing light; you put money in and they don't get any product. If I go and buy an ice-cream, I get an ice-cream. If I go and lose on a poker machine, I have nothing except an empty feeling.

I would really hope - and I should be objective because I am supposed to write the objective report, but I hope that this committee will take the chance to restructure this industry and make it less harmful.

Ms DAWKINS - Why do you think the social cost has not been considered?

Mr MANGAN - Because it is hard.

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Ms DAWKINS - It is just too hard to quantify or we only need something that is very manageable?

Mr MANGAN - You come up with a figure and people say, 'Come on, where did you get that figure from?' The Productivity Commission put \$4.7 billion on it nearly 12 years ago. It could not have got any less, but I took that \$4.7 billion as a minimum, so my way of getting around it was to have a ridiculously low social cost that no-one could argue with.

Ms RATTRAY - John, we have had a lot of information regarding online gambling. I know the demographic for that is young males with pretty good incomes. In the work you have compiled, and you may not have looked at that, do you think there would be some shift towards more online gambling that is not able, at this point in time, to be greatly controlled?

Mr MANGAN - That is true. The rest of the Australian experience is not, though I think you hit the nail on the head when you talked about young gamblers. I know a lot of students are into their multis and their phones -

Ms RATTRAY - They can actually be doing something and still putting on a bet?

Mr MANGAN - Indeed, and many in my lectures do, I think. I do not think in the short term there would be a great shift because the clientele we are talking about, the problem gambler, is probably not the young person doing their multi. Over time it would be something I think the Government would have to come to grips with. Everybody has got a right to gamble, but, again, that could become addictive on your phone. If you have looked from the kerb at a bus of students they are all on their phones, so it could become a problem. At the moment I do not think it is a serious problem. I do not think the people who are now currently the problem gamblers on poker machines are going to rush online. Over time, it may pick up with the youth.

CHAIR - Thanks. It was pointed out to us that it is a comparatively small percentage. It is something that people are aware of. You get the sense it is the one we have to worry about when really the elephant is in the room already. It is the largest one.

Mr MANGAN - Yes, possibly. It certainly is something to think about.

CHAIR - Any other questions? Thank you so much for coming and bringing your report and making the report clearer for us. Thank you, Margie, for your work.

THE WITNESSES WITHDREW.