

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

Mr CLIFF SHERAR, WAS CALLED BY PHONE LINK, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mrs Silvia Smith) - Thank you very much for the submission that you have sent to us which we have all read. I guess that undoubtedly we will have some questions to ask you but first up I give you the opportunity to make comments to that submission. I will hand over to you, Cliff.

Mr SHERAR - Thank you. I really do not have a lot to add to that. I think I covered it fairly well in there. The point of the exercise, I guess, is simply this: it is not as simple as having problem gamblers. Just as you have people who have drink problems, there is usually a cause behind this. I think that is really what should be looked at in this instance.

CHAIR - Your comment at the beginning of your submission tells me that you are going to talk more about cause and effect. You also have some alternatives and some solutions and ways that we can address the problem of creating more problem gamblers. If you could perhaps take each section as you go - talk a little bit on the cause and effect comments that you have made and other members perhaps will have questions to ask. Take each section as it goes along. It might be easier.

Mr SHERAR - All right. You have a copy of what I wrote there.

In years gone by it was a simple matter. Poker machines did not cause anywhere near the problems that they do now by virtue of the fact that you could not win a lot of money on them. I think this is one of the most basic tenets of the discussion. If you go back 20 years, a big jackpot on a poker machine was \$500. These days it is not uncommon to find around the country linked poker machines with jackpots to the value of \$25 000 or \$30 000. You can go to the casino down at Wrest Point and win a car; a very nice little car. This all encourages people to chase the dream of the big win and put big money in the machines.

Years ago you would play a poker machine and it would have one play line and that was all you could play. Then they increased to three and then five and now you are up to 25 and more lines. That encourages people to bet more money. The payout average, as I have said, is spread over everything, including major jackpots. People chasing that major jackpot, the nature of the beast, gambling, being what it is, it is sucker-baited. It encourages people to play maximum lines, maximum credits, and this is where the problem is coming in, especially for younger people, because they think that is the normal thing to do and they go in there and they just get dragged on into it, whereas the old-timers like me, I get there and I will get on a 20-line poker machine and I will play 5

or 10 lines because I know that you have probably the same chance of winning playing 5 or 10 lines as you have in playing 25 or 30.

CHAIR - You mentioned the casino and other places with jackpots and incentives like cars to win. Do you really believe that those incentives are contributing to problem gambling, or would they only affect a certain group?

Mr SHERAR - To a degree. I think it is appealing to the people who are gullible enough to think that the more they put in the more chance they have of winning. Let me clarify this. I think the real problem with all of this is that - it is not very simple - firstly governments have put too much emphasis on collecting revenue from the machines. It is viewed as fair game. Secondly the machines are now of course electronic, they are not mechanical like they used to be, they are computer-controlled and you can program a computer chip to do anything you darned well want it to do. As a result you have a situation where you have a machine capable of accepting very large bets for a single play, and a very low chance of paying out on that. In other words, the machine is geared up to pull the maximum amount of money off the player in the shortest possible time.

Now two things happen here. There are three types of people I have observed over the years who play the poker machines. There are people who will go to a pub or a venue for dinner, and while they are waiting for a table they will walk in and stick \$5 or \$6 or \$10 in a poker machine and walk away from it, have their dinner and go home. There are people like myself who play for a bit of entertainment, and I spend probably \$40 or \$45 a week on the machines. That is all I can afford to spend on them, and that is it; I do not put any more in them. Then there are other people, the third type, who go there every night and sit there and feed \$200 or \$300 into the machines. Once or twice a fortnight they will walk out and they will say, 'I won \$500' or 'I won \$1 000'. They forget it has cost them a couple of thousand dollars to win it. So they are the people who are really suffering as a result of all this. The person who goes in for dinner is not. The person like myself suffers a little bit, but there is nowhere near the pain for somebody who plays them as a diversion, if you like, a bit of entertainment, as there is for the serious gambler. The problem is there is not enough play time on it, simply because in order to get payout average it includes the major jackpot, and the major jackpot can be \$10 000 or \$15 000.

CHAIR - Do you think if those sorts of jackpots were reduced or eliminated it would be a way of reducing the amount of problem gambling?

Mr SHERAR - Definitely. When you talk about reduction or elimination, I think the key to removing the problem gambler is not so much elimination or reduction - well, reduction possibly - but a spreading of the payouts over the whole payout cycle of the machine. In other words, if you were to get three of one symbol which now pays - okay, let us say it pays 10 credits - if getting three of that symbol instead of paying 10 credits paid 30 or 40 credits, and the lower pays were upped slightly, the jackpot was reduced drastically, so from \$1 000 down to \$500, or \$3 000 or \$4 000 down to \$500 or \$1 000, your major jackpot would not be as big. Your smaller payouts would be larger. The net effect would probably be, in my opinion, that people would be less inclined to put all that money in and chase the big jackpot, the big payout.

Mr SQUIBB - Would you think that would be the case also with the so-called problem gambler?

Mr SHERAR - To a degree. The problem gambler I guess is like a problem alcoholic. I like a glass of wine too and I know when to stop, I'm very lucky that way, but there's a lot of people who don't.

Mr SQUIBB - We are told by some people that it's not the winning of the money, though, in the case of the problem gambler; it's not the winning of the money that's the incentive. So changing the payout regime would not necessarily impact on them.

Mr SHERAR - A really hard-core gambler? No, I would tend to agree with that. A really hard-core gambler would not. He would keep doing exactly what he's been doing and it would not change a darned thing for him. However, the ones that it would slow down are the younger people, the first timers who are getting involved in it at an early age because I think they would realise very quickly because young people are a lot smarter than we were when we were kids, I think.

Mr SQUIBB - Cliff, in your case you indicated that you'd probably spend \$40 to \$50 a week -

Mr SHERAR - Yep.

Mr SQUIBB - on the gaming machines. Prior to gaming machines did you gamble at all? So it's been the introduction and the spread of the gaming machines that's provided the opportunity for you?

Mr SHERAR - I've been playing the things for 25 years, 30 years.

Mr SQUIBB - You've been on the mainland?

Mr SHERAR - Yes. And sure I have put a few bucks through them in my time but it's never been a problem; I've never borrowed money to play them, I've never stolen money to play them, I've never left the family short of money to play them. You've got to be responsible with these things. Unfortunately there's a lot of people out there that don't have that level of self control. They're the ones who get sucked in by the big jackpots. They just get dragged into it.

CHAIR - Right. I get the gist that you don't actually believe that is the sole cause of people getting in your words 'sucked into gambling'. Have you noted any other causes that promote the problem gambler result?

Mr SHERAR - Peer pressure to a degree I think. I've seen it happen over the years where people have been introduced to machines by friends and they end up having a problem. In that regard I suppose it is a little bit like drawing a parallel with people starting other people on cigarettes. It appears fashionable to do it so we'll go and do it and whoops, all of a sudden the person who's introduced has got a problem with it, a real problem which in some cases is markedly worse than the person who started them playing the machines in the first place.

The other factor that I've seen that quite commonly causes it is financial problems, believe it or not.

CHAIR - Financial stress, you're saying?

Mr SHERAR - Yes. People lose their job or they can't get a job and they've got \$20 floating so they think 'Ah, to hell with it, I'll put it in this machine and see if I can win some money'. And the worst possible thing that can happen to that guy is he has a win and that's it because once they get that first win they think, 'I'm going to do this tomorrow night too' and back they come. And they keep coming back.

CHAIR - You feel it's an opportunity to get them hooked?

Mr SHERAR - Yes, hooked and they're chasing the big jackpot and the big jackpot is responsible for quite a bit of the problems.

I've been to America twice. I've been to Nevada, I've been to Oregon. Now they have casinos in both States. In Nevada they don't have any State taxes at all, they rely 100 per cent on the income from gambling for the State revenue.

CHAIR - It must be good revenue then.

Mr SHERAR - It's very good revenue but they've got some good things in place too. For example, if you are a happy tourist and you go to Las Vegas, have a wild weekend on the pokies and you win \$1 million, they do not give you a cheque for \$1 million. They give you a cheque for one-twentieth of \$1 million. The rest is held in escrow, if you like, they call it over there, by the Federal Government. It is invested and you get one-twentieth of \$1 million for the next 20 years. You do not get the lot, you pay tax on it.

CHAIR - That is an actual practice that is going on now?

Mr SHERAR - Yes, it has been going on for years.

CHAIR - I think we need to check that one out.

Mr SHERAR - Yes, if you want to volunteer to go over and check it out I will be available.

CHAIR - You would be quite happy to do so?

Mr SQUIBB - We only intended doing it by phone actually.

Laughter.

Mr SHERAR - Not the same. In Oregon the American Indians have the licence for the casinos. That was part of their deal for the settlement for displacement in the early days. They do very nicely out of it too. The casinos are very well run. They are very clean. They are very high security. The thing is, I do not know that they have problems over there to date. They seem to have different sorts of problems.

CHAIR - Such as?

Mr SHERAR - If a problem gambler over there wins \$1 million he can only get one-twentieth of that per year.

CHAIR - That is the same in Oregon as Nevada then?

Mr SHERAR - I do not know about Oregon, I do not know about that.

CHAIR - All right, I though you were saying that it was Oregon.

Mr SHERAR - Yes, I am not real sure about Oregon. I would think it works the same because I think it is a Federal law.

Mr SQUIBB - Cliff, that arrangement would only apply to winnings over a certain amount, I would assume?

Mr SHERAR - Yes. When I was over there in 1995, the last time I was over there, I think it was amounts over \$1 900 or \$2 000. Anything under that they would give you a cashier's cheque or whatever.

Mr SQUIBB - That seems to be very low.

Mr SHERAR - Yes, I thought so too. I was not encouraged to play the pokies. I thought, 'Gee if I win the \$1 million I'm not going to get it. I could be dead before I get all that'.

CHAIR - It would be more a disincentive for a tourist then, wouldn't it?

Mr SHERAR - I do not know whether it would apply to tourists, not being American nationals. But, as you say, that would have to be checked out.

CHAIR - Yes. All right, perhaps we can move on to the next heading in your submission, 'Alternatives and solutions'. You were talking about steps that we, as a community, could take to combat the situation. Would you like to talk a little bit on that?

Mr SHERAR - Sure. I think the first thing that needs to be done - and I am probably going to make myself very unpopular by saying this and I do apologise - I think there needs to be a national approach to it, a national strategy, not just in one State.

CHAIR - We have heard that already so you are not going to make yourself unpopular.

Mr SHERAR - Okay. I think really there should be a royal commission on the whole thing. It would take that a little bit further.

Mr SQUIBB - A royal commission?

CHAIR - There has been a productivity commission report done by the national Parliament.

Mr SHERAR - No, I mean a Federal royal commission.

CHAIR - Right.

Mr SQUIBB - On the basis of?

Mr SHERAR - On the basis of understanding and looking at how the things are operated in various States. We are working towards uniform road rules. We have uniform gun laws. Many of the companies acts are uniform. Most of the companies acts are uniform, nationwide. I do not see any good reason why we cannot do the same with gaming machines. It would be logical. The moment that this is open for public scrutiny I think there is going to be a hell of a lot of shocks come out. For example, what I am going to say now is hearsay. The place I used to play at up on the mainland, the sportsmen's club that I used to belong to, I knew a guy down there fairly well; he was a poker machine mechanic. In New South Wales we were constantly told that the machines returned 80 per cent to the player. Nobody ever believed it. I said to this bloke one night, 'Is this true? Do they return 80 per cent to the player?' and he said, 'Yes, they do, after running costs and State taxes'. I said, what is that, the running cost and the State tax? He said, 'Well, I'm not sure what it is at the moment. We don't get told. I believe it's in the order of 40 per cent. You work it out yourself'. So, 80 per cent of 60 per cent and the club has to take their cut out of that. The days when they could get in there after closing hours with a screwdriver and tighten up a few reels are gone. Every time a machine is opened up - they are all linked, as they are, I believe, here - it is recorded somewhere by computer link. They cannot do anything and you cannot blame the venues. I do not know if they get a helluva lot out of it anyway.

The problem is that the Government, every government, looks at this as a source of revenue. That is fine up to a point. You get to a point where you have to say, 'Hang on, there has to be a bit of honesty coming out here'.

It goes back to issues like the three per cent fuel levy that went on and never came off; the Medicare levy to pay for the gun control that went on and never came off. It is the same deal. There needs to be very, very clearly displayed how much out of every \$100 or \$1 000 goes to the Government, how much goes to the operator of the venue, how much is set aside for maintenance and upkeep of these machines and how much, percentage wise, is going to be returned to the player. If you publicised that alone, it would put a lot of people off playing them.

CHAIR - Where are you suggesting that it should be publicised?

Mr SHERAR - In the venue.

CHAIR - In the venue itself.

Mr SHERAR - Look, the mechanisations are already there. You can walk into any venue in Tasmania or on the mainland or anywhere else and what have they got hanging up on the roof? They have a television with the Keno on it.

CHAIR - Yes, I would imagine.

Mr SHERAR - Yes. There is no reason at all why there could not be another television screen there, also linked, showing the percentages of the machines. It is all computerised. I do not know whether this is right, it is also hearsay, but I have been told

that all these machines are monitored constantly by computer link so that an operator can tell which machine is paying out, how many spins there have been between pools. They can tell you all sorts of things. All they need to do is just use the technology that is available and show what the payout average is at the venue or overall. If they did that, I think you would find that there would be a lot of people who would look at that and look at the numbers and say, 'Hang on a minute. I don't know whether I want to do this. I really don't know whether I want to do this'. So that is one thing that can be done.

Secondly, I really think that for the problem gamblers, if there is any help available at all, they could possibly look at this free gaming room idea with other activities there as well that were maybe a little bit more interesting.

CHAIR - Yes, I found that scenario that you mentioned in your submission quite an interesting one. I do not know whether that would help the problem gambler.

Mr SHERAR - Well, it would work on some. The percentage it would work on I have no idea. It is an idea only.

Mr SQUIBB - You have no idea of it being trialled anywhere? It is just one of your ideas?

Mr SHERAR - I actually have a poker machine on my computer, believe it or not. Quite often I sit down and bang away on it and lose millions of dollars. It is wonderful. I get nearly as much pleasure out of playing that as I do out of going down to the venue. That is me. Whether that would work on Joe Bloggs who has a really bad habit, I do not know. It could help. Especially if the same games that were in the venue were made available for use on a computer. It could possibly help. It is another idea.

I really think that the big thing that we have to do is: firstly, bring a little bit of honesty into it.

CHAIR - That is honesty in advising how much each machine is making and how much the gambler is reaping out of it.

Mr SHERAR - Yes.

Mr SQUIBB - In other words, be more transparent.

Mr SHERAR - Oh, definitely. Just after your inquiry was announced I saw Paul Lennon, Minister for Gaming, on TV and I think he said each machine was returning 93 per cent to the player. It can't be.

Mr SQUIBB - No.

Mr SHERAR - It can't be, I am sorry. It cannot possibly be. That leaves seven cents in the dollar. Now I am in business. At seven cents in the dollar that would not even pay the electricity bill. This is what I mean about transparency. Okay, is it 93 per cent after costs? Is it 93 per cent after costs and taxes? Is it 93 per cent after costs, taxes and licensing fees? Where does the 93 per cent kick in? This is the sort of behaviour we have to stop. As you say, we need to be more transparent about it. If it is 93 per cent after all that, then maybe we should be turning around and saying, 'Well, actually you get

back 42 per cent', and that 42 per cent would be okay if you did not have an enormous jackpot of thousands of dollars, because that 42 per cent would be spread over all pays on the machine. So the guy who goes in there to have dinner will put \$5 or \$10 in the machine and he will play for half an hour or an hour on it. The bloke like me that goes in there with \$40 or \$50 might play all night on that, and I do not mind walking out broke as long as I have a bit of fun. On the other hand, it is not going to discourage problem gambling, but it will slow them down. They will spend less money because if they are getting payouts they are not putting as much money in.

I know one particular young lady - no names - I know her by sight and I see her quite often at a few of the venues and she is a very attractive young woman in her early 20s. I have no idea where she gets her money from, but it is nothing to see her go down to a venue and feed \$300 or \$400 into a poker machine within half an hour, and you will see her down there the next night doing the same thing. You will see her somewhere else another night doing the same thing. You do not have to be an Einstein to work out that young people like that do not generally have jobs that pay them \$400 a night.

CHAIR - And the couple of suggestions that you made in your submission that, firstly, each machine should have an updated record of credits in and credits out displayed, and each machine should be clearly labelled showing details of winnable jackpots in dollars rather than credits -

Mr SHERAR - Yes.

CHAIR - do you think those sorts of measures would be of assistance in eliminating or easing the issue of problem gambling?

Mr SHERAR - I think so, and I will tell you why. In years gone by, with the old mechanical poker machines they had two little meters in them. They were like automotive odometers which record your mileage, and when the machine was opened, with some machines if you sort of got your head down and looked right up inside you could see them and you could actually read them and it showed how many coins went in and how many coins went out, and of course the clever blokes, the clever gamblers, would go in and poke their heads up, or tell the attendant they had a coin trapped in the machine and they would come and open it, and while they were standing there looking for the coin that did not really exist anyway they would be reading the meters, and they would say, 'Righto, this machine has had 1 000 or 2 000 coins put in and it has only paid out 100'. They would play that machine because they would figure it was due to pay out.

CHAIR - That would be a false belief, though, surely, in today's age of computerised machines.

Mr SHERAR - In this day and age it would be. You see, machines work in a different way now. They actually use what is called a random number generator. A random number generator is a program which generates random numbers, obviously. You take a string of numbers. The jackpot might be represented by five zeros of this computer program. Now that five zeros might occur once in every 10 000 trips, okay?

CHAIR - Yes.

Mr SHERAR - That major jackpot. So we'll call it five aces for lack of a better thing. That might come up once in every 10 000.

You go down to the other end of the scale and a pair of nines which pays two credits is represented by one zero and a one for example. That might come up 7 000 times in 10 000 pulls, okay?

CHAIR - Yes.

Mr SHERAR - But it doesn't dictate what order they come in. It's a random number generator and all it means is that for every 10 000 pulls that combination should come up once.

CHAIR - Right.

Mr SHERAR - Now the difficulty comes in that when you've got a machine with 20 pay lines quite often that five zero digit is going to pay out on one of the pay lines that is not being played.

The other thing that commonly happens is - and I see this all the time - you'll see people at the venue and they're playing 20 lines which is the maximum number of lines on a lot of machines and the moment they go off 20 lines, in comes the winning combination on those lines.

CHAIR - That could be just bad luck, couldn't it?

Mr SHERAR - Well, it could be. It could be fish could ride bicycles too.

CHAIR - I'd like to see that.

Mr SHERAR - I'd like to see the 20 numbers come in on the middle line.

I think the big thing is to number one make it transparent, number two reduce the size of the jackpots and spread the payouts over the entire range of winning combinations. Make the small ones bigger, make the big ones smaller. That's going to even it out. It's going to give them an even playing field. It will slow the problem gambler down.

The other thing was the credits in, credits out. Yes, I think that wouldn't be a bad idea. It would at least, again, give people another tool to see what that machine is doing.

CHAIR - You also suggested a noticeboard that displays the current odds on winning and on the overall average of machines at the venue. Do you think that would be a good idea to advise people?

Mr SHERAR - I think it would be.

CHAIR - Do you think they'd take much notice of it though?

Mr SHERAR - The problem gambler certainly would, yes. I wouldn't because that's not why I play them. But the problem gambler would. He'd probably walk in and look at the odds and say, 'No, blow this, the pub up the road is better. I'll go up there'.

The other thing is, as I said, they should be showing the winnable amounts in dollars rather than credits. The difficulty with this - and I understand why they don't do it - you can take a 2 cent poker machine and with a simple push of a button and changing a label on the front of the machine turn that into a 10 cent machine or a 5 cent machine or a dollar-a-pull machine, whatever you like. However, you see them down there all the time. People look at it and they've won 5 000 credits and they think 5 000 2 cent pieces, how much is that? They've got no idea. Very confusing.

CHAIR - So you reckon the dollars would give them a better idea of what they're winning.

Mr SHERAR - Oh, yes.

CHAIR - And what they're losing too possibly.

Mr SHERAR - Yes.

The other thing that should be on the machines is how many pulls there have been.

CHAIR - In today's world, how many presses of the button.

Mr SHERAR - Yes.

CHAIR - All right then. Have you anything you wish to say in conclusion?

Mr SHERAR - I'd just like to see, as I said, a really, really good shake-up of it because I think it's something not just in Tasmania but all round the country. I think it's been a problem for a lot of years and I'm very happy to see that somebody's at last taking a bit of notice of it. I'd like to see something done as a matter of urgency, from my perspective. It's something that's causing a lot of pain out there.

CHAIR - Other jurisdictions are looking at the issue as well so -

Mr SHERAR - That's good. It's very constructive. We really need to do something about it because it's causing a helluva lot of pain for some people, it really is.

CHAIR - I'll just ask each member of the committee if they have any questions.

Mrs SUE SMITH - I would just like to extend, Cliff, on the gaming control board as you called it, the Gaming Commission. Would you like to make some comments there in relation to what we have before us?

Mr SHERAR - I do not know a lot about the commission. I do not know a lot about how it works. I do not even know where they are based. This is I guess my point in the whole thing. It is not transparent.

CHAIR - You state that it should be made more public?

Mr SHERAR - Oh, yes, definitely.

CHAIR - If that was made more public you think and their role, that would be of some value?

Mr SHERAR - I think they should be made more public and I think they should be made more accountable too. I think that there should be a liaison, if you like, between this board and possibly representatives of people involved in it at different levels involved in the gaming industry, like the public and the venue operators. I have seen them cop a hell of a lot of flack from people that have gone in and lost their money and I know of one publican that cashed a cheque for a bloke and he lost his money in the poker machine so he turned around and cancelled his cheque. So I mean it becomes unfair on everybody.

CHAIR - Yes.

Mr SHERAR - You cannot do that but they do it. They really need to bring it out in the open. They need to simplify the design of a lot of these machines too because they are very complicated and people do not understand them. They just do not understand how they pay or how they work or anything else.

CHAIR - Perhaps if we have classes at the venues teaching people how to play them and how to win?

Mr SHERAR - Oh, God forbid.

CHAIR - Cliff, I would like to thank you very much on behalf of the committee for your input and we will take those points into consideration.

Mr SHERAR - My very great pleasure and I hope it has been of some assistance.

CHAIR - Thank you.

THE WITNESS WITHDREW.