

**THE HOUSE OF ASSEMBLY SELECT COMMITTEE ON THE GAMING CONTROL AMENDMENT BILL 2010 (\$1 BET LIMIT) MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON MONDAY AFTERNOON, 4 OCTOBER 2010**

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**Mr DANIEL HANNA**, TASMANIAN TOURISM INDUSTRY COUNCIL, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Booth) - Thanks, Daniel, for coming along today and thank you for your submission.

**Mr HANNA** - Thank you for the opportunity of putting in a submission. My submission is fairly self-explanatory. The Tourism Industry Council is a peak body that represents the industry, an extremely diverse industry with many components to it: hospitality, transport, attractions, airlines, car hire, restaurants. It is a very diverse and long supply chain. Tourists are also many and varied. They come here for a range of reasons and while we traditionally think of them as people who have just travelled to take a holiday it is a lot more than that. People who visit friends and relatives are included in that, and those who come to attend events - sporting and cultural - or a conference or a business event, and those who come as part of their employment or those who come to study. They are all counted as visitors and tourists.

The Tourism Industry Council has a very large board of 22, of which 18 positions are elected and four are appointed. The only appointed positions are guaranteed representation from small and micro business through the independent tourism operators of Tasmania, and a guaranteed position for each of the three regional tourism associations.

The industry is currently valued, in terms of visitor expenditure, at around \$2.3 billion a year. Most of that comes from interstate visitors, which is currently at around \$1.5 billion a year. Internationals are a much smaller part of the market, about \$200 million, and the remainder is from Tasmanians travelling within their own State. Some of that will be overnight and some will be day trips.

In my submission I have put to you that the Federal Group is the largest private sector tourism operator in this State. They operate the two casinos and electronic gaming in Tasmania and they also have a large hotel network. They are also a major investor in tourism properties. You have probably seen the new property they have opened at Coles Bay - Saffire. I have tried to list some of the other properties they have invested in that are very much fairly and squarely in the tourism industry. Many of these have won State and national tourism awards. They are very highly regarded, not just about accommodation. If you look at that list there are a lot of experiences and attractions, the sorts of things that attract people to destinations: the West Coast Wilderness Railway, the Wilderness Gallery at Cradle Mountain Chateau, and the Piners and Miners tour on the west coast. Federal, as well as being the major investor in private sector and tourism products, also markets the destination very effectively. We would say that they are certainly the largest private sector marketer of their products, the State and the destination through the Pure Tasmania brand. It is a nationally award winning brand.

They are also a major employer. They have, and I did get this information from them, around 2 600 people employed. The tourism industry employs directly around about 14 000 to 15 000, and when you include indirect we have 25 000 to 26 000. So you can see they are a major employer.

I would also point out that the Tasmanian hotel industry - roughly a third of which I understand has gaming and the other two thirds does not have gaming - is a major part of the visitor experience. I would say that having gaming has allowed a lot of those hotels to invest in facilities that benefit the visitor experience. As well as their accommodation, they include dining, bars and other entertainment.

We are not 100 per cent sure of the impact of this bill on tourism. All we would be saying is that you exercise some caution because we do know that when you introduce legislation it can often have downstream and unintended impacts. We cannot say with any great certainty what those impacts would be on tourism, but we would urge you to look for that research, or possibly gain that research, so that we can have a debate about what those impacts might be. We do know also that there is some movement on this issue of gaming at a Federal level. Clearly the new Australian Government, with Andrew Wilkie as part of that, have some commitments on things that will be happening federally. Can some of things that you are trying to do through this bill be secured through what is happening federally?

**CHAIR** - That would have the same effect. If it was achieved through a Federal measure then the same effect that you have mentioned here or alluded to in your submission would occur. I find it hard to get that logical step when you say don't do it because the Feds are going to do it anyway, but on the other hand you are saying or implying that the sky will fall in.

**Mr HANNA** - Well, I do not think anywhere in my submission I have said the sky will fall in. I have said that we cannot fully assess what the impacts will be of this legislation. What I am urging is for you to exercise some caution because there can often be downstream impacts on industries such as tourism. It could potentially impact on the capacity for the industry to reinvest in new properties and new experiences, which of course are the drivers of people visiting a destination.

**CHAIR** - Are you suggesting then that Federal Hotels' survival or indeed tourist experiences around Tasmania depend on the losses of addicted gamblers, of people with problem gambling?

**Mr HANNA** - I do not think I am saying that. All I am saying is that we have a current system where Federal Hotels is a major investor in this industry. They are our biggest private sector investor, biggest private sector operator and our biggest private sector marketer of this State.

**CHAIR** - So have Federal approached you to put in this submission in that regard?

**Mr HANNA** - I was written to by the secretary and invited to put a submission in.

**CHAIR** - Have you spoken to Federal about the information contained in it?

**Mr HANNA** - I did talk to Federal. I asked them. I said I was considering putting in a submission and asked them whether they would support that. Clearly yes was the answer. I have written this submission. I write all my own submissions, as anyone here knows. I do not get anyone to write them for me. As I said to you, I did confirm the information about the number of staff that Federal currently employs because I was not aware of that.

**CHAIR** - The reason I am asking is that it appears the submission is not addressing particularly the terms of reference. What we are trying to do here is to bring in a \$1 bet limit, which is a harm-minimisation measure. The evidence the committee has had so far from people who are involved in dealing with people with addictive gambling issues is that it is not going to make any difference to the recreational player. So I go back to the question: is it your view the Tasmanian tourism industry dependent on losses from people with a gambling addiction or does it depend on recreational gamers?

**Mr HANNA** - I am in a position to certainly answer questions on the tourism industry. I am not aware of the research on that. What I am saying is that we currently have a system where there has been pretty significant investment in a lot of new products, new experiences, things that may or may not have happened without the impact of gaming. But what I can say is that there have been a lot of very good reinvestments in tourism products and tourism experiences, and I point to things like Saffire. I know that is very much a top-end product. It is getting a lot of free PR for this destination; it is getting a lot of great write-ups and people excited about Tasmania. That sort of buzz will generate interest in people travelling here. Even if they cannot afford to stay at Saffire, they are still excited about the imagery.

**CHAIR** - But you do not have any evidence to give the committee that what you are saying will have any effect whatsoever on those venues if there is an introduction of this legislation? That is what we are particularly interested in.

**Mr HANNA** - I guess what I am saying is that we are urging some caution because I do not have the evidence to tell you what that impact may or may not be. I urge that you use some caution because it may have downstream impacts that could be negative for investment.

**Mr ROCKLIFF** - I am assuming, Daniel, that caution is really national. If more harm-minimisation measures are put in place - and you mentioned the pre-commitment by 2014 - and if we were to move to a \$1 bet limit, you would still have some concerns. If it went to a national implementation model rather than a State one, is that the main differentiation point there, if the impact on the tourism industry for Tasmania went into line at a time frame much earlier?

**Mr HANNA** - All I can really do is urge caution to say that may - and I am not going to say that it will - have an impact on the types of investments that I have just talked about in tourism products and experiences, from Federal yes, but also from the wider hospitality sector - pubs and clubs to an extent, but mainly pubs are an important part of the visitor experience. While they may not be the thing that lures visitors here, what people want is heavy experience-rich holidays and Tasmanian pubs are an important part of that.

**CHAIR** - But they do not all have pokies.

**Mr HANNA** - They do not all have pokies.

**CHAIR** - So are you saying that the only pubs that provide that rich excitement are the ones that have pokies?

**Mr HANNA** - No, I am not saying that, I am saying all hotels can do that, both gaming and non-gaming hotels. We would note, and I said it in my submission, that there are a lot of gaming hotels that have been able to reinvest in their products, reinvest in their experiences. You see improved dining, improved bars, better accommodation. Those things all benefit the tourism industry and they greatly benefit the visitor experience.

**CHAIR** - It has not been raised in this committee today but it has been raised before with a number of constituents, both in business and in tourism, that the monopoly with poker machines vested with Federal Hotels has damaged the tourism industry for other players because it is not a level playing field, they do not have access to the free cash that a poker machine will bring in and therefore they cannot give subsidised meals and they cannot compete on a level playing field. There is a fair percentage of hotels and tourist venues out there that do not in fact rely in any way on poker machines to survive. I am sure that it has been raised with you before that there is a level of unfair competition and a non-level playing field as a result of the pokie venues and monopoly?

**Mr HANNA** - I would not say exactly in those terms. Federal have made some investments in tourism product around the State if you look at some of our, what you might call, iconic locations - Freycinet, Cradle Mountain and Strahan.

**CHAIR** - But did those investments come out of profit from tourism ventures or out of poker machines?

**Mr HANNA** - You will need to ask Federal about the source of those investments. What I am saying is that they do have a very strong and positive impact on tourism and I freely accept that while there is always debate from local operators in those locations as to what is the benefit or not, the fact is when you have a big player in the market who is promoting that destination and their product it does have positive spin-offs to all of the other smaller products in that location as well who maybe collectively could not afford the kind of marketing reach that Federal has.

Our tourism industry is quite different from a lot of others. We do not have lots of big players in the market. If you look at Queensland and other parts of the country, there are dozens of very large players, global chains, big resort chains and those that operate casinos and gaming as well. In Tasmania Federal is certainly the bigger player, we have a number of medium-sized operators as well, but they have been very good investors in tourism products and experiences in the last few years. That is the key point I want to make; it does have a lot of benefits. While there will always be debates from small and micro-sized businesses as to how the impact of Federal and their location benefits them, I know that they do draw a lot of people into those destinations and give other operators an opportunity to fight for the business as well.

**CHAIR** - When a bus goes to the casino through Hobart and past all those other non-pokie venues it somehow attracts them too, does it?

**Mr HANNA** - What I was talking about was a destination like Coles Bay with Saffire coming into the market. There is an awful lot of imagery in a lot of very high-profile magazines of Coles Bay. People are now going to say, 'Wow, I have to visit that place. Look at that. That has hit a button. I have to go there but I cannot afford it' or 'I do not want to pay the rates that I would have to pay at Saffire'. But there are a lot of other properties there at a whole range of different price points that can pick up a benefit from it.

**CHAIR** - But how does that help the small tourism operators not in those destination areas which are a key point but destinations generally around the Hobart area? How is your contention justified in terms of the effect on other venues that do not have pokies, for example, and restaurants, other hospitality venues that have to compete for the product that they sell rather than being able to harvest the losses through poker machines and then give subsidised meals?

**Mr HANNA** - I guess I keep putting back to you the same contention. You are using Wrest Point as an example. Wrest Point attracts a lot of conventions and business travel. People who come here for conventions and conferences will not just stay in the conference venue; they will go to a range of other places. That will include restaurants, pubs, all sorts of other places in the local area and they pick up quite a significant amount of business. The fact that you have a large business that is attracting people into that area, there are significant flow-ons.

**Mr GUTWEIN** - Daniel, I noticed in your submission you are encouraging the committee to consider the Andrew Wilkie model. Have you given much thought to that or is it just another option out there that you would like us to consider as well?

**Mr HANNA** - Yes, and I am not going to say that I am an expert on what is happening. Clearly gaming is not an area that I have a lot to do with in my current role but I am certainly aware that those negotiations are going on at a national level and that there is an agreement that has been struck. Through this submission I am urging the committee to have a look at whether you can stay in step, if you like, with what other States are doing. You may be able to achieve the sort of things you are looking to achieve through that.

**CHAIR** - Am I correct in taking from your submission then with regard to looking at what is likely to happen federally that you do not have an issue with the Federal approach to pre-commitment cards or any other thing that the Federal approach may be but you do have a problem with Tasmania introducing a \$1 bet limit? I find that a bit curious because if the Federal legislation had the same effect as this in terms of harm minimisation, why would it be okay in a couple of years' time but not okay now?

**Mr HANNA** - All I am doing in this submission is acknowledging that that is happening and urging you to have a look at that as well. That is really the crux of what I have been trying to do in this submission. It is an acknowledgment that there is something going on at a national level. There clearly seems to be a commitment to have some consistency across jurisdictions with regard to these matters and that perhaps Tasmania looking at doing that is something worth exploring.

**CHAIR** - From the evidence the committee has had with regard to the effect of this legislation, it does not seem to be as substantial as your concerns in your submission seem to indicate. In fact it is only likely reduce the harm to a sector of the community who have addictive gambling issues and problems rather than the recreational gambler. If that was the case is that not something of interest to the tourism industry, that you would be preventing people being harmed by going to tourism venues or hospitality venues?

**Mr HANNA** - I have deliberately not made any comments on public health issues; they are not my area of expertise and I will try to stay away from that. What I have said is that you need to have a look at downstream impacts, things like impact on investment in the industry. Will it reduce the confidence of players in the hospitality and tourism industry to reinvest in their product? New products and new experiences are the things that tourism destinations really do need. If we ever do get to a position where we are stagnating and not having a lot of those new things hitting the market then that is when our competitors really will start to get the jump on us.

**CHAIR** - The Tourism Council does not have a concern about addictive gambling and the wreckage it creates; you are really interested only in the industry itself?

**Mr HANNA** - I am here representing the tourism industry and we are an industry that employs an awful lot of people and is responsible for a lot of investment in the State. My aim is to try to maximise that, to increase investment in the industry, to increase our reach in terms of jobs, particularly in regional areas. We are looking at regional dispersal.

**CHAIR** - Is that dependent on losses from people who have a gambling problem? Would you be content if measures were taken to make sure that sectors are excluded from the losses that flow into the tourism industry?

**Mr HANNA** - That is an area of public health that I have deliberately stayed out of in this submission.

**CHAIR** - It is a question of income flow. If the income flow from those people who are addicted to gambling, rather than being recreational, was taken out of that equation then it is not a public health issue; it is just a straight-out economic thing. Would that concern you?

**Mr HANNA** - All I can say is that the current system appears to be well managed. It has allowed for substantial reinvestment in tourism and hospitality products and experiences. That is a good thing and we certainly support that reinvestment. It appears that that system is well managed and they do attempt to minimise potential impacts on things like problem gambling.

**CHAIR** - Do you think that is why the Productivity Commission is recommending a \$1 maximum bet limit to be introduced right around Australia by 2016?

**Mr HANNA** - As I said to you, I am looking at the impact on tourism. We are about trying to maximise the level of investment and maximise the jobs, and those sorts of things will attract more visitors.

**Mr BOOTH** - Thank you, Daniel.

**Mr HANNA** - Thanks very much.

**THE WITNESS WITHDREW.**

**Mr STEVE OLD, Mr DARREN BROWN AND Mr JOHN WHELO****N**, TASMANIAN HOSPITALITY ASSOCIATION, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

**CHAIR** - Thank you for coming in. You are obviously aware of the reason for this select committee on this particular bill and the requirements under the terms of parliament to give honest answers and provide evidence as required to the committee, and also the fact that you have privilege and are able to articulate your views without fear or favour and without risk of any consequences, provided they are truthful.

**Mr OLD** - I am the General Manager of the Tasmanian Hospitality Association, which incorporates the Australian Hotels Association and the Restaurant Catering Association in Tasmania. John Whelon is our National Director for Responsible Gambling from New South Wales. He works on behalf of our national Australian Hotels Association office. Darren Brown is the president our hotels division of the Tasmanian Hospitality Association and is also general manager of the Shoreline Hotel in Howrah. So Darren has two hats on as president of our pubs/tavern division but is also a senior operator of a venue in southern Tasmania that has the whole spectrum of entertainment - the meal/restaurant area, gambling, bar, food, bottle shop, accommodation. The Shoreline Hotel has the whole range of hospitality through its venue. He won hotel of the year a couple of years in a row so he is a good operator to tell you how the Shoreline operates.

We represent all those hospitality venues in the State that want to be members of our association. We represent more than 200 hotels in Tasmania. Of the just under 100 or so venues that operate gaming machines, about 80 per cent are members.

Tasmanian hotels have traditionally been an integral part of their local community, often the main social gathering place in any region of Tasmania. A 2009 report by PricewaterhouseCoopers found that Tasmanian hotels employ 9 500 people, or 5 000 full-time equivalents. Hotels spend \$4.5 million each year training these staff. Part of what Tasmanian hotels also give back is just under \$1 million per year in local sporting teams and over \$1 million to local health, emergency service and other community groups. Obviously hotels play a massive part in the landscape of Tasmania and will continue to do so.

We are here today to talk about the amendment bill. From my point of view in representing the industry, jobs, investment and growth are the biggest issues for us. We know that the hospitality industry is one of the biggest employers in Tasmania and one of the biggest investors. Gaming machines are part of the fabric of some of those venues but only part of the fabric, part of the whole entertainment provided in venues. So it is not just about gambling, but it does form part of the entertainment in a lot of venues. Like other areas of businesses it can subsidise other areas. Darren will probably talk about that a bit more in general. It does allow a lot more of our hotels to invest back into themselves and also allows things like our restaurants, eateries and a lot of these venues to remain open a lot more days during week and during the year when previously, before gaming was introduced into hotels, they would often be shut. We are a massive part of the tourism fabric, as Daniel said earlier. We believe that people do not come to Tasmania to gamble, they come to find high-quality restaurants, eateries, accommodation venues et cetera. What the gaming does in certain venues is allow those to operate and

reinvest in themselves and provide a better tourism experience from the point of view of reinvesting in our hotels, accommodation venues et cetera.

We know for a fact that Tasmania is a leader in harm minimisation and has been, and that has been represented and spoken about numerous times by even Nick Xenophon who is the biggest critic of the gaming industry, with yourself, Kim. He has also stated that Tasmania is a leader in harm minimisation.

**CHAIR** - Least worst, I think is what his position is.

**Mr OLD** - We believe that is a credit to governments now and in the past. It is also a credit to our industry that harm minimisation is at the forefront of what we do. Harm minimisation will continue to be at the forefront of our industry and we are always happy to work with governments, oppositions, State and Federal, to make sure that those who are deemed problem gamblers or are susceptible to be problem gamblers can be dealt with. Recent reports, which we have always hung our hat on, suggest that, across all sides of the gaming spectrum, we are at 0.5 in Tasmania. Others might want to argue that that could be higher, but the fact is that half of 1 per cent are deemed problem gamblers and we think that is a credit to the harm-minimisation practices we have in Tasmania.

We believe that the \$1 bet limit will do nothing for problem gamblers but it will have a massive impact on our industry. If it has a massive impact on our industry, it means it has a massive impact on jobs, investment and also what we give to the local communities. We are not going to muck around with the people in front of us. They know what impact it has in local communities, as you would, Jeremy, with the Good Samaritan group and what they represent to the north-west coast, what they do for jobs and investment and what they have added to the fabric of their towns and communities on the north-west coast, as Brenton would know as well.

The industry is more than happy to look at harm minimisation and issues on the Federal agenda at the moment and look at pre-commitment and how we might work down that path with the Julia Gillard-led Government. From our point of view, the \$1 bet limit will do nothing for the industry. It will not do anything for problem gamblers and it's not something that we should even be looking at at the moment while we have this national agenda on pre-commitment.

**CHAIR** - Steve, could you give us some evidence to justify what you have said? You made the statement that the \$1 bet limit will have absolutely no effect whatsoever on problem gambling, that it will somehow decimate or wreck your industry effectively. Isn't that counter-intuitive? How can it have no effect on problem gamblers but somehow destroy your industry? That indicates that you still get an income stream off addicted gamblers if it has no effect on them.

**Mr OLD** - A lot of the effect that will come in under a \$1 bet limit will be on recreational gamblers, as you know.

**CHAIR** - No, with respect, the evidence -

**Mr OLD** - In fairness, if you want me to answer then I will answer. You know that it will have a massive impact on recreational gamblers.

**CHAIR** - Do you have evidence to suggest that? The information the committee has had is that recreational gamblers generally only gamble \$1 anyway. The evidence we have had is that that is not the case.

**Mr BROWN** - I have numerous players who, under the terms of what a problem gambler is, would be seen as a problem gambler yet their income stream is such that they do not have a problem with the revenue they spend. One in particular - and I obviously will not name that person - has numerous businesses and would be in our venue a couple of times each week and wouldn't go near a machine if they couldn't play maximum lines and maximum credits, which at the moment is \$10 still on some machines and \$5 on those that have been phased in since the last amendment. That particular player, who is a fairly substantial portion of some of our turnover on some days, wouldn't be in our jurisdiction and he would be flying to Melbourne to do his gaming if that was the case in Tasmania, as he has already articulated to me. There are a number of people like that - he is not a lone soul - who can afford to be there, who come in for a short period of time, play hard, either win or lose and go home in a short period. With a \$1 bet limit that person will not be interested. It will give our problem gamblers more time, they will require more time, for the same benefit that they have enjoyed in the past. So I cannot see that it will help in any way except make them more time poor than they currently are.

**CHAIR** - Is that an opinion that you think that they will just spend more time there then?

**Mr BROWN** - That is what has been told to me directly by some of our players. The people who have not been heard from here are the players who are feeling that they are being very victimised by some of the things that are on the table now; being told how they will or won't spend their money, being threatened to be finger-printed like criminals. They are the people who need to be heard from.

**CHAIR** - With respect, I do not think the bill that we are looking at has anything to do with finger-printing; it is to do with the introduction of the \$1 bets.

**Mr BROWN** - This bill has not but the national perspective is what we need to be looking at as well because there is no way that we want to be in a situation where we are one out of step with the rest of the nation. That would do enormous damage to the State from an industry perspective.

**CHAIR** - You do not have any concerns about a national approach then?

**Mr BROWN** - The national approach is the only way to go, to get the concerned parties at the table and discuss how can it be done.

This bill is about minimising revenue, it is not about targeting the problem gambler because there is no evidence on this table to say how do we pinpoint the actual problem gambler from this bill.

**CHAIR** - You are refuting the Productivity Commission's research then?

**Mr BROWN** - Even with the Productivity Commission's research this was not at the top of their agenda. The smart-card technology and the pre-commitment was what they suggested we should be looking at in the first place.

**Mr WHELON** - I think it is also worth recognising that while the Productivity Commission recommended the \$1 limit, they actually recognised that they do not know the ideal limit. In fact they said that it is not possible to determine the most appropriate bet exactly.

**CHAIR** - I think that is because of the addictive nature of the machines. They are so addictive that if you reduce the bet limit, you are still going to get people who lose a lot of money. You might not have a small enough denomination to keep people safe I think is the implication of that.

**Mr WHELON** - There is quite a bit of other research around on \$1 bet limits that says that it is not really clear whether it would be effective in assisting problem gamblers.

**CHAIR** - Can you provide that to the committee?

**Mr WHELON** - Yes. I have a quick quote here, if you would like me to read it through.

**CHAIR** - Sure.

**Mr WHELON** - Dr Paul Delfabbro in the 2007 *Australasian Gambling Review* concluded:

'It is not clear whether there is any evidence that they' -

that being the maximum bet limits

'would work in practice or whether problem gamblers would alter their behaviour in the face of such modifications'.

**CHAIR** - Is that because it is not linked to the volatility and maximum spin rates? That is something that has been brought up here, that the simple \$1 bet limit in itself may not achieve the protection that this is designed to bring.

**Mr WHELON** - That is what he found. That is his evidence.

The New South Wales Government in 2007 as well went on to have a look at \$1 bet limits and said:

'The proposals to increase or reduce bet limits are not supported at this stage particularly in the absence of any significant research on bet and prize limits on problem gambling'.

So there is considerable research out there that questions the effectiveness of reducing bet limits to \$1.

**Mr GUTWEIN** - Steve, there are over 200 hotels that you guys represent?

**Mr OLD** - Yes.

**Mr GUTWEIN** - I know there was an original submission that I think was made by you before the bill came on to be debated some time ago that looked at the percentage reduction of turnover and the effect upon the industry. Have you guys got a body of work done of that, anything that you can provide the committee with on what you think would be the outcome for venues?

**Mr OLD** - We have talked about it before and we have some of that data that we can provide to the committee as well. I did not bring it with me today but I know the document you are talking about because you and I discussed it at another time.

**Mr GUTWEIN** - That is right, we did. That sort of information would be useful. We have a couple of guys who have joined the committee to provide a secretariat from Treasury and the Auditor-General's office. The first term of reference is to try to understand the potential effects of what is going to happen to venues if this were to be brought in and so if you have a body of work that we can look at, that would be very, very useful.

**Mr OLD** - I will go away and make sure that if we can provide it, we will. The data off that - and I know what you are talking about Peter - is up to 39 per cent that our hotels will lose in revenue. We can go into what effects that will have in relation to jobs, investments and those sorts of things, especially in a State like ours.

Our push is about the fact that harm minimisation is always the way we look at it. Pre-commitment is obviously the thing on the table at the moment that the industry needs to work at and not just at a State level but at a national level and that is something that the industry needs to work at, not just at a State level but also at a national level. As a national body we are committed to it and we are going to work with the Government on it. The \$1 bet limit would be ahead of every other State; that is something that Tasmania can always hang its hat on, that we are ahead. Harm minimisation is a key thing that our industry in Tasmania always talks about and will continue to talk about. When you have this pre-commitment on the table, which the industry has already said they are happy to work with the Government on in looking to make sure that the impacts on problem gamblers are dealt with as best we can, why do we then need to debate a bill that is going to put Tasmania even further behind the eight-ball in relation to revenue and other things - like issues of how we get machines for our hotels? Gaming manufacturers are not going to build machines for people in Tasmania. It is going to have a massive impact on investment in Tasmania. Whether we want to ignore it or not, and we could come up with other fly-in-the-face-type stuff, but I can tell you from an operational point of view - and Darren can back me up - it is going to have massive implications for us, especially because of the dispersed regional nature of where our pubs are situated and where gaming machines are. It will have massive impacts on regional areas, which will be of concern to everyone.

**Mr GUTWEIN** - If that were to be the outcome it certainly would be a concern. What we have to do is understand what those impacts are. At the moment there are a lot of numbers bandied around about what the overall impact might be on turnover, how it is going to affect industry, and what will happen to the flow-on effect of jobs and investment. What we are trying to get to the bottom of is exactly what those numbers are. It will be very useful if you could put some hard data to that.

**Mr OLD** - It was only three years ago that the social and economic study was done and we are all saying now let us hang our hat on the social and economic impact study because problem gamblers are at 3 per cent and now they are at 4 percent. In fact 0.54 per cent came back and said they were problem gamblers; we will argue that until the cows come home. The report was done. It was put out there. We all hung our hat on that and said that whatever data came from this would be the thing we would go with. Then it came out and people wanted to dispute it. I am telling you that from an operational point of view this will have a massive impact on our industry. It is not something that we can take lightly and I know our members will not take it lightly if they get hit again.

**Mr GUTWEIN** - That is a perfectly valid position for you to have and in fact I expect you to bring that position to this table. In bringing that point of view to the table let us then support it with some hard data.

**Mr WHELON** - The only national research out there on \$1 bet limits and the impact that it will have on revenue is the CIE data that refers to the 39 per cent fall in hotel gaming revenue.

**CHAIR** - But that is based on the fact that 40 per cent of losses are to problem gamblers and that this would somehow reduce their exposure, so to suggest that because you introduce a \$1 bet limit or a maximum loss rate of \$120 an hour that that would somehow stop all those people turning up to the venue is plainly wrong and certainly not evidence we have received.

**Mr WHELON** - The \$120 an hour is a questionable one as well. Interestingly, the Productivity Commission referred to a spin rate, back in 1999 when they conducted their inquiry, of 5.5 seconds per spin. They have quickened that to three seconds a spin to allow them to arrive at that \$120 an hour, when that is not the typical spin rate of a gaming machine around Australia and that is a generally accepted fact.

**CHAIR** - It depends on the volatility rate of the machine.

**Mr WHELON** - Free spins and what have you, but it is certainly not something that we expect - that the three second spin rate is the standard.

**CHAIR** - You have made a number of statements, which is great, and you have come and given evidence, and it is good to see that you are standing up for your industry, but what we need is data that we can crunch through Treasury and get it checked by the Auditor-General, so if you are asserting that the introduction of this measure is going to cost 39 per cent of the revenue then you need to provide the data.

**Mr WHELON** - We are happy to do that.

**Mr BEST** - We heard from the RSL earlier today about returns and there was one particular venue that they gave indication on. They spoke about Ulverstone, where they do a \$5 million turnover and it worked out at \$150 000. It was claimed - and I do not know how accurate this is - that ultimately when you work out all the costs of staffing and so forth that they net \$43 000. I am interested in what you might say about that and how accurate it is. I am not reflecting on the RSL but obviously people must come in and buy meals and spend money on other things as well. Is there no money in poker machines?

**Mr ROCKLIFF** - That was a \$5 million turnover going into the machines, and a net of \$43 000.

**Mr BEST** - Yes, that is what they claim as net profit.

**Mr OLD** - There is a myth out there that poker machines do suddenly bring in these millions of dollars to every hotel, club or RSL that run these things. It is like TOTE and other things operators do that do not necessarily bring in the benefit straight up. It is about trying to generate and get people to do other parts within a business - have a meal or have a beer or whatever it is. However, those forms do not also bring in lots of other ad hoc things. It depends on the venue, whether it is a hotel or a club or an RSL, as to what other benefits they bring in. Some say it will bring in a lot of other people who come in and have extra beers or an extra meal or whatever. It does not always generate that, though. For some places, like they do with TOTE and other things, it is near cost neutral or only a small profit margin. Again, it is about bringing entertainment to the venue, that brings people in and caters for that local community, whether it is Devonport or Swansea or wherever it might be. It is about giving a whole entertainment synopsis of what people can do when they come into that venue.

What a lot of venues have done over the last 10 or so years in relation to what they make out of gaming is that it allows them reinvest back into their venues; that never previously happened. So if you travel around and look at hotels, especially around the State now to what they were 10 years ago, you would be pleasantly surprised about the tourism aspect. People walk into hotels now and they are a lot cleaner, friendlier et cetera; the rooms have been done up and all those things. That investment back into business has also been allowed through some of the money they have made from gaming. Darren's venue is one of the classic ones. It has been able to put back \$4 million or \$5 million into the venue in the last few years.

**Mr BROWN** - Obviously that did not all come from gaming. We are a long way basing that out of gaming. If you talk about the club scenario, if a venue is doing \$200 000 turnover, around 10 per cent of that is the loss, if you want to look at it like that. We then split that. The club would keep 35 per cent. A hotel would only keep 30 per cent because the community support levy that has been paid. So if we look at 30 per cent of \$200 000, we are talking about \$7 000. If a venue has 20 machines, and they are about \$4 000 per machine per year just on rental alone, then their numbers of making \$40 000 at the end of the day would not be far wrong. We run at the rate of about 25 per cent staff to our machine income at work, so that 25 per cent certainly will not be there. For any reduction we see in turnover we would see in an equivalent reduction of staffing.

Since we have established a venue that is safe and comfortable, that people want to come to as part of their recreation, we are also seeing the spend in the other areas. We sell a coffee, toasted sandwich, focaccia and or an extra beer. Those are the other things that we are going to lose because if they are not coming in for their entertainment purpose then we do not sell other products as well. That is what we have seen over the last few years; the increase in our other areas on the back of increased gaming. If we decrease our gaming then we decrease in other areas as well. That is where it really starts to hurt.

**Mr BEST** - Regarding this attractiveness you have just mentioned, that people feel safe, particularly people who do not engage well in the community, which is usually people in the lower social aspect, the other argument about all this is that if you restrict bets to \$1 limits then that would encourage people to play longer. How does that really help someone who has a problem to probably lose less but play longer? I am not sure how that equates as opposed to say registration or pre-commitment.

**Mr BROWN** - In some people's mind when they play machines it is a little bit like the Tattsлото mentality. We all buy a ticket on the weekend and none of us expect to win the jackpot but we are happy to play because some day somebody may. There is a bit of that with a lot of our players. They know they are coming in to lose their money but they are coming in to spend time and interact with the other people who are there. If the limit is less and they are prepared to spend the same amount of money, then all they are going to do is spend more time. I cannot give you evidence to back that up but it seems that a lot of our people come in with a set amount of money in their pocket. That is their entertainment for the day. It is no different from someone deciding they will go to the pictures. They know they will spend \$50 by the time they walk out of the pictures. They will spend \$50 on entertainment with us. If it takes them longer to spend that money, they still spend the same amount of money.

**CHAIR** - What about if they walk in with their boss's money in their pocket.

**Mr BROWN** - I don't -

**CHAIR** - Well you are aware that that happens?

**Mr BROWN** - They are a small percentage of our community who will get themselves in trouble whether it be with lotto, horse-racing or whatever form of gambling. I guess that, as a government, all you can do is to look after those people as best you can but allow the other people who enjoy those activities, who do not have a problem and do not have their boss's money, to do that as well.

**CHAIR** - The evidence that has been given to the committee so far with regard to that seems to be that it is getting into the zone that is important to these people, not the losing of substantial amounts of money or small amounts of money. It is the zone that they get into and that it is a time thing that in fact they will not be able to stay there for longer periods of time. So if you can protect them during that period of time when they are in the zone to only lose a certain amount of money -

**Mr BROWN** - I really find this interesting, this whole zone and even the discussion about addiction. I spend 16-18 hours a day in a venue and I hear the machines, I see the sounds, and yet I do not go over and put my dollar in.

**CHAIR** - No, but you are getting the other people's dollars so you do not need to, do you?

**Mr BROWN** - No, but you are talking about people who are in the zone. You talk about the lights and the sounds and colours of gaming, if they are so attractive and so addictive then why aren't my staff and I swarming around these things like bees around a honey pot. Most of our players come out from an interactive entertainment session, which involves having a drink, having something to eat and having a chat. It is not all about

just being in the zone and not knowing or not speaking to anybody else. It is a very small part of -

**Mr BEST** - I have another question.

**CHAIR** - Yes, yes. Just wait.

**Mr BEST** - I have only asked two and you have asked about five or six as Chair as I think if you are going to chair this properly you need to share the rotation around.

**CHAIR** - You can ask a question in a moment.

**Mr BEST** - Well I think you are making a mockery of the committee if you will not allow me to ask a question.

**CHAIR** - Well, that is your opinion. You can ask a question in a moment and you have asked a number of questions.

**Mr BEST** - I have only asked two and you have asked about eight or nine.

**CHAIR** - What about the venues that in fact do not have pokies. How do they survive?

**Mr BROWN** - Everyone obviously provides a service that is slightly different. We have gone down a path of having machines. What having those machines has allowed us to do is to reinvest into that venue and over the past eight to 10 years a figure of greater than \$5 million. We have invested in the community very heavily each year to the tune of around \$50 000 just in direct sporting clubs in our area.

**CHAIR** - Is that the community support levy.

**Mr BROWN** - No, that is our support. If you look at the community support levy - and we are talking millions of dollars aren't we -

**CHAIR** - Yes, in direct support.

**Mr BROWN** - Direct support. The best football club in the State has us as major sponsor. Its sponsorship would be at risk if our gaming revenue were to drop because I cannot get that revenue from anywhere else to replace that sponsorship money. That is just one club that we assist. The notion that we simply take and do not give is very wrong. Most of the hotels that we are involved with and the members that we can speak of assist their communities very heavily.

**Mr WHELOON** - Can I make a comment quickly in relation to the original one that you asked. And that is just that we do not want anyone who might have a problem with gambling coming in and betting at \$1 per hit of the machine. We do not want them to come into the venue in the first place. That can be achieved in a number of ways. Unfortunately there does not seem to be as much focus as there should be and that is on education and providing the information to the player or to the general public to teach them how gaming machines operate, to teach them that they are fine for those who want to spend a bit of time on recreation and entertainment, but to let them know how they

actually work so there is no misconception that they will go in there and automatically expect to win. That is the sort of area that we would really like to focus on and like to see governments focus on - State, Federal, whatever. Rather than just limiting each individual gambler to betting \$1 per spin, we do not want that gambler in the venue at all if they have got a problem.

**Mr BROWN** - You can equate the problem gambler if you like to the alcoholic. It is the same thing. I run a hotel and I serve alcoholic beverages. The last person I want in the venue is a drunk. Those days are gone and it is very similar with gaming. If someone is in our gaming venue, who cannot afford to be there, who is not there for the recreational purpose, we would rather not have them in our venue. As I said, this bill does not separate those people, it takes everybody else out of the equation as well - those who actually can control their spend.

**CHAIR** - Have you any evidence then with regard to the general spend of a recreational gambler as opposed to an addicted gambler?

**Mr BROWN** - No, but some of that work has been done.

**CHAIR** - In a general sense then the concerns that your group have with regard to this is potential losses that it might cause to your establishments?

**Mr OLD** - It is about the income, it is about the jobs, it is about investment and it is about the fact that at a national level, as we said before, there is already an agreement between Andrew Wilkie and Julia Gillard to look at pre-commitment on which the industry has said they are happy to move forward. It is about dealing with that issue. What we are saying is that we now have a bill that will isolate Tasmania from the rest of the country once again, put our businesses at a loss, put the community at a loss in relation to the fabric of what it does, the money we give to sporting groups, the money that we get through CSL. The question could be asked who is going to then repay the money that the CSL has provided to health groups, community groups and sporting groups over the last couple of years. If it was not for the CSL funding we would not have Bellerive Oval, the hockey centre, the netball centre, or the \$2 000 that was given to the Bridgewater Sports Group for their jumps, et cetera. It is very easy to just say that someone else will step in and give that money. Who is actually going to step in and give that money?

**CHAIR** - With respect, I think you are actually drawing a pretty long string to the bow here. What the bill is about is actually harm minimisation and there is no doubt about the harm that these things cause and that is why this committee has been established because there are concerns about the cost to the nation -

**Mr OLD** - And that is why the industries at a national level have said to have a look at harm minimisation. What we are not going to do is to jump at shadows of stuff that will not actually do any good. You have just said harm minimisation and pre-commitment - pre-commitment is the stuff that we are working with the Federal Government on. The industry has recognised that it is an issue and we have recognised that we are going to do something about it and that is on the record. What we are saying is that this will prove nothing. Why is it that Tasmania again has to be isolated from the rest of the country? You will not even be able to get machines down here in Tasmania, let alone anything else. If you want to put jobs and investment at risk you should put that on the record.

You come out and meet the 100-odd venues of ours that have the games, you come in and spend a bit of time in the Shoreline Hotel -

**CHAIR** - No.

**Mr OLD** - You come out to one of our venues at some time and actually see what it is like in a venue instead of poking shit at something that you have not even been in and you have no understanding of. You go into one of Darren's venues and actually see the people who play the machines, look at the fact that harm minimisation is a key thing for our industry and we are dealing with it, but do not throw stones at something you have never seen. When did you last set foot in a venue?

**CHAIR** - Okay, Mr Old. What I have done is stepped into a venue and seen a blind woman playing a machine with her husband holding her hand.

**Mr OLD** - When?

**CHAIR** - Last year.

**Mr OLD** - Where? Show me proof.

**CHAIR** - I have also had people come to my office -

**Mr OLD** - Show me proof instead of using the scattergun approach. You said 10 minutes ago we have to show proof, so you show me proof of where instead of making scattergun comments that are not backed up with facts. You show me the fact, you show me the picture of this happening and then we will sit down and have a discussion about it.

**CHAIR** - No, we won't.

**Mr OLD** - If you want to talk about proof -

**CHAIR** - What you will do, Mr Old, is you will come with me and you will speak to the husband whose wife suicided as a result of his taking the payroll down to the casino. Everyone of us here has dozens of those examples, so do not come in here and try to bully this committee -

**Mr OLD** - And we have to make sure that we try to address those people.

**CHAIR** - with this anecdotal evidence. What you need to do is provide hard data to this committee which is trying to establish the truth of this rather than just raising wild allegations.

**Mr OLD** - Who is raising wild allegations? You have just made one and I have seen no proof to back it up.

**CHAIR** - I do not have to provide the evidence to this committee. I will take you down to the cemetery and show you the corpses of some of -

**Mr OLD** - Mate, we can all quote these ridiculous cases. We have said that harm minimisation is the key here. Do not come the heart strings with me, mate.

**CHAIR** - These are people who have actually lost their entire business and gone bankrupt directly as a result of embezzlement. In fact I will take you out to Risdon Prison tomorrow if you want to talk to some pokie victims -

**Mr OLD** - And that is what we are talking about, we need things to deal with those people - 99.5 per cent do not have those dramas and yes, one person who gets into trouble is one too many and we need to make sure that we work on dealing with that.

**CHAIR** - And that is what this bill is about.

**Mr OLD** - That is crap.

**Mr BROWN** - Is there evidence that this bill will actually address that problem?

**CHAIR** - That is what the committee is looking at.

**Mr BROWN** - Will it simply decimate our industry or will it address harm minimisation? That is the question that I think we need some evidence of.

**CHAIR** - We need the evidence from you. We have Treasury officials. We have Auditor-General officials here who are perfectly capable of crunching the numbers to test the presumptions or assumptions that you have made in terms of what you have said to this committee today. At this point in time -

**Mr OLD** - This was originally put up by you to go through Parliament without even coming to a select committee so you must have had data surely to back up the fact that you put this up as a bill in the first place. These guys referred it to a select committee because if it had not been put to a select committee you would have tried to ram this through parliament without any evidence.

**CHAIR** - Do you have anything else to say?

**Mr OLD** - Is that not a fact?

**CHAIR** - This committee is here to address the issues to do with problem gambling. As I said, if you want to go out and visit the cemetery, I will take you out there and I will show you some pokie -

**Mr OLD** - You just said you wanted evidence, but you were quite happy to ram this through on the industry without any facts in the first place because you have just said that.

**CHAIR** - Mr Old, that is notionally insane.

**Mr OLD** - How is that?

**CHAIR** - You obviously do not understand parliamentary processes.

**Mr OLD** - Explain how it is because if it was not for these two gentlemen here who said, let us go to a select committee, you would have tried to ram this through as legislation without any facts.

**CHAIR** - Have a look at the *Hansard* and then you might understand how the processes of our Parliament work, rather than being a bully and coming here and trying to -

**Mr OLD** - I am just glad that these two sensibly said something and put it to a committee instead of listening to you trying to ram it through.

**CHAIR** - It was a decision of the Parliament. In fact, it was a decision of the entire Liberal Opposition and the Greens to refer this to a committee.

**Mr OLD** - Well the Deputy Leader and one of the senior men quite sensibly said that they want to get some data. You were not doing that because you were going to try to ram it through parliament without any facts. It is only because these two here made you go to a select committee -

**CHAIR** - Go and read the *Hansard* and stop coming in bullying and address yourself to the committee. If you have nothing else to say, you might as well go.

**Mr OLD** - We are answering the questions.

**CHAIR** - No, you are not.

**Mr BACON** - You did speak about Tasmania leading the way. How long would it take to get the machines if no other State had \$1 bet limits?

**Mr WHELOON** - Gambling Technologies Association made a submission here and they were giving evidence. They said that it would take 10 years and cost \$55 million in their submission. They represent the manufacturers so they are the ones that would know what cost and time would be involved.

**CHAIR** - So, Mr Old, are you concerned about people who come into these venues and gamble money that they have embezzled?

**Mr OLD** - Yes, we certainly are and that is why we have to make sure that we have self-exclusion and harm minimisation practices that deal with those people.

**CHAIR** - So what has your association done to make sure that we do not have to use mechanisms -

**Mr OLD** - We just said a minute ago, as an industry we have committed at a State and national level to working on the harm minimisation and pre-commitment. What we are doing here is talking about a \$1 bet limit that we are saying is not going to have any impact on that at all.

**CHAIR** - In fact, for the record, just so that you understand what is going on here, this bill was put up some time ago in the House. It is a measure that has been called for many years by agencies that deal with the wreckage that comes out of your institutions after

losing their life savings - in many cases it is lonely widows who go there and lose their house. So we are trying to do something, as a committee. The Liberal Opposition had a very good suggestion with regard to this. If you recall, last November, they moved an amendment to the Gaming Control Amendment Bill, which reduced betting limits from \$10 to \$5, to introduce the \$1 bet limit and we had that argument in the House. Subsequent to that, submissions have been made, presumably by people such as yourselves, that there may be a cost of implementation. That is what this committee is about - looking at the cost of implementation and looking at the effects.

If you do not have any data to justify what you are saying, then the committee can only base its evidence on what is presented.

**Mr OLD** - I think we said earlier that we presented the data -

**Mr GUTWEIN** - I seemed to have missed something in the middle by the time I came back and things have changed a little bit. So, you have no problem with presenting that

**Mr OLD** - No, as we said, Peter, we are happy to supply it to the committee.

**Mr BROWN** - If I may, Kim, there are obviously people who need help, there is no doubt about that and there need to be measures to look after those people. The other side of it is there are people who enjoy the recreation and that is part of their lifestyle. So we have two sides of a coin here and one can be as destructive as the other one, if you like, for the other people. I have a safe venue for people to come to and a number of people who live in units across the way from us are elderly. Our venue is the only contact they have with people on any given day of the week. It is our staff who provide them with a social interaction. They are not over there losing the house. They are not over there losing their pension. In most cases, they are taking more from me in terms of coffee and biscuits and free food that we give them than we ever take from them.

**CHAIR** - How can you run a business giving away free food?

**Mr BROWN** - We make a profit margin out of the things we do. We allow some of that profit to go back into our community. We think that is the reasonable thing to do.

**CHAIR** - So that gets into the issue that I am sure Mr Old would like to address his mind to, given that he represents an association because a lot of these pubs and clubs do not, in fact, have poker machines and they cannot give away free food. So from what you have said there, isn't giving away free food an unreasonable competition?

**Mr BROWN** - So you think it is unreasonable of me to give away a sandwich to a lady who has not fed herself -

**CHAIR** - Because she has put all her money through the poker machines?

**Mr BROWN** - No, she hasn't. She is a local who uses our venue for her form of social interaction. I had the Department of Health come in this morning to check up on this lady and the one thing we discussed was the fact that she is not putting a cent through the gaming machines, but we are her point of call and I am the Department of Health's contact for this lady.

**CHAIR** - So who is paying for the sandwich?

**Mr BROWN** - I am.

**CHAIR** - Or the other people who are playing the poker machines?

**Mr OLD** - Well the people who go through the bottle shop, have a beer in the venue or have a meal or whatever it might be.

**Mr BROWN** - The revenue from gaming in my venue is about 10 per cent of the revenue of the hotel. So other areas are profitable, but the thing with gaming is that there are also other costs involving gaming - for example, there are the machines. You bring in this bill and we find ourselves having to rent 30 new machines from Federal at full paid odds and all of a sudden we cannot afford to be in business, so, no, in those circumstances, I will not be giving away a sandwich to that lady.

**CHAIR** - So 10 per cent of your revenue in your hotel is what you get out of poker machines?

**Mr BROWN** - From a revenue perspective, not necessarily profit, because other areas are more costly. They cost us more in labour and for things like food for instance. We do twice the revenue in food every week than I do in gaming but the margins in food are so small that you make very little out of food.

**CHAIR** - But that is because you give some of it away you are saying because you are subsidising the pokies?

**Mr BROWN** - The odd sandwich given away does not take away the margin of a \$1 million food business.

**CHAIR** - We have run over time. Do you have any other things you quickly wanted to say?

**Mr WHELON** - I think the bottom line is this is an issue that has been considered thoroughly by the Productivity Commission and while they have recommended a \$1 bet limit they have said that the real way forward is pre-commitment and if a form of pre-commitment can be worked out then it is not necessary to proceed down the \$1 maximum bet limit path. That is a position that has been accepted by the Commonwealth and it is also one that has been accepted by Mr Wilkie who originally was saying that the \$1 maximum bet was the only way to go, but he has seen the light -

**CHAIR** - No, he hasn't actually, just so you do not misquote him. He was actually here today giving evidence saying it is a very important tandem part of an Australia-wide approach.

**Mr WHELON** - That certainly was not in his agreement that he signed with Ms Gillard - there was no mention of a \$1 bet at all.

**Mr GUTWEIN** - I think he lost that argument.

**Mr WHELON** - Not one mention at all. I can actually recall his media conference that day where he was asked about the \$1 bet limits and he said, 'No, pre-commitment is the way to go.'

**CHAIR** - Anyway if you read his evidence from the committee -

**Mr WHELON** - I will, I will make sure I do that. That is interesting that he said that, but it is the national way forward that has been thoroughly accepted by everybody and it is surprising that Tasmania is proceeding down this path.

**CHAIR** - Peter, do you have any more questions?

**Mr GUTWEIN** - No, my apologies for missing what sounds like the most interesting 10 minutes of the day.

We are approaching this very seriously and at the end of the day what we want to do is make a judgment and recommendations that are evidenced-based and so the information you can provide in that regard that can assist you to make your case and certainly provide us with something to deliberate on that will be very important if that information is brought forward.

**Mr OLD** - Definitely, we appreciate that and we appreciate the time to come in front of the committee as well.

**CHAIR** - Thanks very much gentlemen.

**THE WITNESSES WITHDREW.**

**Mr BRENDAN BLOMELEY, Mr GREG FARRELL AND Mr ANDREW EAKINS,**  
THE FEDERAL GROUP, WERE CALLED, MADE THE STATUTORY DECLARATION  
AND WERE EXAMINED.

**CHAIR** (Mr Booth) - You are all aware, of course, of the purpose of this committee and the way that parliamentary committees function with regard to privilege. You can say whatever you would like without fear of impeachment or subsequent prosecution by anybody outside of this committee. By the same token, it is a requirement that you give the committee answers to the questions we ask and do so truthfully, which you are obviously sworn to do.

**Mr FARRELL** - Firstly, I would like to introduce Andrew Eakins, who is Mulawa Holdings Group Director of Finance and Brendan Blomeley who is our Corporate Affairs supremo.

Our submission encapsulates our position inasmuch as we believe that a \$1 maximum bet is not warranted in Tasmania. Furthermore, we believe it has a dubious effect in improving problem gambling and we are quite happy to discuss that at any length. It would have a huge impact on recreational players and have an impact on Tasmania from which the industry would never recover. We would contend it would have a negative impact on regional Tasmania. Its impact on the Federal Group and its parent, Mulawa Holdings, would be disastrous. We have brought some information which we are willing to share in camera that may assist that.

**CHAIR** - With regard to the information that you might wish to give in camera, the committee decides whether to take the evidence in camera and then also decides whether in fact we will release it as part of the report. There is no certainty that just because we hear it in camera that we in fact will consider that it is able to stay in camera. That will be a decision of the committee, but we cannot publish data that we decide to take in camera. If it is data that you want to provide us with then it needs to be before the committee in an open session so that we can use that data provided.

**Mr GUTWEIN** - Are you absolutely certain of that?

**Mr BEST** - I have never known a witness to give evidence in camera and then have it released.

**CHAIR** - I am the chair of this committee and the process of Parliament is that the committee decides whether in fact it is going to publish the data or not. If you want to check you can check with the Clerks.

**Mr BEST** - You can check all you like but I am just telling you that I am not going to be part of a committee where someone comes in good faith and gives evidence in camera and then we hand that out. That is what I am saying to you. If you want to change the rules -

**CHAIR** - You can say what you like but Mr Farrell has the floor.

**Mr GUTWEIN** - Perhaps we should clarify that position first of all before we proceed. That might change the focus of the presentation.

**Mr FARRELL** - I think we can address the presentation but perhaps if we could get a view on that to clarify -

**CHAIR** - We might do that. If there is an area where you want to go in camera perhaps we can discuss it then and seek further advice from the Clerk, but that is the advice I have been provided with.

**Mr FARRELL** - The in-camera section we would see as circulating a document to you at the end of this meeting.

**CHAIR** - Mr Casimaty has just confirmed that in fact that is the case.

**Mr BEST** - If that is the case then I suggest we resolve ourselves and make a decision on giving evidence in camera because I have never been involved in a committee in 14 years of Parliament where we have taken evidence in camera and then gone and handed it out.

**CHAIR** - A point of order, Mr Best. If you are actually questioning the advice of the Clerk then that is a matter -

**Mr BEST** - I am just saying that it is not past practice. I do not know if it is in there but it is not the customary practice.

**Mr FARRELL** - We believe there is a better solution which has been widely acknowledged and is encapsulated in the Wilkie/Gillard commitment to introduce an holistic pre-commitment scheme nationwide by 2014. We would contend that, based on our evidence and understanding, the only reason that parliamentarians would pursue a \$1 maximum bet would be to seek the demise of the Tasmanian gaming machine industry.

**CHAIR** - That is a personal statement?

**Mr FARRELL** - That is a personal statement.

**CHAIR** - Have you any evidence to back that up?

**Mr FARRELL** - I believe the arguments encapsulated in our submission are such that we do not believe it rationally could lead to an introduction of a \$1 maximum bet.

**CHAIR** - How could that lead to the decimation of the industry? Have you any evidence that you can provide that the introduction of a \$1 bet limit would do that?

**Mr FARRELL** - Yes, and it is encapsulated in our response. Clearly, there are two issues. The first issue is that the industry would take a substantial impact to its revenues based on whether it is a 25, 40, 50, 20, 60 or 70 per cent impact by the introduction of \$1 maximum bets, certainly as the industry stands today and from which it would never recover. The reason is that gaming machine manufacturers would not be able to provide sufficient new product to support the industry on the basis that Tasmania has some 1.8 per cent of Australia's installed gaming machine base. This means that once the original impact occurs - and we can argue and our modellers can model what that impact may be - rather than the industry over time responding as a new way of innovation, in fact it would be the opposite because the games would dry up and then recreational players would dry

up. This would mean that problem gaming, in my contention, would go to the Internet or interstate because obviously they can do the Internet from home right now. Recreational players would dry up because their prime motivation in going to the venues is not about gaming, it is about the total experience.

Pre-commitment deals with the player who may be a problem gambler or may not. It allows proper constraints to be based on the play and it does not impact on the product. It allows product development to continue to take place. The parallel in my mind is that of smoking. Passive smoking bans were introduced and then permanent smoking bans over a number of years, commencing some five odd years ago. The industry took a substantial negative impact, in many venues up to 20 per cent, but the 20 per cent in our view would recover over a period of time based upon the clear commitment by the gaming machine manufacturers to continue to develop product on a national basis. That is what we have seen. In the subsequent five-odd years, gaming machine revenues are now replicating the revenues that were achieved five years prior to the introduction of smoking bans.

**CHAIR** - So is that because people have gotten over the addiction to nicotine or you have other people coming?

**Mr FARRELL** - We believe it is probably a bit of both, Kim. It is hard to know, but there has been greater development of gaming machine games. We are seeing probably different people who perhaps did not like smoke but who are now going to gaming machine venues because there is no smoke. It has actually taken five years to recover and that is on the basis of a number of the world's leading gaming machine manufacturers who have programs in Australia developing gaming machine games, developing product, for a market of over 200 000 gaming machines. If we go to the scenario that is before us in this paper, with only Tasmania moving towards a \$1 maximum bet, then the gaming machine manufacturers' ability or wont to develop product for a gaming machine market of less than 2 per cent of Australia, will be very small and the cost will be very high. We see, therefore, a drying up of the games available for players over a period of time, which will actually destroy the recreational gaming market. It will not destroy the problem gambler because he will just find another means. Clearly the easiest is to go home, plug into the Internet and, without any maximum bet and without any restrictions, all he needs to do is establish an account or a line of credit. So the unintended consequence of this is not only the drying up of the community support levy, which on our modelling will essentially be halved, but also very little impact on the problem gambler because the problem gambler today, as we understand it, plays for time. They do not actually play for large amounts because the nature of the problem is that they enjoy playing gaming machines. They do not enjoy losing, so we see that as -

**CHAIR** - Can I ask you to clarify something? Did you say that in fact your modelling shows that the CSL would be cut in half?

**Mr FARRELL** - Yes.

**CHAIR** - So you have modelling to indicate the effect of this bill?

**Mr FARRELL** - Yes, it is in here. We are taking the assumption there that a roughly 40 per cent reduction in revenue would lead to -

**CHAIR** - And that would be before the industry was ultimately destroyed because they could not get the machines, is that what you are saying?

**Mr FARRELL** - Yes.

**CHAIR** - Okay.

**Mr FARRELL** - And then ultimately what would happen is that the community support levy would dry up as well but the problem gamblers wouldn't.

**Mr ROCKLIFF** - I am interested in the cost of the conversion of the machines and I think you have estimated, I have seen reports, some \$35 million cost to the industry.

**Mr FARRELL** - I think that the gaming machine manufacturers believe that in Tasmania it would be some \$60-odd million shared between gaming machines in hotels and clubs and gaming machines in casinos.

**Mr GUTWEIN** - They put \$55 million on it this morning.

**Mr FARRELL** - That number would obviously vary depending upon when the decision was made, the age of the installed gaming machine base and the exact costs. Further complicating that is that given the Wilkie-Gillard agreement, which will require a substantial amount of the input of the gaming machine association's members to develop the technology to operate a nationwide pre-commitment strategy, to have the resources then to configure gaming machines to operate in the smallest jurisdiction in Australia will be extremely difficult for them. Even though you have substantial costs on one side, you have an ability to implement it beside that which is going to further make any proposed implementation of the \$1 maximum bet on an installed base of gaming machines or future gaming machines installed extremely difficult.

**Mr ROCKLIFF** - We explored this morning with the Gaming Technologies Association how it is easier to convert from, say, \$10 to \$5 machines but a lot more expensive from \$5 to \$1. We got some reasonable answers and if you have anything further to add, I would be pleased to hear it.

**Mr FARRELL** - Jeremy, to me the major thing is that when you look around Australia and you see the platform that gaming machines are designed to work on it is either a \$5 maximum bet, which is in Queensland, or it is a \$10 maximum bet, which is in New South Wales, or in some cases it is unlimited maximum bets. Because we draw a product primarily from Queensland for our network gaming and we draw a product primarily from Victoria, machine bases for our casino gaming, the product could already comply with the mandatory reduction from \$10 to \$5 over a period of time through to 2013. So we are required at the moment to have all gaming machine installed product by 2013 that has a maximum bet no greater than \$5, and we can do that. The cost to ourselves and the cost to the industry is no greater than the normal replacement cycle of the gaming machines.

**Mr ROCKLIFF** - We also explored the fact that there are some machines in the marketplace that can quite easily be converted from \$10 to \$5 to \$1 and have that flexibility of

technology built in. The question I put to GTA, which the person was not quite sure about, was how many machines do we have with that technology in the marketplace in Tasmania at present.

**Mr FARRELL** - Our paper addresses that - 17 per cent. They are primarily one manufacturer's product, Konami, which are by and large a poor performing machine supplier at this point in time.

**Mr ROCKLIFF** - Are they a more expensive machine or are they cheaper?

**Mr FARRELL** - No, traditionally they have had a period of, I suppose, poor game development meaning that once they reach their product life cycle there is not a good product to replace those games with.

**Mr EAKINS** - Just coming back to the issue about what happens over time, we are looking at this legislation at a point in time that is now and we are talking about \$1 so over time the time value of money kicks in and the dollar today is worth less as time moves on so the revenue streams in real terms start to decrease but business costs do not, business costs continue to increase, so you have this widening gap in real terms of the real value of a dollar of revenue as opposed to a dollar of cost. So over time it will obviously go towards the issue of depletion in profitability for venues.

**CHAIR** - I might just clarify something for the committee and those giving evidence here with regard to the issue of going in camera. The Standing and Sessional Orders and Rules say:

'365. A Select Committee may in its report recommend that any evidence taken by it or any document presented to it -

- (a) which discloses any trade secret or secret process of manufacture;
- (b) which discloses any private matter of a personal or commercial nature unrelated to the subject-matter of its enquiries;
- (c) which the Committee has resolved unanimously should not be made public,

be not published and shall be so recommended in the case of any evidence or document which the Committee has told the witness giving or presenting it will not be given or presented to be published.'

So basically what the Clerk advised before was correct, that it has to be a unanimous decision of the committee to not publish it.

**Mr GUTWEIN** - So if we were to go in camera then I presume that we would move that vote and we would seek to have the committee make a decision.

**Mr BEST** - Which is what you do when you go in camera. That is why you have the vote to go in camera.

**CHAIR** - No, it is not. It is specifically, 'which the Committee has resolved unanimously shall not be made public'. So basically what it means is that the committee is in charge of its own destiny and the committee makes a determination whether to publish that because otherwise people could simply say, 'I want to go in camera' and go in camera and present evidence that in fact does not need to stay in camera. So you have to make a decision after.

**Mr BACON** - I think what Brenton was saying, though, is that we should not have to vote before we receive the evidence.

**CHAIR** - Well, that is wrong.

**Mr BEST** - That is what has been done ever since I have been here and before you got elected, so obviously this is some new idea of how you want to run things.

**CHAIR** - Mr Best, the Clerk has advised that the advice I have given is correct. If you want to dispute the Clerk, and you have got a history of doing that -

**Mr BEST** - No. I am just telling you what happens.

**Mr FARRELL** - We will hold that evidence.

**Mr GUTWEIN** - Certainly from where I sit, I would be more than happy. I do not think it is fair to put a witness in the position where they are asked to provide information in camera, in confidence to us, and then at a later date we can decide whether or not we release it. I think if the Standing Orders are written that way I cannot see the point. If there is information that the witness wants to provide, my view would be that this committee should resolve that we would not release that information prior to going in camera.

**CHAIR** - That may be your view but the Standing Orders are that in fact the committee has to make that decision.

**Mr GUTWEIN** - The committee can make that decision.

**Mr BEST** - Why are we arguing this anyway?

**CHAIR** - The point of this committee is to have this evidence in public. We are not talking about some life-threatening matter, it is to do with evidence of the effect that a \$1 bet limit might have on pokie -

**Mr ROCKLIFF** - Which can be life threatening.

**Mr FARRELL** - Commercially it can be.

**CHAIR** - If you do not want to give the evidence, then that is fine. It is entirely up to you. I am just pointing out that is the way it is and perhaps if we get to a point where you have evidence that you wish to give in camera, then we can resolve to go into committee. Whether that means the report contains it is the thing that we cannot determine.

**Mr GUTWEIN** - We can determine before we go in camera and under those circumstances we may be asked to do that.

**Mr ROCKLIFF** - If we are about evidence-based, we should be determining that.

**CHAIR** - With respect, it also is a problem if we go in camera with some evidence that we cannot use in a report, that we cannot publish.

**Mr BEST** - This discussion really is inappropriate. It is something that should happen in committee and we can talk about it and decide, and if that is going to be an issue with the Chair, we need to do that now and resolve it.

**Mr FARRELL** - We have elected to say that we will not table the evidence unless you are going to treat it as in camera and that does not appear to be the case, so we should continue with the discussion.

**Mr GUTWEIN** - Greg, you mentioned that one of the traits of the problem gambler is that they gamble for a long period of time. If the bet limits were reduced to a \$1, would that not have the effect of providing them with a more pleasurable and longer experience?

**Mr FARRELL** - No, I think not because they already do it. Our contention and the Productivity Commission's view is that the majority of problem gamblers bet less than \$1 and they play for a long period of time. So they play longer than a normal player but they bet low stakes and the reason they do that is that the majority of them, unlike the person who was referred to by one of the previous submissions, are not normally people of high means. They love playing and they tend to play low denominations for long periods of time to allow their money to last as long as it possibly can. Why then does a \$1 maximum bet limit impose concern to us? I don't believe, in all reality, it would do very much to protect the problem gambler at all, but it would have a substantial impact on the recreational player. If you go into a venue, whether it is Wrest Point or a hotel, and look at the player base in late morning or early afternoon, there is a different sort of person who is going to be there in the late afternoon and on the weekends it is very different again. We see probably more spiking for greater than \$1 maximum bets on weekends - Friday and Saturday nights. It is more of a social time; it is about people playing gaming machines before they meet with their friends. You have five or 10 minutes to go and the gaming machines allow you to increase your maximum bet on a per game basis. The average person normally plays one credit by maximum lines, so if it is a 10-line machine and a 1 cent game then they are playing 10 cents a game. But they can go from one credit to 30 credits, so they can increase their stake rate substantially. Most play every line because they want to get all the different game features that allow them to get the opportunity to double up and provide a greater number of free games. When you have 10 minutes to go and you're meeting your friends for dinner then people will increase their stake rate because they are not playing to win or lose. They are playing because they enjoy it and if they only have 10 minutes left they'll win or lose, or they'll get a feature and take the double-up feature. What they are about is getting out of the game, not playing the game out for the next two hours, because they are not problem gamblers. The majority of people who play the gaming machines are not problem gamblers, so their stake rates will change depending on their mood, what time of the day it is and who they're waiting for.

Removing the \$1-plus bets has a significant impact overall on the revenue of a venue for a week. Furthermore, once you remove it you'll never get it back because there can't be the commitment to the same level of development of gaming machine games to keep players entertained with variety as there will be for the other 198 000-plus gaming machines in Australia. If the \$1 maximum bet were a national issue it would have less significance to Tasmania than it does as one State being one out, as does pre-commitment. If pre-commitment were only a Tasmanian issue it could have much higher considerations to us than it does in being dealt with at a national level, but because it is being dealt with at a national level I believe the parallel with smoking is a much more relevant one. We will take a significant impact with pre-commitment if it works because problem gamblers should be able to control their gambling. It doesn't mean they won't play higher denominations because they don't do it now, but it will limit the time they can play, or self-exclusion and pre-commitment will hopefully both assist them in playing less and also in being able to be managed, so that if they shouldn't be playing then they shouldn't be playing. The amount of time will be less but it allows the gaming machine manufacturers to have an ability to provide product for 200 000 gaming machines operating Australia-wide, so that we have a large enough pool of new gamers to call on and so over time we would see recreational players not being disadvantaged by the introduction of precommitment.

**Mr GUTWEIN** - I am not a poker machine player; in fact I have only ever once put money through a machine. If I were at one of your venues and I had 20 minutes to wait for someone and I wanted to spend \$20, how long would it currently take me to feed that through a machine?

**Mr FARRELL** - It really depends on what combination you play. If you play one line one credit on a 1-cent machine, you could be there most of the day, but if you put your \$20 into a \$1 machine and it was a 10-line \$1 machine, so you are putting in \$10 per spin, you could be there for seconds. The games work so that in a sense people sit down and are 'buying time' in playing. Usually where they are buying time it is because it is something they do every second Tuesday. They take their \$20 in and they play, then they meet their friend for a cup of tea and a scone and then head back to their respective cars and drive home. We see a lot of people attending at regular times during the week or month because every second Tuesday mum goes to the local venue.

**Mr GUTWEIN** - Coming back to how much time it would take me to spend by \$20, as it currently stands it is anywhere from a handful of seconds up to however long I want to make it last. Wouldn't the same thing apply in reverse with the \$1 bet game? If I wanted to I could run significantly more lines and therefore I could spend that \$20 quite quickly if I wanted to.

**Mr FARRELL** - You could. However, you could not spend greater than \$1 per bet. We would have probably lots of opportunities now where 90 per cent of the game is played at less than a dollar, and 10 per cent of the game is played at greater than a dollar. The 10 per cent played greater than the dollar has a greater proportion of income than 10 per cent. That is where there are significant impacts. The CIE study that was done some 10 years ago was not done on the basis that 40 per cent of gaming machine revenue is produced by problem gamblers. I do not think that number was quoted 10 years ago. It actually was taking an algorithm off information that was supplied by gaming machine players about their behaviour.

**CHAIR** - The evidence given to this committee by other people suggests that it is actually recreational gamblers who are generally using the \$1. They are not playing for the bigger stakes, generally. This is coming from agencies dealing with addictive gambling. They say addictive gamblers would be protected by this \$1 measure but it would have virtually no effect on recreational gamblers.

**Mr FARRELL** - The Productivity Commission is quite clear in saying that the majority of problem gamblers gamble \$1 or less. They also say that the average problem gambler loses between \$12 000 and \$24 000 a year, so they are not the person that was mentioned earlier who has the ability to spend hundreds of thousands of dollars a year. They want to play for long periods of time and that is why they have a problem. They are not a binge gambler, as opposed to an alcoholic and a binge drinker. They are someone who likes to play gaming machines and, therefore, they are going to eke it out as long as they possibly can.

**CHAIR** - Have you got a general direction to staff in your gaming venues that if somebody is sitting at a machine for a long period of time then you intervene and do something about it, or do you just let them gamble away?

**Mr FARRELL** - It is very difficult because you do not know individual people's circumstances, or people can visit multiple venues. What we do provide is marketing material highlighting the 1 800 numbers. Our staff would also assist someone to get the 1 800 number to speak to a counsellor if they felt the circumstances were appropriate. What we do not do is employ or ask our staff at this point of time to be counsellors. I think that would be entirely inappropriate. Once a person has rung the 1800 and sought assistance, and if that assistance is based on their gambling activity as opposed to some other problem, then hopefully they will enter into a self-exclusion scheme, at which time they are photographed. The venues they have sought to exclude themselves from are then notified and if that person frequents that venue then they will be asked to leave.

**CHAIR** - Do you accept that 39-40 per cent of gambling losses are from problem gamblers?

**Mr FARRELL** - No, but I do not know what the number is. I do not know if it is 40 per cent or 20 per cent. Clearly, there is some percentage of gaming machine revenue, like there is some percentage of alcohol sales, to people who can't control their activity and to that end we will continue to be as responsible as we can in assisting that small percentage of people who do have a problem, whether that is with gaming machines, consuming too much alcohol at the bar and having responsible service of alcohol programs.

**CHAIR** - How do you assist the ones with a gambling problem?

**Mr FARRELL** - We assist them primarily through vigorously attending to the self-exclusion schemes, making sure that there is sufficient -

**CHAIR** - But it's only the prescribed things, there's nothing beyond those recommendations of the Gaming Commission, displaying of signs and those sorts of regulations.

**Mr FARRELL** - We are about to have imposed on us a mandatory code of practice. The industry has worked on a voluntary code of practice since its inception and one which

has had 100 per cent compliance in relation to responsible practices, responsible advertising, hours of operation. The industry in Tasmania has taken responsible gambling extremely seriously.

**CHAIR** - If there was a harm-minimisation measure introduced as per this bill, which is what we are discussing, what percentage of losses would be removed as a result that you think the gambling industry could tolerate without the sky falling in?

**Mr FARRELL** - Our submission contends that if a 40 per cent reduction occurred, up to 70 per cent of gaming machine venues in Tasmania would no longer be able to support gaming machines. The remaining 30 per cent of venues that would continue would not be able to do so to the extent that the gentleman spoke about earlier because the gambling would become extremely marginal.

**CHAIR** - Are you talking about the machines?

**Mr FARRELL** - Ultimately the gaming machine industry would shut down because there wouldn't be the product to keep the industry afloat. That would be the same for Wrest Point and the Country Club.

**CHAIR** - If the machinery was available then it wouldn't be an issue. There have been assertions made that machinery wouldn't be available but if it was then that wouldn't be a problem.

**Mr FARRELL** - If there was a commitment to the development of a gaming machine product, the same level of commitment that is present today nationally, product would be designed to assist. You would have a significant impact, whatever that was, and then probably over time you would have some correction of that. I am contending that the reality is that there is not going to be an improvement in the percentage of problem gamblers because the majority of problem gamblers would go on playing less than a \$1 maximum bet, using exactly the same gaming machine practices. It will be the recreational players. In reality, if the notion behind this is truly about trying to reduce problem gambling, we don't believe this is the effective way to do it. We are saying pre-commitment is a far better solution because it's based around the player, working with Anglicare and TasCOSS, the Gambling Support Bureau and the Gaming Commission. It is about them helping people help themselves. We don't believe a \$1 maximum bet does that at all, but it has significant negative implications to industry.

**CHAIR** - The other evidence to the committee so far has been fairly powerful in terms of opinions expressed with regard to that issue and it's been in direct contradiction to your opinion about that. This is agency groups and also Nick Xenophon and Andrew Wilkie both expressed a very strong view that a \$1 bet limit would show national leadership and was a very important measure.

**Mr FARRELL** - We would see the opposite with the \$1 maximum bet. Regarding the Productivity Commission's recommendations, Andrew Wilkie would appear in some respects to be running with some and running away from others because that same report contends that the \$1 maximum bet and the issue of pre-commitment are issues that should be dealt with nationally and it would not be appropriate for them to be running off willy-nilly on a jurisdiction-by-jurisdiction basis. So it is difficult then to turn around

and say, 'I will accept these recommendations from the Productivity Commission, but I change this one to say that Tasmania should do both', against the wishes of the national movement concerning which he was at pains to go to Ms Gillard. In all reality, I would have thought that if the \$1 maximum bet was so pivotal to be annexed to pre-commitment, that would have appeared in the Gillard-Wilkie agreement of several weeks ago.

**CHAIR** - I think as Peter said, he did not win that one. It is certainly something that he was quite strong about but it is something that he could not get up. He could get pre-commitment up.

**Mr FARRELL** - Pre-commitment is a far more effective way of dealing with problem gamblers.

**CHAIR** - The Productivity Commission is saying they should both be implemented.

**Mr FARRELL** - The \$1 maximum bet is a much better eight-second grab on tellie, but pre-commitment is a much better policy solution.

**CHAIR** - But the Productivity Commission says both should be implemented. What would happen to the industry at a national level if a \$1 bet limit was introduced nationally at the same time as pre-commitment? There would be no issues with provision of machines, would there?

**Mr FARRELL** - That would depend on what the lead-in times were. However, the impact on the industry would be, I would contend, far more substantial if you put both those measures in rather than putting pre-commitment in, and we would contend that pre-commitment allows you to deal with the person who is a problem gambler, where a \$1 maximum bet, we would contend, does not do that but has a far greater impact on recreational players.

**Mr GUTWEIN** - Just for the benefit of the committee and its deliberations could we chat a bit about some of the assumptions that you have used in regard to the examples, Mr Eakin? Thank you for providing these. I just want to get a clear understanding of what the underlying assumptions are. I am on page 4 at the moment looking at a typical venue with 30 gaming machines. The cost of additional rentals for replacements for this machine would be in the order of \$114 000 per annum. What is the basis for that? Is this talking about 30 brand-new machines?

**Mr EAKIN** - Yes. It is a timing issue. If all the machines had to be replaced overnight then that would be the cost for that venue because the machines are rented back to the venues at about a rate of \$20 per thousand per month in terms of lease costs. So they would be rented back to the venues at about that price. That assumption is about if all the machines had to be replaced at a point in time. That assumption gets relaxed if we are talking about over a period of time.

**CHAIR** - Are they leased from Network Gaming?

**Mr EAKIN** - Yes. They are actually rented.

**CHAIR** - But Federal Hotels own Network Gaming, is that right?

**Mr FARRELL** - Yes. So they are on our balance sheet, but the venues rent the machines, so they are not on their balance sheet.

**Mr EAKIN** - We finance the machines and rent them to the venues.

**CHAIR** - So there is no competition in terms of provision of machines to clubs or pubs down here.

**Mr EAKIN** - No.

**Mr GUTWEIN** - As best I can recall, GTA was of the view that if a \$1 bet limit was introduced straightaway, 25 per cent of the machines would need to be replaced immediately and 25 per cent, I think, could be switched over quite easily:

'GTA estimate that the newest 50 per cent of Tasmania's gaming machines could operate redevelopment games' -

and this is their cost -

'at a cost of around \$5 000 each for a standard game software conversion; 25 per cent of gaming machines would require upgraded hardware and operating systems to operate redevelopment games at a cost of around \$10 000 each; and the remaining 25 per cent of gaming machines would require replacement cost of at least \$18 000 per gaming machine.'

They are talking about the capital cost, obviously, of coming in and either upgrading or completely replacing. What percentage of the machines that are owned by Network Gaming at the moment, that are on the balance sheet, would be capable of changing to a \$1 bet limit?

**Mr EAKIN** - Seventeen per cent.

**Mr FARRELL** - And they are predominantly one manufacturer's machines. I think the reality is that gaming machine manufacturers develop almost an evolution of product. The way they obviously make money traditionally is they sell what they call 'boxes' and the boxes have an almost built-in redundancy which is the new box that replaces the old box, the technologies do not talk to each other. The reason for that is they do not want games transferring from new boxes to old boxes because they want to sell a new evolution of games as the new box -

**CHAIR** - Which networks buy and then lease out.

**Mr FARRELL** - which is why you end up with this issue of the replacement cycle because the technology is not designed to go backwards. If it was, we would be arguing that we have a 10-year-old box and you have a 5-second-old game and we want that game in that box. But you actually cannot do it, as it will not model backwards it will only model forwards. If you want that new game you have to buy the new box for \$18 000.

**Mr GUTWEIN** - And currently there would be 17 per cent where it is just a software conversion?

**Mr FARRELL** - Yes.

**Mr GUTWEIN** - The other thing that was raised this morning as well is that there are a number of \$1 machines already in the State, but I am not sure about that.

**Mr FARRELL** - There are a number of games that have a button push of \$1, so it might be \$1 and you might be able to play 10 lines so in that case you would have a \$10 maximum bet with a \$5 maximum bet you could only have \$1 and five lines so you could play no greater than \$5 per maximum bet.

**Mr GUTWEIN** - Maybe I misheard, I thought they actually said that there were some \$1 machines currently that would not need to be changed over.

**CHAIR** - They did.

**Mr FARRELL** - They would be part of that 17 per cent, but the reality is the majority of gaming machine product now has a maximum bet of between \$5 and \$10 and we have a \$5 cap to maintain for full implementation in 2013.

**Mr GUTWEIN** - In regard to that paragraph about the top five hotel venues - 'This venue would suffer an immediate decline in profitability of over \$400 000 per annum'. Is that revenue or profit?

**Mr EAKIN** - That is profit before tax and after all costs.

**Mr GUTWEIN** - I am just wondering then on the basis that the return on investment would fall from 12.9 to 7.8 - that is just a straight profit off the top of whatever the capital investment was?

**Mr EAKIN** - We just look at how much money they put in, the cost of the venue, the upgrading and all that sort of stuff.

**Mr GUTWEIN** - And then the others, I am presuming, just run off that where you have 25 per cent, 30 per cent and 50 per cent reduction.

**Mr EAKIN** - That is right. It is a similar sort of model, as Greg said. What this magical number is we do not really know and that is why we ran the scenarios.

**Mr FARRELL** - If I give you then the range but on that synopsis, 70 of the approximately 100 venues are insolvent and would no longer have gaming machines and the ones who would continue to have gaming machines would not be able to have anywhere near the level of service or product and over time they would close down the gaming machines. They could well re-invent themselves, that is, turn the venue into a squash court or create a food opportunity. Approximately 24 per cent of hotels in the State have gaming and so the balance of them operate in differentiating themselves from gaming venues and at the moment we believe there is an appropriate mix and density in a gaming versus other forms of entertainment and other uses of venues.

**CHAIR** - Of those 24 per cent of pubs in the State that have gaming, how many of them belong to Federal Hotels, Mulawa or any other manifestation?

**Mr FARRELL** - Nine per cent.

**CHAIR** - Would any of those be ones that would go insolvent if the \$1 bet limit was introduced?

**Mr FARRELL** - The majority of those would be in the top 30 performing venues in the State and so their value would decline demonstrably and they would slowly wither on the vine.

**CHAIR** - So with the total aggregated slice of the pokie pie that Federal Hotels get through Network Gaming, Mulawa and the casinos, would it be in the order of \$120 million a year or something like that? Given that there is \$220 million in losses, I am trying to do a crude estimation of the value of it to your group in total.

**Mr EAKINS** - To be honest I do not know what the total would be because it varies. Some of the machine revenue comes from the casinos - obviously we get dollar for dollar there -

**CHAIR** - Sure.

**Mr EAKINS** - some of the other revenue comes through the network so you only get 30 per cent so -

**CHAIR** - It would be a bit hard to not have some idea what you are earning out of it. Is \$120 million a fair guess or is that too little or too much?

**Mr EAKINS** - Do you mean in terms of revenue?

**CHAIR** - Yes, your share of the pokie pie.

**Mr FARRELL** - That would be light.

**CHAIR** - Light? So you would expect to get more than that? So \$140 million maybe or -

**Mr FARRELL** - I would have to work it out.

**CHAIR** - Okay.

**Mr FARRELL** - It is not something - it is in one sense close to my heart but it is probably so close that I -

**CHAIR** - I have that trouble too - losing the odd million as well! It is just that it seems to me that one of the arguments that you have put up is the cost of the machines at \$18 000 and yet it seems extraordinary that a machine that costs \$18 000, albeit there are a lot of those machines out in the community, could be an argument against harm minimisation when you look at the revenue that they generate. The cost per annum is about \$4 500 per machine which is less than \$100 a week for a machine if you totally write it off over four years. Have you got a rationalisation or a justification or some numbers that would

indicate why it is that \$18 000 to buy something that creates such an income stream is unacceptable to have to replace them if the legislation changes? People buy bulldozers and they cannot earn that sort of money out of them and they pay \$200 000 for one.

**Mr FARRELL** - But the people who are buying the bulldozers will have an economic life for that bulldozer of say 10 years or whatever -

**CHAIR** - They would be lucky.

**Mr FARRELL** - If a select committee told them that tomorrow that bulldozer they have is no longer appropriate and they have to ditch it and buy a new one at a new cost, then I am sure that they would have concerns about the financial impost.

**CHAIR** - They would have concerns but few bulldozer drivers end up with \$120 million 'on the light side' of income for machines that are costing that sort of money.

**Mr EAKINS** - That is your judgment. We do not have an opinion on that.

**CHAIR** - No, it is actually a question because you are the ones who have asserted that it is going to somehow cripple -

**Mr FARRELL** - No, no Kim. What we are saying is that there is a substantial cost of changing over which will be borne by venues and borne by the casinos and that is undeniable. What that is, whatever it would be, then we have the significant decrease in income to those venues and ourselves brought about by the change from \$5 to \$1, so that is the first big hit. I am saying that is actually more of an issue of consequence than the financing of product, albeit that is something which we are clearly concerned about.

**CHAIR** - Yes.

**Mr FARRELL** - Then the third issue is the inability to match new product in the life cycles of the games and players to enable recreational gaming to continue as a vibrant part of the Tasmanian hospitality entertainment mix. So it is not at all hingeing on the capital cost of gaming machines, albeit that is the significant amount. If we had to go out and try to refinance \$50-something million worth of machines, that is significant factor, given that we have product life cycles now that we are working through on the basis of meeting the 2013 \$5 maximum bet issue. Then, no doubt, we will have impost based on us depending on the technology chosen for pre-commitment. We will have substantial costs to the Tasmanian industry in how that is to be implemented. Obviously we are not yet sure in what way that ultimately will be decided as to which is the appropriate model.

**Mr GUTWEIN** - We had Mr Scott in from the RSL clubs and he was of the view that RSL club machines actually performed at a much lower rate than those in pubs and clubs. He was suggesting around 50 per cent lower. Would that be reasonable and do you have benchmarks you expect venues to meet?

**Mr FARRELL** - Peter, it is probably fair to say that clubs by and large, in terms of economic performance, are at the bottom. So there are probably very few hotels in the State that would rank as poorer performers from a bet revenue perspective as clubs. From a purely strict economic perspective it could be argued that we should not have clubs in the network and you would be better off finding new hotels to put gaming machines into.

We have maintained that a pivotal part of the original introduction of gaming beyond the casinos was that gaming machines should be able to add value to community-based clubs by supporting internal activities in the clubs and be a source of fundraising. We have purposely done everything we can to maintain clubs with gaming machines. There is probably only one that operates anywhere near a commercial level - the Glenorchy RSL. The majority of other clubs operate very marginally. The company, through its Network Gaming arm, does put some effort into trying to assist the clubs to do the best possible job of gaming and to keep it as something that hopefully can be a positive contribution to that local community club's business.

**Mr GUTWEIN** - I do have interests in seeing what you wanted to present in camera, but unless we can provide that assurance I accept your hesitation.

**Mr EAKINS** - It is commercial-in-confidence information.

**CHAIR** - What is the nature of the evidence you want to give to the committee?

**Mr FARRELL** - It is financial information regarding ratios that would assist the committee to understand the sensitivity of gaming machine revenues to the viability of the Mulawa group of businesses, which is why we sought to have that discussed in confidence. It lists obviously a number of the assets owned by the company to provide an understanding about what we do and where we do it.

**Mr EAKIN** - It contains certain leverage ratios and that sort of stuff that is privy between us and our financiers. It is not something you would want to have in the general domain.

**CHAIR** - This is in regard to other non-pokie related investments?

**Mr FARRELL** - This is the Mulawa group, because the whole group is financed as an entity and is made up of gaming and non-gaming.

**CHAIR** - So you will be providing any numbers, any data, that we can crunch through the Treasury and Auditor-General to justify the positions you have put, if you have those figures?

**Mr FARRELL** - Our position is pretty much encapsulated in the submission on this issue.

**Mr EAKINS** - We have cited all our data sources and everything.

**CHAIR** - We are just making sure you have the opportunity to provide it and understand that what we are looking for is real data that we can test to look at the terms of reference of our committee.

**Mr GUTWEIN** - If there is any information we need in regard to underlying assumptions, we can contact you?

**Mr FARRELL** - Yes, feel free to contact me or Brendan.

**CHAIR** - Thanks very much.

**THE WITNESSES WITHDREW.**

**Mr GREG JAMES** WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mr Booth) - Thank you, Mr James, for coming along. I declare a slight interest here in that I am a friend of Mr James, if that makes any difference to the committee.

**Mr BACON** - I apologise to Mr James.

*Laughter.*

**Mr JAMES** - I have been a business person in Tasmania since 1985. I have been president of the Australian Hotels Association, national chairman and trustee of HostPlus industry superannuation fund. I am currently chairman of the Australian Comedy Festival, which is not based on this island but we bring in international entertainers to Cockatoo Island in Sydney. Last year we brought in Alexei Sayle and the Goodies; this year it's Kath and Kim. I have also been a publican for 25 years in this State. I have been a publican not involved in gaming, viewing it from the outside. I was also president of the AHA when gaming was first introduced.

I want to cast everybody's mind back to 1993 when Federal Hotels made a submission prior to the introduction of gaming that the introduction of gaming would harm the community and do so badly. As soon as the carrot was waved in front of their noses they ignored that, so I would treat most of their evidence today as spurious, self-centred and certainly contrived to present themselves in the best possible light.

**Mr GUTWEIN** - You said a submission was made pre-1993?

**Mr JAMES** - Yes, by Federal Hotels to a committee set up to analyse the introduction of gaming into the State.

**CHAIR** - Can you provide further details?

**Mr JAMES** - It should be in the committee's record; it was a parliamentary committee.

As a publican for 25 years and having observed the behaviour of the hotel industry on the introduction of gaming, and then how it has not changed over the last 15 years, leads me to the conclusion that gaming has been one of the biggest let-downs ever presented to the industry. In 1990 the tourism figure was 420 000 and 20 years later it is 580 000 - almost no growth. When gaming was introduced there were 5 000 people employed full-time in the hospitality industry. Today there are 5 000 people employed full-time in the hospitality industry, so all that has happened is that employment has moved around. If you read the productivity report, it makes a variety of statements about the effect of gaming. One of the big effects of gaming in this State has been on the pubs, hotels, clubs, restaurants and everybody else engaged in this industry who do not have gaming. For instance - and I'll give you a very close example of what happened to me - I owned the Oyster Cove Inn at Kettering and up the road was the Snug Hotel and the Matthew Flinders Tavern in Margate. Those two pubs applied for gaming at the same time. Margate has a population of 1 700 people and Snug has a population of 600 people. Who do you think would get gaming, the one with the big population or the one with the lesser population? Snug got the gaming, the one with the lower population. What did it

do when it got gaming? It promptly started to subsidise food in its restaurant. So it was producing on its table meals for \$10 that I could not get on my table at my restaurant, just 4 kilometres down the road, for \$15. I eventually had to fire staff because I did not have any work for them, because the trade had moved up the road to the subsidised food. These staff promptly got jobs in the kitchen, promptly got jobs as waiters and bar attendants in a pub that was much busier because of the subsidised food.

What the patrons were not realising was that they were specially chosen, a very high welfare area, a big Labor vote, and they were walking into subsidised meals but then, of course, dropping \$50 into the poker machines, so their subsidised meals became the most expensive meals they ever had and in the process ruined the trade that I had. You might call that fair, but they received an advantage that I did not have and could not have because -

**Mr BACON** - Did you apply for gaming machines?

**Mr JAMES** - Never have and never will.

**Mr BACON** - You did not want that advantage anyway?

**Mr JAMES** - No, I did not want to reveal my marketing information to another private entity that could pick the eye teeth and, as you have heard, they own nine pubs in the State. They own the best nine pubs in the State. For an applicant to receive gaming they have to apply to Federal Hotels and reveal all of their marketing information to them and then this marketing information is collated against all the other marketing information around. So Federal Hotels has an insight into your business. Why would a government give one hotel, one private organisation, this power over every other organisation? In fact I am told Treasury now no longer meet the applicants for licensing for gaming. It is all done in-house by Federal Hotels. You get the approval from Federal Hotels, you get the tick and you can have gaming. You crawl inside their machinery and you can have gaming. If you are nice and polite, you can have gaming. Why would I reveal my marketing information to a private organisation in competition with me?

**CHAIR** - Just to interrupt there, you are saying that you provide your information if you apply for a gaming licence to operate poker machines and Federal Hotels look at your business information, anything that you have to provide to them -

**Mr JAMES** - They can ask for anything.

**CHAIR** - but they do not necessarily give you gaming machines, so it is totally up to them?

**Mr JAMES** - No, they do not have to give you gaming machines. In fact many applicants like the Matthew Flinders Tavern, with the larger population, did not get it.

**Mr BEST** - Doesn't the information go to the gaming thing, rather than Federal?

**Mr JAMES** - Sure, it passes through to Treasury, but they do not actually interview the applicant. The interview is done by representatives of Federal Hotels. This, I think, is typical of monopoly behaviour and when you introduce monopoly behaviour into any industry, you are bound to have corruption, corruption ethically, morally or whatever.

**Mr ROCKLIFF** - Greg, you mentioned the lack of economic impact, if you like, of poker machines since their introduction.

**Mr JAMES** - Only in terms of employment.

**Mr ROCKLIFF** - And tourism numbers, and my understanding is the last tourism figures that I saw were in excess of 950 000 tourists per year in Tasmania, so you said about 500 000 -

**Mr JAMES** - Five hundred and eighty thousand. I was quoting Daniel Hanna's letter to the *Mercury* where he went through those figures.

**Mr ROCKLIFF** - When was that letter written?

**Mr JAMES** - Three months ago.

Monopolies by the fact that they do not have any competition -

**Mr BACON** - So this bill will get rid of the monopoly?

**Mr JAMES** - No, this bill will start to tame the monopoly.

**Mr BACON** - How so?

**Mr JAMES** - By reducing its income.

**Mr BACON** - So that's the aim of the bill then, to reduce the income of Federal Hotels, not to minimise harm to problem gamblers?

**Mr JAMES** - I don't know, that's up to you to decide. My idea here is that if you start to minimise the income flowing through their coffers, that will start to negate their impact on the rest of the tourism and hospitality industries.

**Mr BACON** - So that's what you see as the aim the bill, to kill Federal Hotels?

**Mr JAMES** - No, I don't think it goes anywhere near approaching killing Federal Hotels. Is that a bad thing? It has had a licence to operate in this State since 1975 as a monopoly and still it claims to be in financial problems if anybody tampers with it. Wouldn't you think that after all those years Federal Hotels would have got their act together and become efficient?

**Mr GUTWEIN** - Mr James, it may suit your purposes to use this committee as an opportunity to take a stick to Federal Hotels, but could we come back to the terms of reference which are specifically about what the impact might be on pubs and clubs if the \$1 bet limit came in. It is fine to provide some background but I don't think you should be using this committee as an opportunity to -

**Mr JAMES** - It's an all-encompassing effect that we have had here.

**Mr GUTWEIN** - As I say, it is fine to provide some background and I don't think anybody would deny you that opportunity but I think it is important to come back to the terms of reference. This is not in defence of Federal, but I have run a hotel for a number of years in a small town in competition with a venue that has pokies. I never applied for pokies myself and it was only recently that I sold that freehold property but we took the opportunity to look at product differentiation. We built our revenues to a point where I think at the moment we are in front of that venue that has pokies.

**Mr JAMES** - Doesn't that in itself prove that you don't need gaming?

**Mr GUTWEIN** - One of the reasons that I am part of this committee is that at the end of the day I think that you can run a business without gaming. I have never said that you did need gaming. The purpose of this committee is not to drive a stake through the heart of gaming or Federal Hotels, let's make that perfectly clear, what this is about is looking at harm-minimisation measures and whether or not the \$1 bet limit bill of Mr Booth's is going to achieve those aims and what impact that might have on the industry. Perhaps we should come back to that.

**Mr JAMES** - Okay. Right at the moment \$225 million of disposable income is swallowed down the gullet of the gaming machines. The idea behind this \$1 bet is to reduce that. It can only do that. Even the evidence presented by the industry associations say this will happen. In doing that, that means the difference between that \$225 million and what it drops to becomes disposable income that is then spent in the local communities with the plumber, dry cleaner, the builder, bricklayer, whoever, and who will be paying GST on it.

**Mr GUTWEIN** - There is that view, and in fact we heard from Senator Xenophon this morning that one of the things that is occurring at a Federal level as part of the pre-commitment strategy is that they are going to have an economic analysis done by the Federal Treasury as to what that effect might be, and I would think there is some validity to that. I would also suggest that for a problem gambler or people who want to gamble there may be a migration to other forms of gambling as well and that may not put every single dollar, as you have just suggested, back into that local community.

**Mr JAMES** - That in fact is not an effect from the Productivity Commission's report. They don't see that happening.

**Mr GUTWEIN** - My reading of it is that they did indicate that that could be a potential outcome, that people would migrate or could potentially migrate.

**Mr JAMES** - They saw potential for online gaming to increase, but if you talk to Senator Xenophon you will realise that his idea is to kill off the online gaming in Australia.

**Mr GUTWEIN** - I'm sorry but we're just talking about the Productivity Commission report which I thought did suggest that migration could occur and you have said that it doesn't and now you have said that it does, which I thought it did do. Regardless of what Senator Xenophon wants to do in regard to online gaming, that has nothing to do with this, quite frankly, so could we come back to the matter at hand?

**Mr JAMES** - Within the report the Productivity Commission has asked for one jurisdiction to step forward to introduce the \$1 gaming bet and the \$120 hour limit. You have heard argument of the same people saying that Tasmania should not be independent of the rest of Australia, but in fact that is what makes Tasmania Tasmania. We have always gone out and done things differently. There are many examples of Tasmania taking its own path when it comes to separating from what the other States are doing. Picking this one jurisdiction out - and I actually ended up sitting in on two meetings, one with Tony Abbott and one with Julia Gillard with Andrew Wilkie - the Prime Minister made the comment that she thought the recommendation by the Productivity Commission was that Tasmania be the jurisdiction for trialing this full pre-commitment and for the \$1 bet.

**Mr BACON** - That was the recommendation from the Productivity Commission?

**Mr JAMES** - No, that was in conversation with the Prime Minister.

**Mr GUTWEIN** - But the Productivity Commission never recommended that.

**Mr JAMES** - The Productivity Commission certainly recommended that one jurisdiction in Australia be the place to introduce the \$1 limit, and the \$120 per hour limit, and that one jurisdiction be the testing ground for the rest of Australia. It is within the recommendations of the Productivity Council.

**Mr GUTWEIN** - Do you know which recommendation that was?

**Mr JAMES** - The number? No.

**Mr GUTWEIN** - I have brought the recommendations with me in regards to both pre-commitment and the \$1 bet limit and neither of those is specific that it should be tested or tried in a particular jurisdiction.

**Mr JAMES** - It is mentioned there. I can find it.

**Mr GUTWEIN** - If you could provide that at some stage that would be good.

**Mr JAMES** - Getting back to your \$1 problem, the actual flow of money through gaming machines is stifling the disposable income in Tasmania.

**Mr BACON** - If we accept that 40 per cent is from problem gamblers and 60 per cent is from recreational gamblers, do you see that 60 per cent as money that people are spending how they see fit or not at all? Do you want to get rid of that as well?

**Mr JAMES** - I do not understand your question.

**Mr BACON** - If 40 per cent of money comes from problem gamblers and 60 per cent comes from recreational gamblers do you see that 60 per cent as a problem?

**Mr JAMES** - I see gaming as the problem. I think it is the biggest money-for-nothing swindle ever perpetrated.

**Mr BACON** - So these people cannot make their own decisions on that 60 per cent? Is that your point of view?

**Mr JAMES** - I do not understand the question.

**Mr BACON** - They cannot decide to spend their money how they see fit?

**Mr JAMES** - How they see fit?

**Mr BACON** - Yes, is that your position?

**Mr JAMES** - I am unclear as to what you are saying.

**Mr BACON** - Do you think all gaming on gaming machines is wrong?

**Mr JAMES** - Yes, essentially.

**Mr BACON** - That is fine.

**Mr BEST** - What about online?

**Mr JAMES** - Worse.

**Mr BEST** - So you do not want unregulated, then?

**Mr JAMES** - I think it needs to be very regulated, especially with limits on the amounts that could be sunk into it on any particular day.

**Mr BEST** - What if you brought things in that might cause people to go to unregulated or uncontrolled gaming; would you be in favour of that?

**Mr JAMES** - I think you should have as much legislation on this issue as possible. It is money for nothing. There is no productivity here actually producing anything that you can take away and spend and sell.

**Mr BEST** - So prohibition is your ultimate thing - you would rather not have it at all - but faced with a decision between prohibition, which is not possible, or having measures that would control and stop people going into unregulated and uncontrolled situations, you would prefer to have it controlled?

**Mr JAMES** - Yes.

**CHAIR** - This bill before the House at the moment, where do you see that in terms of harm-minimisation and what effect do you think that may have in terms of the cost to the community?

**Mr JAMES** - The costs to the community are quite clear now. You have these reports coming in stating there is something very wrong with the cost to the community. There is very little return to the community. When people say it is for entertainment value, well give them a free machine to play with. Why do they have to put money in it if it is

entertainment value? If publicans want to have people on their property, why not divert that money into something a lot more useful than down a gaming machine's gullet. If it is that intrinsic to a business then put them there for free. People used to use the Space Invader machines for exactly that. They would be free in pubs and it would attract people in.

**CHAIR** - Like dartboards or something like that?

**Mr JAMES** - Yes, exactly the same. It is spurious to just say that you have to make money out of these machines; you do not have to make money out of them. Why does anybody have to make money out of them? Why do we give a free ride to a company like the monopoly that runs them? This Government could have sold the gambling licence, the deed, for between \$500 million and \$1 billion. They did not bother to, but that would have helped the community. They could have had a new hospital. The fact is they allow one company to take \$120 million, light on, out of the system. Imagine what you could borrow with that \$120 million if it was owned by the Government and if it was collected directly by the Government. They could be paying off a loan of \$2 billion, using that as interest on the \$2 billion. They could build a new hospital.

**CHAIR** - As president of the AHA in the past how would you recommend the venues might adapt? Would the dollar bet limit ruin that venue's business model?

**Mr JAMES** - It would be a fairly fragile business if that 10 per cent of their revenue broke them. A lot of these people are taking the easy road. There has been no development for tourism in these hotels. It is a silly argument to say that poker machines have a basis within tourism. They do not. Tourists do not come here to play pokies. Because we have no developed backpacker industry, and have never developed it here, we have relied on the old product that has been around for 15 years and that has not developed anything. No part of that tourism product has developed in 15 years because of the easy money associated with gaming.

**CHAIR** - Right across the pubs and clubs in Tasmania, both the venues that have pokies and the ones that do not, what effect would you see this having on the broad picture of pubs and clubs? Would it be positive or negative; what effect would it have?

**Mr JAMES** - The introduction of this would be a positive for the rest of the community. It would be a positive for the businesses around the hotels that would be supplying a product to them that could actually be manufactured and value-added to and then sold, whereas here we do not have value-adding to any product. We have a product that you just feed money into and you get nothing back for it. You are bound to lose; 87 per cent of every dollar is returned to you, so 13 per cent is lost every time you wager.

**CHAIR** - Would you have any idea of benefit that would flow to the community?

**Mr JAMES** - A lot more businesses out there would be a lot more viable. Disposable income is the sort of income that is spent in most small businesses in this State. It is disposable income that ends up in the tourist shops, that buys that extra pie, that buys your new bathroom. Here we have \$225 million available to be put back into the community. Then it will rotate around because the plumber will then spend it on the dry

cleaner, who will then spend it at the fish and chip shop, and each time those transactions occur it is 10 per cent in GST. We have no GST involved here.

When it comes to the community levies and that sort of thing, the Productivity Council makes the point that the community levies from the clubs are so minuscule and so underdeveloped that they only benefit club members. They do not affect the broader community.

**Mr BACON** - But they are not talking about Tasmania there, are they?

**Mr JAMES** - Yes they are.

**Mr BACON** - They are talking more about sporting clubs in New South Wales rather than Tasmanian examples.

**Mr JAMES** - Yes, but they all have a benefit of tax breaks. The fact that clubs provide donations and other support to the community in general is not a prima facie argument for providing clubs with substantial tax concessions.

**Mr BACON** - But it is nothing to do with Tasmania. It is talking about sporting clubs with poker machines in New South Wales.

**Mr JAMES** - What is Glenorchy Football Club?

**Mr BACON** - They do not have any poker machines at all.

**Mr JAMES** - You just heard that they did.

**Mr BACON** - No, that was Glenorchy RSL club. We were talking about the support levy - a totally different thing.

**Mr JAMES** - The fact that clubs provide donations and other support to the community in general.

**Mr BACON** - They are not talking about Tasmania and you know they are not.

**Mr JAMES** - No, I do not know that and it does not say that they are not talking about Tasmania here.

**Mr BACON** - Well they are not.

**Mr JAMES** - I do not think you can say that. It does not say that Tasmania is excluded here.

**CHAIR** - Thank you very much for attending.

**Mr JAMES** - Thank you.

**THE WITNESS WITHDREW.**