

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

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**Mr PETER SCHULZE** WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

**CHAIR** (Mrs Silvia Smith) - Welcome, Peter. Good to see you again. On this occasion we are looking forward to what you have to advise us. We received your submission this morning so obviously we have not had a lot of time to have a good look at it, so we would ask that you speak to it. Hopefully we will be able to pick up on what we need to inquire about along the way.

**Mr SCHULZE** - Yes, I am certainly happy to operate in that manner. As you are probably aware, just a little bit of background first, I was on the 1993 committee that operated for four or five months and produced a report. You would be familiar with that report.

**CHAIR** - Yes, we have that report.

**Mr SCHULZE** - We travelled around most of the States to see how the machines were operating elsewhere and took a lot of evidence and went to a gaming conference on the mainland as well, which was quite interesting. We did take a lot of evidence.

**Mr SQUIBB** - Is that an annual conference, that gaming conference?

**Mr SCHULZE** - I don't know. They had existed before but I am not sure whether they have them annually. It was certainly worth going to because they have all elements of the industry there. They have all those who live off it as well as the charity people and, as well as professional gamblers, as well as people who have been hurt by the industry -

**CHAIR** - Psychologists and people like that there?

**Mr SCHULZE** - Yes, professors who have made an almost lifetime study, and I'll refer to a few of them in a minute.

**Mrs SUE SMITH** - There's one they told us about in New South Wales.

**Mr SCHULZE** - Yes, so that was very broad and very worthwhile. I'll go through my submission in the order that I have put it there. It was just those few statistics at the beginning that you are all familiar with. The first point I make is that the original estimate by the Gaming Commission just at the time of the introduction of the machines, they estimated that from the 2 000 machines set to 88 per cent there would be government revenue of about \$23 million. The actual total at this point in time now, the government revenue is \$46 million from 1 837 machines so in real terms the cost to the community has doubled. I tend to look at gaming as the cost to the community - in other

words, that is how much the community loses, how much people lose, not turnover but actual losses or money drawn out of the economy and out of the community.

In the next section I make comment there about the history of the machines. Poker machines were never asked for by the people of Tasmania and they never requested their spread into pubs and clubs. It was vested interests that pushed that all the way. For those who remember, there was a referendum many years ago for the casino and that narrowly passed, the people were concerned about it, but it narrowly got through but poker machines were specifically excluded. If they had been included there would be no way that referendum would have ever got through, so in fact I think anyone would accept that they were not wanted by the people specifically at that point of time and then when it came to the spread of the machines into pubs and clubs, again it was not the people who were asking for it or driving for it, it was all those who were essentially making money or likely to make money from them. That is a just a general comment on that and I might make further comment on that later.

The next section is in relation to the circumstances of gambling and I have always made the point that gambling in itself isn't a problem, it is only when other people have got their hand in the middle.

**CHAIR** - I find that a very interesting comment.

**Mr SCHULZE** - If we all sat around playing cards or poker one night all the money stays with us, there is no-one else taking a bit out of the middle every time we have a hand, and that is as it is with the poker machines. We have the operators, the venues, the charities and the Government of course all with their hand in the middle to an excessive degree, I believe.

**Mr SQUIBB** - So the word 'steal' is not really appropriate, 'take' is probably -

**Mr SCHULZE** - Well, once it's legalised I suppose you could say it is taking but before it was legalised by parliamentary legislation it would have been stealing, I guess. Point taken.

The other point I feel very strongly about is the problem gambler and the problem gamblers are often of low intellect and without the understanding that they cannot win over the long term. Those who have suffered tragedy, bereavement or other emotional problems are particularly vulnerable. I think there's quite a number of studies that show that and I think a lot of people who - I'm not a do-gooder in the sense I was at the casino last night and I go and play the pokies -

**Mr SQUIBB** - Not again!

**Mr SCHULZE** - I didn't see you there, Mr Squibb. So it's not as though I'm against it in that sense but when one touches or is associated with the industry a little bit like that you do note it as well as it being catalogued that that is the circumstance. As a form of tax, it's pretty diabolical when it's picking on those who are the weakest in our community and it's so sectional and so narrow in its focus.

The other point that I make there is at point 3, under section (c). Students of the industry and these people who study it - professors and the like - commonly talk about one or two per cent of the problem gamblers that evolve from the community and it seems to me to a large degree that they are only counting those whose problem surfaces publicly. I believe there are a lot of others who are problem gamblers who are not so clearly exposed and of even greater size where's there is a lot of devastation to themselves and others around them. It was not always seen by the general public. I think there needs to be a close study of the industry to reveal people in this situation.

**CHAIR** - Any suggestions as to who could undertake that study, as an independent group?

**Mr SCHULZE** - It doesn't seem to me there is an independent group established at this point but I guess you'd have to form a new group or get some other group from outside the State to study these things. But it does seem to me, when I have looked at a lot of the studies of the previous inquiry, that the underbelly of the industry tends to be well concealed by those within it as much as possible and it seems to me that they are not wanting to look too hard at some aspects of it. I will come to a few more points on that as we go through.

**Mrs SUE SMITH** - Just before you move on, Peter, you say there is a hidden aspect to the statistics on gambling and I think we would all accept that. You can see an alcoholic who drinks too much and eventually makes a fool of himself, the same with drug addiction or whatever.

**Mr SQUIBB** - Or herself.

**Mrs SUE SMITH** - I am just generalising, not getting sexist, Mr Squibb.

**Mr SCHULZE** - And there are natural limits to what you can drink.

**Mrs SUE SMITH** - That's correct, whereas the problem gambler, if they surface, they only surface quite possibly because of bankruptcy or something like that. Regardless of what sort of group you put into place, how would you draw out the problems of something that really is a hidden number until you get to that particular position?

**Mr SCHULZE** - I will develop through to that, if I can. What I have done is, in my earlier report I endeavoured to draw a graph - and I think there is a copy of this one with your reports at the moment - I have had the graph looked at by other professionals in the industry and they say, 'Yes, that's generally the case'. At the left-hand end of that graph at the back of my report it shows that in group (a), for instance, which represents about one per cent of the population, there are people who have an annual average loss of 15 000 a year and contribute a large proportion to the industry. As you move along to group (b), (c), (d), (e), (f), (g), (h), (i) and (j) so it tapers away to the point where in some areas there is no gambling at all; people don't gamble at all when you get past (j), say.

This distribution curve shows that at this end you have a very small number of people contributing a very large amount of money to the industry. I believe the amount they contribute is largely coming from the problem gambler or the compulsive gambler, the pathological gambler, whatever you call them, they are contributing a very large amount of revenue to the industry. So much in fact that I believe that the industry would struggle

if you took those away - in other words, if you took the problem gambler out of it, the industry would be struggling to survive and be economic. You can see the dilemma there that the industry has in wanting to find out and focus on these people too much because that is where their bread and butter comes from.

**Mr SQUIBB** - What are you estimating that one or two per cent as a percentage of the turnovers?

**Mr SCHULZE** - Looking at that table progressively, I show that group (a) contribute 36 per cent and, on the right-hand table there, that is progressive losses; so that group (a) and (b) together you are up to half the income of the industry - or half the loss from the community - in that very small section.

**Mr SQUIBB** - But they're not necessarily the problem gamblers, are they?

**Mr SCHULZE** - Yes, they are. I have done another table - and I will get on to that again later - in that group (a) a big percentage of them are problem gamblers; in group (b) a lesser percentage of them are problem gamblers; in group (c) a lesser percentage again. I have extracted what I believe is the percentage of problem gamblers within each of those groups in my paper.

**Mr SQUIBB** - How did you determine that?

**Mr SCHULZE** - To determine the graph in the first place, which is perhaps the most important thing to comment on, a lot of them say, 'Oh no, how can that be right? How can so few contribute so much?' In the last study, a lot of people had done nearly a lifetime of work on the gambling and the characteristics of it and there was a study done in 1992 by Blaszczyński and McConaghy. They produced a detailed analysis of the pathological gambler - it is in my original dissenting report - and they say that about 3 per cent of the State's adult population will be paying \$10 million or 20 per cent of the tax. So my first column here represents one per cent but they are saying 0.3 per cent -

**CHAIR** - 0.3 per cent?

**Mr SCHULZE** - Yes, 0.3 per cent, a third of one per cent will contribute about 20 per cent of the tax. That is not my finding, that is their finding, but that does provide a point on a curve that I have developed here essentially. Then Professor Dickerson who is well known in the industry, also in his report said that a conservative figure calculated at that time, the introduction of the machines would create in Tasmania 7 600 or 2.5 per cent of the adult population are probably pathological gamblers and they would each gamble on average \$8 732 per annum or \$9.6 million. He there has produced another point, if you like, on this curve that I have formulated.

Again, even the committee of review on taxes - this is on page 6 of my dissenting report; these are listed - the committee of review on taxes and charges calculated that if one per cent of the adult population are pathological gamblers then that one per cent will be providing \$35 million or 32 per cent of the estimated gambling expenditure. So that is another group who are focusing on the few who are spending so much and providing the industry with so much funds.

Then the other bit of evidence I found quite interesting on the mainland, we visited a lot of licensed clubs and in one of the licensed clubs there we spoke to the president and his words were that around six per cent of the club members contributed 90 per cent of the machine revenue. He was pretty precise about that and when you went with him into the back room where all the information is available, if you are able to get there and draw on it at any time, all the machines are connected up to a computer and all members of the club put a card in the machine to gamble with, nearly all of them, and so you get a complete profile on who is gambling, how much and when and what percentage of your club is spending how much on the machines. So that the figure that he provided, there was a great sensitivity about this particular issue in the last committee because a lot were not interested in really going down this path that I was going down when I was on the committee in trying to establish this curve and what percentage of the population contributed what and then later to try to focus on who they were, even individually maybe if that becomes necessary, to assist and control this problem end.

I focus on this end a lot but I would still say on the other hand, at the other end where people aren't gambling large amounts, there are a lot of people who enjoy the industry and it is a good recreation for them and good entertainment for them and in that sense they probably get value for money. So I don't say it is all one thing, I am focusing on this problem end and the profile at that end and what percentage of the population contribute how much and how it affects them and I am sure that's what your committee is interested in.

It is from numerous sources that I evolved this graph and this curve. Some might want to argue with that that it is too steep and so on but there is anecdotal evidence of where people make high losses. You read in the paper from time to time about somebody who lost \$45 000 or somebody who stole a lot to gamble and so on, so you do get a lot of anecdotal evidence too that show this profile. I think there should be more study done by experts who have more time and resources than me to do more of this sort of analysis and focusing on the people at this end who are contributing so much and the ones who are getting hurt by it at the same time.

**Mrs SUE SMITH** - That's the issue that perhaps you might be able to help us with. You've got group (a) at \$15 000 per person per annum.

**Mr SCHULZE** - That's correct.

**Mrs SUE SMITH** - The question has to extend out of that: if I happen to be somebody who has an income per annum of \$2 million I may not notice that but, if I happen to be worker on \$35 000 a year, it is going to make a substantial difference to the lifestyle of myself and my family. There is nothing in this graphing that divides that who can afford and those who can't.

**Mr SCHULZE** - That's absolutely where more research has to be done. I have done my own estimate of that. On the third page of my report you will see where I have taken the first five groups - (a), (b), (c), (d) and (e) - and I believe that for 80 per cent of those in group (a) it is a problem to them or their family or they are a problem gambler. There are different definitions for a problem gambler.

**Mrs SUE SMITH** - Can you tell me, is that a guesstimate or -

**Mr SCHULZE** - It is essentially a guesstimate, yes. In a number of other areas of my submission what I am trying to highlight is that the research work that is being done - and there is a lot done; we did have reports on that - I do not think is focussing and going into enough detail into this arena. That is why I have made an endeavour here and put something forward that I believe - as I worked through those, they are all reasonable figures that 80 per cent of people who are losing \$15 000 a year, I think most would say, 'Yes, that is more than likely to be a problem'. Those who are only losing \$2 000 a year, I have suggested only about 10 per cent of those. Of course \$2 000 might not be much to most people but to a pensioner it could be a lot. So you get down to about only 10 per cent.

The total number of problem gamblers that evolve out of that of course does match the number that one would expect to exist in our population, so it does correlate back to that. In the first report earlier I endeavoured to go down that path, in the dissenting report. In my current submission I have tried to take that a little bit further.

**Mr SQUIBB** - Peter, can you just clarify again - I might have missed it somewhere along the line - on the third page of your report where you've got the various groups and percentages, the 80 per cent for group (a) -

**Mr SCHULZE** - That's my estimate.

**Mr SQUIBB** - Estimate only.

**Mr SCHULZE** - Yes. But I have had to do my estimates so that the totals there in the right-hand column - \$3 000, \$2 400, \$1 600, \$800 and \$400 - fit into the total number of gamblers that one would expect in the State. I don't think many would argue with that because that fits about the percentage of the population that most experts say would occur and would exist. I can give some confirmation of that in another direction shortly.

**CHAIR** - In those figures there you're including what you stated earlier as the hidden problem gambler?

**Mr SCHULZE** - Yes. I've probably been quite conservative. I think the hidden gambler would be a bit higher than that 8 400 in the State. That is more in line with what others say about the one or two per cent. I think there could be more; I honestly believe that but I don't have enough evidence or haven't done enough study to make any definitive statement about it. I think it could be more.

The problem gambler, when you look at the definition of that, before it gets to a financial problem or a drug problem or a suicide problem or whatever other problems often evolve out of this, there is often a hidden problem in family where there is stress and strain put on, not because one party is necessarily gambling more than can be afforded but the other party has a fear of what might be happening and what might evolve. Those who do understand the industry know that it takes a number of years to develop a full-blown gambler. They follow a pretty standard pattern in their development in terms of the hours they spend at a machine slowly increases, the stake they play with slowly increases and so this obsession develops, and it does take time to develop, most acknowledge. During that development stage one party in a family might be terribly stressed by the fear

of what might be going to happen or it might cause family problems and family frictions even before it reaches the stage of too large a financial stress. So I think there is an area of grey there where it is creating problems in homes and communities before it gets to this really big end.

**CHAIR** - Just while we are still talking about the problem gambler, we know what the definition of a pathological gambler is. In your summations here have you come up with what you consider as a reasonable definition of a problem gambler, not the pathological gambler?

**Mr SCHULZE** - The problem gambler includes not only the pathological one who has this obsession with it and gets to the real problem end of either stealing or suicide or family break-up or the like, but those where it creates any financial stress in the family and emotional stress between members of the family. It's created a problem. So it really starts at that point and on my graph it would be starting, as I suggested those figures there on that page 3 again, even those who are spending only \$2 000 a year - that 400 there, they're still in - so really I have probably taken the problem gamblers to really exist in groups (a), (b), (c), (d) and (e) primarily and didn't give any significant regard to it further on. Although, again to a pensioner, \$1 000 a year could create problems in some pensioners and not in others. So, again, if we can keep it and contain it for good healthy recreation and limit its damage I think that's what we've got to do where we possibly can. That covers that graph and that concern there.

What I am really suggesting to the committee in regard to this area I have just covered, not that I've done a final definitive work of a high level of accuracy necessarily, but it's the path that should be taken and significantly more work done to draw that out. I will go into methods of doing that a little bit later on too.

Perhaps at this point I would move on to the next section of my report. My pages aren't numbered - I don't have the secretary I used to have -

*Laughter.*

**Mrs SUE SMITH** - She's quit, has she? I thought we had a local one who was very good.

**Mr SCHULZE** - This section is on the improper introduction of the poker machines to the State. As you would be aware in my dissenting report, I did disagree with poker machines going from casinos into pubs and clubs. Two of us voted against that and three voted for it. It was very line ball on that committee. There was two one way, two the other and one sort of always swinging. So it was always a very close decision. So that decision went against what my beliefs and feelings were but nevertheless I continued to work on that committee, harmoniously with them, to find the best way of introducing them if we are going to. So I noted in this section that those sections of the report, and that is referring to this major report, dealing with the manner in which poker machines should be introduced has been done well and I support those sections.

That is what I said in my dissenting report because we still worked to - if they are going to come in, let's bring them in in the best manner possible. But unfortunately of course, while this was the majority finding of the Legislative Council committee it wasn't followed in any proper degree whatsoever by the Parliament. I don't quite know why the

upper House didn't insist on its committee's work being adopted in that regard and now we see if it had been a lot of the problems that are now evolving would not have been. So I'll just go through a few of the points of the difference between the Legislative Council committee's recommended model and that which was introduced by the Government and how it exists now.

There was an excessively good deal given to the operator. We were quite amazed by that and not as we recommended in recommendations (3) and (4). There are details in (3) and (4) of this old report you might look at at some stage. It will take a little bit of studying through. I did show here what was proposed by our committee in terms of the cut-up of gross profit and what was ultimately set by government. We were quite amazed that the Government gets less tax out of it than we recommended and what is normal. In other States of Australia the venue, the pubs and clubs, were also short-changed at that time. The charity people were also short-changed and the operator did exceedingly well out of this somewhat arbitrary, perhaps, cut-up. I don't know how that was done; that wasn't done by our committee, of course. So that was of concern, that the State's cut wasn't as high as we recommended it should have been and was normal elsewhere. Also, point (2) there on the improper introduction, there was no coin limit or capping of bets. Recommendation (11) in our report said that the maximum amount per play should be 30 cents. That might seem a bit low in today's current circumstances but I think now you can go and play \$10 at a time. Geoff might know more about that than I would -

**Mr SQUIBB** - I have no idea. Are you talking about in hotels?

**Mr SCHULZE** - And casinos. There is probably a difference there.

**Mr SQUIBB** - There is.

**Mr SCHULZE** - In actual fact, there is a disparity in the report on that page because I do say \$10 there and later on I talk about it is presently possible to have \$20 a bet. That does need to be drawn to your attention. Certainly the amount that can played wasn't capped at that time, as we recommended, where the amount you can play per second, if you like, now is way over and above anything like what we had recommended.

**CHAIR** - Are you suggesting that a cap should be reintroduced?

**Mr SCHULZE** - I do suggest that later on, yes. It is one way of helping.

The other area of concern of course was the lower community support levy. We had recommended that be substantially higher than what the Government set so that there is less money available for that. You have evidence on that anyway on how that is all spent. While some of it does go into looking after the problem gambler, there is a lot that goes into other areas as well as that, into other charities and health areas. I don't think there is enough focus on studies that I talked about earlier, that money is used for.

I make a comment at this point, too, about the other. When we did this earlier and had this committee running, we were concerned about the damage that could be done and George Shaw and I went and saw the church people and the other groups who were concerned - and still are; still talk about being concerned - about gambling. We met with



them at the old Presbyterian church at the TAFE college and we said, 'If you have concerns about this, you should use your network to do all you can to stop the spread of machines. You have a big network of people; you've been expressing concern about this and with the various pressures you can apply' - and we also encouraged them to write letters to the paper to bring that on. But nothing really that I could see came out of that, which was a bit of a shame. I was always surprised throughout that the do-gooders', if you like, main focus was on how much they were getting out - their two or four or five or eight per cent - was a greater focus than was stopping their spread. I was particularly disappointed with some evidence we had from a Salvation Army man in Victoria, one of the national leaders. He again took the attitude, 'Oh well, they're going to spread anyway. Don't worry too much about that'. So he, like a lot of others, take the bottom-of-the cliff approach, 'Let them fall off and then give us some money, help our industry and we can pick them up'. That might sound a little cynical of me, but that's how it was. There was a lot lower community support levy than the Legislative Council committee recommended, and we weren't over the top, we'd looked at what was done in other States and other places.

The other thing is there was no open tender process to select the operator. We knew Tattersalls and others - there were at least two other big operators in Australia interested to tender to be the operator, that is to own and control all the machines and rent them out and so on, but it was given to the one operator, Federal Hotels, who did have some claim of sole rights for a given period of time that was going to run out not long after our committee did its work anyway. However we recommended that tenders be called to get the best deal for the Government and the punter and the pubs and everybody else, but tenders weren't called and an excessively good deal was given and the Government and others and the pubs and all were short-changed. So that was very disappointing that those two things together weren't carried out.

Again, point 5, recommendation (9), we made recommendations on limiting machine numbers - a maximum of 15 for hotels and 25 for clubs was the recommendation but now it has gone up to at the moment hotels can have 30 and clubs can have 40. Casinos, point 6, were to keep their existing machines, 460, and have an equal number of new machines, that is a total of 920. That was in line with our recommendation (9) again of that report. They currently have 1 153, I understand. It was a bit disappointing that they weren't brought in in the manner that was recommended because I think if there had been the capping of bets and tenders called, we would have had an industry that was far more beneficial to the State and the punter and the charities and all concerned.

**CHAIR** - Because there would be fewer problem gamblers.

**Mr SCHULZE** - Yes.

**CHAIR** - Probably less in revenue for the State Government.

**Mr SCHULZE** - Yes. The revenue would have been more in line with what was estimated by them and us, which should have been enough, I would have thought.

Perhaps if I move on now to how we deal with the problem that exists at the moment. As I said in my report, it's a little too late to get rid of them. The genie is out of the bottle a little bit. What we have to do is to endeavour to reduce the damage that's done to these

people at this steep end of the curve, and I have said here that a political party might pick up a policy before an election and run with it because they'd certainly be going with what the people want. I notice the Leader of the Liberal Party recently said it was a mistake to allow machines in pubs and clubs, so that comes from the leader of a major party in the State, that it was a mistake.

**CHAIR** - The Leader of the Liberal Party in South Australia said the same thing, John Olsen, or the previous Leader.

**Mr SCHULZE** - Yes, that's right.

**Mr SQUIBB** - He doesn't always get it right, though.

**CHAIR** - That's true.

**Mr SCHULZE** - The second point I make is I believe it is necessary to educate the gambler, as with the smoker, that the odds are stacked against them so that they clearly know - and it's no good just doing a soft pamphlet and handing it around; I think machines themselves do need to have comments on them.

**CHAIR** - Warning signs.

**Mr SCHULZE** - Warning signs, like packets of cigarettes. In fact in my earlier report I did say there where governments and the industries benefit from the gambler who lacks the understanding that the system cannot be beaten then we are praying on that weakness. Such extraction of money is nigh on fraudulence. I think you can draw an analogy there with the smoking industry where the user, if you like, wasn't fully informed or understanding of the damage that could be done to them by smoking and those pedlars of that are now being brought to account. There is an analogy there with gambling to a degree and I believe it is contingent that you educate particularly those of low intellect who believe they can beat the system. If a person is of that view and isn't completely educated otherwise, well then it's analogous to the smoker who's misinformed about the damage that can be done to him by smoking, isn't it?

**Mr SQUIBB** - My understanding is - and Mrs Smith will be pleased to hear this - that the proposed amendments or current amendments are in the process in Victoria in fact do allow for that sort of information to be provided.

**Mr SCHULZE** - I think on the very machine there would be not only warnings like on cigarette packets but it should state the amount the machine takes from you per bet. If it is going to take 15 per cent, as they commonly do, it should say, 'This machine will be taking 15 per cent of your money on average' or each roll of the dice or whatever - and make that absolutely clear. So they are told, 'You are paying for entertainment and you'll be losing money overall and the more you play, the more you will come close to the absolute figure that the machine is set at'.

**Mrs SUE SMITH** - You would support my scenario then - and I am told that it is possible to do it with computerisation - of a bank statement every 30 minutes. So, as the person sits down to start playing, it triggers a new player and every 30 minutes you get what I call a bank statement - how much has gone in, how much you've won.

**Mr SCHULZE** - Yes, the technology is there and is being used that way now in Victoria. I was playing the machines in Melbourne casino here a few weeks back - it sounds like I'm a problem gambler -

*Laughter.*

**Mrs SUE SMITH** - That's twice in the evidence.

**Mr SCHULZE** - It was Seniors Week so they issued me, personally, just as a one-day visitor, a plastic card -

**Mrs SUE SMITH** - How did they know you were a senior?

**Mr SCHULZE** - Some think it shows, but I think my wife told them.

*Laughter.*

**Mr SCHULZE** - We got a special card and you put that in the machine and you build up points on it. Whenever you put it in it says, 'Mr Schulze, welcome back again. You've already gambled so much today'. Well, it didn't say that but it showed how many points I had accumulated by the amount of gambling that I'd done to that point. With those points I could go to another machine and put my card in and redeem those points to a cup of coffee or a sandwich or something else to eat or a draw in a raffle. So this technology is there to do all that. Again, it will also focus on those problem gamblers too if everybody has a card. You will know exactly who they are and who is getting hurt and how much and when, how and why.

**Mrs SUE SMITH** - Do you believe that we may be better serviced by talking about dollars rather than points?

**Mr SCHULZE** - Possibly. They could have converted those points to dollars quite easily, but the thing was the machine had a read-out on it and it said all sorts of things to you and related to the customer and had a full account of what you were doing. Most punters don't mind that; they don't see that as an invasion of privacy if they are getting a few extra bonus points out of it. Even here in Tasmania, I think, a big percentage of gamblers have a card that they put in the machine because it does give them some additional benefits. So it is not too hard to get the majority of gamblers on to a card if the benefits are adequate and so you've got a total monitoring system which the punter doesn't mind. As I said, there was shades of that in New South Wales where the manager said that 6 per cent of his club members provide 90 per cent of the revenue. So it is an extension from that. The technology that is already there they can do it with. I agree totally.

**CHAIR** - I'm just trying to get a handle on what you're trying to say here. Are you suggesting perhaps that all people who wish to use the machines should be registered?

**Mr SCHULZE** - You are automatically registered if you have the card to play.

**CHAIR** - Some people obviously don't have a card.

**Mr SCHULZE** - It has been suggested in other States too and it wouldn't be hard to say everybody has a card, even a visitor from another State or someone who doesn't normally gamble. As I said, the other day in Melbourne they issued me with a card for a day. You can have visitors cards that have a limited duration.

**Mrs SUE SMITH** - But the card for the problem gambler would only work if they used the same venue all the time and then the venue would have some capacity to exclude if they so wished.

**Mr SCHULZE** - Not necessarily. All the machines are tied together and all machines around the State are monitored here in Hobart.

**Mrs SUE SMITH** - Fair enough.

**Mr SQUIBB** - But not in other States because you have different operators.

**Mr SCHULZE** - That's right. But I think we're only talking about what we do in Tasmania.

**Mrs SUE SMITH** - Where do we get to the invasion of privacy? It is a bit Australia cardish, isn't it, if everybody who wishes to have a flutter has to have a card?

**Mr SCHULZE** - I don't think you could ever make it absolutely compulsory for that reason but if there are incentives, as there are now, to have a card in terms of better gambling odds and a few handouts, you will find most people will go for them. Like me in Melbourne, they were monitoring how much I spent and when and how, to the point my wife didn't want me to see her score because I would know how much she was gambling, and there you have it.

**CHAIR** - In that monitoring, you're saying that they would be monitoring you through the way the systems are set up?

**Mr SCHULZE** - The system was monitoring me and had a feedback to tell me how much I'd been gambling and I guess that was -

**CHAIR** - Does that same system allow the establishment to know when a person is becoming a problem gambler and to intervene?

**Mr SCHULZE** - The information is there for them. They are probably not allowed to use it in that manner at this point in privacy regulations and laws but the information is there and, again, I want to talk about my own town and gambling there because in a small area you can focus on it more and see it more clearly.

**CHAIR** - We'll let you get on then so we can get to the point you want to really make.

**Mr SCHULZE** - In my dissenting report I did speak about how a small town - and I took Queenstown, the town that I know - would be affected and I now find that there's three times as many machines in Queenstown or on the west coast as I estimated and something like \$1.5 million removed from the town annually, four times my original estimate. Now a lot thought I was a bit over the top at that time. This, I believe, has

resulted in substantial job losses in the area in areas where the money would otherwise have been spent and I believe that there should be information made available on the losses that occur at each venue.

You and I have lists of how many machines are in what hotels and clubs right around Tasmania but to do a proper analysis over my area I would have liked to have known how much money is actually lost in Queenstown. I believe that it is quite substantial, in fact in the Lyell Municipality 3.8 per cent of the club and hotel machines - 3.8 per cent on the west coast, and we only represent 1.4 per cent of the population - so whether they are focusing on us heavily or not I do not know and even if you include the casino machines, we still have 2.34 per cent of all machines and we're only 1.4 per cent of the population. This is a matter I'm quite concerned about that it seems that we are targeted and if we're losing the same amount per machine as the State average, well then we're losing a lot more per capita. I can't get an absolute figure on it and maybe your committee can find out exactly, say, how much is being lost by the public in each venue, in each pub and in each club, or each municipality or each town because that is important again. If you want to get into this game and find out who's being hurt the most and where, why and how well then that sort of information, I believe, is necessary.

I am concerned a little bit about that, so I only estimate that \$1.5 million is being drawn. It could be more, it could be less but I don't think too many would dispute that because after all there's \$166 million being lost around the State where, if one per cent of the population I guess on a normal basis would be losing \$1.6 million a year, but because we have been targeted further than that, maybe it's \$2 million a year we're losing. Now you can't take \$1.5 million out of a small town without having a dramatic and adverse effect on other things.

I had quite a dissension with the previous committee on the number of jobs it would create. They claimed it would create between 400 and 800 jobs around the State and I wasn't comfortable with that for a number of reasons. Firstly, that is about \$200 000 a job when you take the \$166 million and divide the extra jobs created into it. You can create a lot more jobs by spending that money in other ways, you don't need \$200 000 a year to create one job in a lot of other directions, do you? That was an area I had some dissent in. But, again, when you focus on a small town, you know the number of machines, you know where they are, you can go in there and see the people who are gambling and who are there a lot of the time and shouldn't be. You can see them sneaking in the doors, the publicans would know who they are, and you see the damage that is being done to them and their family. In the larger cities you wouldn't be exposed to it quite so clearly, I would imagine, but in a town like Queenstown I could give you a lot of the names - I could estimate the numbers of problems gamblers there which correlate back to the per capita numbers that I used earlier. I have seen some of the damage done. I could give you names, but it wouldn't be correct to do so; I have had numbers of people come to me for money to help them because of the financial difficulties they get into. I think in some cases you could use a small town like Queenstown or other areas where you could do an intensive study. I suppose the privacy thing is always a problem but when you are that close to it and it does have - that \$1.5 million a year again does have a significant impact, I believe, on other employment. It has an impact on fundraising of charities and service clubs. I went to an Apex dinner recently and they are battling to raise money. It seems to have become far more difficult for all of them. I can't say adamantly it is because of the poker machines, but I would

say they have contributed to the difficulty of raising money by other groups, without a doubt. To what degree, I wouldn't be sure.

**Mr SQUIBB** - Just on your figures, where you are quoting you could double the number of machines to the State average per population, the population of Queenstown, does that have the same itinerant population as some of the mining communities closer to the north-west coast where the people working in the mines aren't really local because they go out after the end of their shift?

**Mr SCHULZE** - In Queenstown 90 per cent of the population dwell there. In Rosebery it is a little different. As they're closer to the coast there are more 'seagulls', as they call them, flying in and out; Savage River too. That is a factor. The other factor that plays on my mind is the number of tourists who come and how much they play the machines. We perhaps get more tourists per capita than other places. That might be a claim why we are over-machined, if you like, to the State average or maybe it is just because we've got higher incomes.

**Mr SQUIBB** - You've told us that over the years, haven't you?

**Mr SCHULZE** - Yes.

**Mrs SUE SMITH** - If I might expand on that a little bit as well, you have quite evidently given quite a study to your local area. Can you bracket those that you identify into the younger age group, young men, middle-aged women, pensioners - do you see a pattern forming as to the category of people in the community you see are the problem aspect or is it general?

**Mr SCHULZE** - It is general. I would say it is probably in the older group, if anything. I can't be adamant about it but just as a general observation I would say it seems to be the older group and perhaps more women. Sorry about that.

**CHAIR** - No, it is a comment that has been relayed to us before.

**Mr SQUIBB** - You have made a comment in the past but we won't raise that and relate to it in any way.

**Mr SCHULZE** - It's only been women who have come to me for money.

*Laughter.*

**CHAIR** - Just before we move off the town scenario that you've given us and going back to a couple of comments that you have made through your submission, in your town scenario looking at those people, you relate the problem gambler to the lower-income earner or the lower-intellect earner -

**Mr SCHULZE** - Low-intellect, I believe it focuses on them. I don't say 'only' but to a slighter greater degree.

**CHAIR** - Did you find that in Queenstown?

**Mr SCHULZE** - I think I can say that, yes - hopefully I'm not upsetting too many people. It's a lack of understanding somewhat that draws some in; others are just compulsive regardless, who are otherwise intelligent people.

**CHAIR** - And a lack of knowledge of how the machines actually work.

**Mr SCHULZE** - That contributes as well. If there was absolutely one single clear thing we'd all be on to it and be fixing it, but it is a number of factors.

**Mrs SUE SMITH** - Do you think the style and the design of the machine where it is bright and glitzy and things roll around and the red light flashes -

**Mr SCHULZE** - They are absolutely designed psychologically, I understand, the colours - and particularly the sound; the sound of money and people become familiar with the winning sound and the buzzer and all that - and that stimulates them. I think if you went back into the industry, we found before when we commented on the report that without a doubt that is very carefully -

**CHAIR** - Psychologists have told us that.

**Mr SCHULZE** - psychologically developed. The nature of the machine - they all have the same odds behind them, they just have a different face on them - some become more popular than others but the payout is averaged the same regardless. I did hear a story about a publican who used to watch his machines and at the end of the night when everybody went home, the machines that hadn't been winning he'd take note of and go and play them. Of course that can be monitored back at base and I think it was. He lacked the intellect to understand that the machines don't have a memory and you've got no more chance of winning on a machine - it's like a tossing a coin; if it's come down 'heads' ten times in a row it doesn't alter the chances of whether it will be heads or tails on the next spin. The coin has no memory like the machines. They are not allowed to be designed with a memory in them so even someone who understands some of the sophistication of the industry didn't have enough understanding to know that that had no validity.

That is part of the education process so it's not just a matter of saying, 'These are going to take money from you', there are the other aspects of them that you'd need to go into with people a bit more deeply.

**Mrs SUE SMITH** - That's an interesting comment because I think you're quite right that the people don't understand that they do have no memory. They believe if that machine hasn't clocked up some win that it has to soon, would you support that concept from your observation -

**Mr SCHULZE** - That's what people believe. A fellow said to me the other day, 'Don't play that machine, it just payed out'. Well, that really has no relevance as the machine has no memory and the odds are still the same. It's random number generators operating within it.

**Mrs SUE SMITH** - Whose responsibility do you think it should be to advise the community that this machine ticks over so fast that you could have missed in that blink the actual win out? Is this the responsibility of the community levy concept or the industry -

**Mr SCHULZE** - It's partly in that area. I think you have to do a lot on the machine and at the venue because, as I said earlier, I think pamphlets and things might have some benefit but unless it is right in your face, a lot of people are not going to take much notice of it or it has to be bold and on television. But, again, the cost of that people, usually go soft on these things -

**CHAIR** - Do you suggest at the interface of the machine would be the better spot?

**Mr SCHULZE** - Yes, absolutely. It has printed readouts giving you all sorts of other messages and the rest of it. It has the capability of doing it all and it is right there and it should be largely the responsibility of the industry as well, not just from the levy funds either.

We have covered most areas. There is one area I have in bold on the last page. I believe that we should deregulate and get rid of the monopoly that exists within the poker machine industry in Australia. While I have focused to date on how people are being harmed by it, forgetting about those people for the moment, the general punter is not getting a very good deal, not a very good deal at all in terms of the odds that are against him. The 15 per cent that is taken from him is excessive as against if you hire a car - you can hire a machine for \$5 or \$10 a day and it is not worth as much as a car which you can hire sometimes at a similar amount. I think that the fact that you've got no real competition - now some might say we've got competition between hotels, some offer a sandwich and some don't, but I mean real competition in terms of the odds that are offered to the punter. In other words, it should be deregulated so anyone who complies with the regulations and the appropriate conditions laid down can have poker machines and he can set the odds at not 15 per cent but three or four per cent and have it of course marked on the machine, and that is what the punter is going to go for. So you've got the punter then going for the machine and the industry would then say, 'We'll get people into our pub to have meals, not put on meals to get people into our pub to play the machines' because then you would get good competition and you'd probably find that the take by the machines would go right down to two or three per cent and so the punter's money would last him five times as long. He could spend five times as much time on the machine and only lose the same amount or spend the same amount of time and only lose a fifth of the money. I think this is the way to go rather than say, 'Let's try to get rid of the machines or wipe them out', which is a bit late and it does interfere a little bit with people's freedom. Let's open the freedom up at the other end.

I also believe that a proposition such as that should be supported by the Federal Government. The Prime Minister has a major concern with them, I understand, but can't do a lot because of State jurisdictions but, nevertheless, he's in charge of the deregulation business, isn't he, and if it applied to the poker machine gaming industry I think you'd take a lot of the problems out of it.

**CHAIR** - Don't you think there'd be a problem there though with the Federal jurisdiction trying to do something specifically here in Tasmania with the deed arrangement that's in place?



**Mr SCHULZE** - Well, maybe. There'd have to be some consensus between the States and the Feds but I think the Feds have been the driving force on competition policy and deregulation and getting rid of monopolies and you've got here a gross monopoly. Well, it's not so much a monopoly as there's more than one operator but it's anti-competitive in that they could be more competitive and more people could get licences and reduce the odds to two, three or four per cent. I think, from memory, if you go back to the early days in the casino where they weren't allowed to have poker machines, they brought them in under the guise that they were video gaming machines, they weren't poker machines, and they were replicating table games and, in doing so, they had to replicate table odds and so the odds that you got on the machines in those days were far better than they have come about to be since we've had the broader poker machine through the casinos and hotels and clubs as we have now. I think if you check back about the odds that you get on those video gaming machines when they first came in I think you'll find they were a lot better than we have now, so there's scope I think to look at and do a little bit more work on looking at that aspect of it to give the average punter a far better go and far better odds.

**Mr SQUIBB** - That example you have given, I understand a bit about reducing the tax component and an example is a fifth of what it currently is but that wouldn't necessarily mean it would take five times as long to lose -

**Mr SCHULZE** - The same amount of money.

**Mr SQUIBB** - That's only 15 per cent of what you're putting in in any case.

**Mr SCHULZE** - No, what I'm saying is that instead of the machine taking 15 per cent of your money on average on every spin, the machine only takes, say, three per cent on average of your money on every spin. That is only a fifth.

**Mr SQUIBB** - A fifth of what it was previously taking but not a fifth of what he's putting in though.

**Mr SCHULZE** - Well, if you are gambling a given coin denomination on a given number of lines, on that basis of changing the odds from 15 per cent back to, say, three per cent, it will take you five times as many bets to lose the same amount of money, without a doubt, or you'll only lose a fifth of your money if you spend the same amount of time as you did before playing the same number of lines and the same stakes for each line. So you get far more value for your money in an entertainment sense at the pokies that way and, on the other hand, the profit - that three per cent is the profit, and I'm not suggesting that you change the split-up of the profit at this point, the split-up of the profit that's made. A lot of people would gamble longer because their money would last longer and you'd get more value for money - some might still spend the same amount but they'd be pushing to unless they upped their stakes, well some do that anyway, but the average guy is getting a better deal. His money is going further, if you like. He's getting a lot more miles for his dollar. But I'm not suggesting that the split-up of the money that goes to the pubs, clubs, charities, the venue and the Government are altered.

**Mr SQUIBB** - That's roughly a third of the profit goes to the owners of the machines, a third to the venue and a third to the Government, is it not?

**Mr SCHULZE** - That's how it generally was. What it was by the Government, I think we only get 30 per cent tax on pubs and clubs and in other States it is 33.

**Mr SQUIBB** - Roughly 30.

**Mr SCHULZE** - Yes, and the hotels are short-changed - and pubs when they came in here - by the operator. That is just on the figures.

I do think there might be some room to move in respect to point 4. I have also said to reduce the total operating hours. They do that in other States -

**Mr SQUIBB** - Our hours are already less than New South Wales, aren't they, once you go into pubs and clubs.

**Mr SCHULZE** - Casino, I don't know. I am not sure.

**Mr SQUIBB** - The casino closes here.

**Mr SCHULZE** - A month or two back now I saw a lady who has a gambling problem going into a pub at about nine or ten o'clock in the morning. I just felt that was not on. People going out for entertainment, it is usually afternoons and evenings and to see people going in at those sort of hours of the day to me just seemed to be wrong. I would have thought eight or ten hours a day is an adequate amount of time. I know on the mainland they are looking to cut back but they are only looking to reduce the hours a couple of hours a day or close them halfway through the night for an hour or two.

**Mr SQUIBB** - That's where they have 24-hours operation?

**Mr SCHULZE** - Yes. I would have thought, like horse races, Geoff, you don't need them 24 hours a day, do you? If people are going out for entertainment and enjoying themselves is what it should be, then eight or ten hours a day should be ample, shouldn't it?

**Mr SQUIBB** - But that person, it may well have been her equivalent to six o'clock if she was working nights. We've had this argument put to us before.

**Mr SCHULZE** - She wasn't on shift work, Geoff.

**CHAIR** - But that is the argument, of course.

**Mr SCHULZE** - Again, I make the point that it be more comprehensive and finally, that more comprehensive studies be done to gain more knowledge in the detailed end of the game. I know we got a lot information in earlier studies on suicides and all these things. A lot of those are hidden, they are not brought forward. A lot of road deaths are often suicides but are not brought forward to be and the causes aren't always brought out either and it is often difficult to. But in some ways, where people have problems - whatever form - they do lead to these other things. While I can't be definitive again, I still think there does need to be more in-depth research into the underbelly, if you like, of the industry.

**Mr SQUIBB** - What you're saying is that, as a result of the increase in the number of gaming machines into the pubs and clubs on the west coast, despite the fact that prior to that there were other forms of gambling available, you have seen an increase in the problem?

**Mr SCHULZE** - Oh yes. I don't think that would be denied, would it. I think Professor Dickerson and all these other people were saying that there would be an increased number of problem gamblers with the introduction of machines and calculated figures. Yes, I would say they were right and that is my observation.

**CHAIR** - And you suggesting that an in-depth study of that issue needs to be done to extrapolate that information?

**Mr SCHULZE** - Yes, that's right.

The other area that I always had an interest in - and I did not get far on the other committee - was looking at trying to draw up a model of cash flow in communities, where you start off at the top of a model - and I did talk to Dr Felmingham about this - where you show your total personal incomes in the State, which might come to \$6.5 billion or something, and then you look at expenditures on cigarettes, alcohol, sports, entertainment, restaurants, accommodation, travel, necessities, food, fuel, power, savings, and gambling and do the split - we now know there is a couple of hundred million a year spent on gambling in Tasmania - to see what other areas that money has come from since its development. It has to come from other areas. You do need some modelling to be done there to see its effect on other industries. Geoff would be aware, too, on our earlier studies the effect on the racing industry was considered to be of significant concern and there was a commitment made that the Government would give extra money to the racing industry as a result of losses that could occur. I did talk about that in my dissenting report.

**Mr SQUIBB** - I don't think there's any doubt that impact has been a case.

**Mr SCHULZE** - Well, there was a report to this select committee by Messrs Felmingham and Kilpatrick and it stated that the introduction of poker machines would have no significant impact on the racing industry. But the same report indicated that a dollar increase in real gaming expenditure would produce an 18.7 cents drop in real racing expenditure so, on the one hand - and this is the same report by these gentlemen - there wouldn't be an effect and then there would be a significant effect.

**Mr SQUIBB** - The racing industry claim that there has been but I think it was the departmental people who were telling us that - I'm not sure whether it was at one of these hearings or the GBEs -

**Mrs SUE SMITH** - There has been a Victorian study that we were given some information on where some of this precise work that you're talking about has been done and the Victorian study actually showed that initially it was from savings where the money was coming from but the big question mark they put in their report was, savings are about diminished, where does the money come from in the second trench of that process? I am presuming they will do a second-round report to be consistent to show, as they've accepted it came from savings and savings had diminished - and I think the report was

1999 - there will be a second one, one hopes, that will show: does it come from another form of entertainment in a swap-over or is it coming from - that's the question.

**Mr SCHULZE** - There again that's where I believe that sort of model should be done to determine those things. There's been claims made that it comes off the retail trade. There's been claims made people do less travel and that's their entertainment now instead of other forms of entertainment and, in many cases, that's quite valid. I don't knock that. If people enjoy doing it and they're not getting to that steep end of the curve then that's their decision and they probably get value out of it and make the choice. But then you worry sometimes that it might come off food and clothing necessities and affect children. It wouldn't be that simple, it would come off all those things to varying degrees, but it would be nice to know what degrees. But I never ever got through to completing any sort of model -

**Mrs SUE SMITH** - Well, you would be very pleased to know that there now is a model in place and I'm sure it was a Victorian study, so they have followed your report perhaps, Mr Schulze.

**Mr SCHULZE** - I think mine was lost, wasn't it?

**CHAIR** - Are you offering this to the committee as information?

**Mr SCHULZE** - No, only as just a general comment to give you an idea. I didn't have the time, resource or facilities to do take that any further.

**Mr SQUIBB** - That's changed now.

**CHAIR** - You've got the time but not the resources. But what you're saying and as Sue was saying, the Victorian study is finding some of this information out now.

**Mr SCHULZE** - Yes, that's good.

**CHAIR** - If you'd like to round up your submission and then I'll ask each member of the committee if they have any further questions other than those they have posed, as the time is now 10 past 10.

**Mr SCHULZE** - I'm sorry. I'll conclude by saying what I said in the conclusion of my other report that, at the end of the day, it is a subjective judgment because we're not weighing up dollar against dollar but dollars against an increase in human suffering, that in the end the position we take will reflect our concern for others.

**CHAIR** - A profound statement. Any further questions?

**Mrs SUE SMITH** - Perhaps only one as I think we've asked as we've gone through. You said that further studies should happen. There is still money set aside in the community levy that hasn't been expended in the area of problem gambling, et cetera, and I might say that is not unique to Tasmania, that is happening, interestingly enough, in other States around Australia. Would you support that perhaps some of that money in the community levy in that area should be utilised for a continuing study so we can have up-to-date information consistently?

**Mr SCHULZE** - Absolutely, and it is extremely important that you get independent and impartial people involved in those things, not only necessarily and possibly outside Tasmania, but not too much from the industry itself because when you look at the gambling industry group, it's made up from pretty well all the people who have vested interests in the industry and not those who might have a vested interest in the community.

**CHAIR** - Are you suggesting an extension of people from the community and participating groups?

**Mr SCHULZE** - The gambling industry group here comprises representatives of Tattersalls, Federal Group, TOTE Tasmania, Australian Hotels Association and clubs in consultation with the Tasmanian Gambling Commission and the Department of Health and Human Services. If that is impartial, that is just vesting all the -

**CHAIR** - So you're suggesting perhaps local government, people from the community, TasCOSS and those sorts of folk.

**Mr SCHULZE** - Maybe you need to form another group that doesn't have any conflict of interest; the members on it shouldn't have any conflict of interest - and nearly all these do. Even the charity groups have, as I suggested earlier, a conflict of interest. Their main concern was, 'How much do we get out of the middle?' rather than, 'Let's stop it'.

**Mrs SUE SMITH** - I think it is called the gaming industry and, as such, that particular group one would expect to see weighted towards the industry, whereas you are talking about a community aspect that stands alongside rather than as part of.

**Mr SCHULZE** - I think so, yes, and would be funded and able to instigate studies that didn't involve people with a conflict of interest.

**Mrs SUE SMITH** - Do you see a conflict of interest if it was the Department of Health and Human Services that was in control of that process?

**Mr SCHULZE** - They are about the only group there that one would say had maybe not any; they would certainly be one that doesn't appear to be directly involved as all the others obviously do.

**Mrs SUE SMITH** - You don't see the governmental link to Treasury with that department -

**Mr SCHULZE** - Well I do, yes, particularly in a State like Tasmania - everything is linked.

**Mr SQUIBB** - Just to follow on slightly from what Peter was saying towards the finish, term of reference (3) is the role of membership of the Tasmanian Gaming Commission. I was just wondering whether you had any comment to make there, particularly in regard to conflict of interest.

**Mr SCHULZE** - I haven't looked at the make-up of that body enough; I am sure I would have if I did have.

*Laughter.*

**Mr SCHULZE** - I need a bit more time to look at that. I could have a look at it and come back again.

**Mr SQUIBB** - You probably recall that in the legislation there is provision made for a temporary appointment of a commissioner - that is still in place.

**Mr SCHULZE** - Oh, is it?

**CHAIR** - Thank you very much, Peter, for making your time available and coming the distance you have come. We do appreciate it. If you wish to advise us of anything further that comes up that you think we ought to know about, please contact us.

**Mr SCHULZE** - Thank you, Madam Chairman and committee. Thanks for your indulgence and I will have a look at that matter that Mr Squibb just brought up.

**CHAIR** - Yes, as you were around when the act was put in and all the information was given then, but if you would like to do a little bit of homework perhaps you can advise us.

**THE WITNESS WITHDREW.**