

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

Mr TONY SCOTT, COORDINATOR RSL CLUBS, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Booth) - Welcome Tony. We have read your submission and if you would like to speak to it and make any points, the committee will then ask you questions.

I will just remind that this committee does have privilege you are able to say whatever you like here, provided that it is truthful and honest - otherwise it could be a contempt of parliament.

Mr SCOTT - Mr Chair, the first thing I would like to do is change the number of venues from 10 to nine - that is on page 3 of the submission. There are actually only nine not 10 venues, but there are still 158 machines in those nine venues.

Mr Chair, thank you for the opportunity to appear before you to carry on from our submission. Even though we are a small player in this issue, we would still like to have our comments heard on this.

We do not support the \$1 limit because we do not think that that will assist problem gamblers. We all agree - and you would have to have your head in the sand if you did not - that we have problem gamblers around the State and around the country, not just on poker machines but also various types of gambling.

First of all we believe that this committee is a starting point. Obviously you are going to hear from stakeholders and other interested people on this issue, but we believe the best way to start it off would be to get all stakeholders and everyone involved in this type of thing around a round table so we could hear what the issue was from their perspective. I would like to hear from a problem gambler, a family and all of those sorts of people, and be able to talk to them on how they think that we can help them and all of that.

Another point is that things always seem to be changing at a national level. I spoke to Mr Wilkie only a couple of weeks ago at his office here in Hobart and he informed me that the \$1 bet nationally was dead but there would be reform and it would be in the way of a smart card in his opinion. He also informed me that there would be a joint select committee at the national level before it was announced in parliament and he would chair that. So we have one State looking at a \$1 limit as a way of doing it and then we have the national parliament looking at another line. That does not mean that we should not be addressing the issue in our way in this State. We are independent and we should be looking at that, but I think the committee should first sit down around the table and listen to people's stories for a start and then agree as a whole. There must be some sort of adjustment to assist this problem gambling.

Another thing is we have welfare officers within the RSL. They are not trained in the area of problem gambling; they are trained in helping veterans with pension issues and areas that they could go to for assistance with power bills and all of those sorts of things. I would like to see Tasmania leading the way and running some accredited courses in problem gambling and have accredited counsellors out there at the coal face so that if, say, a wife or a husband comes into an RSL club and raises the fact that their spouse has a problem and they come to the club every day and blow all their money, we have someone there trained who can sit down with the family and work it out. Of course we are in a position within the RSL that we can ban these sorts of people from that sort of area but the thing is that is not going to help a problem gambler. He will go to a pub or go somewhere else and do it anyhow.

So I think there are ways that we can look at to assist this and to assist the stakeholders by running courses and listening to them.

The other point is that we rely heavily on our volunteers. We have 182 paid staff through our licensed clubs and subbranches, but also to assist in the operation of the place we have 352 volunteers who average about 10 hours a week each. If we to pay them, say, around \$20 an hour, that is just under \$3.25 million a year that we would have to fork out in wages if we had that sort of staff. So we do rely heavily on our volunteers.

Those nine venues do not solely rely on gaming money to survive. Five of those are on the north-west coast, and two of them have 1 400 members, so where the machines are there is a large membership. But part of our objective is to look after our veterans and the local community and so that money goes out in various ways helping and supporting groups, paying bursaries, and all that. Also, I would like to acknowledge to this committee the support that the State Government gives to the RSL through the Budget - and I thank all parties for that. That also assists in a wider range of things.

Mr BEST - It is a good submission and I thought it was interesting how you typified the culture at the RSL and that community spirit. In many respects your take on this whole issue is interesting. It is a bit different to a normal venue in some ways because of the very nature of the RSL.

I have a couple of questions. You do mention the maximum bet limit in relation to 39 per cent of hotel gambling turnover and 17 per cent of club revenue, and any reduction in revenue would have 'a catastrophic effect'. We also have information about the downgrading of the \$10 bet to \$5. I am not saying that is a bad measure - obviously it was probably a good measure going from \$10 to \$5 - but do you think that it has actually caused less gambling on poker machines?

Mr SCOTT - As I said before, no, I do not think it changed anything, which is what we believe would happen with the \$1 limit. The difference for us down here compared to the mainland is that we do not own the machines. This is a unique State in the sense that it is on the rental agreement and that is part of our concern. There will be changes, no doubt, somewhere along the line and the machines will have to be adjusted. But that sort of cost will be then passed down to the people who are renting the machines, and that is where we see money going. Network Gaming allows the venues to have the machines - and they vary from Glenorchy with 30 down to some that only have 12 machines. If we do not hold on to the machines and offer that entertainment value, we will see people

leaving the RSLs to go to the pubs and the clubs and of course now we are competing with the Federal Group and Woolworths with pubs.

I always use Glenorchy as an example, but they have picked up now. On one side they have a Federal Group Hotel and on the other side a Woolworths. Of course they can offer cheaper meals and all that sort of thing but we do not, but what these boards have agreed to is that they wanted to have these machines in there for the right of members to play if they wished to play them. One of the things that was brought up by one of the managers on the north west coast was that, because they are such a small, unique group, they know most of the people who come in there and play the machines and if they think some of them have a problem they physically talk to them because of the environment they are in. Of course, we have young ones - and we hope we get more young ones joining and mixing in the RSL - but the majority of our members who use the machines are probably over 50 years of age.

Mr BEST - Do you think then that the amount of time that people spend on pokies is more of an issue in some regard, and perhaps if you had a \$1 limit that that might encourage people to play longer?

Mr SCOTT - I think you have hit the nail on the head. They are still going to gamble in my opinion. They are not going to change. If we do not do anything about problem gamblers they are going to extend their time. Of course, if they go there to spend \$100, that \$100 is going to take longer to spend in some cases. Yes, they will stay longer and is that what we want? People staying longer in a venue while their children at home are being neglected?

CHAIR - Don't you think that is already a problem, the welfare of children?

Mr SCOTT - We have problem gamblers and that has to reflect on the kids. We see it quite often, not here, but on the mainland, where children are left out in cars while the parents are inside playing. I do not believe that we have that problem down here, but the thing with the children is that if problem gamblers are spending all their money at the club of course that will affect their children and the quality of family life. The thing is we need to address the problem gambler in a different way. I believe first of all in that round table and I keep coming back to it; sort it out there, listen to a few and then that group, headed by this committee or something, can then really sit down and say how we attack this - there must be ways - and train people, especially within the clubs and the pubs. Those two areas outside the casino have trained people there. They can then sit down with families because they are trained in specifically problem gambling.

CHAIR - You mentioned that the \$5 bet limit has not had an effect on your venue in that sense with problem gambling. Can you just explain that because I would not have thought you would have machines restricted to a \$5 limit at this stage because there is a three-year implementation period for that?

Mr SCOTT - Our machines change fairly consistently.

CHAIR - How many are restricted to \$5 at the moment?

Mr SCOTT - I would have to come back to you with an exact figure on that.

CHAIR - You are not aware?

Mr SCOTT - I am not aware overall but what we are finding in talking to the managers is that most of them do not gamble over \$5 anyhow. The thing is most of our machines are only \$2 in the clubs. There are a couple of 1-cent and 2-cents machines, but that is about all that is in the clubs. We have not got the \$1 machines, or if there is there is only one. Most of ours are around the 2-cent machine and for most of them you will find no-one plays over \$5 anyhow.

CHAIR - They never have?

Mr SCOTT - I am not a gambler but sometimes when you are in a hurry to leave and go out to lunch, tea or something like that you will blow the lot just to get rid of it.

Mr GUTWEIN - Tony, across the nine venues where you do have machines, what level of problem gambling are you aware of, if any, at the moment?

Mr SCOTT - We are not aware of any.

Mr GUTWEIN - Are there any self-exclusions across those clubs? How do they currently manage?

Mr SCOTT - I cannot give you the exact number but we have some exclusions in the gaming area. It has been a joint agreement by managers talking to them and all that sort of thing and they are aware of it. As I said before, with the north-west coast manager it is such a small group. You could go out to a lot of our RSLs now and you will only find three or four machines being played at a time during the week. The weekends may be a little bit bigger. They look at having \$140 per machine turnover, and ours are around \$70 so we are only half of that. That is why we are on the border of reviews all the time because of the brand of the name and what we do with our money. Network Gaming, thankfully, with the agreement of the board at that particular area, allows us to trim on the bottom end of that turnover.

Mr GUTWEIN - I think it is an interesting subset, if you like, that the clubs have here in that they have membership and probably more so than most public venues have an understanding of who is coming through the door and who is not. I would be really interested if you were able to provide to the committee any information in regard to the self-exclusions as I think that would be useful. Of the nine venues and the 158 machines, what percentage of the overall revenue of those clubs does gaming make up?

Mr SCOTT - I asked that question to one on the north-west coast that was fairly big - Ulverstone. The turnover was around \$5 million in 12 months. Out of that they receive \$150 000. Out of that \$150 000 they have to pay \$50 000 for rent of the machines, which takes it down to \$100 000. Out of that \$100 000, we looked on one wage across the board because of the training, which is \$45 000. You have to look at insurance because the insurance has to be covered by the venue and not the owners of the machines. So that blew up a couple of years ago when there problem with a machine. The venue did not realise they had to have insurance. We worked out that the net return on gaming machines there was around \$43 000. Some 90 per cent of that \$5 million went back to

the players. The Government gets 4 per cent and Network Gaming get the other 3 per cent.

Mr ROCKLIFF - Was that \$5 million going into the machines?

Mr SCOTT - Going in. If I go to a machine and I put \$20 in it and I play for an hour, in that hour I might have put through \$100, but I have only put through \$20 of my own money. The other money being recycled in wins goes back through.

CHAIR - But it all started off with your money, didn't it?

Mr SCOTT - It started off with only \$20. So in actual fact if I walked away after a couple of hours playing the machines and did not put any more money in, I have only spent the \$20. I may have lost but that is my prerogative to lose their money; you are not losing your money. The only part you are losing is your \$20; the rest of it is the venue's money that you are using to gamble with. So that is a thing that you need to look at. Every time you press that button, that is listed as turnover, but it is not all your money a lot of the time. It is the venue's money that you have won and you have decided to give it back to them. That is all it is really and that is the thing that needs to be looked at in the overall expenditure.

Mr GUTWEIN - The focus of this committee is to get an understanding as to what the economic impact might be of a shift to \$1 bet limits. I do not know if you are comfortable talking about the Ulverstone club, but do you know what the overall turnover of the club is from liquor and meals?

Mr SCOTT - No, I would have to come back to you, but out of the turnover there, \$10 000 of that goes towards the sub-branch to help in welfare and all of those things in the local community, with bursaries and all that. They did tell me that is part of the thing. If you wanted me to go back and ask them then it is only a matter of really having a look at their annual report because it all has to show up on their annual report.

Mr GUTWEIN - That is a reasonable point; perhaps we could get the annual report for the committee from Ulverstone. That would be useful.

Mr BEST - We have had different figures with different submissions and I am interested to find out how some of these figures are derived as to how it can be estimated who is losing what. I know figures are saying this is a percentage of whatever problem gamblers. There was some submission that indicated, of the cohort of problem gamblers, they estimated they might be losing up to \$20 000 or \$30 000 each, that sort of thing. Are you suggesting, then, that money may not be all of that individual's money, if those figures were correct and I do not know if they are?

Mr SCOTT - Brenton, I could not say. There are some problem gamblers who do put in more after that \$20 and they play for an hour or so, and they use their money. A problem gambler would probably go to another machine with more money.

Mr BEST - What is the win/loss ratio roughly?

Mr SCOTT - Well 90 per cent goes back out of that revenue to the player.

CHAIR - In other words, you lose 10 to 15 per cent?

Mr SCOTT - It is between 87 per cent to 91 per cent.

Mr BEST - So you can go in with \$20 and theoretically lose \$180, even though you have only lost \$20 out of your wallet?

Mr SCOTT - Yes, true, if you want to play on. But you could go to a machine and walk away with, say, \$500, so all of that period of percentage wins have been over that period. I come onto the machine next, not knowing that and I play and I could just blow my \$20 because the percentage is not just on each player; it is over a period of time. You can either be lucky or unlucky in that particular instance. A lot of times people who put in \$5 or \$10 and they are playing tend to think it's their day, but again they walk away only losing that amount. I take the wife down once a month, give her \$30 and that's it.

CHAIR - You are aware of course that the loss rates that they talk about are not turnover, it's losses. There was more than \$224 million lost last year, or thereabouts, across the State.

Mr BEST - That's what I am trying to get to the bottom of. Is that actually lost?

CHAIR - Yes.

Mr SCOTT - I don't know where the figures are coming from. If \$5 million was the turnover, 90 per cent went back to them. As I said, we got \$150 000, the Government got 4 per cent, Network Gaming gets \$150 000, but then out of our money we have to pay rent for the machines on top of that.

CHAIR - Can I just clarify that? You're saying that the total net value to the Ulverstone club at a turnover of \$5 million on poker machines - that is, poker machine turnover of \$5 million - is net \$43 000 and that's all you get out of it?

Mr SCOTT - When you take away all the other expenses, yes. We're not in it for the money; we're in it to supply entertainment for the members who wish to gamble.

CHAIR - So it's not the money then.

Mr SCOTT - No, it's the entertainment. We need to have it there for the members.

Mr ROCKLIFF - And the members would then come in for consumables - grog and food - that's the idea of it.

Mr SCOTT - That's right. The other thing is that \$43 000-odd is going back to members in other ways and going to the community. So they are probably getting it back in another area anyway.

Mr ROCKLIFF - Just a point of clarification, to be able to play on the pokies at an RSL club you have to become a member, don't you?

Mr SCOTT - A member or be signed in.

Mr ROCKLIFF - I quite like your idea of extending the welfare officer scope to accredited -

Mr SCOTT - Problem-gambling accredited.

Mr ROCKLIFF - Yes. Have you explored this before in terms of accessing courses? Do you know if there is course in existence that you can do that would be cheap to the RSL clubs?

Mr SCOTT - I am sitting down with a learning group on Friday, mainly to upgrade the training of our managers in other areas. It was my intention to see if they have any courses. Some of these courses are federally funded. The RSL can get about 90 per cent Federal funding and the club pays 10 per cent for people who attend these courses. I am going to ask them if they have anything, but I think it is a good lead by the Tasmanian State Government to go into this. I know Clubs Australia are along this line on a national basis but why shouldn't Tasmania lead the way in getting people accredited as counsellors in this area? That would come from talking to welfare groups after something like this, if they see benefit in that. I think we need to keep coming back to it, the round table, to discuss all these sorts of things.

CHAIR - But don't you think that harm minimisation would be the first step rather than counselling, to remove the source of their losses rather than counselling them about it?

Mr SCOTT - If you have trained people, I am only talking about the RSL now, we can run different meetings within the RSL with the members and this counsellor could get up and talk about these issues so that we could have that person driven to promote the problems with gambling. On top of that, when that person fell into that category we would have someone there who could sit down with the family and talk about it but also, within the RSL at least, that person would be in the meetings too - Friday nights when the president talks and things such as that. There could be the times for these people to express those sorts of things - in our newsletters and so on.

CHAIR - So in a net of \$43 000, who would pay for these counsellors and what would happen to your turnover as a result? You'd end up with nothing, wouldn't you?

Mr SCOTT - If we can these courses done by the Federal Government, they would subsidise a bit of it and the rest would be out of our money.

CHAIR - How much would you expect to pay out of that \$43 000?

Mr SCOTT - For a person to do any sort of course under these government- qualified ones, generally the Government meets 90 per cent and you pay 10 per cent of whatever the cost is of the course. It would depend on the contents of the course.

CHAIR - Would you expect that that would have any effect on your net proceeds from the losses of gambling?

Mr SCOTT - We are prepared to use money. If we have to go out and be seen to be there looking after these problem gamblers, the money will come out of that to pay for it.

CHAIR - Out of the \$43 000?

Mr SCOTT - Yes, and as I have said, of that \$43 000, \$10 000 went to welfare from the Ulverstone club last year.

CHAIR - Less than 25 per cent of the RSL clubs have pokies. How do the 75 per cent-plus of clubs survive without pokies?

Mr SCOTT - Some have keno and in some places that has proved to be quite a substantial profit-making area. Others have TABs. So there are other areas. Plus the ladies auxiliaries right around the State do a tremendous job and they present money each year. The George Town ladies raised \$10 000 for the George Town RSL for welfare last year. So we rely heavily and if money dropped, we would have to look at other areas to raise money. Of course, as I said before, we are fortunate enough to have the support of the Government.

CHAIR - So 75 per cent of your clubs do fine without pokies. The only difference really is that some venues have pokies, some don't.

Mr SCOTT - Yes, but Exeter is probably closing. You have probably read a lot about that. In the past we have had Latrobe. The club side of it closed. Many years ago I was the first to close Kingston when they were \$1 million in debt.

CHAIR - Are they finding it difficult to be viable because of the age demographic that you have in the RSL clubs?

Mr SCOTT - I think that at the moment too and we cannot not say that. Probably 60 per cent of our members are World War II, but the thing is now we have a lot of peace keepers and peace makers. We are only the custodians at the moment and hopefully the next generation of those serving in the defence forces now would take over in the next five to 10 years. We have been going for 94 years now in Tasmania so I see it going for a long time.

CHAIR - Have you done an analysis on the effect? How many years have the RSL clubs been going for?

Mr SCOTT -Ninety-four. It started up in 1916.

CHAIR - How long have you had pokies?

Mr SCOTT - We have had poker machines since the Government allowed them to come out into the pubs and clubs.

CHAIR - Right. So for the majority of the time the RSLs have been around they have survived fine without pokies?

Mr SCOTT - Yes, but in the earlier days after World War I and World War II you can imagine the number of service personnel then. The RSL was huge then. At the moment nationally there are just under 200 000, but when we look at the veteran side of it, we are probably looking at about 6 000 down here on the veteran side. The rest are social who

support the RSL in the way of joining the club and some of their membership money is allowed to maintain the objects of the league around the State in looking after the welfare of war widows, veterans, the serving people of today and the local community.

CHAIR - Have you done an analysis of the future of the clubs in terms of their viability that would justify retention of pokies, for example?

Mr SCOTT - No, I think, Mr Chairman, we hope that all of them will survive, but some of the smaller country ones, the Railtons and so on, have had their ups and downs, but volunteers have come in and run the bar. Being realistic, within another 10 years I would see Devonport, being a major one, probably taking under their wing Latrobe and Railton.

We have to be realistic. I would say that the 51 sub-branches around the place now probably in 20 years' time would be around 30. The bigger ones would take over the smaller ones in that regard. They are very strong on the north-west coast and in the north. In the south there are so many other areas of entertainment that they can go to.

CHAIR - With that \$43 000 net, is Ulverstone a bigger club or a smaller club in terms of the poker venues? Where does Ulverstone sit in the Richter scale of losses?

Mr SCOTT - Of poker machines?

CHAIR - Yes, it is one of the nine out of 41 venues that have pokies.

Mr SCOTT - Yes. Ulverstone has 20; Burnie, 18; Devonport, 20; Sheffield, 15; Wynyard, 16; St Helens, 15. Glenorchy is the only one that has the maximum of 30. George Town has 12 and Dover has 12.

CHAIR - What's the highest net you get out of any of the venues that comes from pokies?

Mr SCOTT - I would have to go back and look. When I was walking around and talking to people, when I spoke to the Sheffield people they said they would probably be about two-thirds of what Ulverstone was, but if you want direct figures I can get them. They have to report in all the time so the figures are there, on a daily basis et cetera.

CHAIR - Is there anything else you'd like to add, Tony?

Mr SCOTT - I hope that the committee would look at having an advisory group to the Government, a round table of everybody, and through some of the welfare agencies we could find some problem gamblers. I reckon a lot of people out there wouldn't know how to identify a problem gambler. The other thing you might want to look at - and I know it's not in all clubs, but we have it in a couple - where people can get their change out of a machine, you might want to get rid of that option and then the customers has to go to the bar to cash in or ask for money. In one particular venue I could go to the bar and get \$20 but for the rest of the time I could put my money into the machine and get the coins out so that doesn't allow the staff at that venue to gauge how much I have lost. That may be an area that you could look at. Our RSLs are family clubs and the staff working there pretty well know the majority of the customers. I could go to the bar and say, "Tony, you've gone through a bit today, mate. Why don't you slow down?" I think we need more training but where do we get it? Is there anyone out there to do it?

CHAIR - Training to identify problems gamblers?

Mr SCOTT - Yes, to identify them and how to deal with them. Everyone who serves behind a bar has to do a course on drinking, so why haven't we come up with something to have training to identify problem gamblers? We are covering one part with problem drinkers. We have trained people to say, 'You can't have any more drink', why don't we have courses being run to assist the industry and the staff to identify problem gamblers? I think that's another way of going about it.

Internet gaming I think should be addressed at the same time. It doesn't seem to be getting a mention. You can go and play on the Internet at home. You do not even have to be 18 because there is no proof; you can play with plastic money so you have a bigger chance of blowing more money that way because you have not physically got the cash to use. That should be addressed at the same time as this.

CHAIR - What do you think about the general principle of harm minimisation to your members? Are you happy to see people lose, in some cases, their house, lives or businesses as a result of gambling problems?

Mr SCOTT - No.

CHAIR - So you would like to see something done about it?

Mr SCOTT - Of course, and we believe the way is not through the dollar limit but to find out around a table to deal with it.

CHAIR - Why are you afraid of a dollar limit if it actually led to fewer losses?

Mr SCOTT - I do not believe a problem gambler is going to change from losing all his money if he is just limited to that. He is just going to stay there longer and he is just going to gamble the money anyhow.

CHAIR - What do you think about the principle, in terms of a fair exchange, that you go in there and use the machine but there would be a rate, say, \$120 an hour, as being a reasonable maximum loss rate?

Mr SCOTT - We support this smart card idea but that needs to be discussed again.

CHAIR - The pre-commitment card.

Mr SCOTT - Yes, the pre-commitment that has a limit on it.

CHAIR - The question I am really interested in is, as a general principle, would you accept a measure that maximised the losses to problem gamblers at, say, \$120 an hour as a measure to protect problem gamblers but still enable them to play machines, rather than removal of machines entirely or whatever?

Mr SCOTT - It depends on how bad a problem gambler is. To say to a problem gambler that you can still go and lose \$120 an hour, he can still stay there all day and blow all his

money. Some problem gamblers may get to a stage where you say, 'Sorry, you can't gamble at all'.

CHAIR - So you would see complete banning, but the general population develop problem gambling over a period of time. It has been put to us that a maximum \$120 per hour loss rate is a bit more reasonable than access to losing, say, \$1 200. I mean, you can lose \$1 200 an hour at the moment.

Mr SCOTT - If it is a way of curbing it then we fully support it. If it is something like that, yes, but again it needs to be discussed because to put those machines in is going to cost money, but then does everyone have to have the card to play? If you are going to have someone who has a limit on a card then every machine would only be able to be played by using a card, otherwise you could go and play one machine and then go over and pull out money and play another machine.

CHAIR - We are talking about the actual machines themselves being set with volatility rates, spin rates and bet limits to moderate the take rate on the machine back to \$120. Would you support that?

Mr SCOTT - I have no problems with that if that was to help the problem gambler. I have never smoked, for example, but we are getting to a society now where you are being told how to live. I worry about our World War II fellows. Part of their ration was smoking and they have been smoking for 60 or 70-odd years. Soon the only place they will be able to smoke is at home, so you are going to leave the older brigade in their home because they are not going to give up smoking at 80 or 90 years of age. You are now with gaming telling the people who have the money how they will punt. We just have to watch how far down the line are we going as a society in dictating to the people. We are taking away their own responsibilities.

CHAIR - A lot of war widows have lost their homes as a result of gambling so I suppose part of your charter would be to look after returned soldiers.

Mr SCOTT - We do look after the war widows but let us have some courses run so that we have trained people to handle this.

CHAIR - Thank you.

Mr SCOTT - Thank you for the opportunity.

THE WITNESS WITHDREW.

Ms JO FLANAGAN AND Ms MARGIE LAW OF ANGLICARE WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you for coming along and giving evidence. I remind you that this committee has the full powers of parliament and you have privilege, so you are entitled to speak your minds without fear of any prosecution or any other matter being brought to bear on your evidence before the committee. Also you have to give honest evidence to the committee otherwise it is a contempt of parliament and sanctions apply. So please speak freely.

Ms FLANAGAN - I am going to begin by talking about Anglicare services. We wanted to begin by commending Mr Booth in bringing forward the bill, and the House in forming the committee to examine these issues. We see these as critically important problems that underline a lot of other problems that we are seeing through our services.

We are the largest community service organisation in Tasmania. We have offices in Hobart, Glenorchy, Launceston, St Helens, Devonport and Burnie and we do a range of outreach programs in rural and remote areas. Our counselling and family support programs run Break Even services in conjunction with Relationships Australia and these are funded by the Department of Health and Human Services through the community support levy. These provide personal and financial counselling to people with gambling problems and their families. The work might be with individuals or it might be with their families, and we are currently doing some group work. At the moment we are running a group in Glenorchy for people with special needs - people with intellectual and cognitive disabilities and mental health problems - who also have gambling problems and we have found this to be quite an effective way of assisting them. We also do outreach to prisoners who have identified that they have gambling problems and we assist clients to set up self-exclusions.

We also run a broad range of other services. They include emergency relief provision - vouchers of money or assistance with bills or electricity bills or food - plus crisis services, counselling and family support, accommodation support, employment services, mental health services, acquired injury, disability, aged care services, and alcohol and other drugs. I mention that because our workers report that gambling problems can be a hidden issue underlying other problems but that it takes a long period working with a client before they will reveal this. They say that people find it easier to tell workers about homelessness, about drug addiction or even about the shame of not having enough food to feed your family than to tell about problems with gambling. So we wanted to make the point that problem gambling has deep economic consequences for families and for the communities and that it is also a deeply hidden shame in the community.

The range of our services enables us to build up relationships with people around this range of issues and it makes talking to a Break Even counsellor that bit easier because we are just introducing them to another Anglicare worker. I am not suggesting at all that we are reaching the bulk of people with problems in this area.

In addition to this service work we do research and policy work, and advocacy work, on the needs and concerns of low-income Tasmanians. Over the past 12 years we have produced a body of work in the area of problem gambling. We have done many representations to Parliament and submissions calling for greater regulation of gambling

in this State. I have brought the latest two pieces of work that I thought would be of interest to you. This one is about problem gambling and low-income Tasmanians and it demonstrates that losses do not have to be large to have a very significant impact on families and communities.

CHAIR - Would you like to table those?

Ms FLANAGAN - They are *House of Cards: Problem Gambling and Low Income Earners in Tasmania* and *Nothing Left to Lose*, which is a review of all the cases before the Supreme Court in the last six years where there were links to problem gambling with a range of recommendations in that area. Both are by Margie Law.

Our counsellors and our research confirm that the main reasons for gambling are social isolation, low confidence and self-esteem and problems with capacity in some way. So it is always worth remembering the pokie venues are physically accessible to people with mobility problems, they are centrally located and they are everywhere. So many of our clients have great problems getting access to transport but the pokies are accessible.

As a form of recreation, playing the pokies seems financially accessible, especially when people are supplied with free drinks. Pokie venues are attractive and they feel safe for people who are physically vulnerable -

Mr GUTWEIN - Jo, can I ask you a question there?

Ms FLANAGAN - Sure.

Mr GUTWEIN - What impact would the removal of pokie venues from of the lower socioeconomic suburbs have? I will use an example up north where I have often been concerned about the prevalence of machines through Rocherlea and certainly Ravenswood. What impact would that have, do you think, on the incidence of problem gambling that is affecting the clientele?

Ms FLANAGAN - We have to be careful here, because we are not advocating a prohibitionist position and I think it would be dangerous for a church-based agency to come forward with a view like that. But I guess I would make the observation that the socioeconomic impact study suggested that there were not enormous economic advantages for communities in these venues; that they are, in fact, an economic transfer from other forms of entertainment. I am not convinced that they provide a lot of employment in those disadvantaged areas and one of the things that we heard consistently and is reported on in the 'House of Cards' report, are communities claiming that they do not have anywhere to meet that are not pokie venues. So the difference it might make to a community to have a third place to go, which is a term the counsellors use, which is pokie-free, where they can participate socially and engage in community activities, might be incredibly beneficial.

Mr BEST - On that issue that you raised about accessibility - you are suggesting that in some ways it is probably easier to access a venue than is it to perhaps access services. Is that what you are saying, or are you not really saying that?

Ms FLANAGAN - No, I am saying that pokie venues are physically accessible for wheelchairs often because they are well designed, they are nice and flat, you can reach of poker machine very easily and you are doing what everybody else is doing - you are not feeling different. You can feel as if you are socially participating but you do not have to talk to somebody. So for people who have, say, mental health problems that are social disabilities, it is a way of being out and about but you are not actually communicating.

Mr BEST - Right.

CHAIR - So basically it is the accessibility, the fact that there is a pokie venue somewhere near your house that makes them such honey pots, if you like, as opposed to going to the theatre, where you have to get on a bus or find a park for your car and that sort of thing?

Ms FLANAGAN - Yes, it is physically accessible and once you get there you can get in quite easily.

CHAIR - You spoke about the social isolation of some people and the fact that they are attracted to the pokie venues because they can play without talking to people. Is there an effect on those people? Without putting words in your mouth, I wonder whether in fact they exacerbate those problems or whether they can put somebody on a pathway to that particular pattern of behaviour by going into those venues. Do some people become socially isolated as a result?

Ms FLANAGAN - I am not sure about venues but certainly the machines -

CHAIR - Sorry, the machines, yes.

Ms FLANAGAN - It is often described as a hypnotic state and so clients talk all the time about zoning out or being in a zone. It is a way of forgetting financial problems or relationship problems because it is like a form of hypnosis and so sometimes, even when they know they are losing and that the outcome will be losses, it is worth it just to have that relief of being away from your problems. The machines are designed to do that and the music is also designed to induce that state in people.

Ms LAW - Certainly for some people it is their choice of social activity because they do not have to talk to other people and they think it is social. For other people, they used to do social activities where they would talk but the more they played the pokies the less they have done these other things. I know of a case in the 'House of Cards' report where a man used to be involved in his community, played tennis and everything, but as his problem gambling became more acute he stopped playing tennis because he was ashamed. He didn't want to talk to people about why he was divorced and renting a house, so he left his social networks behind and just focused on the pokie venue because there he didn't have to explain why he was there. That is just one case but it wasn't an isolated incident.

Ms FLANAGAN - Before we move on, there are only two of us here today but we are speaking for all of Anglicare's workers. They sit and listen to these stories and the despair and shame that it causes in families and the terrible hardship associated. They want their Parliament to act and have asked repeatedly for action on this issue. We know that we're not alone. I was interested to see you in the committee, Mr Best, because I

was at the Tasmanian Association of Community Houses Conference dinner earlier in the week and I sat with the table from Devonport and a lot of the conversation was around the harm they saw pokies causing in their community and interest in the potential progress of this bill.

Mr ROCKLIFF - You mention on page 2 of your submission that in many respects Tasmania leads the way on harm minimisation measures. Some harm minimisation measures do better than others. Can you explain to the committee in term of the others, apart from the \$1 bet limit, where are we leading and where are we falling behind and what can we do better?

Ms LAW - I would say leading in a draw, so we are equal with the others at the moment with the \$5 bet limit, although not all of our poker machines have the \$5 bet limit installed yet. We are leading in the policy form with the others, with the \$5 limit. We are leading in terms of 30 lines per button push, but again not all of the machines have the 30 lines yet. Other States will have 50 lines where we are only allowing 30 lines, so it allows less money to be lost. That is a harm minimisation measure.

We have already fallen behind South Australia in that they have just started to roll out pre-commitment cards. I received the media release on Friday. They did a trial, were happy with it so they have started it. They were brave, did the trial and decided that it is an effective tool and have rolled it out in some of their venues already.

Mr ROCKLIFF - Some of your case studies that you have tabled, could you see that that pre-commitment card would have benefited some of those people?

Ms LAW - Yes, definitely.

Mr ROCKLIFF - Could you give an example?

Ms LAW - A lot of the people that I interviewed went into the venue in order to spend time, not really to spend money. They were there to escape the family, work and thinking that they're different in the community. Out in the community they look different because of a health issue, or they feel differently or because they are not confident, whereas in the pokie venue it doesn't matter whether you are confident or not. You have something you can do equally with other people. If there was a pre-commitment card for these people, they could still spend time in the place but they could pace themselves a bit. They would know when their money was going to run out on their pre-commitment card because they could say, 'I am willing to lose \$100 today' and they could pace themselves.

Mr BACON - Would you see that as more effective than the \$1 bet limit?

Ms LAW - I would see it as equally effective. The thing with the \$1 bet limit and with the pre-commitment card is that neither of them will stop people from gambling. There is no civil liberty issue here. The venues will keep telling you it is a civil liberty issue and that we're becoming a police state; this is not a civil liberty issue because people can still go into those venues and gamble. They are not being stopped from gambling, just like speeding rules don't stop people from driving; it just puts a limit on how fast you can drive and this is putting a limit on how much you can spend on each button push. It doesn't mean that you can't still gamble; you can still gamble. If people want to gamble

huge amounts of money they can go to the casino and put it on a table; if they want to gamble \$1 000 per three seconds.

Mr BEST - But you are saying that is different really, aren't you, that going to the casino probably to play roulette or something like that would be very different in some ways to that isolation thing of playing a machine?

Ms LAW - Yes.

Mr BEST - You are saying that there is a cultural difference.

Mr LAW - There is a cultural difference there, but people can still go to the machine, whether there is a pre-commitment card or a \$1 bet limit. It is interesting; from the \$10 to \$5 bet limit where were the venues? None of them came out and said, 'Oh my gosh, it is going to ruin us!'. But all of a sudden from \$5 to \$1 the venues were saying, 'It is going to ruin us'. I would like to know why didn't the \$5 bet limit ruin them. That was halving the bet limit. Why didn't it ruin them? It would be a good question to ask the venues when they come in.

Mr BEST - Obviously there is a fair bit of signage that is about. I am not sure what your views are about how that might be improved, but it would be interesting if something came up on the machine screen itself every so often to let people know about assistance.

Ms LAW - That has been suggested in the past.

Mr BEST - What is your view about that sort of thing?

Ms LAW - The existing signage is atrocious. Have you got good eyesight? You do not need glasses to read?

Mr BEST - I am on the way.

Ms LAW - I would imagine the existing signage is 7.5 or 8-point font on a large board with dense text in a dark corner of every venue. If you stand there and read it, you will get a headache and it is usually behind plastic perspex so that it is not even flat. It is not even high quality. It is blurry and no-one is going to stand there and read that. That is the Gaming Commission rules. They have some good information there. Then you get little stickers here and there that say if you have a problem, call the counsellor. But there is nothing on the machine that really tells people to take a break. 'Did you know you are losing money?' Everybody loses money. The machine is designed for you to lose money. It is not designed for you to win money.

Mr BEST - A bit like your cigarette packet, I guess.

Ms LAW - The only problem with the signage is that as with cigarette packets, people become immune to it so it cannot be the only thing and they need to change the message regularly.

Mr BEST - Right. The idea of breaks would be a good one, wouldn't it?

Ms LAW - You can program those machines so that they stop after a certain amount of time. Jeremy, you were asking what were the other things. You could have the venues close for longer than four hours a day and that four hours not being in the middle of the night. Why are venues open at 7 a.m. for people to gamble? Who is it that needs to gamble? It is the people who drop their kids off at school at 8 a.m.; the mothers and the fathers on their way to work and they gamble before they even get to work. It is a legal occupation but if they were doing the same thing with drinking, you would be wondering whether they had a drinking problem. I would also say that people who are gambling after having dropped their kids at school might need to look at whether they might have a gambling problem. Why are the venues open at that time? They are open at that time for people with a problem, not for people who are doing recreation. People do not gamble at a hotel in a suburb at 8 a.m. socially with their friends.

CHAIR - Margie, you are aware, obviously, there is a bill going through the House to introduce a \$1 bet limit. Our terms of reference here are looking at potential effects upon venues. There has been an argument put that the cost would be crippling to the community if we introduced a \$1 bet limit. From your point of view in terms of the net value, if you like, of introducing some harm minimisation such as a \$1 bet limit, presumably you would have to limit it also to something like a maximum of \$120 an hour losses. What effect do you think that would have in terms of the overall cost of gambling? Would your work reduce, for example? Would the agency work reduce if people can only lose \$120 an hour? Would you like to give us a commentary on that because a direct loss to the pub may be offset by a saving to agencies, for example, and benefits to the community.

Ms LAW - The \$1 bet limit, as I said at the start, is not going to stop people from gambling. It is also not going to stop problem gambling. The idea of \$1 bet limit and the \$120 loss per hour is to reduce the harm to people who gamble. As my report said in the *House of Cards*, there are people who consider themselves to have a problem with gambling who only lose \$15 or \$20 a week, but that is because it is \$15 or \$20 a week they cannot afford to lose from their pension so we are not necessarily talking about losing large amounts of money, it can also be very small amounts of money. If the \$1 bet limit came in, it is only going to be effective if income to venues and income to the State goes down because about 40 per cent of that income comes from people with a problem, but it is not going to be the same amount as 40 per cent because not every person with a problem is going to stop gambling. People with a problem with their gambling are still going to gamble, they are still going to lose money, they are still going to be gambling more often than a recreational gambler and so there will still be some of that 40 per cent of the losses from problem gamblers going into the venue and going into the State.

What will happen if it is effective is that there will be some reduction of income to both of them. If there is a reduction in income to both the venues and to the State, we could expect that that means that people with a problem are suffering less harm and therefore we could expect fewer people needing help from Anglicare and from other service providers.

Mr BACON - Do you have a feeling about how much would be lost from recreational gamblers?

Ms LAW - Studies at the moment show that recreational gamblers tend to spend less than \$1, more so than problem gamblers do. So from that it is saying that a recreational gambler is not likely to be that much impacted by the \$1 bet limit because the majority of them are already spending less than \$1.

Mr GUTWEIN - Margie, do you think there would be any migration by problem gamblers to other forms of gambling?

Ms LAW - There will be a migration to other forms of gambling and there will be a migration to eating food, heating their houses and doing a whole lot of other things. The social and economic impact study that was commissioned by the Government talks about it being a transfer of economics within a local community.

Mr GUTWEIN - I am just trying to understand a problem gambler. When somebody is so caught up in it is part of their rationale for doing it and throwing more money at it to try to win back some of what they have lost?

Ms LAW - Everybody is different. In the *House of Cards* one thing that I did find is that a lot of people are there to spend time and not money. They are there to escape their problems. They are not there to spend lots of money. The problem is, though, at the moment in order for them to spend a lot of time there, they have to spend a lot of money because they keep pushing the button and the machine keeps eating their money because it is designed to take 10 per cent or 15 per cent of their money every time and so they have to spend a lot of money. If they could only lose a smaller amount of money per hour at \$120 per hour, which is still a lot of money -

Mr GUTWEIN - It is.

Ms LAW - when they live on a pension there is no way they are going to afford that - if they can lose less money per hour then they will still spend that time there that they want to spend away from their family but they will suffer less harm.

CHAIR - Could I just clarify that? You are saying that effectively getting in the zone is more about spending time than spending money or earning money or whatever?

Ms LAW - Yes, and in fact people with a problem sometimes get annoyed when they 'win' money because you cannot tell whether they win money or lose money until you know how much they have actually put into the machine, but when the machine stops because they are winning money there are studies to show that they get annoyed because it has destroyed their zone.

CHAIR - Yes, I have seen that. Do you think then that if there were a \$1 bet limit or \$120-an-hour maximum losses problem gamblers would stay longer? They would get in the zone and they would stay there for four hours or two hours and they would go home basically because you have indicated that it is to do with being there rather than the money they lose.

Ms LAW - I think it is about time, not money, for problem gamblers. When I said that it is individual, there would be some people who do want to win that jackpot but they still have their family and their work and other commitments that they have to go to. What

this bill is trying to do is reduce the harm to them. The maximum amount of time that they can spend at the moment is 20 hours at a gambling venue because they have to close down for four hours. At the moment, if they spent all of their 20 hours at the gambling venue and only spent four hours asleep they can lose five times the amount of money than if the dollar bet limit came in. That is an extreme but it gives you an idea that they still have a limited amount of time that they can spend.

CHAIR - So do you think that generally speaking problem gamblers would welcome this measure? How would this be accepted by people who are victims of it?

Ms LAW - The people I interviewed in the *House of Cards* report were all going through counselling - they all admitted that they had a gambling problem. That is quite different from people who do not admit that they have a gambling problem and/or who are at risk and do not realise they are at risk. The people who can admit that they have a gambling problem want less accessibility to poker machines, they want to lose less money on poker machines, they try to avoid the poker machines, they take out self-exclusions and they keep failing with it because they are lonely, they are bored, and they want to interact socially so they keep coming back to the poker machines. So, yes, I did not ask them the question about a \$1 bet limit because it was not on the table back then but a lot of them said, 'Get rid of the poker machines, close the venues, give me something else to do, all of these other things - please help.' They were all crying out for help.

Mr BEST - I am interested in your opening comment that this is something that is difficult to discuss for problem gamblers. Why is it easier to discuss the lack of food on the table or the lack of income, but it is not easy to discuss having lost all this money on gambling.

Ms FLANAGAN - I think it is because of the way governments have tackled the issue. We have long had an approach to dealing with a range of other problems, such as behaviours that come with mental illness or problems that come with drug and alcohol addiction but frame it up as being a health problem - the services are here to assist you. But with gambling it has been very much the case that this is recreation and if you have a problem with it then it tends to be your problem. The community is fairly harsh and law-makers can be quite harsh. We have lobbied on this issue for a long time and we have heard some severe judgments about people who have these problems.

So it is not seen as a public health problem that the community needs to respond to create a framework to support people with these issues. I think that is why we have such difficulty finding people to come with us to advocate on the problem, but I hope it is changing. Just this morning I received an e-mail from the counsellor who is running a group with intellectual difficulties and mental health problems in Glenorchy and they are asking to speak to Andrew Wilkie because they have seen him in the newspaper and they see him as someone who is concerned about these issues. So, hopefully, attitudes are changing.

I just want to make one comment on the questions that you are asking about the potential economic consequences of this. It is not our area of expertise but it is possible there will be adjustments in the market if you were to introduce something like this as there was with smoking bans and as there probably were for people who were producing cars that did not have seat belts. These are the kinds of public health responses that we expect of

our law-makers in order to create a supportive environment within the community and I think it is certainly something the community expects of you.

Ms LAW - Can I highlight our recommendation No. 1 - that you do look at local economic activity rather than the economic activity of individual venues because as with the previous witness, there was that discussion about the venues without poker machines and he did say some of them were closing, but we do not know whether they were closing because they do not have poker machines. The social and economic impact study did talk about transfer of economic activity from one to the other. So I just ask you to have a look at the local economic activity. This bill does not close down venues, it does not stop people from gambling, but hopefully it will reduce losses and therefore income to the venues but you need to look at that at a local level not just at individual venue level.

Mr ROCKLIFF - One quick question: the 40 per cent figure that you said is lost to gambling by people who are problem gamblers, where did that figure come from originally?

Ms LAW - The Productivity Commission. It is an estimate - it is not an exact figure and it is based Australia-wide. We cannot be sure exactly what the figure is State by State, but it is an approximation. About 1 per cent of the adult population are deemed to be problem gamblers.

Mr ROCKLIFF - I was wondering where it first came from, so thank you.

Ms LAW - The Productivity Commission.

Ms FLANAGAN - We have also seen the bet limits go up and up in the period in which we have been advocating on this. So it might be worth tracking back to see the increases in the bet limit and see the actual expenditure on gambling on poker machines because it is only by addressing the turnover that you can address problem gambling.

Ms LAW - And it was not as if the public said, 'Please make the bet limit \$10' - it is not as if the public is out there begging parliament to make it higher or lower -

Ms FLANAGAN - It is the industry.

Ms FLANAGAN - It is the response to the industry not a response to the public.

CHAIR - I am sorry that we have run out of time now but thanks very much for giving that information.

Ms LAW - Thank you.

Ms FLANAGAN - Thank you.

THE WITNESSES WITHDREW.

**Mr ERIC LOCKETT, INTER-CHURCH GAMBLING TASKFORCE WAS CALLED,
MADE THE STATUTORY DECLARATION AND WAS EXAMINED.**

CHAIR - Thank you, Mr Lockett, for appearing before the committee. I will give you a few directions in the first instance. You have read the terms of reference, obviously; you have put in a submission and we thank you for that. You are able today to speak freely, either to the submission or to raise other issues you might like to raise. This committee has all the powers of parliament to require witnesses to give truthful answers and provide documentation and so you are protected by privilege as a result of that.

Mr LOCKETT - Thanks very much. I expect a lot of what I am about to say will back-up what some other people who have appeared before the committee have already said. But I represent the Inter-Church Gambling Taskforce, which was formed in 2001 as a result of concerns among the churches of the impact that the growth in gambling and particularly gambling on poker machines was having on our community. Of course, we hear a lot about problem gambling and we all know that gambling can cause various problems. The definition of problem gambling, of course, is a vexed issue and it has been kicked around and various definitions have been used and the problem is that it is not a black and white thing. You cannot say with certainty that this person is a problem gambler and that person is not. There are all sorts of shades of grey in there. But even if we accept the common definition of problem gambling that has been used in the social and economic impact studies that the Government has conducted, it seems to come out at about 1 per cent of the population which does not sound like a very high figure but that represents something like 5 000 people in the State of Tasmania who cannot control their gambling.

If you look at the figures that are derived from surveys where people are asked whether they have a problem gambler in their family, you get what I believe is a much more reliable figure because the Productivity Commission and everyone who has worked on this says that asking people themselves about their gambling problems always underestimates the incidence of problem gambling because people are not even honest with themselves, as a general rule. If you ask their families, then you will probably get a clearer picture. To illustrate the extent of the problem, I often use this example: it means that in the average suburban house you are likely to have a problem gambler within four doors of you, either to the left or right on your side or the other side of the street. Probably not many of us could name a problem gambler who lives within four doors of us but that is what the statistics say. It is a hidden problem and it doesn't only affect the people who have the problem, that problem is passed on to others. Anything up to 10 people are affected by each problem gambler. That is just a bit about the extent of the problem. This current bill won't do away with problem gambling but it would severely reduce the amount that people could lose in a given time and we think that would be highly beneficial to those who have a real problem.

We welcome the measures that the Government announced earlier this year to exercise greater controls on problem gambling, but the reality is that for any measure to have a real impact, given that the Productivity Commissioner has estimated about 40 per cent of the gambling take comes from problem gamblers, you have to reduce the turnover and that inevitably will reduce government revenue. When the Treasurer released the

Gaming Commission's response to the last social and economic impact study I was interested to hear him state that if measures needed to constrain problem gambling required a hit on revenue he was prepared to wear that. That is indelibly imprinted in my memory because I thought that was an encouraging sign, because that is the reality we have to face up to. With the developments federally with Andrew Wilkie's election and the negotiations he has had with the Federal Government we know it is inevitable that changes will come and we think it makes good sense. We recognise the move that has already been made to reduce the limit per spin to \$5 but it seems to us to make good sense to go straight to the \$1 limit. As I understand, many of the machines haven't yet been converted to the \$5 limit and the industry could well recognise that they could save themselves some trouble and probably a bit of money by going straight to the \$1 limit.

CHAIR - Eric, can we ask you a couple of questions on the benefits of going to a \$1 bet limit in terms of savings, say, to your inter-church group? What sort of levels of savings would you anticipate in terms of reduced losses?

Mr LOCKETT - We don't have the resources to conduct studies of our own of course so we have to rely on other studies. The latest Productivity Commission study is probably the best and most comprehensive we have had.

CHAIR - So you would rely on those figures?

Mr LOCKETT - Yes, they are the figures we would have to rely on - their figure of 40 per cent of income coming from problem gamblers. Obviously you wouldn't do away with that 40 per cent so you couldn't expect an elimination of problem gambling. It may have a slight impact on recreational gamblers, some of those who could afford to spend to the maximum limit, but the Productivity Commission has found that recreational gamblers rarely spend more than \$1 per spin anyway. It would be probably, at a guesstimate, somewhere between a 25 per cent and 40 per cent reduction. If it didn't have a 25 per cent reduction in revenue, you could say from our perspective that it wasn't being as effective as we hoped it would.

CHAIR - Would you expect, or suggest, that the \$1 bet limit would need to be contained within measures to maximise the loss rates to about \$120 an hour, for example?

Mr LOCKETT - That certainly is a worthwhile thing to note because, as we have said in our submission, the Productivity Commission also makes the point that the amount you can lose per hour is not just the amount you can lose on each button push. It is how many times you can push the button in an hour. If the spin rates are sped up to compensate for the lower limit per spin well then it would offset the benefit. It needs to be in combination with a designated spin rate.

The industry promotes poker machines as entertainment, so how much is an hour's entertainment worth? Last year I was fortunate enough to be in Europe and I went to the Vienna Opera House and saw a production and I could have got very good seats there for much less than \$120 an hour. Is sitting in front of a poker machine better entertainment than that? Well, that is for individuals to judge, but I do not think that people make a conscious decision, 'I reckon this is worth \$120 or \$500 per hour or whatever so I will sit down and get my \$500 per hour worth of entertainment'. They are not making a deliberate decision to spend that much money on entertainment. They are doing it for

other reasons. Those other reasons are not the legitimate ones that we would want to encourage. They do it because they cannot help themselves or because they are under some illusion that they might come out in front. It is not a conscious, rational decision that they will spend this on entertainment.

Mr BEST - You mention here, and I will quote back to you, 'It is morally indefensible for any EGM operator to claim that their viability depends on the 40 per cent of revenue that comes from people unable to control their gambling'. Who do you claim is saying that they are doing that?

Mr LOCKETT - The industry has obviously made a big fuss, not only in relation to this measure but also in relation to possible pre-commitment measures, that it will affect their viability.

Mr BEST - But aren't they talking more about the changeover of the machines more than the limit itself?

Mr LOCKETT - I think you will find they are talking about both. Anything that affects their income will affect their viability. If they are not viable without the take that they get from problem gamblers then they need to have a look at their operation and see what else they could do to make it viable, rather than relying on taking money from people who, to put it bluntly, cannot help themselves. That is the way we would see it.

Mr BACON - Do you think there is a more effective way to attack that 40 per cent that would not affect the 60 per cent that comes from recreational gamblers, rather than just impose a \$1 bet limit?

Mr LOCKETT - There may be more effective measures. Of course we all know there are in the wind these pre-commitment proposals, which have the merit that they allow the individual to determine for themselves what the limit will be, but that could be some way down the track. We have no assurance that it will ever come to pass. We hope it will but it is likely to be some time anyway. In the meantime many people are going to suffer because of the problem they have. That is a much more complex approach and probably more expensive in the long run. In the meantime this is a simple and easy measure that can be imposed and that will affect primarily the problem gamblers. It will not affect recreational gamblers.

Mr BEST - We are hearing of course that people go there for a number of reasons. One is that they may have social problems so they find it easier to sit in front of the machine for long hours. What about this aspect that a \$1 bet limit will enable people then to play for even longer periods? Are we providing the opportunity for people with these issues to actually spend longer periods in front of machines? They might lose the same amount but over the longer periods.

Mr LOCKETT - I do not see that imposing a \$1 bet limit would in any way enable them to play for longer. Their money might run out more slowly but we are talking about a factor of five here. Problem gamblers are likely to spend at least four hours per session in front of a machine. If we reduce the rate at which they can lose money by a factor of five, how many of them are going to spend 20 hours a day in front of a machine? If there is any

compensation by extending the length of play, it is nowhere going to offset the reduction in the amount they will lose by the lower spin limit.

Mr BEST - What we are hearing, though, is these people are spending longer periods and maybe the venues should not be open.

Mr LOCKETT - I would be interested to know who you were hearing it from and whether they have a vested interest.

Mr BEST - The last people who were here were from Anglicare and they said there were concerns about the length of time that venues were open - early mornings with people dropping kids off at school and that sort of thing.

Mr LOCKETT - Yes, and that is an issue of access. If the venues are open longer well then people can access them at different times of the day. That is a concern but it does not necessarily mean that individuals will stay there longer. How long they stay is a decision that I think is not very much influenced by the rate at which they can churn the money through. If they have a problem they are going to stay there as long as they can.

Mr BEST - Then what is the effectiveness of the \$1 bet limit in that regard? Would it not be better to have other restrictions?

Mr LOCKETT - Allowing them to make a pre-commitment that they do not want to lose more than x dollars this week is a desirable measure but I have not yet heard anyone suggest a simple and easy measure that is likely to be more effective than this one in reducing the impact on problem gamblers.

CHAIR - Do you think this would be a very effective measure?

Mr LOCKETT - For something as simple as this I think it is likely to be the most effective measure we can take, provided it is combined with some control on the spin rate so that it is not negated by faster spins.

CHAIR - Would the Inter-Church Taskforce be in favour of a raft of measures that basically gave effect to the \$1 bet limit but also made it a \$120 an hour maximum loss?

Mr LOCKETT - I think that would be a desirable outcome and we would support that.

CHAIR - What effect do you think that would have in terms of your group's work if there was less damage from problem gambling?

Mr LOCKETT - In principle the Inter-Church Gambling Taskforce would like to see ourselves done out of a job. I have plenty of other things I could do personally; that would be a highly desirable outcome. I do not think it is going to happen in the short term but certainly we have been working, lobbying and following up research on this issue since 2001 and from time to time we feel the progress is terribly slow. It is clear what the community wants, they want more restraints on poker machines, but government moves very slowly and I think maybe the mood is changing and we hope that we will see some more constructive measures in the future that go beyond just

fiddling with the edges and the fine detail. This is likely to be the most effective measure that has been proposed so far, in our view.

CHAIR - Many operators are arguing, of course, that the sky will fall in and that the cost to them would be significant. What is your view of the net effect on the community in terms of cost, weighing the losses to venues against the losses to the gamblers and their families?

Mr LOCKETT - Of course we do not have the resources to do detailed economic studies but, once again, I think the Productivity Commission has made the point that if a lot of the revenue that goes in problem gambling were reduced, it would be redirected in other directions. The money is not going to disappear; it is going to be spent differently. We hope it will be spent on more worthwhile measures than problem gambling and if more kids are better clothed and not so neglected, if more money is spent on supermarkets and other things such as that, it would be a desirable outcome.

CHAIR - Do you have anything further you would like to say, Mr Lockett?

Mr LOCKETT -I could, perhaps, sum up by saying we hope that the Government will take note of the community on this issue. Surveys for many years have been coming up and saying that the community wants more restraints on problem gambling whatever the industry wants. I think it does make good sense given that the industry is currently in the process of converting from a \$10 limit to a \$5 limit. I think they would be wise to take notice of the community and movements in government and to accept that they need to prepare their machines for a \$1 limit. I think that they would find that it would be to their own advantage to do so in the long run. We hope that we do ourselves out of work. If the Inter-Church Gambling Taskforce could in five years say, 'We have no longer any need to exist', that would be great but in the meantime there is still work to be done. This committee can send a clear signal to the industry, 'You had better prepare because this is the way things are moving' and hopefully, if Parliament eventually agrees to this legislation, they will have been forearmed.

CHAIR - Thank you very much.

THE WITNESS WITHDREW.

Mr ANDREW WILKIE, MP, AND Senator NICK XENOPHON, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Booth) - Gentlemen, thank you both very much for putting in submissions and for coming along today to give evidence. Would you, one at a time, if you like, give a spiel about your submission.

Senator XENOPHON - Thank you, Chair. I think the idea is that I will speak broadly to the submission and then Mr Wilkie will add to that in terms of some specific areas that he will cover. May I have five minutes for an opening statement?

CHAIR - Certainly.

Senator XENOPHON - Thank you very much for this opportunity to appear before this inquiry. This is an important piece of legislation. With this bill, Tasmania has an opportunity to be a national leader in terms of poker machine reform. Here is an opportunity to do something about a social problem that causes considerable harm, not just in Tasmania but also nationally; to grasp and deal with this problem. I refer to the submission that both Mr Wilkie and I provided to the committee. I will speak to that in broad terms and, of course, I will welcome an opportunity for your questions in relation to this.

I note, if I may refer to the terms of reference briefly, there seems to be a particular emphasis on the impact on the industry. I would urge the committee to look at 'on the impact on the broader community of having effective harm-minimisation measures being passed by the Tasmanian Parliament'. The fact that the Tasmanian Parliament has already enacted legislation that will reduce the maximum bet to \$5, with a transitional period, means that you can also reduce the maximum bet per spin to \$1.

I think it is worth referring at the outset to what the Productivity Commission said about measures to reduce harm. The commission said in their overview:

'The Commission estimated that even a 10 per cent reduction in the cost associated with problem gambling, if sustained, would generate benefits to society of just under \$500 million a year or several billion dollars over time.'

In other words, even a marginal impact could have quite a significant impact on society in terms of reducing the harm caused by problem gambling.

On of the issues that was raised by the Productivity Commission, both in their draft and their final reports, was that the overwhelming majority of recreational gamblers would not be impacted on by having a reduced maximum bet of \$1 per spin, that that would not be problem. The overwhelming majority of recreational gamblers would not be bothered by it at all in terms of reducing the maximum bet but it would make a difference for those people who have a severe problem, for those people who are developing a problem in terms of chasing their losses. So if we are talking about inconvenience to the broader public, to those who play poker machines, which is only about 30 per cent of the

population in any event, it is not going to make much difference. In fact, the inconvenience would be negligible, if at all. So there is a real issue here that a measure such as this would make a significant difference.

I do acknowledge that there is a difference between the Productivity Commission's draft and the final reports. It makes reference to reducing to a \$1 per bet and it talks about \$600 to \$1 200 per hour being the amount that can be lost on machines. That is not referred to in the final report but I believe that it is implicit that if you are going to have a measure such as this, you need to make sure of a couple of things. Firstly, that you don't allow spin rates to be altered - in other words, to be reduced below one spin per three seconds - but there is also the issue of volatility of machines. When I was first in the South Australian Parliament it took a while to get on top of this but whilst the machines are supposed to pay out I think 87 cents in the dollar here in Tasmania, it was 85 cents when the machines were first introduced nationally, most people think that is per playing session but that is not the case. It is over the life of the machine or it could be based per venue, as in some jurisdictions such as Victoria, as I understand it, so that is quite misleading. Some people think that if they have lost a bit on a machine, if they keep playing they will get their money back.

Mr BEST - What are your thoughts about, for example, a message system on the screen that came up every so often encouraging people to have a break and also advising them, in simple terminology, 'There's no point chasing losses.'?

Senator XENOPHON - All those measures are useful. The New Zealand legislation has looked at a number of measures with respect to that and I think that is being assessed. Mr Wilkie will speak to issues of pre-commitment, which is parallel. They are all useful measures but what is driving addiction and problem gambling is the rate of loss. That is the difference between gambling and other forms of addiction. If it is alcohol or substance abuse, you can only have so much before you fall over, pass out or whatever. The trouble with problem gambling is that it is a hidden addiction. I have seen so many problem gamblers and their families over the years who have had no idea that their family member was gambling until they have blown the mortgage or embezzled the savings or whatever, so those measures are useful. In terms of reducing maximum bets, that would be very useful so long as the industry does not also change the volatility of machines. The ideal thing would be, implied in the Productivity Commission's draft report, to say, 'Don't have a maximum bet. Don't lose more than \$120 per hour' - that is what is implied. It is very important that the volatility not be altered at the very least and preferably in conjunction with this to say, 'Don't lose more than \$120 per hour'. Poker machines are supposed to be a form of recreation. How can it be a form of recreation to lose your pay cheque or pension cheque in a matter of minutes on one of these machines?

Mr BEST - In your report you quote the Productivity Commission's draft report, and I quote:

'It could be shown that the cost of play can vary immensely' -

and you have a couple of examples there: 1 cent machine an hour, maximum game speed permitted by State regulation costs as little as \$1 an hour but rising as much as \$600 to \$1 200 an hour. Is that why you are advocating federally - and Mr Wilkie might want to talk about this - a pre-commitment technology?

Senator XENOPHON - No, not just for that because it is a separate issue. The issue of pre-commitment - and Mr Wilkie will talk about that - relates to the amount that you can put through a machine and lose in a machine per hour. What the Productivity Commission says of \$600 to \$1 200 an hour is based on assuming that you are putting in the maximum amount that you can put through and that you're getting 87 cents in the dollar back. In fact, you could lose a lot more than that and theoretically you could be losing \$10 000 or \$12 000 an hour if the machine doesn't pay anything out in the course of an hour because of the way it is designed. These machines really are high-tech fiscal vacuum cleaners when you look at the way they are designed. As I understand it, the industry is going to say, 'It's all too difficult to do. It's too complex'. The fact is that this is something that can be done quite simply. This is a software change. I know you will hear from Mr Ferrar from the industry - my sparring partner for many years - on this. I would ask you to look at the South Australian report for the Independent Gambling Authority in South Australia which looked at machine design characteristics three or four years ago.

Charles Livingstone and Richard Woolley, the authors of that report, both very respected in the gambling research field, said that the industry did not give them details about the machine design characteristics, the so-called PAR sheets - the probability of accounting reports. In other words, the industries held back on giving what is effectively the DNA of these machines. I can say, and without identifying anyone, that my office has been contacted by people within the industry who say it is quite easy to change this but these people have not been able to come forward for a number of reasons, including confidentiality agreements they have signed with the manufacturers they work for.

They are the issues, but in terms of a practical, sensible measure, complementary to the measures that Mr Wilkie has negotiated with the Federal Government, Tasmania could actually lead the way.

CHAIR - You have dealt with a lot of problem gamblers et cetera over a period of time. Had there been some control in terms of the maximum loss rate per hour, and \$120 seems to be the Productivity Commission's suggestion, in your opinion would that have been effective in terms of stopping those people losing everything, or in fact becoming more addicted to it? Is there any relationship there?

Senator XENOPHON - There is because in terms of the nature of the beast it gives you a greater chance for intervention in terms of slowing down the rate of loss. It gives people a chance to reflect. Also, people are limited by time if they have to pick up the kids from school or they have to go to work or get back home, so limiting time as well as limiting losses is very effective. The industry has said it is terrible for problem gamblers to reduce it to \$1 bets because it means people spend more time gambling. If that is the best that industry can come up with it is pretty sad in terms of an argument because people are limited by time, so this measure would be very valuable. It is also saying to the industry that we have to draw a line in the sand, and reducing the maximum bet is a very simple measure that would make a real difference.

The other thing is - and I was involved in this campaign many years ago - the marketing development manager for Aristocrat poker machines came out to South Australia in 1992 to argue the case for changes to have poker machines in pubs and clubs. He said - and

the quote has been tattooed on my memory - these machines are not about gambling; they are about entertainment and it would take you a month of Sundays to lose \$100 on one of these things. That is not what the machines are; you can lose literally thousands of dollars in an hour. If this is supposed to be a form of recreation or entertainment I do not know of any other form of entertainment where people actually take their lives as a result of the consequence of gambling addiction.

Mr GUTWEIN - Reducing to a \$1 bet limit without reducing the overall loss rate per machine would not limit losses all that much. I am presuming that, as the Productivity Commission suggested, it needs to be done in conjunction with a limit on the loss rate per hour per machine. Can the same thing be achieved at a \$5 limit by reducing the loss rate per machine, the number of spins, the number of lines that could be used on a machine? Could you achieve the same outcome in capping machines at \$120 an hour or thereabouts but with a \$5 bet?

Senator XENOPHON - It is a different path to the same destination. If the destination is to reduce the amount that people can lose on the machines and therefore reduce the harm, there are different ways of doing it. In terms of this bill, that would imply not altering the volatility of machines. That would still be useful because you would see a reduction in the rate of loss, though not a guaranteed reduction in the rate of loss, but overall it would still be reduced. It would still be a very useful piece of legislation. If the alternative approach is to keep the \$5 bet but minimise the loss rate per hour to \$120, you would probably have the same social effect. The ideal thing is to do both.

This is one of the great cons in terms of consumers being deceived. I see poker machines; I have never called them evil as some people do, but what I have said is that these machines are a dangerous product. They are an unsafe product in the way that they are designed, so the issue here is to make them much safer. It is a bit like having air bags and seat belts. I suppose in terms of what Mr Wilkie has negotiated that you do not say you only want seat belts in your car and not air bags. You want to have all the safety measures you can to minimise the damage.

CHAIR - Steering but no brakes.

Senator XENOPHON - That is right. These machines do not have brakes at the moment. Their brakes are largely ineffective, so this is about putting some brakes on these machines without affecting people's enjoyment of playing the machines.

CHAIR - Would this bill would be better amended to include volatility rates, maximum spin rates, and maximum \$120 an hour loss?

Senator XENOPHON - Absolutely. If the bill is passed in its current form it will still be a very useful piece of legislation, but if you want to maximise the benefit of it then you would need to look at that. One of the great frustrations I had from being in the South Australian Parliament for 10 years was the industry always saying we need more research. We need to look at this and we need to have other measures. This is something you could do now. You can maximise the impact by tackling the volatility of machines. I do not think people understand that the 87 per cent pay-out rate is over either the life of the machine or a venue over a very long period of time - over years.

Mr BACON - Did you say it was in the draft report from the Productivity Commission but not in the final report?

Senator XENOPHON - Yes, and I wanted to make that clear. I did not want there to be a misunderstanding in relation to that. My view is that it is implicit in their final report, because there were some minor variations. If you are going to reduce the maximum dollar spend per spin rate then it implies you will be looking at reducing the maximum rate that you can lose. It is not a criticism of the commission but they not focus that much on volatility, but it is implicit in their report. If you are going to reduce the maximum bet per spin from \$10 to \$1 it would not make sense because you would still be able to lose several thousand dollars an hour on a machine. It would not make sense for that not to be taken into account. I am happy to provide something further in writing in relation to that in order to marry up the two sections in the report. I am interpreting what the commission was thinking in relation to this; a simpler way is to ask the commission for their views on that. I think that is the most straightforward and honest way of dealing with it. 'Were you implying that volatility should be increased?'. I do not think they will say that. If you want a definitive answer then go to the authors of the report, but I am happy to provide some further details in writing on that.

CHAIR - Thank you. If you would not mind doing so, that would be most welcome.

Just getting back to a matter you raised before, you said you had been contacted confidentially by people who work in the area of software for these machines. Is that the area?

Senator XENOPHON - Yes, and not so anonymously by Kevin Harrigan, who is the Canadian expert on machine design. He got hold of PAR sheets for the Canadian machines. They are slightly different but there is commonality between manufacturers as well.

CHAIR - We have a submission from Dr Harrigan.

Senator XENOPHON - Yes, and I think that would sum it up. The industry has been less than frank in providing details of how these machines work. I think it is in the public interest for details of the machine design to be out there. It does not impact on commercial-in-confidence. There is an issue there for regulators around the country to perhaps take their jobs more seriously in terms of how they tackle issues of machine design.

CHAIR - So the information you have is that it is a nonsense that you cannot change the software easily and cost effectively to change the machines and volatility rates to take a maximum \$1?

Senator XENOPHON - Exactly, and it has been done on a transitional basis with transitional mechanisms, which is fair enough, at a Tasmanian level. I query to an extent the transitional arrangements in the sense that if it is a software change it could be done much more quickly. Given that there is central monitoring in Tasmania and around the country - there was not a few years ago in New South Wales, but there is central monitoring, as I understand it, throughout the country - then you have that ability to alter things in terms of maximum bets.

CHAIR - Did they give you any indication of the cost or time frame in regard to changing these machines?

Senator XENOPHON - The confidential sources say it was a relatively simple software change. We are not talking about bolting something onto a machine or something that takes extensive alteration, it is a matter of something that can be done centrally. I think there is an onus on the industry to say why it cannot be done and I would urge the committee to seek independent advice. Do not take my word for it, seek advice from independent software experts who are not employed by the industry to say how easily it could be done.

CHAIR - But the ones who have contacted you are employed by the industry?

Senator XENOPHON - I want to be a bit careful. Certainly the people who have worked for the industry have contacted my office but they are bound by confidentiality agreements that could lead to them being litigated against.

Mr BEST - Why is that then not the case with the reduction from the \$10 to the \$5, which we have done here? I am not doubting the information that has been given to you, I am trying to work out why it does not quite correlate.

Senator XENOPHON - I think the issue is that the industry will resist change because it is not in their interest to have this legislation through. The inconvenient truth for the gambling industry is that they can earn an enormous amount of their revenue from problem gamblers. The Productivity Commission says in the region of 40 per cent, some other studies that I rely on say about 50 per cent; the commission acknowledges up to 60 per cent, from some studies, of money lost on poker machines comes from people who are hooked on them. So if you reduce that level of loss by problem gamblers, it bites into the revenue and it is only a relatively small proportion of people who lose it but they make up disproportionately for an enormous amount of losses. It is that group that you can target without affecting recreational gamblers.

I think you need to put them to proof in terms of their assertions both in terms of the current changes and other changes and perhaps the person who is out there and open about it is Professor Harrigan whom I think is quite credible in terms of his research on these things. I think I have said enough. I am happy to take questions later on.

CHAIR - In view of the time, Andrew might like to give us a bit of a rundown.

Mr WILKIE - Mr Chairman, thank you very much for this opportunity to address the committee.

Before I talk about the agreement I have with the Prime Minister, I want to reflect on a couple of things. During this year more than \$200 million will be lost on poker machines just in Tasmania and in fact extrapolating the Gaming Commission's own figures, about \$225 million will be lost on poker machines just in Tasmania this year. Since the State election six months ago, we are already about halfway there - \$160 million or so.

As Senator Xenophon has reminded us, the Productivity Commission finds that around 40 per cent of that money has been lost by problem gamblers and, as Nick has said, it could be somewhere as high as 60 per cent or it could be a little lower but the Productivity Commission has settled on the figure of 40 per cent. In other words, this year about \$50 million will be lost by problem gamblers in this State and if the State Government does not have a responsibility to do something about that then I do not know what your responsibility is. These are some of the most vulnerable people in this State, people who will not be able to pay their rent, will not be able to pay for dinner, will not be able to feed their children breakfast before they go to school. Something has to be done.

There is concern in some quarters that we can try to diminish problem gambling but we really cannot affect cash flow; we cannot do anything that will hurt the cash flow of venues. People who make that argument are saying that it is okay for them to continue to trade off the misery of some of the most vulnerable people in this State. That is just plain wrong and it is an unethical position for those people to take so I do implore you to do something to genuinely diminish problem gambling in Tasmania and understand you will need to do things that will diminish the cash flow through the machines. That is the only way to help these people.

You will not have failed if you come up with a solution that reduces cash flow through the machines; you will have succeeded if you reduce the cash flow. If you come up with the right sorts of solutions, it will come mainly from problem gamblers, the people who need to be helped the most.

I am talking passionately because I feel very passionate about this. I have been campaigning for reform of poker machine legislation, as you know, originally in Tasmania and now nationally for 18 months. The more I have campaigned, the more people that have come to me to tell me their stories. Some of you might be aware that in my maiden speech to the Federal Parliament last Thursday I gave a number of examples, examples that would bring you to tears if you were to confront these people and hear their story one on one: a person I know spent eight out of last 30 years in prison for pokies-related crime; the couple who lost their business and were bankrupted by a dishonest employee who was taking money out of the till. We would all know the terrible story of the woman who was murdered on the Domain a couple of years ago by a man who had lost all of his money that morning on a pokies binge and he was prepared to murder to get more money to keep feeding his addiction.

Unsurprisingly, when I found myself in a balance-of-power situation in Canberra I chose poker machine reform as one of the two main issues that I would negotiate with the Prime Minister - that and the funding for the rebuild of the Royal Hobart Hospital. I think it is important that I speak to the detail of that agreement with the Prime Minister because the important work that this committee is doing is in the shadow of that agreement. The aspect of the agreement which has received the most publicity is that the Prime Minister has agreed with the Productivity Commission recommendation that there will be a full pre-commitment system implemented nationally. What that means is some sort of technical system that will be fitted onto or as part of every poker machine in Australia that will set limits on the amount of money that people can lose on those machines; in the first instance, limits that the gamblers themselves will set. It is a full system so it will be an opt-out system. Every player will be part of the system unless

they go through a process to opt out of it. That is the recommendation of the Productivity Commission, that is the form of pre-commitment system that overseas experience shows is most effective.

Mr GUTWEIN - When you say 'opt out', what do you mean by that?

Mr WILKIE - It is assumed that everyone who walks into a venue needs to have some sort of mechanism to be recognised by the machines and the network of machines, whether it be a swipe card, a USB plug, a chip card or some other technology that doesn't exist yet. Excuse me if I talk a little vaguely about what it will look like because we haven't designed it yet. What we know is that pre-commitment systems overseas are effective. We know that the Productivity Commission has recommended the implementation of a full pre-commitment system in Australia. We now have a period of years to consult widely, including with the industry, to work out the best and most affordable system. Some of the scaremongering by the industry within the last week or so about a national fingerprint database is just nonsense. No-one knows what this system will look like. I will certainly not support any system that breaches people's fundamental rights to privacy. I am centrally placed in this and that is my commitment. I have already made it publicly and I make it again here. The time line for the implementation of this system -

Mr GUTWEIN - You haven't quite explained the opt-out issue. If I walk into a venue and I decide that I don't want to be a part of that system, that I still want to pay on a poker machine, can I do so?

Mr WILKIE - It depends on whether you are genuinely an occasional recreational gambler or a regular gambler. Again, the settings are yet to be worked out, but what we need to do is design a system that protects the problem gamblers who are regular players but does not disadvantage genuine occasional recreational gamblers. There are all sorts of ways that can be achieved.

CHAIR - Nick has mentioned this as important legislation, the \$1 bet limit that would sit virtually in tandem with the pre-commitment legislation. So, in that sense, do you think that the maximum of \$120 an hour losses would also work in tandem then to prevent the person who decides to withdraw from pre-commitment and opt out of it would still be protected by a \$120 maximum?

Mr WILKIE - Yes, quite correct. The Productivity Commission makes a number of recommendations, one of which is the introduction of \$1 bet limits and another of which is the introduction of a pre-commitment system nationally. It is certainly the view of the Productivity Commission - and I share that view - that we should be implementing a number of reforms in a number of areas to bring about a genuine reduction in problem gambling. So you should not regard the introduction of a pre-commitment system as replacing the need for a \$1 bet limit.

In fact, I will jump to the next point I want to make and that is, that what has received less publicity is the fact that I also have an agreement - and I will leave copies of my agreement with the committee, if you like -

CHAIR - Would you like to table those documents?

Mr WILKIE - Yes. The less publicised aspect of the agreement I have reached with the Prime Minister is that there will be a select committee of parliament established - and, in fact, the Parliament established it last week - which will include Senator Xenophon and myself and one of the important roles of that committee will be to provide advice on the implementation of all of the Productivity Commission recommendations - so, by implication, including the \$1 bet limit. So it is certainly the view, as Senator Xenophon has said, it is not a case of air bags or seat belts - we can have air bags and seat belts - but it will be the implementation of a raft of reforms, which will finally bring about real help for problem gamblers.

CHAIR - So how important, in that sense, do you see this legislation as part of that national campaign?

Mr WILKIE - I see what is happening here in Tasmania as very important for a number of reasons, one of which is that there is an opportunity here to help problem gamblers in the short-term because the pre-commitment system will not be implemented until 2014. If 40 per cent of problem gamblers in Tasmania are losing between them some \$50 million a year, some of the most vulnerable and disadvantaged people in this State will lose \$200 million between now and the implementation of the pre-commitment system. So I think it is fabulous that this State - and there are various things being done around the country in other States - is trying to help people sooner than the 2014 deadline.

As a Tasmanian, I think it would also be wonderful that my State was taking a national leadership role and really getting out ahead of the pack and showing that we do care about our community.

Very briefly I will tease out that opt-out thing. This is not what it is going to look like; these are examples of what it might look like. It might be that in some venues you have 10-cent machines with a very low hourly loss rate programmed into them which the occasional recreational gambler might go to without having to have a swipe card, or games that allow you to play for free after you have lost \$10. There is any number of ways you can have an opt-out system. There are many people who might go into a pub or a club or a casino once in their life and once in their life want to just lose \$10 - if they have been out to a party or something. The intention is not to in any way diminish the opportunity for such people to play recreationally and have fun and lose a modest amount of money.

Mr BEST - The \$225 million loss that is being talked about, that is a wallet loss, isn't it; it is not wallet and venue loss, is it?

Mr WILKIE - Sorry?

Mr BEST - It is what someone loses out of their wallet? You might put in \$20 and win \$100 and therefore lost \$120; it is not that is it?

Mr WILKIE - No, I am sure many of you would have seen my van rattling around town with the poker machine counter on top, we have had to take off so it would fit in the carpark. The figure on that is counting up to \$225 million a year, which is the estimated net loss over 12 months. It will reach \$900 million by 20 March 2014 being the four-year term of the Parliament. That is not the churn, that is the amount of money that

people go home without at the end of the day. That is the money they do not have in their wallets.

CHAIR - That is physically lost.

Mr WILKIE - Yes, that is physically lost.

Mr ROCKLIFF - Andrew, you mentioned before the pre-commitment schemes and some examples of success overseas. Can you be more specific about which countries?

Mr WILKIE - Norway comes straight to mind.

Mr ROCKLIFF - What type of system do they have?

Senator XENOPHON - With the Norwegian scheme the machines were designed by an off-shoot of Aristocrat, so it is not as though an Australian company got the contract so it is not as though it is something that is foreign to us in terms of Australian technology. That is a scheme whereby there is maximum loss - and I am not up with the exchange rate; I do not know what the Australian dollar is doing today as compared to the euro or the Norwegian currency - but it is about \$500 a month as the maximum loss or approximately \$100 a day and so it is an absolute loss scheme. It is a kind of absolute pre-commitment scheme, rather than setting limits. It is clear that you can do that and I think there has been a drop in losses. I have not seen any studies yet but I know from a quick discussion I had with Dr Charles Livingstone from Monash University a couple of weeks ago that there are some studies emerging now on that to show that it has been effective in terms of dealing with problem gambling.

I think industry will say that people will then go to online gambling which I think has not been proven, but that just emphasises the need for a holistic approach - you look at online gambling at a Federal level as well. But in terms of accessibility, 85 per cent of problem gamblers in this country have a problem with poker machines. In Nova Scotia they have also had a voluntary pre-commitment scheme so technology certainly works, but effectively it has to be an all-in scheme, otherwise it will not be effective. That is what the South Australian studies that were released last week show - that there was a take-up rate of 1 per cent and the technology works but if you can override it by just putting coins in a machine then there is no point.

CHAIR - Could I just ask one question there to clarify, you were talking about Norway there, I think, when you said it was a maximum loss of \$500 a month -

Senator XENOPHON - Approximately.

CHAIR - approximately \$500 a month or approximately \$100 per day, is that a pre-commitment thing or is that just kind of a requirement that the legislation says that no-one can lose more than that so -

Senator XENOPHON - It is basically a card-based system whereby people load up and they cannot load up more than \$500 a month, for instance, or whatever the figure is.

CHAIR - It is just arbitrary across the board and there is no pre-commitment; you are not allowed to waste more money than that.

Senator XENOPHON - Basically they are saying that, if it is a form of entertainment, why would you want to spend more than \$500 a month? I think Andrew understated it earlier, because if it is 40 per cent based on the Productivity Commission's own figures of \$225 million, you are looking at \$90 million.

Mr WILKIE - During the term of this State Government more than a third of \$1 billion was lost by problem gamblers - almost \$1 billion will be lost.

CHAIR - If this became law and it actually had some effect, have you any idea what effect that would be? It is not going to remove every problem gambler's problem.

Mr WILKIE - The pre-commitment?

CHAIR - No, the \$1 bet limit.

Mr WILKIE - No, I do not know and in fact I do not think anyone knows. One of the points of detail in my agreement with the Prime Minister was that as a matter of urgency there would be modelling done of the cash flows and how they will vary as these harm minimisation measures are implemented. The issue that people talk about a lot is if poker machine revenue in Tasmania is reduced by 40 per cent we will have so much less poker machine tax, but of course that 40 per cent that is not spent through the poker machines will then be spent in the community and as it cycles through being spent - one, twice, three or four times - there will be presumably a significant increase in GST revenue for the Federal Government. These are the sorts of issues that are self-evident but they need to be modelled carefully and that needs to be factored into the solution of how State and Federal cash flows vary.

Senator XENOPHON - That is one of the terms that Mr Shorten, the Assistant Treasurer, will be looking at, and I have no trouble with that. My view has always been that gambling taxes are fools gold when you consider the negative costs involved - the cost of crime, suicide, family break-up, the impact on businesses. If less money is lost on poker machines and more money is spent in other sectors of the economy it will actually have quite a different multiplier effect. There was a study done by the La Trobe University back in 2000 by Ian Pinge which found that in the city of Bendigo, with net losses back then of about \$32 million a year in a city with a population of 80 000, there was a net loss of about 240 full-time equivalent jobs as a result. In terms of the study prepared by the South Australian Centre for Economic Studies for the Department of Treasury and Finance in Tasmania, page 131 showed the multiplier effects. Venues with gambling facilities employed an average of 3.2 persons for every \$1 million in gambling income - this is back in 2000-01 - compared to 8.3 persons per \$1 million in income from the sale of liquor and other beverages and 20 persons per \$1 million in income from meal and food sales. So it is a much greater multiplier effect. Pokies are a job killer, not a job creator, when you look at their net impact. If there is a loss of revenue for the Tasmanian Government then it is incumbent on the Federal Government to step up to the plate on that, but I think you will find from the independent analysis that will be carried out by either by Treasury or the Productivity Commission federally, you will actually see more jobs being created in other sectors of the economy.

Mr GUTWEIN - Out of the Productivity Commission report, the two big-ticket items were the \$1 bet limit and the pre-commitment. Certainly that is the way the industry has seen it as well. You may or may not be aware that it was my party that moved an amendment last year to seek the introduction of \$1 limits, so we are fully committed and supportive of the need to reduce problem gambling. So this question is not asked in the context of anything other than trying to understand your state of mind when you negotiated pre-commitment. You were in the enviable position of being able to negotiate with the Prime Minister on introducing measures to affect problem gambling and to reduce problem gambling. You chose pre-commitment against other measures. Why was that so?

Mr WILKIE - My opening position with the Prime Minister was in fact the introduction of a \$1 bet limit.

Mr GUTWEIN - I thought it was. That is why I asked the question.

Mr WILKIE - Yes, and I am pleased you have asked that question because I think it highlights how important I genuinely believe is the \$1 bet limit. It is self-evident and easy to get your mind around and easy to implement. Surely, if nothing else changes then putting in \$1 coins instead of \$5 notes is going to reduce to amount of money being lost. Unfortunately, I was unable to negotiate that with the Prime Minister and we settled on agreeing to introduce a pre-commitment system.

Mr GUTWEIN - Were convinced that pre-commitment was a better first step than \$1 bet limits or were you forced to take the view of the Prime Minister on that particular issue?

Mr WILKIE - I think they are both very valuable ways to minimise harm with poker machine players. I chose the \$1 bet limit for a number of reasons. One is that it is very straightforward, easily understood, easy to implement and unambiguously going to diminish problem gambling. I must say, though, that as time has gone on and I have now got more immersed in the pre-commitment system and am starting to understand and learn more myself. I am starting to learn all of the possibilities that come with pre-commitment and the capacity of adjusting the settings in the network. I am not saying this is the final look of pre-commitment, but conceivably the amount of money lost by any one player over a period of time is just a case of entering figures into the computer that controls the network. I think pre-commitment is a very powerful tool. So although I was disappointed that I made no progress with the \$1 limit, and I still believe it is a very important harm-minimisation measure, I am quite pleased with the agreement reached.

CHAIR - Would you see other States ending up with some measure like a \$120 maximum hourly loss as well as pre-commitment? In other words, a bet limit of \$1 or similar?

Mr WILKIE - The current Government is committed to progress the Productivity Commission's recommendations. One of the tasks of the select committee which has now been established is to provide advice on how they would be implemented. So I do hope to see a number of these other recommendations implemented and I believe they need to be uniform. I was very careful when negotiating with the Prime Minister that the implementation of a pre-commitment system be uniformly applied across all jurisdictions. So although in the first instance State and Territories are being invited to come on board voluntarily, and it is expected that State and Territories will ultimately

still be responsible for the legislation and the implementation, the technical requirements will be uniform.

I would add a couple of other points. States will be given until the end of May next year to agree to come on board voluntarily. In the interim the Government is seeking legal advice on its powers to override the States if they do not agree to come on board voluntarily with a deadline of the 2012 Budget - May 2012. The Federal Government, so long as it has the power, will legislate to override the States and ensure that a full and uniform system is implemented nationally. The Prime Minister was careful on this point, knowing that she needed to take legal advice, but the conventional wisdom is that legislation such as the Corporations Act, telecommunications legislation and others will almost certainly give the Commonwealth the power to intervene.

Mr GUTWEIN - On the matter about the Commonwealth compensating States, if there is going to be a reduction in revenue, one would presume, as a result of reading the Productivity Commission report, that if measures such as pre-commitment or \$1 bet limits are introduced then there will be a reduction potentially of up to around 40 per cent of the take.

Senator XENOPHON - I might take issue with that thought. Because of the work the Assistant Treasurer will be doing, if less money is lost on gambling then more money will be spent invariably in other sectors of the economy, so you will pick up GST, so I do not accept that it will be anywhere near that amount.

Mr GUTWEIN - I am just testing where both of your minds are in regards to this issue. In my electorate there are a number of small hotels and pubs that have gaming machines. If there is a reduction in revenue to Treasury then there is obviously a reduction in revenue through those pubs and clubs as well. Some of them, especially the country hotels, would have spent significant amounts of capital in recent years and would have built their operations over time, encouraged by government and government policy settings to invest in those venues. What do you think would be a fair way of dealing with those venues affected if at a Treasury level some form of compensation would be appropriate? What do you think is appropriate at that micro level for pubs and clubs?

Mr WILKIE - These are the sorts of issues that the select committee will consider and ultimately provide advice to government on. I do not know the answer to the question yet and that is why the select committee is being established - to try to find out the answers.

Mr GUTWEIN - Would you concede it is a question that needs answering?

Mr WILKIE - I think it is a very important question. It is certainly not my intention to harm businesses or have them go broke, just as it is not my intention to breach anyone's right to privacy. There are great challenges here to work out the way to do this that will not force some pubs and clubs to the wall. What is the alternative? If there are pubs and clubs out there that are only viable because of all the money that's going through the machines currently, including the 40 per cent that is coming from problem gamblers, then I say those pubs and clubs have no right to be in business.

Senator XENOPHON - If I can just say, it is with some irony, and I think this goes for the gambling industry generally, it is a worldwide phenomenon, they want to be on a sure thing. There is some irony that this is an industry that relies so much on the uncertainty of other people losing their shirts, the industry wants to be on a sure thing, and it is an observation that I make. The industry in South Australia at least - and I don't know whether it was the case here in Tasmania - said that they would all be ruined if they had smoking bans in pubs and clubs. They are still doing very well; in fact they have probably picked up more patrons coming in because of the smoke-free environment. I think it is fair that there should be transitional arrangements, but in terms of the people that I have seen and Mr Wilkie has seen over the years, there were no transitional arrangements when they lost all their money or their business was embezzled or for families who have lost ones through gambling-related suicide. Obviously we need to be pragmatic about this, but I think you will find that money will be spent elsewhere. People could spend more money on meals in the pubs. I say this as a compliment, but I don't underestimate the industry being able to find other ways to raise revenue. Maybe it would be a nice thing for pubs to go back to what they were meant to be, places of social interaction where people can get together and interact. I don't see too much interaction in a poker machine room where people are just mesmerised by the machines.

Mr GUTWEIN - I think it's fair to say on this side of the table that we have all seen our share of miseries that these machines cause. I guess nobody at this table has a mortgage on the understanding of the impact. Mr Wilkie, you made a statement about the level of revenue through some of these venues. You talked about the total amount of revenue that a pub or club might receive from their gaming operation. Surely a large part of that, though, up to 60 per cent potentially, is from recreational gamblers, people who are gambling responsibly and investments have been made by the owners of those facilities and they have been made to some extent on the basis of a sure bet, that they thought they had legislative provisions in place that enable them to make those investments, regardless of the fact that if the Productivity Commission's numbers are borne true and that 40 per cent of their revenues are from problem gambling, they still have made those investments based on the law as it stood at the time and therefore they should be in some way provided with transitional assistance to ensure that they can move to a new set of arrangements, wouldn't you think, or not?

Mr WILKIE - I am not going to pre-empt the findings of the committee; that would be wrong. I suspect you would like me to make a commitment now, but I won't.

Mr GUTWEIN - I am just asking what's in your mind.

Mr WILKIE - What's in my mind is a sense of fairness. What you have said is quite correct; businesses have invested in good faith. People have gone into the industry and made business decisions in good faith, given what they know about the shape of the industry and what's likely to become of it. What I will do is commit to saying that whatever the detail of this is ultimately it needs to be very mindful of that and try to be fair. I would prefer that not a single pub, club or venue suffers too badly out of this, but it is going to have to change.

CHAIR - In reflection on what Mr Gutwein just said, are you aware of any compensation that has been provided to any other harm-causing activity that has been moderated or controlled by parliaments, such as sanctions on tobacco, for example?

Mr WILKIE - I am not aware, but I do know that often businesses are given fair warning, they are given time. It is now well publicised that in 2014 this system will be turned on. They have four years to think about the future and to plan for the future and if you add that to the initiatives the committee might recommend to government to recommend to help make the transition, I would hope that the industry would be able to move to the new arrangements fairly smoothly.

I would also add that there is another committee the Government has established, a committee of experts which is quite separate to the select committee that Senator Xenophon and I are involved in. This is to be chaired by the former head of the Department of Prime Minister and Cabinet and will be made up of industry experts, the manufacturers of gaming machines, the hospitality industry, the not-for-profit sector who pick up the pieces and so on. The intention of the Federal Government there and the Prime Minister in particular is to get around a table all of the people whose interests are involved and crash them together and get them to debate and to talk about the ways to make this work. It is in my interests and the Government's interests that a plan be developed that does allow it to happen smoothly and without too much hurt by the industry because then it will be accepted better.

Mr GUTWEIN - Back in 2003 I attended a conference that was held in a suburb that has some major socioeconomic challenges in my electorate and it was organised by Anglicare. Whilst at that conference, I was approached by a long-term resident of that area. I will not mention his name but he was an old footballer who had lived in that area for a long time, been unemployed for most of his working life, getting on a little bit. He came up to me at the end of this conference and he said, 'The things that are being raised here are right, these pokie machines have to go. They are just sucking the lifeblood out of this neighbourhood. You have to take into account, though, the single mum who once a fortnight gets a cheque and is able to come to this venue and spend four or five hours and get some entertainment or some relief from the circumstances that she finds herself in. There is nothing else in this suburb that they can do. Whatever you do, before you start transitioning out this type of entertainment, make certain that you have some other options on the table for people to engage in'.

Have you given any thought to the things that could be introduced into suburbs that have tougher socioeconomic circumstances that might provide those options for that entertainment?

Mr WILKIE - No, because we are not here today talking about getting rid of the poker machines, we are talking about implementing a \$1 bet limit.

Mr GUTWEIN - No, but we are talking about modifying people's behaviour or measures that would ultimately modify their behaviour. Ultimately, if there were something else, a third way perhaps or a third venue as it has been called by some of the social welfare networks in this State, have you any idea what that third way might be or that third venue, those other options that you would like to see perhaps introduced?

Mr WILKIE - No, I want to see measures that manage to reduce the harm from poker machines and if that is done cleverly, it means all that enjoyment is still available to that person. It is true that these venues are the only place for some of these people to go to and they are attractive for other reasons. For example, they tend to be secure locations,

they seem to be well lit, they tend to have safer carparks. Often women will go to a pokies venue. I think that needs to be respected, that there are all sorts of attractions. I just want to make sure that when that person goes to that venue, we have done everything we can to reduce the chance of that person losing more than he or she can afford. That is all I want to do.

You would be aware that at the State election I campaigned to get rid of poker machines in Tasmania. I have moved on and I am now campaigning for a harm minimisation and I am respecting to rights of people who play safely and for recreation, I am respecting their rights to play, and a \$1 bet limit in no way diminishes the enjoyment those people might have and the pre-commitment system in no way will diminish the enjoyment those people might have.

CHAIR - So are you suggesting then, Andrew, that effectively the \$1 bet limit, coupled to max out at \$120 hour losses, will not stop people using machines, will not affect the recreational gamblers and those problem gamblers will have that measure of protection against losing everything? So of the 40 per cent of losses that venues allegedly might suffer as a result of stopping problem gamblers at all, this measure is not going to do that. The losses will not be 40 per cent of revenue for any venue.

Senator XENOPHON - You would be surprised if it was that. The point Mr Gutwein makes it is a very interesting one. It reminds me of the book that came out about eight or 10 years ago, *Bowling Alone*, about this loss of community and social infrastructure, how people become more isolated with that loss of community spirit. The problem with poker machines is they make the problem worse.

Mr GUTWEIN - They do.

CHAIR - In term of reference (c), for example, effect on State revenues and amelioration measures, you argue this will actually be self-ameliorating in that it will create greater opportunity, greater GST revenues and better social outcomes?

Senator XENOPHON - Yes. In terms of the hard evidence I think we should wait for the Productivity Commission or Treasury to provide their analysis. No-one has ever done that modelling before and it is something I have been calling for for a long time. I think it is very important. From my point of view the Tasmanian Parliament is in a tremendous position to actually be national leaders on machine reform.

Mr WILKIE - I am very mindful of the social and economic impact study commissioned by the Tasmanian Government, which I think is a benchmark report in Australia. One of its findings is that the introduction of poker machines in Tasmania had no net economic, tourism or employment benefit in the State. The degree to which they drive our economy is very overplayed. Keeping the machines and reducing the money from problem gamblers it is not going to, in itself, send businesses broke or cost jobs. If anything, if a poker venue becomes a much more pleasant place to be at then it caters for that third way in some ways.

CHAIR - Thank you both.

THE WITNESSES WITHDREW.

DISCUSSION WITH **Mr ROSS FERRAR**, GAMING TECHNOLOGIES ASSOCIATION,
VIA TELEPHONE.

CHAIR - Thank you for putting in a submission and agreeing to talk to us. I just remind you that this is a parliamentary committee of inquiry. You are out of jurisdiction so we cannot swear you, but parliamentary privilege and contempt of parliament provisions still apply because evidence has been given.

Mr FERRAR - Yes, firstly I greatly appreciate the opportunity to talk with you today. For our members this is a very important topic. Our association's member companies are licensed in more than 300 jurisdictions around the world and have supplied the vast majority of about three million casino-style gaming machines, as they are known in our part of the industry, which are currently in operation globally. Their companies' existence relies on the highest probity and integrity standards. Their decision makers are personally licensed in those jurisdictions.

Our association's member companies and their staff collectively have amassed knowledge and experience of the industry over more than 50 years of supplying technologies and equipment to a diverse range of organisations operating in a range of jurisdictions worldwide. Whilst we have developed informed use of all aspects of gaming, direct operational issues are properly the domain of the operators, the venues and their representative organisations, and we always defer to those organisations on such topics.

Our 17 September submission to the select committee sought to emphasise three major points and I would like to cover those today. The first point is that our association's members must allocate their efforts between jurisdictions. Our members have finite resources in Australia, currently employing just over 2 000 people whose efforts result in a significant export industry, as well as the one in Tasmania and other domestic jurisdictions, with the highest quality gaming technologies and equipment. With 1.8 per cent of Australia's gaming machines in operation I can assure you that Tasmania punches well above its weight in this regard and is a high priority for our association's members. However, if our members should encounter overwhelming demand on their resources then they must necessarily allocate accordingly. I can imagine that that situation, for example, where Federal legislation might demand the urgent allocation of resources to a particular situation which, if left unaddressed, might compromise our members' licences. This would be untenable for our members as one compromised licence affects all of their licences - and I mentioned 300 jurisdictions earlier.

So a very real concern for our members is that Tasmania, acting in isolation from other Australian jurisdictions, might impose unique requirements on new or existing games or gaming machines. Such a situation could well result in the entertainment value provided by Tasmanian gaming machines diminishing with no prospect of recovery as our members would not have the capacity to provide new games or services for recreational players who do not experience problems with their gambling to enjoy.

The second point is that supplying gaming machines is not a simple matter. In our submission we briefly outlined four areas of activity: design and development; quality

assurance, both internal to the supplying company and externally via accredited independent test laboratories; submission to regulatory authorities for approval; and, finally, the process for sale, supply, installation and operational assurance. So the process of making changes to operational gaming machines involves all four steps, but it is made more complex by the fundamental necessity to ensure that new changes interconnect reliably with existing modules such that operational integrity continues or is improved. In particular, I would like to draw your attention to the fact that all gaming machines leave the factory fully tested and certified for compliance with a wide range of Australian and indeed international standards to ensure that they will operate safely and meet the operational integrity expectations of end users on an ongoing basis.

We are concerned that some current media debate at the national level contemplates interfering with the physical configuration of gaming machines but does not consider the range of consequences. These consequences, unintended though they might be, are of great concern to our members who have no control over the destinies of equipment after it leaves the factory and yet their credibility and their reputations are at stake.

The third point that I would like to emphasise today is that recent events at the national level appear to lead one to the conclusion that change may be imminent which will almost certainly involve great demands on our association's member companies among other organisations.

Since our submission on 17 September, we have seen the establishment of a Federal ministerial expert advisory group on gambling to provide advice to a new 10-member joint select parliamentary committee on gambling reform and to the Federal Government on the implementation of certain reforms. The committee's advice will inform any position that the Commonwealth will take to the Council of Australian Governments Select Council on Gambling Reform.

We have also seen a private member's bill tabled again in the Senate of Australia seeking to impose limits on poker machines nationally. As you might expect, we intend to participate in discussions on these matters.

Also in our 17 September submission to this select committee we recommended awaiting the outcomes of Federal Government developments and also the Victorian Government's requirement that pre-commitment technologies be implemented. We would like to reiterate that recommendation today.

In summary, let me say that we have publicly stated on many occasions that one problem gambler is one too many. After comprehensive dialogue with all State and Territory regulators in recent years, we have managed to propose and implement several changes including on-screen clocks and dollar amounts on screen. We are constantly sourcing and effecting quality measures from around the world. We have a positive outlook that current issues will be effectively addressed through a collaborative and cooperative approach by all parties and we intend to bring the world's best technology and thinking to the discussion.

Thank you. I am pleased to answer any questions you might have.

CHAIR - Thank you, Ross, and I have a couple of questions. I notice on your introduction on your submission that you have put - and I just need some clarification - you are claiming that the Gaming Technologies Association is a not-for-profit organisation?

Mr FERRAR - Yes.

CHAIR - Is that not an industry association actually rather than a not-for-profit organisation in a sense that most people would consider not-for-profit associations to be agency groups, et cetera? Are you not an industry association that represents your members' commercial interests?

Mr FERRAR - Yes, we are. We are a company limited by guarantee though, so I did not want to be misleading in any way.

CHAIR - No, thanks for that clarification.

Mr FERRAR - You are welcome.

CHAIR - I will just ask a question with regard to redeveloping of existing equipment. We have had submissions and information that in fact the cost of rewriting software is not that expensive or difficult and could be achieved quite quickly. Have you a comment in regard to the cost of rewriting or the difficulty of just simply providing different software for these machines?

Mr FERRAR - Certainly. I have outlined today and also in our submission who our members are and they are the people who supply gaming machines to Tasmania. Part of our association are a number of committees including a technical committee and the submission that we provided on 17 September was written by me in consultation with all the members of that technical committee and indeed with the approval of members of our board of directors. We can confidently stand by the figures we have provided to you and basically I have complete confidence in every word of our submission because all the companies that are involved in the supply of gaming machines to Tasmania have seen it and participated in the development of the submission, so I am a little surprised at the information that you have been given.

CHAIR - Do you have data that would back it up? What you have submitted here are, in fact, estimates and opinions but no data has been provided with that. This is one of the really important questions that would exercise the mind of the committee with regard to cost of implementation - it is certainly part of the terms of reference. Are you able to provide data that we could test?

Mr FERRAR - It is difficult for us to do that because of all the other external factors that impinge on the process as I have outlined this morning. The figures that were provided are consistent with what we provided to the Productivity Commission inquiry. However, I can certainly take your question on notice, go back to our technical committee and ask for further details if that is all right with you?

CHAIR - That would be most helpful if you could do that please.

Mr GUTWEIN - That is probably the key point that Mr Booth has just raised. The committee has been resourced by both an officer from the Auditor-General's office here in Tasmania and also an officer from Treasury with the specific role of looking at and testing some of the claims that are being made in regard to cost, both from those who are opposed to the introduction of the \$1 bet limit and those who are supporting it. So if you were able to provide some detailed information in regard to the assumptions that have been used for how that analysis has been developed, we would certainly welcome that.

I have your submission here in front of me, and I note that it is around \$55 million that you are putting as the overall cost of changing the machines over. This morning we heard sworn evidence that the cost would not be significant and certainly much less than what is being proposed in this submission. So if you are able to provide any information that would validate those numbers, that would be very useful to us.

Mr FERRAR - I will certainly be in contact with our member companies' representatives later today and we will see if we can provide a more detailed level of response.

CHAIR - Thank you for that. We would possibly want to look at some PAR sheets too, if that is possible, to get them independently verified?

Mr FERRAR - A series of discussions took place in relation to what seemed to be colloquially known as PAR sheets. Of course, they are part of essentially the mathematical model for the operation of a gaming machine. In essence, what I am saying is that PAR sheets are related information, the intellectual property of our members and the basis upon which they compete with each other.

There was an inquiry at the Federal level last year under the auspices of the Senate Community Affairs Committee and we established a process by which deeds of confidentiality could be signed and data rooms could be provided for interested observers to look at PAR sheets and anything else that they wanted to look at in relation to the modelling or development of a gaming machine. Naturally, our members are very happy to provide that facility to anyone who is interested but the only caveat is - and I am guessing here - that our members would not be particularly willing to stray from what was agreed with the Senate Community Affairs Committee in regard to the disclosure of PAR sheets

CHAIR - I just remind you that is a parliamentary committee that has the power to require that evidence be provided if necessary. It is not a Senate affairs committee, it is a select committee of the Tasmanian lower House, and of course there are provisions and mechanisms if the committees feels it appropriate for those items to be taken in camera. The problem, of course, with that is that none of the evidence, in camera, can be presented as part of the report and we are looking specially at the terms of reference of this Gaming Control (Amendment) Bill Committee that we need to report on to Parliament.

Mr FERRAR - Understood.

CHAIR - So, very clearly, we would obviously respect commercial-in-confidence matters but it may be that we need to test some of that information in order for us to do our work.

Mr BEST - That depends, of course, on whether the committee votes to do that.

CHAIR - Of course.

Mr BEST - Ross, you may not want to answer this question because you did clarify at the beginning that some of the policies and what is happening out in the field is very much up to the venue operators. We have heard from a number of witnesses giving evidence about how could the cost to the community regarding the percentage of problem gamblers be outweighed by the cost of the machines being changed over? I think you talked about having 2 000 employees. What do you say in response to that?

Mr FERRAR - My initial response is that I do not feel particularly qualified to respond. As I said at the outset, our members essentially lose control of the equipment once it leaves the factories and our members are not involved in the operation of the equipment in relation to the end user, in relation to the player.

Mr BEST - But you claim that there is little evidence to no evidence apparent that this measure would reduce problem gambling - that is the \$1 bet limit.

Mr FERRAR - Yes. As part of our day-to-day activities naturally, as you would expect, we participate in discussions throughout Australia, in all the Australian jurisdictions, and also in New Zealand. We note that the maximum bet in New Zealand is \$2.50 and has been for quite some time, as I recall since the early 1990s, and the prevalent figures that I have observed in New Zealand are very similar to those in Australian jurisdictions. So I would be happy to provide the latest available observations that have been made in New Zealand, if that support the committee's processes.

Mr BEST - I would be interested in receiving that, Ross.

Mr FERRAR - Certainly.

Mr GUTWEIN - Mr Ferrar, I am interested that on the fourth page of that submission you make the claim that there may be unintended consequences that could exacerbate problem gaming by moving to a \$1 bet limit. Could you flesh that out a little bit for us?

Mr FERRAR - Certainly. In submissions in other forums we have expressed concern that diminishing the maximum bet limit for gaming machines will necessarily diminish what we call the entertainment value of a gaming machine. We used the term in another forum that you are taking the entertainment level to that of a pinball machine - slightly tongue in cheek, I guess. In relation to exacerbating problem gambling, if you currently have, according to the Productivity Commission inquiry, somewhere between 20 per cent and 40 per cent of revenue from problem gamblers, we are concerned that the newly redeveloped gaming machines would not be at all attractive to recreational players. So rather than 20 per cent or 40 per cent of whatever per cent, you have revenue from problem gambling trending towards 100 per cent and the view of all of the people whom I have worked with for 30 years in the industry is that we need to have that percentage trending in the other direction.

CHAIR - Ross, the evidence that we have had so far has been overwhelming in that the problem gamblers are the ones who tend to be making the bigger bets and the

recreationals are generally sticking to \$1 anyway. It is in direct contradiction to what you are saying there.

Mr FERRAR - It is somewhat of a moot point. I think what has not been made clear is that playing at a \$1 bet for, say, five hours a day a player could spend upwards of \$200 000 a year. We wonder why that is helpful.

CHAIR - It has been suggested that the \$1 bet limit needs to incorporate maximum spin rates and volatility rates to prevent any gambler losing more than \$120 per hour.

Mr FERRAR - Indeed, at \$120 an hour playing for five hours a day a player could theoretically spend more than \$200 000 a year. We feel that there are most likely better ways to address the issue than that. As I have said this morning, we are constantly reviewing and assessing measures that people are looking at having implemented around the world to try to bring them to this discussion on a national basis and indeed in Tasmania, if we have the opportunity.

Mr ROCKLIFF - Just going back to the redeveloping of existing equipment, you make a comment at the end of that paragraph that some game software is more complex. Is there any software or machines that are less complex in transitioning from, say, the \$10 to the \$5 to the \$1 limit? How much of the marketplace would they add up to?

Mr FERRAR - There are a handful of machines currently in the Tasmanian marketplace that could theoretically be set up to operate at a \$1 maximum bet limit. They are literally a handful. Each of our members have necessarily different approaches to the process of developing and providing gaming machines both from a hardware and a software perspective. The difference between the games within a manufacturer's inventory and the differences between the platforms, the hardware, if you like, between our members are quite significant. It is difficult for me to respond to your question unless we go into a technical discussion. We have discussed this at length in our technical committee, how we could try to explain this. I don't want to seem banal but what we came up with is that if one was playing an AFL Grand Final and you tried to play it on a ground one-fifth the size, there may be some similarities between trying to take a game that currently operates at a \$5 maximum bet and apply a \$1 maximum bet. There would need to be fundamental changes to almost every game.

Mr ROCKLIFF - Say there is a handful of machines out there where the transition would be easier, what sort of marketplace are those machines in? What sort of business environment do they operate in? Are they pubs and clubs, RSL clubs, casinos?

Mr FERRAR - All of our members supply to all sectors of the industry throughout Australia. In essence, they apply to all sectors. Our members supply, in the case of Tasmania, to the operator and the operator deploys the machine to wherever they see fit. We don't have any way of knowing where the machines are operating unless we seek advice from the operator. I am not really in a position to be able to respond to your question with data.

Mr GUTWEIN - In regard to the claim that the remaining 25 per cent of gaming machines would require replacement at a cost of \$18 000 per gaming machine, of the 75 per cent of machines that would not need to be replaced, what is physically required to change one

of these machines over from, say, a \$10 bet limit to a \$5 bet limit and then to a \$1 bet limit? Is it simply the insertion of a new software chip?

Mr FERRAR - I will try to provide a summarised answer because this can be a very complex discussion. In essence, going from a \$10 to a \$5 maximum bet is a relatively simple process. I will hark back to my AFL Grand Final analogy. Many of the gaming machines that are supplied into the \$10 markets in Australia, which are primarily New South Wales and South Australia, are indeed closer to a \$5 maximum bet limit in any event. So although there is a \$10 maximum bet in place in those jurisdictions, we have estimated about half of the machines already are less than a \$5 maximum bet limit.

CHAIR - So they play on a half football field, do they?

Mr FERRAR - It depends on the mathematical model that is applied to that particular game.

In relation to what is required to change the machines that are operating from, say, a \$5 maximum bet limit to \$1, we put a lot of effort into this during the Productivity Commission inquiry and tried to, as a rule of thumb, state firstly it depends on the age of the equipment. As you would appreciate, our members develop, design and manufacture the gaming machines based on the availability of componentry. Probably the easiest way to explain the componentry issues are the screens of gaming machines. We would all be aware, I would imagine, that in the last 10 years the average screen that is available for use on a personal computer or indeed a television at home has changed dramatically. This is a very difficult issue for our members because you quite often see changes in the aspect ratio, for example, the east-west measurement against the north-south measurement of a screen, so that results in necessary changes to the configuration of a machine. Essentially what we have said is that if a machine has been supplied inside the last two years, there should not be any requirement for hardware change to make changes to the operation of the equipment. If a machine is between two and five years old, we anticipate that there may be the need to increase the capacity of the equipment, typically the memory size or the executable capacity of the hardware to run the revised software, which may require some hardware change. Anything older than five years, it is a moot point. In many cases it will be difficult to make the required changes to machines that are older than five years.

Mr GUTWEIN - You are suggesting through your submission here then that 25 per cent of the machines are older than five years, because they are the ones that you have suggested, or that there is 25 per cent that would require change over?

Mr FERRAR - That is our assessment, yes. I might note, if I may, that some of our members were a little concerned that the \$18 000 figure was a little bit low, but that is what we have said to the Productivity Commission and we are delivering a consistent message to you.

CHAIR - On that basis then, Ross, if you are saying that 25 per cent of the machines are older than I think you said four or five years old - is that correct?

Mr FERRAR - Five, yes.

CHAIR - Yes, five. What is the expected life of a machine - about how many years? It is hard to do the maths because you might be putting more machines out all the time, but if the majority of them are less than five years old, it seems to follow that their life cycle is not that long. What is the normal expected life?

Mr FERRAR - This again can be a complex discussion but I will try to keep things comprehensible. There are two aspects to this. In terms of design life as our members discuss, you would expect a five-year design life. Design life means that you can anticipate designing and developing a platform or, if you like, the cabinet in which the software runs and you should be able to have assured supply of componentry to continue supporting that platform for five years typically. Over the last several decades that design life has diminished as componentry changes constantly and the speed of that change accelerates.

CHAIR - So they are trending towards less than five years?

Mr FERRAR - We would say so, yes. We would say right now that the design life of a machine is typically five years but that that is likely to trend lower in coming years.

In terms of the operational life of gaming machines, there are many gaming machines in operation around Australia that are much older than five years. There are several reasons really that our members would prefer that that were not the case and there is an obvious one, they would prefer to replace it with new equipment, but it is more and more difficult to support the maintenance of older equipment.

CHAIR - Thank you, Ross. I am sorry but we have run out of time allocated for this hearing today. You could contact the committee if there is something that you have been unable to put to us as a result of being on the other end of the phone, but we appreciate your making a submission and giving evidence.

Mr FERRAR - Thank you. We greatly appreciate the opportunity and as Hobart is my home town, it has been a pleasure to speak with you this morning.

THE DISCUSSION CONCLUDED.

Mr PETER HOULT, CHAIR, TASMANIAN GAMING COMMISSION, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Booth) - Thank you, Peter, for your submission and for attending today. Would you like to make some opening remarks?

Mr HOULT - The Tasmanian Gaming Commission, which all of you know is a three-person part-time commission, is responsible for the regulation of the industry here in Tasmania. It has become responsible for an increasingly large portfolio of responsibilities with Betfair and recently TOTE. We have considered harm-minimisation issues across the board for a number of years. I have been in the job for almost three years and it has been quite a considerable focus of the commission during my time there. We have always taken the position that the greatest risk to those with problem gambling is electronic gaming machines, so naturally we understand the focus of your committee looking at that. We made a brief submission in the time we had available to us and I don't think I need to go through that. I made the offer in that submission to come along and provide any additional commentary that the committee might like to have. I think in the submission we basically take the view that it is likely that a reduced bet limit would reduce the losses of problem gamblers but that given all that is going on at the moment, particularly with the appointment of national committee and the arrangements between Mr Wilkie and the current Federal Government - and this is entirely a judgment call - it may be a matter that would best be deferred until the recommendations of the national committee were out on a national and broad-scale means of reducing and controlling these people's losses primarily through some kind of interface with the machines that allows people to set bet limits and prevents them from going beyond that.

CHAIR - Would it affect your opinion if you knew that the evidence this morning, which was publicly given by Senator Xenophon and Mr Wilkie - were you here listening?

Mr HOULT - No, I am sorry, I wasn't.

CHAIR - Their opinion with regard to that was that the \$1 bet limit with a couple of additions, with volatility rates and maximum spin rates to maximise the losses out at \$120 an hour, would be an extremely important tandem step with the pre-commitment happening nationally. They are very strongly of the view that this should occur here in Tasmania.

Mr HOULT - I think that is a reasonable position to take. I caught the end of Mr Ferrar's evidence and it was not surprising to hear what he had to say. It has been said to the commission by the industry fairly long term. You will note in the reductions that we have imposed a \$5 limit under the commission rules. We have given a period up to mid-2013 to roll that out on the grounds that both - and you have to separate the two - the machine boxes and the games themselves have a lifespan of around three to five years. We thought, because of the cost impost on the industry, that an amortisation period around that was reasonable.

CHAIR - That would give the industry the capacity, if they had a three-year introduction period, to put in new machines anyway, with a three-year lifespan and simply replace them when the ban came in with new ones.

Mr HOULT - There are machines that are capable of a \$5 limit now - and games. There are software and platforms capable. Certainly in the three- to five-year period there is no reason why the industry cannot get down to that. The industry has argued that the difficulty with \$1 games is substantively different, although, in my opinion, if one gave a rollout period of a substantial time, the industry would respond to that because otherwise they would not have any games. Certainly on the Tasmanian market it is highly unlikely that the industry would respond to that because we are such a small part of the games/boxes market - 3 680 capped in all. We are a couple of per cent of the Australian market. So I am not sure whether we could achieve any industry response in this at all, down to a \$1 limit, unless it was nationally imposed limit, and I think the local industry would struggle. There are still some \$1 boxes and games around, as you have heard the industry say. They tend to be less attractive machines to industry and are largely on the back end of the phase-out period because the new machines are a much more technically adept and can be changed much more easily, and many of have server base-game capacity and other things.

So in the national context, even parallel with pre-commitment technology, another suite of things was ruled out that had a \$1 limit and reduced spin rates, but I think the national industry could do that. That is only my opinion but I think they could because the market would have to respond to those things to retain its Australian market. Whether they would take any notice whatsoever of Tasmania if we went sync nationally is a good question. I do not see why anybody would do a major retooling of their product, software or platform, for a market of 3 680 games, probably divided by four or three on an amortisation basis of changeover. It would not drive the market, in my opinion, and I think that is the real problem.

CHAIR - Is that an informed position through actual information or an industry suggestion because we have had contrary information submitted. Dr Harrigan, for example, has given evidence that it is relatively simple matter to rewrite the software?

Mr HOULT - If the machines are capable of a software rewrite, and if the machine platforms are capable without adjustment, and some certainly are. Some have significant physical limitations in the machine and the screens. The screens are fixed; you would have to replace them. They are not the modern LED screen et cetera. That is the difficulty in my saying this because there are so many different machines out there of so many different ages. It is really impossible to know, without going out and getting the specs on every one of those 3 680 machines, about what the impact would be of a unilateral, point-in-time decision to go to a \$1 limit.

Mr GUTWEIN - Have you ever asked for an audit to be conducted to give you some understanding of what type of machine we have?

Mr HOULT - No.

Mr GUTWEIN - The machines are owned by whom in Tasmania?

Mr HOULT - All the licensed machines are owned by Federals and are on a lease basis to pubs and clubs.

Mr GUTWEIN - So that information should be available?

Mr HOULT - That is a good question. Do they retain an up-to-date list of where every machine is or do they depend on a call by the user, the pubs and clubs, that they want updated machines and then go to the marketplace? I cannot answer that. That is a commercial question.

Mr GUTWEIN - You mentioned server-based-game capacity. Do we have that opportunity in Tasmania?

Mr HOULT - We do not currently have it. To the best of my knowledge there are no server-based games but I am also told that the new generation machines that are being put in have the capacity to manage server-based games.

Mr GUTWEIN - That would be servers based in venues or -

Mr HOULT - Anywhere you are online. In the United States there are centrally based servers which hold hundreds of games which can be instantly downloaded and they do it on demographics. Their market changes during the day. What you might present to a 65-year-old retiree at lunchtime having a flutter is very different to the one you want on at 10 o'clock to two in the morning when a game savvy 22-year-old might want to play.

Mr GUTWEIN - You raised other simpler policy changes that may be as effective, such as reducing the hours of gaming machines. Do you have a view on what could be done in those areas and what might be, in your view, harm minimisation through other methods?

Mr HOULT - I think there are two levels of that. We wrote something in September 2008 which is on the website as a response to the Treasurer and the socioeconomic impact statement. One is how physically available the machines are on an opening and closing hours basis. The commission could, if it was a government policy, by direction pull back the hours of operation of gaming machines.

Mr GUTWEIN - And those hours currently are at the moment?

Mr HOULT - I think they have to close down for four continuous hours out of 24. There is some argument that if you close them down at one or two in the morning for an extended break then you might well cut off access for a number of people who are not gambling appropriately and have probably combined gambling with a fair bit of drinking as well. Even some owners of pubs and clubs - but they will not admit it; you will not hear this officially - have said that is a difficult time for them to manage. They have some difficult people then. As a result they have very high costs then - they have security costs and they have low numbers of people in the venue other than those playing the machines.

The other level is whether you could actually use relatively small changes in software to shut machines down after a certain period of gambling on an individual machine basis. So if a machine had been continuously running for two hours then it says, 'This machine is out of service for 15 minutes', just to break what psychologists and psychiatrists say is the lock-in pattern that problem gamblers get. They get fixated from the actual brain activity with a machine if it is not broken. That would be enormously unpopular with some people, never mind the owners of the machines, because some people develop

immense ownership of machines. They think they are going to pay out the longer they stay there, which is why people reserve machines when they go to the toilet or something.

CHAIR - Given your involvement with this industry as part of the Gaming Commission, is it your view that there needs to be further harm-minimisation measures to protect problem gamblers?

Mr HOULT - I think the commission's position is that, particularly post-Productivity Commission report and the submission we gave in 2008, there are still a significant number of people who are at risk or are being harmed by electronic gaming machines. That is a particularly potent argument when one looks at the actual number of people who use them on any kind of regular basis and then apply the ratios of harm. A defence against any further harm minimisation put forward by some quarters is that you are really looking at, say, 3 per cent of the population who have any risk at all, and that is a minute part of the population. However, the data shows now that only about 10 to 15 per cent of adult Australians use poker machines with any degree of regularity at all. If that is the case then that kicks the harm rate up for people who use the machines, which is the only true indication and the rest of it is irrelevant. It is like saying only 1 per cent of people get killed in cars but what if only 10 per cent of people drive cars. When you get up to ratios of around 10 or 15 per cent of all regular users who appear to suffer harm I think one could reasonably say that, seeing the governments have licensed this activity, there is still some way to go on harm minimisation.

CHAIR - So your concern effectively with regard to this bill is what you have been told about the cost of implementation rather than the effectiveness of a strategy to limit the bet?

Mr HOULT - I am not a great believer in silver bullets. I think there is a very large risk if you just end up with a \$1 bet limit that people's behaviours are going to change and you will not see the impact as dramatically as you think. I think we might see people extend their sessions on gambling quite significantly or in fact do them more times in a week or a for a longer given time than they did before. If we are talking about addictive behaviours, people do not behave rationally. They are addicted to the actual process and that is what the psychiatric and psychological evidence is - that it is the actual process that is addictive to them. Therefore they will probably sit for longer in front of the machines than they would normally. That said, would there be a reduction in the amount of loss in a given period? Yes it would. I don't think that is arguable.

Mr GUTWEIN - This is a question that I put to Anglicare this morning: do you think there might be a migration of people from this form of gaming to other forms of gambling? The psychologists say that people lock into the process and it is part of the experience if you like of being at the machine. Whilst they may stay longer, for those who were perhaps betting the house and getting deeper and deeper into financial trouble and their prime motivation was to try to win the house back, with the \$1 bet limit do you think that there would be a migration of people to other forms of gaming if they could not achieve the same aims that they were attempting to?

Mr HOULT - I saw that argument put in the newspaper recently by an economist arguing that the pre-commitment was a waste of time. The research that I have read about

problem gamblers suggests that you certainly would not get one-for-one migration to another sector. When you look at the anecdotal evidence given by problem gamblers themselves, you will see that many of them will not go to another kind of gambling. They will not go on to the Betfair site - it is not the same experience. They are not going to go to the races or the TAB - in fact that is a social experience that is not in the language of problem gamblers, by and large.

The argument is on-line gambling. They are not going to do it at home. Most of these people actually get the experience of coming out and going to the machine as part of their experience so they are not going to want to sit in the spare room at home or with their family or their friends who are gambling. I do not say there are not risks with on-line gambling, there certainly are. I would be surprised if you got a significant migration of true problem gamblers on EMGs to just walk out and say, 'I will use another mode of gambling.' I think there are a certain number of people who might be chasing losses because they have got themselves into trouble, but I would argue that that kind of super-logic is not what you see in the normal gambling addict. It would not be one-for-one, but there would be some decrease, yes.

Of course parliament could introduce a \$1 bet limit and I think you would have to end up with a fairly long translation process, unless the industry in Tasmania is going to be severely reduced. I guess it is the question of where costs would lie.

CHAIR - Where would that severe reduction come from?

Mr HOULT - I do not think they would be able to even get the quantity of \$1 gains.

CHAIR - So it is the actual physical machinery being available?

Mr HOULT - And the second part of it is who pays for this? If the box is not changed over on the normal amortisation cycle, where does the cost fall?

CHAIR - Setting those things aside then, is that effectively the main impediment do you think? If that was not a problem would you say it is a good thing to -

Mr HOULT - I think in our short submission we said it would reduce it.

CHAIR - Yes, you did.

Mr HOULT - To me it is just a very confused period of history here - we are going through potentially very significant changes. I would love to see them happen on a national level, particularly pre-commitment, because if each State goes it alone it will be high-cost, it will be a bunfight, it will be all sorts of strange market things happening. We will not do well out of it because we will be a small tenderer for these processes. If it was a national one, we could piggy-back on a much larger tender process.

Mr BEST - That is an interesting point, isn't it, about one little State going off, trying to do this. We just heard previously from Mr Ferrar about some of the complexities and, in some cases, it is easier if the machines are under two years old. They are probably not a problem but older machines are. Mr Ferrar was saying how they spread their resources

across all the States to maintain the equipment and so forth with the 2 000 people employed. They are probably wondering whether they want to come down here.

Mr HOULT - If you look at a purely industry perspective, you cannot get away from the fact that Tasmania's number of machines represents the machines in a suburb of Brisbane or Sydney. We do not have any market clout. We are not going to influence the market to retool in any significant way in their production lines. If you did it over three years, you are talking about 1 200 machines a year. It is just pocket money for them, nationally. They are not going to do it.

CHAIR - But that is assuming there is a big cost associated with it. We don't have any evidence that it costs a lot of money; we have a lot of opinions.

Mr HOULT - I do not think you would get any evidence until you actually had to go and do it and see what the machine had a capacity of. All our machines are assessed by Queensland, which is another benefit to us which we would lose if this went ahead on a State-by-State basis. We would then have to go to another assessment modality, as we do not have a testing assessment system in Tasmania. We will not accept a game until it has been ticked off by Q-Com and their testing people and then we look at it in terms of the Tasmanian-specific requirements and most of those things are easily doable on modern machines. I just wonder what the industry would do for Tasmania. Even if the cost is \$2 000 a machine or \$4 000 a machine or whatever, if that falls to the smaller pubs and clubs I think some of them will say that it is not worth it.

CHAIR - That would be, say, on a five-year life of a machine and that would be only about \$800 -

Mr HOULT - It depends who pays for it? Unless you do them tranche by tranche and machine by machine over a long time nobody is going to do the jobs and say, 'Pay me over five years.'

CHAIR - No, but the effect of it in terms of the capacity for these machines to take money out of people surely a \$2 000 conversion could hardly justify not taking steps to minimise harm to people, especially over the life of a machine?

Mr HOULT - Some of these machines in the smaller pubs and clubs do not generate very large amounts of money but they are important amounts of money for the people in the clubs. I am not privy to the commercial arrangements between the licence-owner - Federal - and the pubs and clubs, so what they actually get in their pocket out of these things is another question again. That is why I am saying that it would depend on where the cost fell.

CHAIR - But in terms of the figures you have quoted there and the capacity of those machines, it is well known that they can take \$1 200 an hour. That is not uncommon, so in three or four hours you have -

Mr HOULT - No, but you are talking about notional capacity and the variation between venues of the throughput expenditure in a day is enormous; it is probably a multiple of 10 between them. Some of the small pubs and clubs in rural and regional areas, which are the ones that struggle most financially anyway, are the ones that have the smallest throughput and if they are required to get new machines or do substantive changes to

existing machines then if they have to pay that cost I wonder whether they would bother. I have often said that with true reform in this industry we talk about it the wrong way round. We talk about it as a tax issue or whatever. It is not; it is an industry restructuring issue, in my mind, and I think that is the mindset you have to bring to it. But this is now a revenue stream integral to an industry and if you are going to significantly change it you should be thinking about industry reform as much as you are just about the harm minimisation. If you think we have a problem in Tasmania, when you look at New South Wales and Queensland where those industries now provide some of the major regional infrastructure for sporting facilities and swimming pools and every other thing, at least in Tasmania we have not really got that complexity.

CHAIR - Does anybody else have a question?

Mr BEST - You spoke about industry reform. Obviously, I do not know whether you are advocating industry reform or not. Perhaps you could highlight what you think are the key issues on the horizon regarding industry reform.

Mr HOULT - Mr Best, I think the reason I said industry reform is that I get really frustrated about this as an argument about tax and governance, and I just say to people it is not. It is so minor in the terms of the expenditures of States and Territories -

Mr BEST - Oh, I see what you mean, yes.

Mr HOULT - With the best will in the world, if we got rid of all of the problem gambling on EGMs we would reduce the Tasmanian State revenue by about \$20 million a year.

CHAIR - So \$20 million would be the total reduction, do you say?

Mr HOULT - That is my off-the-cuff estimate and I will just quickly say why I arrived at it. It is about \$50 million a year revenue from pokies to the State Government. High-end estimates are that about 40 per cent of that revenue comes from problem gamblers. So you are basically saying 40 per cent of \$50 million is around \$20 million.

Now you will never capture all of it because you are never going to stop some people, so somewhere between probably \$10 million and \$20 million would be a brilliant outcome in terms of harm minimisation and I just do not think that is a tax argument when the State spent just over \$4 billion in the last financial year on all sources of revenue. That is why I say talk about the impact on the industry and on hotels and pubs and clubs. Do not be driven by the tax arguments. I used to run the Health department and it was a good day when we didn't!

Members laughing.

CHAIR - And you were not losing it on pokies.

Thank you very much Peter. That is very interesting.

Mr HOULT - Thank you.

THE WITNESS WITHDREW.