



2012

PARLIAMENT OF TASMANIA

**HOUSE OF ASSEMBLY
SELECT COMMITTEE**

ON

**THE GAMING CONTROL
AMENDMENT BILL 2010
(\$1 BET LIMIT)**

Membership of the Committee

Mr Kim Booth, MP (Chair)
Mr Scott Bacon, MP (2/9/2010 – 14/6/2011)
Mr Brenton Best, MP
Mr Peter Gutwein, MP
Mr Graeme Sturges, MP (from 14/6/2011)
Mr Jeremy Rockliff, MP

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RECENT NATIONAL INITIATIVES

During the Committee's deliberations there has been a concurrent national debate on problem gambling, including the introduction of pre-commitment technology as a harm-minimisation measure to ameliorate the negative impact that gaming machines have on some vulnerable individuals.

On 1 November 2012 the following legislation was introduced in the Commonwealth Parliament:

- *National Gambling Reform (Related Matters) Bill (No.1) 2012; and*
- *National Gambling Reform (Related Matters) Bill (No.2) 2012.*

These bills provide for a national pre-commitment scheme and include the following measures which will:

- (i) establish an Australian Gambling Research Centre;
- (ii) ensure all new poker machines manufactured or imported by 31 December 2013 are capable of supporting pre-commitment;
- (iii) ensure all poker machines are part of a State-linked pre-commitment system by 31 December 2016, excepting smaller venues which will have longer to comply;
- (iv) establish a Regulator to monitor and investigate compliance, and provides for enforcement measures;
- (v) introduce a \$250 daily withdrawal limit from ATMs in gaming venues (excluding casinos) from May 2013
- (vi) introduce electronic warning and cost of play displays on poker machines by 2016;
- (vii) put in place a new levy on venues to pay for the administration for the new scheme;
- (viii) trial a mandatory pre-commitment system in the ACT; and
- (ix) require the ACT trial to be independently reviewed by the Productivity Commission upon completion.

As outlined in the explanatory memorandum accompanying the Bills, the purpose of these Bills is to reduce the risk and harm associated with problem gambling.

This is to be achieved by allowing users of gaming machines to limit that harm by:

Providing for pre-commitment for gaming machines by:

allowing users of gaming machines to set limits for a State or Territory on the amount that they are prepared to lose during a period using gaming machines that are located in that State or Territory;

preventing a user from continuing to use, as a registered user, gaming machines, once their loss limit has been reached; and

allowing users to retain control over whether to impose limits on the amount that they are prepared to lose during a period using gaming machines that are located in a State or Territory.

Committee believes that these nation-wide measures should be implemented rather than an individual State going it alone.

RECOMMENDATION

The Committee recommends that the Tasmanian Parliament should not proceed with the \$1 bet limit legislation.

APPOINTMENT AND TERMS OF REFERENCE

On 1 September 2010 the House of Assembly resolved that the *Gaming Control Amendment Bill 2010 (No. 5)* be referred to a Select Committee for investigation and report thereon.

Terms of Reference

To inquire into and report upon the Gaming Control Amendment Bill 2010 (No. 5), including:

- (a) Potential effects upon venues with Electronic Gaming Machines (EGMs) should a \$1 bet limit poker machine restriction measure be implemented;
- (b) The development of an implementation plan that would recommend amelioration of any untoward impacts upon venues;
- (c) The effect on state revenues and amelioration measures;
- (d) Other matters incidental thereto.

Proceedings

The Committee sought the assistance of appropriately qualified officers from the Department of Treasury and Finance and the Office of the Auditor-General to provide analysis and verification of the data submitted to the Committee.

Mr Danny Moore, Principal Performance Analyst, was seconded from the Office of the Auditor-General and Mr Daniel Hanek, Principle Policy Analyst was seconded from the Department of Treasury and Finance.

The Committee called for public submissions in advertisements placed in the three regional daily newspapers on Saturday 4 September 2010.

In addition, invitations for submissions were sent to key stakeholders including: the Tasmanian Hospitality Association, the Tourism Industry Council Tasmania, the Tasmanian Gaming Commission, Anglicare Tasmania, TASCROSS, the Federal Group, Senator Nick Xenophon and Mr Andrew Wilkie MP.

A total of 67 written submissions were received along with 14 documents which were taken into evidence.

The Committee conducted public hearings in Hobart on three occasions to hear further evidence.

The above mentioned key stakeholders were invited to speak to their written submissions and further oral evidence was provided by the Bishop of Tasmania, the Right Reverend John

Harrower OAM, the Tasmanian Small Business Council and the Tasmanian branch of the National Council of Women of Australia.

The Committee is especially grateful for evidence presented by Mr Stephen Menadue and Ms Karyn Wagner who provided the Committee with an insight into the personal toll of addiction to gaming machines.

In all 25 witnesses appeared before the Committee.

Transcripts of the Committee's hearings are available on the Parliamentary web site <http://www.parliament.tas.gov.au/ctee/House/HAgaming.htm>. Documents and submissions received and taken into evidence may be viewed by appointment in the Parliamentary Library.

INTRODUCTION

The *Gaming Control Amendment Bill 2010* provides for the reduction of the maximum bet limit on electronic gaming machines (EGMs) in Tasmania from the current \$5 limit to a \$1 limit per spin.

This reform is proposed as a harm-minimisation measure to ameliorate the negative impact that gaming machines have on vulnerable individuals and the community more generally.

Whilst marketed as an entertainment product, EGMs can pose certain risks to users and are regulated by government as a matter of consumer protection.

As currently configured, the use of gaming machines can incur costs of many hundreds of dollars per hour of use which is disproportionate to other forms of entertainment. There is also a risk of addiction due to the design of the machines.¹ Intermittent rewards accompanied by lights and sounds are used to influence player behaviour. Psychologists recognise this as operant conditioning, which creates the anticipation of a reward on the every spin and thus encourages the consumer to continue playing.

Gambling becomes problematic for some individuals when they feel compelled to gamble even though they cannot afford to do so. Money that would otherwise pay for living expenses is lost and negative consequences ensue for the problem gambler and his or her dependants.

The Committee heard first hand accounts from individuals who had fallen victim to EGM addiction describing the effect it had on themselves and their families. Mr Stephen Menadue provided this example:

I'd walk half an hour ... [just] to go and spend \$2 on a poker machine ... I would go and steal money from post offices and the Commonwealth Bank, forge money to get money to go and gamble, and within two hours it's gone and all I'd have to show for it would be black hands from the coins.

¹ Document No. 5 - Digital Gambling: The Coincidence of Desire and Design, Dr Natasha Dow Schull, p. 69

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I was just so obsessive. I could have a mind that I will, or I won't do this in my life, but when it came to that aspect [EGMs] [I had] no control, no control whatsoever.

I stole from my family. I stole precious things from my family, from friends and loved ones ... to finance my habit and that created a whole lot of emotional baggage.²

The Productivity Commission has calculated the social costs associated with problem gambling to be around \$4.7 billion per annum on a national basis.³

The 2011 Social and Economic Impact Study of Gambling in Tasmania found that:

The costs of problem gambling in Tasmania are estimated in 2011 to be between \$51 million and \$143 million.⁴

Australians spend approximately \$19 billion on gambling annually⁵. The greatest proportion of this, 62%,⁶ is spent on gaming machines.

The majority of people who use EGMs can be described as recreational gamblers for whom gaming machines are a form of entertainment with minimal detrimental effects. For a small minority of people however, gaming machines have serious negative consequences.

The 2010 Productivity Commission report on gambling found that only 4% of Australians (600,000) play gaming machines on a regular basis. Survey results show that approximately 95,000 or 15% of these individuals are problem gamblers who collectively contribute an estimated 40% of total gaming revenue.⁷

The 2011 Social and Economic Impact Study of Gambling in Tasmania found that as measured by the Problem Gambling Severity Index, 0.7% of Tasmanian adults are problem gamblers and a further 1.8% are moderate risk gamblers. The study also found that Tasmanian problem gamblers and moderate risk gamblers accounted for 22.9% and 24.8% respectively of spending on EGMs.⁸

In 2010–11 Tasmania's share of the national spend on gambling was \$290 million of which \$216 million was spent on gaming machines.⁹

It therefore follows that 47.7%, or \$103.03 million of the \$216 million wagered on gaming machines in Tasmania in 2010-11 was derived from moderate risk and problem gamblers.

Current maximum bet limits of \$10 - \$5¹⁰ make it is possible for a player to lose \$600 - \$1200 per hour of play. The proposed legislation seeks to reduce the loss rate to around \$120

² Transcript of Evidence, 10/5/12, p. 15

³ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 2

⁴ Social and Economic Impact Study of Gambling in Tasmania, Report to the Tasmanian Government Department of Treasury and Finance, Summary Report 2011, The Allen Consulting Group, p. 23

⁵ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 2

⁶ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p13

⁷ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 2

⁸ Social and Economic Impact Study of Gambling in Tasmania, p.1

⁹ Tasmanian Gaming Commission Annual Report 2010-11, p. 15

¹⁰ Tasmanian EGM bet limits will transition from a \$10 to a \$5 maximum bet limit by 2013

per hour of play. The Committee recognises that this reform is a harm-minimisation measure and not a cure for gambling addiction. With a \$120 hourly loss rate, harm will be reduced as up to 10 hours of additional play would be required to achieve the current hourly loss rate.

The empirical evidence outlined in the Productivity Commission report identified problem gamblers as those more likely to wager bets in excess of \$1 per spin. Whilst recreational and problem gamblers share some characteristics such as the preference for small denomination machines, problem gamblers are more likely to play for longer periods, bet on more lines and bet on more credits per line.

The number of credits wagered was found to be a consistent predictor of problems with gambling.¹¹ Problem gamblers are more likely to have periods of high-cost, more intensive play when they are chasing wins or chasing losses and are more likely to wager bets in excess of \$1.

The Productivity Commission supports the lowering of the maximum bet limit to \$1 and notes that:

...if few players bet above \$1 per button push on average, and they are more likely to be problem gamblers, it is difficult to justify a bet limit much above that level, in view of the harm that problem gambling generates. Put another way there would be little harm to most players from a significant reduction in the maximum bet limit, and a considerable reduction for some.¹²

In their submissions to the Committee gaming venue operators generally disagreed with the findings and recommendations of the Productivity Commission. They were generally of the view that a \$1 maximum bet limit would have a catastrophic effect on the industry and no effect on problem gamblers.

Mr Greg Farrell, CEO of the Federal Group stated that:

We believe it has a dubious effect in improving problem gambling ... it would have a huge impact on recreational players and have an impact on Tasmania from which the industry would never recover.¹³

Gaming venue operators also argued that bets in excess of \$1 are more likely to come from recreational players either from 'high rollers' who can afford to play multiple credits or recreational players who use EGMs to amuse themselves whilst waiting to engage in other social activities and increase their bets to use up their gambling money when it is time to move on. No empirical evidence was provided in support of this claim other than the suggestion that a spike in bets above \$1 usually corresponds with Friday and Saturday nights which are the most social times of the week.

Another argument against the proposed reform presented in evidence is that a \$1 bet limit would not have the desired effect because problem gamblers would compensate by playing longer and therefore would lose the same amount of money.

¹¹ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.13

¹² Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.11

¹³ Transcript of Evidence, 4/10/10, p.24

In 2001 the Centre for International Economics (CIE) was commissioned by the gaming industry in New South Wales to examine the NSW Government's proposed changes to EGM regulations which included a \$1 maximum bet limit.

The CIE report concluded that if these reforms were imposed on New South Wales gaming venues, revenue losses in the range of 39% for pubs and 17% for clubs would ensue.

Almost without exception, submissions received from Tasmanian gaming venue operators highlighted this finding. Most simply stated that the proposed reform would result in a 39% loss in revenue that would jeopardise the viability of their businesses and consequently staff employment.

The Committee cautions that the CIE revenue estimates do not take into account possible changes in gambling behaviour. It is assumed that all the money previously wagered in bets above \$1 would be lost if a \$1 maximum bet limit is imposed. Although some gamblers may seek other gambling options such as the internet or horse racing, many may simply continue to gamble at the new \$1 limit.

When asked by the Committee whether a \$1 bet limit on EGMs would cause a problem gambler to seek an alternate form of gambling such as horse racing, Mr Stephen Menadue a reformed gambler who had a 30-year addiction to EGMs, answered:

No, definitely not. I'd say nine times out of 10 to that because the attraction with poker machines is that unique and exciting and colourful that you just don't get that with other forms.¹⁴

The Committee also notes that the CIE findings are based on NSW data which is vastly different to the situation in Tasmania. The NSW study found that 52% of EGM revenue came from bets in excess of \$1, whilst figures provided by Treasury indicate that in Tasmania only 37% of revenue came from bets over \$1.¹⁵

A point that also needs to be emphasised is that gaming revenue is only a portion of the total revenue of pubs and clubs. According to Australian Bureau of Statistics figures, pubs with EGMs derive on average 28%¹⁶ of their total revenue from gaming. One venue operator gave evidence before the Committee which indicated that only 10% of total revenue was derived from gaming.¹⁷ Evidence given by Mr Steve Old of the Tasmanian Hospitality Association to the Social and Economic Impact Study into Gambling in Tasmania in June 2008 indicated that the average venue took 12% of revenue from gaming.¹⁸

The Committee further notes that 75% of Tasmanian pubs currently operate and remain viable without the need for gaming machines.

¹⁴Transcript of Evidence, 10/5/2012, p. 18

¹⁵ CIE Report: Gaming Revenue at Risk, p. 30

¹⁶Document No.5 – Australian Bureau of Statistics, Clubs, Pubs, Taverns and Bars (8687.0) p. 5

¹⁷Transcript of Evidence, 4/10/2010, p. 14

¹⁸Social and Economic Impact Study into Gambling in Tasmania, Department of Treasury and Finance Tasmania, June 2008, Vol 1, p 131

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Aside from concerns about loss of revenue, gaming industry representatives told the Committee that the introduction of a \$1 bet limit would financially disadvantage them as the estimated \$55 million implementation costs would be passed on to operators through increased rent on machines.

The Committee recognises that an immediate change to the maximum bet limit would incur greater costs as does the Productivity Commission that recommends a transition period which would allow for the replacement of machines as they reach the end of their utility.

Gaming industry representatives also highlighted the difficulties inherent in unilaterally imposing a \$1 maximum bet limit, as Tasmania constitutes only 1.8% of the Australian EGM market.

It was argued that while we comply with a national standard, machine manufacturers are able to supply the State with new equipment and technical support. If Tasmania deviates from the national standard it will be difficult to source machines with \$1 maximum bet limits as it is not profitable for the manufacturers to develop the necessary software and hardware for such a small market.

The Committee found it difficult to verify the high implementation cost claimed by the gaming industry as gaming machine manufacturers did not respond to the Committee's request for further information.

Gambling becomes a problem when the gambler cannot afford the money he or she is wagering. Problem gamblers in Tasmania are losing on average \$14,000¹⁹ per year that they cannot afford. Family breakdown, depression, anxiety, unmanageable debt and crime are some of the social costs that result from problem gambling.

To ameliorate the losses of problem gamblers the Productivity Commission recommends the lowering of the maximum bet to \$1 per spin and notes that:

Most people play on gaming machines infrequently, for relatively short periods of time and with low intensity. For them the average cost – between \$30 and \$40 an hour – is commensurate with many other entertainments.

However it is possible to play most gaming machines at much greater intensity than this – up to expected losses (they could be larger in practice) of around \$1200 per hour ... that bears no comparison with any other form of entertainment.

The Commission ... considers that there are strong grounds to reduce the maximum intensity of play per button push well below the current \$5 and \$10 regulated limits. A limit of \$1 would strongly target problem gamblers, with little disturbance for others.²⁰

The Committee also recognises that if a \$1 maximum bet limit is introduced there will be an impact on gaming revenue and State revenue.

¹⁹ Social and Economic Impact Study, 2011, p.1

²⁰ Productivity Commission Inquiry Report No 50, Gambling, February 2010, Overview, p.24 & 26

Modelling from Tasmanian gaming data provided by Treasury indicates that the imposition of a \$1 maximum bet limit would result in a reduction of gaming revenue of approximately 20%.²¹

While the Committee recognises that a 20% decline in gaming revenue will have an impact on venues, it also notes that harm minimisation for problem gamblers cannot be achieved without reducing their losses.

Amelioration measures such as a three-year implementation period and a review of the gaming taxation provisions would allow venues to transition more smoothly to the new requirements.

²¹ See Appendix 2

MAIN ISSUES PRESENTED

Problem Gamblers

As currently configured it is possible to lose up to \$1200 per hour on Tasmanian gaming machines. The proposed legislation aims to reduce the hourly loss rate to around \$120 through the introduction of a \$1 maximum bet limit per spin.

For EGM gamblers who currently bet at or below \$1 per spin, there should be no perceivable difference to their gambling experience.

Depending on the extent of any compensating behaviours that may be adopted, high intensity-gamblers – who more frequently wager bets over \$1 per spin – should experience a reduction in losses.

It logically follows therefore that if gambler losses are reduced, there will be a commensurate reduction to gaming venue receipts. If problem gamblers are being targeted through this measure some reduction in gambling revenue would be justified.

Empirical evidence before the Committee contained in the Productivity Commission's report and the 2001 University of Sydney, Gambling Research Unit report, suggests that problem gamblers are more likely to be high-intensity gamblers and are more likely to wager bets in excess of \$1 than recreational gamblers.

Gaming venue operators however, have argued that it is the recreational players who wager bets greater than \$1 per spin and consequently the introduction of a \$1 bet limit would devastate gaming businesses without any impact on problem gamblers.

Limited anecdotal evidence was provided in support of this proposition; for example, venue operator Mr Darren Brown told the Committee that:

I have numerous players who, under the terms of what a problem gambler is would be seen as a problem gambler yet their income stream is such that they do not have a problem with the revenue they spend. One in particular ... has numerous businesses and would be in our venue a couple of times each week and wouldn't go near a machine if they couldn't play maximum credits which at the moment is \$10 and \$5 ... That particular player, who is a fairly substantial portion of some of our turnover on some days, wouldn't be in our jurisdiction and he would be flying to Melbourne to do his gaming if [a \$1 bet limit] was the case in Tasmania, as he has already articulated to me. There are a number of people like that – he is not a lone soul – who can afford to be there, who come in for a short period of time, play hard, either win or lose and go home in a short period. With a \$1 bet limit that person will not be interested. It will give our problem gamblers more time, they will require more time, for the same benefit that they enjoyed in the past. So I cannot see that it will help in any way except make them more time poor than they currently are.²²

²² Transcript, 4/10/2011, p. 10

The Tasmanian Hospitality Association submission questioned the efficacy of the \$1 bet limit as a harm-minimisation strategy and cited the findings of Dr Paul Delfabbro who reviewed the available research in 2007 as part of a statutory review of the New South Wales *Gaming Machines Act 2007*.

It is not clear whether there is any evidence that they [bet limits] work in practice or whether problem gamblers would alter their behaviour in the face of such modifications.²³

The Tasmanian Gaming Commission (TGC) submission also questioned the effectiveness of the proposed reform.

From available research and the experience in other jurisdictions, the TGC is aware of the difficulty in assessing the impacts of single interventions, the efficacy of which can be varied by changes in player behaviours ... For example it is difficult to assess whether a reduction in the size of the bet limit will result in changes to the length of gaming sessions or shift to other gaming modes. Nevertheless the TGC is broadly of the opinion that the introduction of such a bet limit would reduce gamblers' losses.²⁴

Mr Darren Brown told the Committee that:

This bill is about minimising revenue, it is not about targeting the problem gambler because there is no evidence on this table to say how do we pinpoint the actual problem gambler.²⁵

Mr Steve Old, General Manager, Tasmanian Hospitality Association, highlighted the numerical insignificance of problem gamblers in Tasmania and the effectiveness of existing measures in reducing problem gambling and drew the Committee's attention to the findings of the 2007 problem gambling prevalence survey²⁶. The survey found that 0.54²⁷ % of the 4,051 Tasmanians surveyed could be classified as problem gamblers when screened in accordance with the Canadian Problem Gambling Index (CPGI).

Mr John Whelan, Tasmanian Hospitality Association, added that:

We do not want anyone who might have a problem with gambling coming in and betting at \$1 per hit of the machine. We do not want them to come into the venue in the first place.²⁸

Mr Brown made the same point.

If someone is in our gaming venue who cannot afford to be there, who is not there for recreational purposes, we would rather not have them in our venue. As I said, this bill

²³ Tasmanian Hospitality Association, Submission No.9, p.3

²⁴ Tasmanian Gaming Commission, Submission No. 11, p. 1

²⁵ Transcript of evidence, 4/10/2010, p. 10

²⁶ Transcript of evidence, 4/10/2010, p. 13

²⁷ Social Impact Study into Gambling in Tasmania: Vol. 1 Final Report June 2008, p. 177

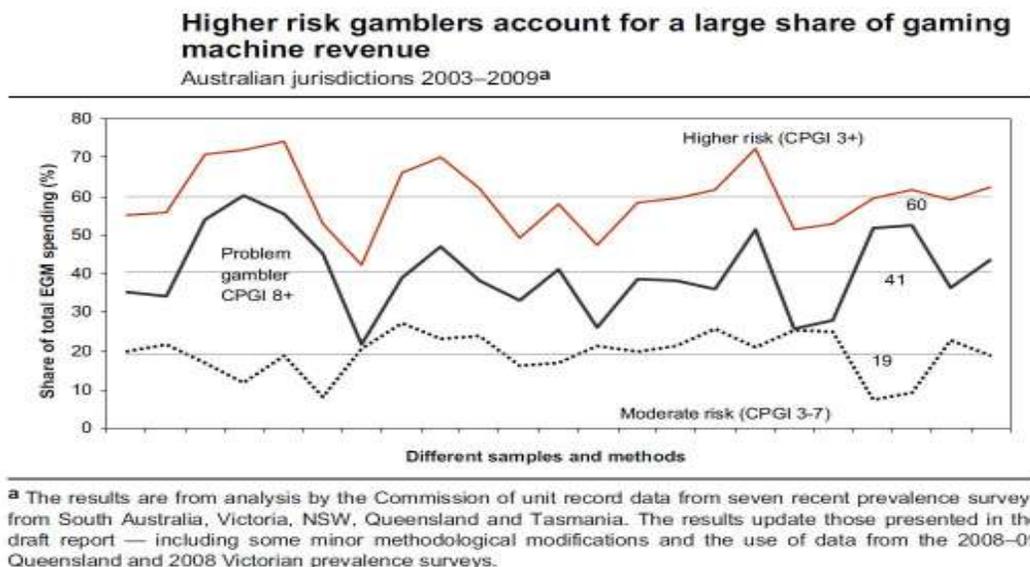
²⁸ Transcript, 4/10/2010, p. 16

does not separate those people, it takes everybody else out of the equation as well as those who actually can control their spending.²⁹

According to the findings of the Productivity Commission, if venues did exclude all problem gamblers they would forgo up to 40% of gaming machine revenue.

Problem gamblers figure disproportionately in total gaming machine spending. As they play many sessions per year, for longer sessions and at greater intensities than do recreational players, problem gamblers lose large amounts of money. (Data on the spending of loyalty members from a large Australian club shows how significant a few EGM gamblers can be to total spending. While some of these will not be problem gamblers, the strong association between high levels of spending and problem gambling, supports that many are likely to be.)

The Commission estimates that problem gambler's share of total Australian gaming machine losses range around 40%. Some estimates raise the possibility that the share could be as high as 60% or, in the most conservative case, as low as a (still significant) 22%. This means that, at a minimum, the 'small' group of problem gamblers currently account for \$2.6 billion of gaming machine losses [annually on a national basis].³⁰



(Source: Productivity Commission Report No. 50, Vol 1, page 5.34)

In 1999 the Productivity Commission conducted a nationwide gambling survey which supports the findings of other State and Territory prevalence studies in identifying problem gamblers as significant contributors to EGM revenue and those most likely to wager bets in excess of \$1.

The Commission's national gambling survey found that problem gamblers were significantly more likely to bet multiple credits per line (over 70%, compared to 36%

²⁹ Transcript, 4/10/2010, p. 17

³⁰ Productivity Commission Report, Overview, p. 16, 17

for non-problem gamblers) and bet more lines than non-problem gamblers (9 versus 6). Problem gamblers were also much more likely to play \$1 machines.³¹

Analysis of the unit record data in the recent Queensland prevalence survey shows that higher risk problem gamblers play longer and spend more per button push. Indeed only 10% of recreational gamblers had a playing style that would lead to average stakes of one dollar per button push, whereas around half of problem gamblers played at this rate. Evidence from one large Australian casino was consistent with this finding showing that 45% of self-excluded patrons at this casino had an average bet of more than \$1 in the period leading up to them excluding themselves (based on analysis of gaming machine data for loyalty card members only).³²

The 2001 University of Sydney Gambling Research Unit Report, commissioned by the Gaming Industry Operators Group to assess reforms proposed by the New South Wales Government to minimise problem gambling, also found evidence that supports the Commission's findings.

The study was based on empirical observations of patrons in real pubs and clubs using machines that had been either limited to a \$1 maximum bet, had a reduced spin rate or lower denomination note acceptors, or a combination of all three variables.

The researchers, Dr. Alex Blaszczynski PhD, Dr. Louise Sharpe PhD and Dr. Michael Walker PhD found that:

Problem gamblers more often wagered more than \$1 per bet than recreational players and utilized high denomination bill acceptors more frequently Problem gamblers predictably played longer, placed more bets and experienced more losses. ..[The] number of credits played (but not lines) predicted both the presence of likely problems and their severity. The majority of players played the maximum number of lines available in both problem and recreational gambling groups, but problem gamblers were more likely to wager more credits per line. Moreover, the tendency to gamble this way was a strong, independent predictor of problems with gambling.³³

Neither the limiting of bill acceptors nor the slowing down of the reel spin to 5 seconds affected the gambling behaviour of the participants in the present study. There was [however] a large effect on almost all variables of reducing the maximum bet to \$1. Players on these machines played for less time, made fewer bets, lost less money and drank and smoked less than the players who played machines with a maximum bet of \$10.

Interpretation of this finding is complicated by the fact that in the study design, participants could choose to move from one machine to another, if they did not like one aspect of the machine. This would not be the case if harm minimisation strategies were brought in within all venues ...The differences between play on machines with a

³¹ Productivity Commission Report, p. 11.13

³² Productivity Commission Report, p. 11.11

³³ Sydney University, Gambling Research Unit, Final Report on The Assessment of the Impact of Reconfiguration of Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gamblers, 2001, Dr. Alex Blaszczynski, Dr Louise Sharpe, Dr Michael Walker, pp. 62,63

limited maximum bet may represent the choice of some players to change machines in favour of a machine that allows larger wagers. Nonetheless, coupled with the predictive value of number of credits wagered in other analyses, these findings support the view that reducing the maximum bet to \$1 would be an effective harm minimisation strategy with regard to its ability to reduce the impact on the vulnerable patrons.³⁴

The interpretation of results of data related to the lowering of the maximum bet size is clearer. In practice lowering the maximum bet size means lowering the number of credits that are staked per line. Evidence from this study consistently supports the fact that increased bet size is associated with problematic levels of gambling.

... Credits predicted gambling status, severity of problem gambling and the amount lost within an individual session. Of the gambling variables lowering the available credits on the modified machines markedly reduced time spent gambling number of bets and losses..... The results of this study suggest that reducing the maximum bet size to \$1 through reducing the number of credits wagered per line is likely to be effective in reducing losses and reducing the severity of gambling particularly for those who are vulnerable. These results suggest that from the perspective of the effect of this strategy on the problem gambler, reducing the maximum bet size would produce the intended benefits with no evidence of unintended negative consequences.³⁵

The Study also found that:

... the proportion of players who bet in excess of \$1 per wager ... [were] 2.3% of recreational and 7.5% of problem gamblers.³⁶

The Federal Group cite this study in its submission but only make reference to the 7.5% of problem gamblers who typically bet in excess of \$1 per spin; the implication being that the \$1 bet limit is inconsequential as a harm-minimising measure for problem gamblers.

This research indicates therefore that moving to a \$1 bet limit would in fact not address the issue of problem gambling as the behaviour of the majority of those at risk is that they play gaming machines at less than \$1 bet limits over a longer period of time.³⁷

Academics, Dr Charles Livingstone and Dr Richard Woolley point out in their submission that the important finding in the University of Sydney study is that:

...[of] the 9.8% of EGM users who were observed to bet more than \$1 per spin, 76.8% were problem gamblers.³⁸

³⁴ *ibid*, p. 64

³⁵ Blaszczyński, et al, *ibid*, p. 66

³⁶ *ibid*, p. 56

³⁷ Federal Group, submission, No. 8, p. 12

³⁸ Dr Charles Livingstone and Dr Richard Woolley, Submission No. 61, p. 1

They further note that:

There will certainly be some reduction in the revenue derived from EGM gambling in the event that the proposed legislation is enacted. However, research evidence indicates that most of this revenue will derive from the excess expenditure of problem gamblers rather than recreational gamblers.³⁹

Mr Farrell, Managing Director, Federal Group, sought support for the proposition that recreational gamblers more frequently wager bets over \$1 per spin in the findings of the Productivity Commission report, and told the Committee that:

The Productivity Commission is quite clear in saying that the majority of problem gamblers gamble \$1 or less. They also say that the average problem gambler loses between \$12 000 and \$24 000 a year, so they are not that person mentioned earlier that has the ability to spend hundreds of thousands of dollars a year. They want to play for long periods of time that is why they have a problem.⁴⁰

This ignores the empirical evidence referenced above and the finding of the Productivity Commission that whilst problem gamblers do generally wager bets of \$1 or less in line with most recreational players they are more likely to have periods of high intensity play when bets in excess of \$1 are wagered. The table below taken from the Productivity Commission report shows that whilst only 12 % of recreational gamblers have a playing style of wagering \$1 or more per button push, 50% of problem gamblers adopt this style of play.

Table 11.3 Problem gamblers play more intensively^a
Percentage of risk groups

	<i>Recreational gambler</i>	<i>Low risk gambler</i>	<i>Moderate risk gambler</i>	<i>Problem gambler</i>
Spends \$1 or more per button push	12	22	31	50
Spends less than \$1 per button push	88	78	69	50
Total	100	100	100	100
Session length 2 hours or more	11	22	48	78
Session length less than 2 hours	89	78	52	22
Total	100	100	100	100

^a These are estimates based on "typical" playing styles. The value spent per button push is based on players' choices concerning lines played, credits per line and the machine denomination, with the methods for deriving these explained in appendix B. Risk groups are defined as per the CPGI.

Source: Analysis of unit record data from the 2006-07 Queensland prevalence survey.

Gaming venue operators, ALH Group, also criticised the proposed reform and argued that:

The current bet limit has already been reduced to \$5 per button push ... to further reduce it to \$1 would decimate the legitimate spending of responsible players without

³⁹ Submission No. 61, p. 3

⁴⁰ Transcript, 4/10/2010

necessarily reducing that of problem gamblers ... an unproven policy measure with such a substantial negative industry impact cannot be supported. The efficacy of this policy is unfounded. Consumers with problematic behaviour could simply spend more extended periods of time in the venue or substitute to less regulated gambling products including the internet.⁴¹

Whilst gaming venue operators impressed upon the Committee their belief that a \$1 bet limit would not assist problem gamblers, they did express concern for problem gamblers and agreed that harm-minimisation measures were needed. The gaming industry however wanted to see measures that were directly targeted at the individuals with gambling problems.

Mr Farrell of the Federal Group told the Committee that:

We are saying that pre-commitment is a far better solution because it is based around the player, working with Anglicare, TasCOSS, the Gambling Support Bureau and the Gaming Commission, it is about them helping people help themselves, we don't believe a \$1 maximum bet does that at all, but it has significant negative implications to industry.⁴²

Venue operator, Mr Darren Brown, also noted the need for alternate measures.

Unfortunately there does not seem to be as much focus as there should be ... on education and providing information to the player or to the general public to teach them how gaming machines operate, to teach them that they are fine for those who want to spend a bit of time on recreation and entertainment, but let them know how they actually work so there is no misconception that they will go in there and automatically expect to win.⁴³

Mr David Curry, ALH Group, also supported a national pre-commitment scheme as a harm-minimisation strategy in relation to EGM problem gamblers.

The Productivity Commission found that pre-commitment is the most effective way to target problem gamblers and at-risk gamblers without impacting upon the wider gambling community ... the Productivity Commission also found that pre-commitment systems would empower people to take responsibility for their own spending behaviour, by helping them decide exactly how much they wanted to spend before they started playing ...further the Productivity Commission noted "with effective pre-commitment, many other regulations on gaming machines could be removed as they become redundant".⁴⁴

Mr Curry however seems to qualify his support for 'effective pre-commitment' with use of the term 'voluntary':

⁴¹ Submission No. 28, pp. 2,3

⁴² Transcript, 4/10/2010, p. 33

⁴³ Transcript, 4/10/2010, p. 16

⁴⁴ Submission, No.28, pp. 1,2

ALH are committed to introduce voluntary pre-commitment nationally – a system that helps players stick to their limits by nominating spending or time limits on gaming machines.⁴⁵

Mr Steve Old also expressed support for a pre-commitment scheme.

... as an industry we have committed at a State and national level to work on the harm minimisation and pre-commitment.⁴⁶

In more recent public statements reported in the Mercury newspaper, Mr Old said:

While we want to deal with problem gamblers we hold grave fears of mandatory pre-commitment.⁴⁷

The gaming industry's preference for 'individual responsibility' in dealing with problem gambling through measures such as education, self-exclusion and voluntary pre-commitment ignores the fact that EGMs are designed to capture players and keep them playing.

In her paper, *The Coincidence of Desire and Design*, Associate Professor Natasha Dow Schull, outlines some of the features incorporated in gaming machines that encourage addiction.

Perhaps most fundamental to the gaming industry's program of 'continuous productivity' are inducements within game machine hardware and software ... that exploit psychological principles of learning outlined by B. F. Skinner in his theory of operant conditioning. Digitized games intensify the highly effective 'variable intermittent ratio reinforcement schedule', in which players never know how much they are going to get or when. Exposure to frequent near misses and small wins sustain betting, as does the option of credit play, whereby winnings can be re-gambled immediately.

... In recent years, game developers have further reinforced the learning schedule of games by adding numerous payout lines, along with options to bet a vast number of coins to take the greatest advantage of winning combinations ... The perception ... is that you're winning all the time, when you're really not – you're putting 25 in and winning 15 back, 45 in and 30 back, over and over ... positive reinforcement hides loss.

A score of visual and auditory design elements ... compose a second-order conditioning that adds to the reinforcement of play ... The idea is to create a sense of winning by pulsing all the human senses with sound and animated symbols and pay lines flashing, non-aversive visual and auditory cues.⁴⁸

Mr Stephen Menadue who was addicted to gaming machines, described some of the addictive elements of gaming machines to the Committee.

⁴⁵Submission, No. 28, p. 2

⁴⁶ Transcript., 4/10/2010, p. 20

⁴⁷ The Mercury, 2 May, 20011, article by Danielle McKay.

⁴⁸ Document No. 5 - The ANNALS of the American Academy of Political and Social Science, January 2005, Vol. 597, Digital Gambling: The Coincidence of Desire and Design, Dr Natasha Dow Schull, pp.69, 70

If the colours aren't there, the free game bell is not there, if the little clapping sounds are not there, it's going to be pretty boring. The anticipation of the free games is the big thing ... the free game is the secret weapon for building the better mouse trap of a poker machine. It is why people continue to put their money in, not realising that there are false wins ahead.⁴⁹

Ms Karyn Wagner, who was also addicted to gaming machines told the Committee that:

I worked at the TAB for 11 years and gambling never ever crossed my mind ... but with poker machines the noise and the colour of is dominating, and it's so fast and easy to bet. With horse racing you have to place your bet [and] wait ... with poker machines you don't have that space. I have seen people sit there, having not eaten ... they're starving because they won't leave the machine. I have seen people absolutely dying to go to the toilet but they won't leave the machine ... because people think they're going to get that big win.⁵⁰

The Tasmanian Gaming Commission in its submission to the Productivity Commission also recognised the inherent dangers of gaming machines.

Features are developed and refined to attract gamblers to the machines and keep them engaged with the machines. Vulnerable gamblers are captured by these specifically designed features.⁵¹

The Productivity Commission noted the policy dilemma that arises from gaming machine features that are attractive to recreational gamblers but problematic for problem gamblers. The Commission's report recommends that in such circumstances regulation must be directed to the protection of vulnerable players.

The evidence shows that high spending EGM players have a much higher risk of experiencing problems with their gambling. While some may indeed play safely if they have sufficient financial resources, many high spenders are not in this position, and it is this group around which policy should be centred. An analogy is speed limits on highways. Highly trained drivers may be able to safely travel at speeds well above regulated limits, but the fact that many other drivers cannot, means that regulators impose speed limits on all drivers.⁵²

Current betting limits imposed by all jurisdictions are set too high to be effective in constraining the spending of problem gamblers, given the speed and intensity of play that a modern gaming machine allows. The maximum bet needs to be low enough to constrain the spending rate of problem gamblers, but not so low as to adversely affect recreational gamblers (who typically bet at quite low levels).⁵³

⁴⁹ Transcript of Evidence, 10/5/2012, p. 21

⁵⁰ Transcript of Evidence, 10/5/2012, p.45

⁵¹ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p, 11.2

⁵² Productivity Commission Inquiry Report No 50, Gambling, February 2010, p. 11.40

⁵³ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p. 11.24

Social Issues

The 2011 Social and Economic Impact Study on Gambling in Tasmania (SEIS) found that 0.7% of Tasmanian adults are problem gamblers and 1.8% are moderate risk gamblers, as measured by the Problem Gambling Severity Index (PGSI).⁵⁴ This is consistent with the Productivity Commission's estimate of the national prevalence rate – 0.7% problem gamblers and 1.7% moderate risk gamblers.⁵⁵

The Productivity Commission notes that the presentation of gambling prevalence data as a percentage of the total population can be misleading.

[It] looks small – and indeed some segments of the industry have suggested that consequently the social policy significance of such problems is also small. However, to put these figures in context, only around 0.15% of the population are admitted to hospital each year for traffic accidents and around 0.2% of the population are estimated to have used heroin in the preceding year. Small population prevalence rates do not mean small social problems for society.⁵⁶

The harms from problem gambling include suicide, depression, relationship breakdown, lower productivity, job loss, bankruptcy and crime ... Moreover the rough count of people directly affected ignores the 'ripple effects' of problem gambling. For each problem gambler several others are affected – including family members, friends and employers. A recent Tasmanian survey found that 50% of people said they knew someone who was experiencing serious problems with gambling and around 13% of people identified at least one family member with a serious problem.⁵⁷

As stated earlier, although problem gamblers only represent 0.7% of the population and moderate risk gamblers 1.8%, together they account for 47.7% of expenditure on gaming machines in Tasmania in 2009 – 2010.

The 2011 SEIS found that a moderate reading of the cost of problem gambling in Tasmania to be in the region of \$51 million to \$144 million.⁵⁸

The study also found that for the period 2009 – 2010 the Tasmanian Government collected \$100 million in gambling tax and licence fees, 86.6% being derived from gaming activities.⁵⁹

In its submission, Anglicare highlight the higher levels of social disadvantage in Tasmania, noting that:

Tasmania is more disadvantaged than other states in some economic and social indicators, including income and education. Studies show that people on low incomes and lower educational attainment are more likely to gamble on poker machines and that regular using of poker machines is more likely to lead to gambling problems.⁶⁰

⁵⁴ Social and Economic Impact Study of Tasmanian Gambling, Summary Report, 2011, p.1

⁵⁵ Productivity Commission Inquiry Report No 50, Gambling, February 2010, Overview, p.11

⁵⁶ Productivity Commission Inquiry Report No 50, Gambling, February 2010, Overview p.11

⁵⁷ Productivity Commission Inquiry Report No 50, Gambling, February 2010, Overview p. 16

⁵⁸ Social and Economic Impact Study of Tasmanian Gambling, Summary Report, 2011, p.23

⁵⁹ Social and Economic Impact Study of Tasmanian Gambling, Summary Report, 2011, p. 5

⁶⁰ Submission No. 57, Anglicare Tasmania, p.2

The 2011 SEIS report found that disadvantaged areas of Tasmania have greater exposure to EGMs.

EGMs tend to be concentrated in Local Government Areas that have low socioeconomic status (SES). Expenditure in low SES areas is significantly higher than in comparison areas. Problem gambling, moderate risk gambling and low risk gambling are all higher in low SES areas.⁶¹

The intrusion of gaming machines in suburban settings and the associated negative economic and social consequences was a point emphasised in the submission of the Small Business Council of Tasmania.

Mr Robert Mallet, Executive Officer, Tasmanian Small Business Council, noted that:

When it [gaming machines] went to hotels I was particularly disappointed ... there was far less money in the community as a whole to be spread around on goods and services ... I think it was quite detrimental to our community across the board.⁶²
... the feeling of the Tasmanian Small Business Council [is] that if there was less money going through poker machines, we would ... expect that it would then be invested and spent in other ways which would end up better serving our community.⁶³

We're supportive of a reduction in the opportunities for people who are addicted to gambling to lose money they can ill-afford, that is outside the money they would normally set aside for recreational purposes. How do we do that? We only have two options on the table and that is either by limiting the bet limit or by having a mandatory pre-commitment process. From the Small Business Council's point of view we'd support the cheapest option at this moment that gives us the best value for money ... we think it is the \$1 bet limit we would support.⁶⁴

Mr Stephen Menadue strongly objected to the placement of gaming machines in suburban neighbourhoods.

Every night in this State a child goes to sleep crying because their parents have lost their money. That machine is put in that suburb to take that money ... They are quite happy taking the household income, the whole lot.⁶⁵

Mr Menadue suggests that placing gaming machines in suburban settings captures people who would not otherwise gamble on a daily basis.

[Someone] might only be stopping in the pub for half an hour after work on his way home, whereas he's not going to make half an hour or an hour to go to the casino and have a drink with his mates ... most people, if you look at the demographic, they are pensioners, single mums who aren't in a position to go to the casino.⁶⁶

⁶¹ Social and Economic Impact Study of Tasmanian Gambling, Summary Report, 2011, p. 1

⁶² Transcript of Evidence, 10/5/2012, p. 4

⁶³ Transcript of Evidence, p.8

⁶⁴ Transcript of Evidence, 10/5/2012, pp. 12, 13

⁶⁵ Transcript of Evidence, 10/5/2012, p.21

⁶⁶ Transcript of Evidence, 10/5/2012, p.25

The table below is reproduced from the 2011 SEIS report and highlights the personal and social costs of problem gambling.

ESTIMATED COSTS ASSOCIATED WITH PROBLEM GAMBLING IN TASMANIA (2011, \$ MILLIONS)

	Estimated cost under each scenario		
	Narrow application of PC survey results	Moderate application of PC survey results	Broad application of PC survey results
Financial			
Bankruptcy	\$0.3	\$0.4	\$0.5
Productivity and employment			
Productivity loss at work	\$0.8-\$5.6	\$1.1-\$7.7	\$1.4-\$9.9
Job change			
earnings loss	\$0.9	\$1.3	\$1.6
employee job search	\$0.3	\$0.5	\$0.6
employer staff replacement cost	\$0.6	\$0.8	\$1.0
Crime and legal			
Cost of police incidents	\$0.1	\$0.1	\$0.1
Court cases	\$1.0	\$1.3	\$1.7
Jail costs	\$0.7	\$1.0	\$1.3
Personal and family			
Emotional distress of immediate family	\$17-\$50.9	\$23.5-\$70.6	\$30.1-\$90.4
Emotional distress of parents	\$0-\$11.2	\$0-\$15.6	\$0-\$19.9
Financial cost of divorce and separation	\$0.2	\$0.2	\$0.3
Emotional cost of divorce	\$3.1-\$9.4	\$4.4-\$13.1	\$5.6-\$16.8
Cost of violence	\$0.4-\$1.2	\$0.5-\$1.6	\$0.7-\$2.1
Depression	\$0.1-\$0.2	\$0.1-\$0.3	\$0.1-\$0.4
Thought of suicide	\$4-\$8	\$5.6-\$11.1	\$7.1-\$14.2
Attempted suicide	\$2.5 - \$4.1	\$3.4 - \$5.7	\$4.4 - \$7.3
impact on immediate family	\$3.5-\$7.1	\$4.9-\$9.8	\$6.3-\$12.6
impact on parents	\$0-\$0.9	\$0-\$1.3	\$0-\$1.6
Treatment costs			
Problem gambling programs funded through Community Support Levy	\$1.5	\$1.5	\$1.5
Total	\$37-\$104	\$51-\$144	\$64-\$184

Notes: ¹ Estimated prevalence rates from the *Survey of Clients of Counselling Agencies 1999* are applied under three different scenarios: Narrow application (100% of PGs and 25% of MRGs); Moderate application (100% of PGs and 50% MRGs); and Broad application (100% of PGs and 75% of MRGs), where PGs = Problem Gamblers and MRGs = Moderate Risk Gamblers.

Source: Allen Consulting Group analysis

A 2010 Anglicare study of problem gambling and crime in Tasmania found that in 41 cases before the Tasmanian Supreme Court between 2004 and 2009 problem gambling was cited as the reason for the offence.⁶⁷

There were 28 men and 13 women offenders. Forty immediate family members were adversely affected by the offence (25 dependent children, 14 partners and one dependent mother) ... Half the offenders were employed at the time of the offence ... some were in

⁶⁷ Document No. 7 – Nothing Left to Lose, Margie Law, Anglicare Tasmania – Social Action and Research Centre, p. 2

senior management positions or in positions of financial responsibility, including treasurers, lawyers, financial advisors, site managers and security staff.

... A total of \$6.8 million was stolen in cash and goods or lost in damages to property. ... Of the 41 cases, in 35 instances the person received a custodial sentence, six of these being for violent crimes (armed robbery and arson) ... A total of 477 months (or 40 years) incarceration was handed down to these 41 offenders before they would be eligible for parole. The cost to the State of the minimum 14,600 days of imprisonment is estimated at \$3.8 million.⁶⁸

Employment and Investment

Many gaming industry submissions drew the Committee's attention to the issue of employment and investment in hotels and tourist facilities and community support programs that would be jeopardised if gaming venue revenues were curtailed by the introduction of a \$1 bet limit.

Mr Daniel Hanna, representing the Tasmanian Tourism Industry Council, told the Committee how important the Federal Group is for employment and investment in tourism facilities in the State.

The Federal Group is the largest private sector tourism operator in this State. They operate the two casinos and electronic gaming in Tasmania and they also have a large hotel network. ... The Federal Group as well as being the major investor in private sector tourism products, also markets the destination very effectively. ... They are a major employer ... [with] around 2 600 people employed. I would also point out that the Tasmania hotel industry – roughly a third of which I understand has gaming ... is a major part of the visitor experience. I would say that having gaming has allowed a lot of those hotels to invest in facilities that benefit the visitor experience.

We are not 100 per cent sure of the impact of this bill on tourism. All we would be saying is that you exercise caution because we do know that when you introduce legislation it can often have downstream and unintended impacts.⁶⁹

Mr Old concurred.

From my point of view in representing the industry, jobs, investment and growth are the biggest issues for us. We know that the hospitality industry is one of the biggest employers in Tasmania and one of the biggest investors. Gaming machines are part of the fabric of some of those venues ... it allows a lot more of these venues to remain open a lot more days during the week and during the year when previously, before gaming was introduced into hotels they would often be shut.⁷⁰

The Department of Finance and Treasury submission contained some figures on the extent of employment generated by gaming services in Tasmania but also noted that it is difficult to differentiate what proportion of hotel employees work is directly related to gaming.

⁶⁸ Document No. 7, p. 2,3.

⁶⁹ Transcript, 4/10/2010, p. 2

⁷⁰ Transcript, 4/10/2010, p. 8

It is estimated that around 1800 persons are licensed to provide gambling services in hotels and clubs with EGMs. It cannot be assumed that all licensed employees are currently employed or furthermore that those employed work on a full-time basis...

The ABS also examined the average employment in clubs, pubs, taverns and bars. The survey found that, on average there were 12 more persons employed in Tasmanian venues with gambling facilities. However not all additional employees are solely employed as gaming staff ... the number of employees in the 100 hotel and club venues employed as a consequence of providing EGM gambling, could range from 400 to 1200 persons depending on the degree to which the service of gaming forms part of the employee's duties.⁷¹

The 2008 Social and Economic Impact Study into Gambling in Tasmania found that the introduction of gaming machines had not contributed to employment levels in any significant way.

There is no evidence from the Labour Force Survey (LFS) data that the introduction of gaming machines had a positive impact on the level of employment in the clubs and hotels sector; employment in the sector fluctuated around the 3,000 mark throughout the entire 1990s and into the early 2000s. ...⁷²

Only in most recent years does it appear there has been an increase in the level of employment in the clubs and hotels sector in Tasmania. LFS data ... shows that employment in clubs and hotels increased from around a level of 3 000 in 2003/04 to around 4 000 in 2006/07. The most likely explanations for the growth in employment include more buoyant economic conditions in recent times coupled with employment growth due to improvements in facilities and services, particularly food and catering.⁷³

In its submission to the Committee Anglicare also made reference to the findings of the Social and Economic Impact study (SEIS) highlighting the relationship between gaming and employment.

The SEIS also stated that any economic growth at venues with gambling facilities was likely to be at a cost to venues without gambling venues, that in fact gambling "is best characterised as representing a transfer of activity between sectors of the economy rather than an increase in total output". Thus when the Australian Hotels Association represents its members and claims that the \$1 bet limit would "have a devastating impact on the hotel industry and result in falls in local employment and community support", it is worth thinking about those venues and other retail activities that do not have poker machines that may well benefit from a change in economic activity.⁷⁴

In the most recent Social and Economic Impact Study of Gambling in Tasmania the contribution of gambling to the Tasmanian economy was found to be positive only when export income was taken into consideration.

⁷¹ Treasury and Finance Submission No. 59, p. 6,7

⁷² Social and Economic Impact Study into Gambling in Tasmania:2008 Volume 1, p.128

⁷³ Social and Economic Impact Study into Gambling in Tasmania:2008 Volume 1, p.130

⁷⁴ Anglicare, Submission No. 57, p.3

The key finding ... is that Tasmania's gambling industry provides a positive contribution to gross state product, employment and household consumption. In particular, Tasmania's gambling industry is estimated to increase these measures by between 0.5 and 1 per cent.

This positive contribution is largely attributable to ... export gambling services provided by TOTE Tasmania and Betfair Australia ... [without this revenue] the overall contribution from Tasmania's gambling industry would be small, if not negligible.⁷⁵

⁷⁵ 2011 Social and Economic Impact Study, p. 22

FINANCIAL MODELLING

The Terms of Reference require the Committee to investigate: potential effects upon venues with electronic gaming machines should \$1 bet limit poker machine restriction measures be implemented; the development of an implementation plan that would recommend amelioration of any untoward impacts upon venues; the effect on state revenues and amelioration measures; and other matters incidental thereto.

Player responses

A reduction in bet limits to a maximum \$1 per spin could do one or all of the following:

- reduce problem gambling expenditure;
- reduce recreational gambling expenditure;
- encourage longer or more frequent sessions;
- render EGMs unattractive to players if modifications to meet a \$1 bet limit result in fewer game features or bet options;
- render EGMs more attractive to play if there is a perception that they are safer and less is lost playing them; and
- lead to players switching to other forms of gambling, or to spending their recreational dollar on other forms of entertainment.

While the mix of possible responses is subject to debate, officers assisting the Committee were able to prepare some financial modelling scenarios for reductions in gaming expenditure and the subsequent flow-on effects for all the financial stakeholders to assist the Committee with its investigations.

For the purposes of preparing a submission to the Select Committee, the Department of Treasury and Finance requested gaming data from Network Gaming. Network Gaming provided Treasury with gaming data, sourced from 651 EGMs (representing 27% of the total 2380 EGMs currently operating in pubs and clubs), for the months of July and August 2010.

The data can be considered a reasonably representative sample for providing indicative estimates of the average bet per spin. The sample data indicate that 37% of the revenue from EGMs is from bets above \$1 per spin with the average bet being \$2.20.

The sample data also indicate that the majority of gamblers (82 to 85%) bet at or below \$1 per spin (an average of 64 cents per spin), with the majority of players playing minimum bet at maximum lines per spin.

The total amount of revenue from bets over \$1 can be estimated to be 37% of total gaming revenue (or 37% of \$213.8 million) which is \$79.1 million. It should be noted that gaming expenditure, gaming revenue and gross profit are identical, i.e. the total amount wagered less the total amount won by people who gamble.

The number of bets (or spins) involved could be estimated by dividing \$79.1 million by \$2.20 producing 35.9 million bets. Assuming all of these bets convert to a value of \$1, the resulting revenue would be \$35.9 million.

Under this scenario, the total loss to the industry would be \$79.1 million minus \$35.9 million which equals \$43.1 million. This represents a 20% reduction of total gaming revenue.

Some gamblers may cease to play if the machines only offer \$1 per bet. Assuming 25% of the bets above \$1 do not become \$1 bets (i.e. 75% become \$1 bets) there would be a 24% reduction in gaming revenue. If 50% of the bets over \$1 do not become \$1 bets, there would be a 29% reduction in total gaming revenue.

However, it is possible that players play for longer with \$1 bet limits. Assuming that all the bets over \$1 do not become \$1 bets but 50% of players play twice as long (and assuming that if a proportion of gamblers stayed for an amount of time longer the increased number of bets would be proportionate) the decrease in gaming revenue is 12%.

If all the bets over \$1 do not become \$1 bets but 25% of players play twice as long, the reduction is 16%.

It is possible that both effects could occur, i.e. gamblers who bet over a \$1 decrease their gaming expenditure once one dollar bet limits are introduced and some who used to bet over a dollar play longer.

With a 10% loss of bets combined with 25% of gamblers playing twice as long, the decrease in gaming revenue is 18%.

It should also be noted that the gaming data were sourced from pub and club EGMs. It has been assumed that, while casino machines are played at a higher rate than pub and club machines, the proportion of bets above a dollar and the average would be about the same, i.e. player behaviour is roughly the same. However, the impact in casinos is expected to be higher, as prior to 1 April 2010 there was no maximum bet limit and so average bets would most likely be higher.

Possible player responses could result in a loss of gaming expenditure as low as 12 per cent to a high of 39%.

On balance, the medium impact scenarios in Table 4 in the Appendix are considered the most feasible of all the possible outcomes.

The Status Quo

Around \$215.4 million was spent on EGMs in 2009–10 as shown in Table 1.

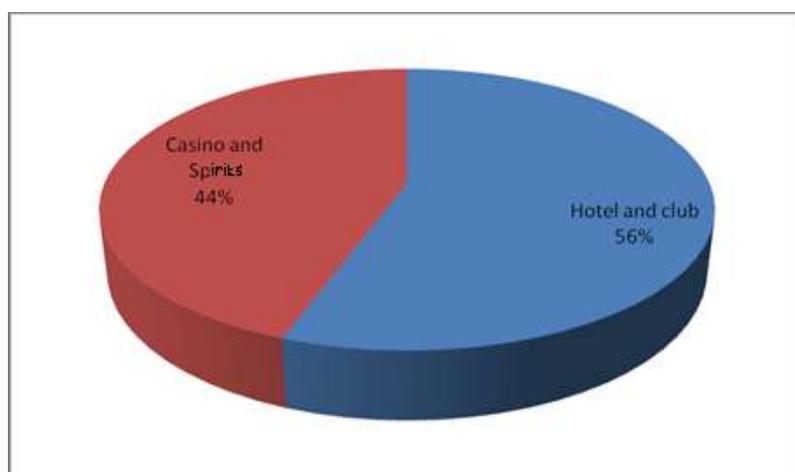
Table 1 Gaming machine expenditure (\$M)

	2009-10	Financial year to date 31 Aug 09	Financial year to date 31 Aug 10
Hotel and club	119.6	22.1	21.6
Casino & Spirit of Tas. Ferries	95.8	16.1	16.1
Total	215.4	38.2	37.7

It should be noted that expenditure is the total amount wagered less the total amount won by people who gamble and is also described as gross profit or gaming revenue. Chart 1 illustrates the source of the gaming revenue for 2009–10.

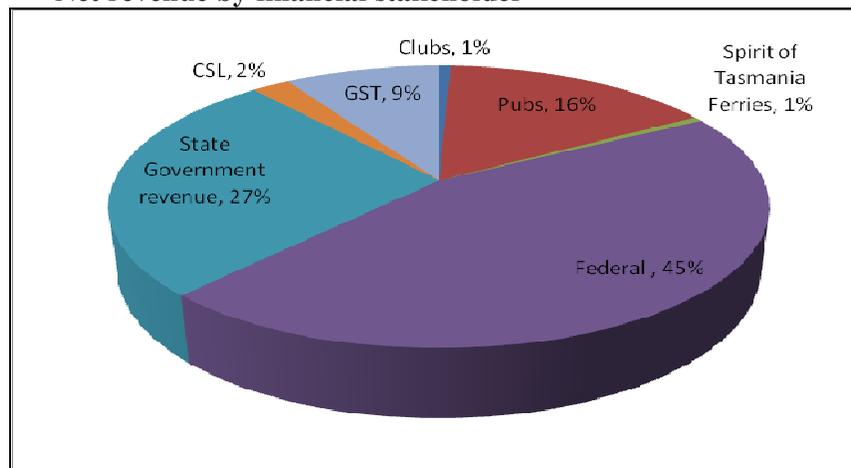
Chart 1
Source of gaming revenue

The gaming revenue flowing to all the financial stakeholders is shown in Table 2 and Chart 2.

**Table 2** Net revenue by financial stakeholder

Clubs	\$	757,999
Pubs	\$	25,360,432
Spirit of Tasmania Ferries	\$	1,168,000
Federal Hotels	\$	106,265,409
State Government revenue	\$	57,484,300
CSL	\$	4,784,000
GST	\$	19,579,860
TOTAL	\$	215,400,000

The largest proportion is Federal Hotels followed by the State Government. The State Government taxes the gaming revenue but also levies licence fees on the casinos, pubs and clubs. Federal Hotels, through Network Gaming, receives rental income from the pubs and clubs who have EGMs. The EGMs on the Spirit of Tasmania ferries, run by Admirals, have a separate tax regime and there is a revenue-sharing arrangement with the Victorian Government. Around \$400 000 of gaming revenue on the ships flows to the TT-Line.

Chart 2 Net revenue by financial stakeholder

Financial modelling scenarios

The headline scenario presented by the gaming industry is for a 39 per cent reduction in gaming expenditure on EGMs at casinos and pubs and a 17 per cent reduction in clubs due to one dollar bet limits being introduced in Tasmania.

The industry's scenario can be considered a worst case scenario as it effectively assumes that all the bets over one dollar do not become one dollar bets, which is considered unlikely as discussed above.

The financial modelling suggests that the gaming industry's scenario may result in:

- total gaming expenditure decreasing by around \$80 million;
- Federal Hotels total net gaming revenue (i.e. total gaming revenue plus rental revenue from venues, minus: tax paid to the State and Australian Governments; the licence fee to the State Government; amounts paid back to venues; and the Community Support Levy (CSL)) from EGMs falls from around \$106 million to \$68 million (a decrease of around \$38 million);
- gaming revenue that flows to pubs decreases from \$34.5 million to around \$21 million (a decrease of \$13.5 million);
- gaming revenue that flows to clubs decreases from \$1.48 million to around \$1.23 million (a decrease of around \$250 000);
- State Government gaming tax revenue decreases from \$53 million to \$32 million (a decrease of around \$20 million);
- gaming revenue flowing to TT-Line decreases from \$0.4 million to around \$0.24 million;
- revenue from the CSL decreases from \$4.8 million to \$2.9 million; and
- GST revenue to the Commonwealth, paid by Federal Hotels and Admirals, reduces from \$19.5 million to around \$12 million (a decrease of around \$7 million).

It should be noted at this point that for any net change in the GST pool, Tasmania receives around 4%. To put this in perspective, taking the figures above as given, the reduction in GST flowing to Tasmania from a net decrease in the GST pool of \$7 million would be only \$280 000.

The modelling by the officers assisting the Committee can be considered the ‘first round effects’ or the immediate effects of the reduction in gaming expenditure. Input-output modelling would be required to ascertain the flow-on effects to the economy and the overall net impacts.

Impacts on typical venues

The impact on the average venue is presented in the table below:

Table 3 Impact on the average venue

	Average pub		Average club	
	Status quo	Medium scenario	Status quo	Medium scenario
Number of machines:	25	25	17	17
Gaming revenue per machine:	\$ 52,123	\$ 41,698	\$ 26,685	\$ 24,017
Total gaming revenue to Network Gaming:	\$ 1,277,594	\$ 1,022,075	\$ 461,656	\$ 415,490
Gaming revenue paid back to pub from Network Gaming:	\$ 383,278	\$ 306,623	\$ 147,730	\$ 132,957
Machine rental paid to Network Gaming:	\$ 98,044	\$ 98,044	\$ 69,200	\$ 69,200
Licence fees to State Government	\$ 3,451	\$ 3,451	\$ 2,730	\$ 2,730
Other costs:				
Implementation cost		\$ 62,660		\$ 25,564
Net profit:	\$ 281,783	\$ 142,467	\$ 75,800	\$ 35,463

The ‘medium scenario’ assumes a 20% reduction in gaming revenue in pubs and a 10% reduction in clubs. An average pub has 25 EGMs and the pub receives revenue of \$383 278 per year, which is the venue’s share of total gaming revenue generated at the venue from the machines rented from Network Gaming.

The implementation cost in Table 3 is an estimate of the costs to produce compliant machines, which would be passed onto venues in the form of higher rental charges. The estimate assumes that if the phase-in period is three years or more, the oldest machines will be replaced at no extra cost as they would be replaced by new machines as part of the normal machine life cycle if the one dollar bet limit was not introduced.

Net profit in Table 3 is the gaming revenue minus the machine rental and licence fees. For the medium scenario it also includes the implementation cost. The net profit from gaming at the average pub decreases from \$281 783 to \$142 467, a decrease of around \$139 316. The Committee was unable to obtain any further data on other costs, such as gaming staff at the venue, maintenance costs and so on.

The net profit from gaming at the average club decreases from \$75 800 to \$35 463, a decrease of around \$40 337. The Committee was unable to obtain any further data on other costs, such as gaming staff at the venue, maintenance costs and so on in respect to clubs.

EFFECTS ON VENUES

Terms of reference:

(a) Potential effects upon venues with Electronic Gaming Machines (EGMs) should a \$1 bet limit poker machine restriction measure be implemented;

The Committee has developed a modelling spreadsheet to test the effects of the \$1 bet limit of the gaming industry, incorporating:

- The Community Support Levy;
- Clubs;
- Pubs;
- Spirit of Tasmania ferries;
- Network Gaming;
- Casinos;
- Federal Hotels;
- The Tasmanian Government;
- The implementation costs; and
- A section directly modelling the likely effect on total gaming revenue of the industry.

Discussion of the findings from the modelling

Loss of revenue to venues

The exact effect of implementing a \$1 bet limit on the income to venues is not easy to determine as it involves predicting player behaviour. Most industry submissions refer to the Centre for International Economics (CIE) report from 2001, *Gaming Machine Revenue at Risk*. The CIE report finds that for hotels 39% of revenue is at risk, while for clubs the figure is 17%. While this report is certainly useful it relies totally on NSW pubs and clubs and has a number of obvious drawbacks when attempting to apply it to Tasmania:

- The maximum bet limit is \$10, altering the validity of the data;
- Pubs and clubs are significantly larger in NSW than Tasmania;
- The NSW test data had around 52% of revenue from bets over \$1.⁷⁶ This is significantly more than the 37% from Treasury data discussed below in Tasmania.

⁷⁶ CIE Report: *Gaming Machine Revenue at Risk*, p 30

The revenue loss to the Tasmanian gaming industry would be in the order of 20% of total gaming revenue. The Committee bases the finding on data contained in the Department of Treasury and Finance submission.

The Tasmanian Treasury data available to the Committee is as follows:

- Data from 651 of the 2,380 EGMs in pubs and clubs, an excellent sample at 27% of those EGMs and 17.7% of all Tasmania's 3,671 EGMs.
- Data over July and August of 2010.
- 37% of revenue from the sample is from bets above \$1, with the average of these bets being \$2.20.
- 63% of revenue comes from bets at or below \$1, at an average bet of \$0.64.⁷⁷

Extrapolating the results from the sample to the total revenues earned from gaming in Tasmania (\$213.8 million), produces the following estimate of revenue loss resulting from the introduction of the \$1 bet limit:

1. The total amount or revenue from bets greater than \$1 is 37% of \$213.8 million, that is \$79 106 000.
2. The average bet of \$2.20 enables us to calculate the total number of bets of over \$1:

$$\text{Average} = \text{Total revenue over } \$1 \div \text{Number of bets over } \$1,$$

Therefore,

$$\text{Total number of bets over } \$1 = \text{Total revenue over } \$1 \div \text{Average}$$

$$\text{Total number of bets over } \$1 = \$79\,106\,000 \div \$2.20 = 35\,957\,273 \text{ bets}$$

3. The argument is then about what happens to those bets. If they all become \$1 bets they will generate. $35\,957\,273 \times \$1.00 = \$35\,957\,273$
4. Loss to the industry is therefore \$79 106 000 minus \$35 957 273 which equals \$43 148 727
5. \$43 148 727 is 20.18% of the total Tasmanian gaming revenue of \$213 800 000. This figure will increase if gamblers choose not to play. For example, if 25% of those bets were not made, the loss would be 24.4%. or \$52 138 040.

Conversely, if players play a bit longer because the limit is only \$1, the losses will be less. For example, if there was a 25% increase in bets at \$1, the losses would reduce to \$34 159 409, or 16.0% of total revenue.

These two effects would probably cancel each other out, leaving the 20% loss in revenue as a fair estimate of the actual outcome of implementing a \$1 bet limit.

⁷⁷ Department of Treasury and Finance submission S59, p 9

Effect on venues ‘bottom line’

Industry concerns that the loss of gaming revenue would be devastating to many venues are open to conjecture. No solid evidence was forthcoming to quantify the percentage of venue revenue that EGMs provide. Australian Bureau of Statistics submitted to the Committee indicated that the average revenue supplied by gaming was in the order of 28%. Mr Steve Old of the Tasmanian Hospitality Association indicated in the Social and Economic Impact Study into Gambling in Tasmania⁷⁸ that, anecdotally, gaming represented 12% of revenue in Tasmanian pubs. Mr Brown from the Shoreline Hotel indicated to the Committee that approximately 10% of the income for that venue derives from gaming. Therefore, for a venue to lose 20% of around 12%, (i.e. 2.4% of total revenue), because of the implementation of the \$1 bet limit, is not as severe as indicated by the industry and could potentially be ameliorated.

⁷⁸ Social and Economic Impact Study into Gambling in Tasmania, Department of Treasury and Finance Tasmania, June 2008, Vol 1, p 131

Implementation costs

Initially, the submission from the Gaming Technologies Association (GTA)⁷⁹ indicated an implementation cost calculated as follows:

- 50% of machines would cost \$5 000 each,
- 25% of machines would cost \$10 000 each and
- The remaining 25% of machines would have to be replaced at a cost of at least \$18 000 per machine.

The GTA estimated a total cost of \$55 million over a time frame of 10 years.

Using the figures above for Tasmania's 3,649 machines in clubs, pubs and casinos in the modelling spreadsheet produced the following costs:

- 50% of machines @ \$5 000 is \$9 122 500
- 25% of machines @ \$10 000 is \$9 122 500
- 25% of machines @ \$18 000 is \$16 420 500

This gives a total of \$34 665 500, some \$20 million short of the \$55 million initially stated. In further correspondence, Mr Ross Ferrar of GTA indicated that the above figures were invalid as they applied to a national implementation and in the Tasmanian context the costs would be \$55 million and the time would be 10 years, although he provided no breakdown on how this amount and time span are derived.

In evidence presented before the Committee Mr Paul Bendat suggested that the implementation costs are significantly overstated by the gaming industry and that the technical requirements are not as onerous as some suggest.

The \$1 bet limit is best implemented by a balance between the number of lines that can be wagered upon and the amount that can be wagered on each line. Such variation already exists and would require software amendment based on existing practices.⁸⁰

Mr Bendat advised the Committee that an audit of the Tasmanian EGM stock is needed in order to calculate the actual costs involved.

The Productivity Commission report⁸¹ suggests that a significant number of lower denomination EGMs could be converted to \$1 machines at a low cost. The higher the denomination of the machine the more likely that significant redesign would be required. Older machines could be replaced when due with new machines that could operate at the \$1 bet limit.

⁷⁹ Gaming Technologies Association, Submission, No. 53, p 3

⁸⁰ Paul Bendat, Submission, No.52, p1

⁸¹ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.29

The Committee has evidence from the Federal Group⁸² that 17% of the Tasmanian stock of gaming machines are readily convertible to the \$1 bet limit. These machines are from one supplier, Konami.

The Federal group submission cites implementation costs of \$36.8m for machines in clubs and hotels and a further \$23.2 million for casinos, a total of \$60 million.

⁸² The Federal Group submission, s8, p 8

AMELIORATION PLAN

Terms of Reference:

(b) the development of an implementation plan that would recommend amelioration of any untoward impacts upon venues;

Amelioration for venues

Mr Paul Bendat makes the point, drawn from the Productivity Commission report, that making EGMs safer must result in a substantial loss of revenue and the gaming industry should bear the responsibility to innovate and make their products safer.⁸³ The committee will need to consider that argument, but has to consider potential amelioration plans under this term of reference.

The term of reference specifically implies that an amelioration plan be devised to reduce the impact of the \$1 bet limit on venues. There are several mechanisms by which amelioration may be achieved.

(1) Varying the percentages paid back by Network Gaming to venues

The most effective way to ameliorate pubs and clubs is to vary the percentages paid back by Network Gaming. Payback to clubs is now at 32%, and to pubs 30%. The modelling suggests that, for a projected 20% loss in revenue resulting from the \$1 bet limit, varying the payback rates to 38% and 36% respectively would reduce the projected loss to pubs and clubs to 5% and 4%.

It needs to be noted that Network Gaming and the casinos would be taking a 25% loss to enable this amelioration. Tax revenue under this model would decrease by 21% (\$53.6 million to \$42.5 million).

Amelioration plan for protecting the gaming revenue (GR) of pubs and clubs varying payback percentages

Inputs:	Status Quo	20% loss, protect Pubs and Clubs	
Projected reduction in GR - Clubs	0%	20%	
Projected reduction in GR - Pubs	0%	20%	
Payback to clubs	32%	38%	
Payback to pubs	30%	36%	
Tax rate - first 35M	20.88%	20.88%	
Tax rate - thereafter	25.88%	25.88%	
Community support levy rate	4%	5%	
Results:			% Decrease
GR paid back to clubs	\$ 1,477,299	\$ 1,403,434	5%
GR paid back to pubs	\$ 34,495,032	\$ 33,115,231	4%
Profit to TT line	\$ 400,000	\$ 320,000	20%
Network Gaming net GR	\$ 88,359,669	\$ 65,893,335	25%

⁸³ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.28

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Federal net GR	\$ 106,265,409	\$ 79,912,247	25%
Total GR	\$ 213,800,000	\$ 171,040,000	20%
Tax paid to state government	\$ 53,581,440	\$ 42,515,152	21%
CSL paid	\$ 4,784,000	\$ 4,784,000	0%
Implementation cost pa	\$ 6,081,667	\$ 6,081,667	0%

(2) Varying the tax rates

To further ameliorate the gaming industry, in this case Network gaming and the casinos, i.e. Federal Hotels, the tax rates on gaming could be reduced. A tax rate of 20.88% for the first \$35 million revenue and 25.88% thereafter currently nets the State Government around \$53.6 million per annum.

If the tax rates were reduced significantly to, say, 12% for the first \$35 million revenue and 15% thereafter, the impact on Federal would be reduced to an 8% loss. Tax revenue would reduce by 54%, to \$24.6 million. This model assumes that the payback amelioration for pubs and clubs described above is still in place.

Amelioration plan for protecting pubs, clubs and Federal Hotels by varying tax rates

	Status Quo	20% loss, protect industry, vary tax rates	
Inputs:			
Projected reduction in GR - Clubs	0%	20%	
Projected reduction in GR - Pubs	0%	20%	
Payback to clubs	32%	38%	
Payback to pubs	30%	36%	
Tax rate - first \$35M	20.88%	12.00%	
Tax rate – thereafter	25.88%	15.00%	
Community support levy rate	4%	5%	
Results:			% Decrease
GR paid back to clubs	\$ 1,477,299	\$ 1,403,434	5%
GR paid back to pubs	\$ 34,495,032	\$ 33,115,231	4%
Profit to TT line	\$ 400,000	\$ 320,000	20%
Network Gaming net GR	\$ 88,359,669	\$ 65,893,335	25%
Federal net GR	\$106,265,409	\$ 97,821,399	8%
Total GR	\$213,800,000	\$ 171,040,000	20%
Tax paid to state government	\$ 53,581,440	\$ 24,606,000	54%
CSL paid	\$ 4,784,000	\$ 4,784,000	0%
Implementation cost pa	\$ 6,081,667	\$ 6,081,667	0%

Note:

- In both these models the Community Service Levy (CSL) rate of 4% is adjusted to 5%. Keeping the CSL at the same level would maintain contributions to community and sporting organisations and help to problem gamblers.
- The potential impact of reduced tax revenue on government services needs to be considered as Term of Reference (c).
- A mainland company, Admirals, manages the EGMs on the Spirit of Tasmania. The simple way to ameliorate the losses to Admirals is for the profit taken by TT line to be reduced accordingly. The Committee would need to consider the impact on TT Line.

STATE REVENUES AND AMELIORATION MEASURES

Terms of Reference:

(c) The effect on State revenues and amelioration measures;

The Terms of Reference require the Committee to investigate and report upon the potential effects of \$1 bet limits on state revenues and amelioration measures. This paper sets out the possible consequences for State revenue and expenditure from a reduction in gaming expenditure on electronic gaming machines. It should be noted that this has been undertaken in the absence of an appropriate input-output model.

Impact on State revenues

The sources of state revenue are set out in Table 1 below (the Appendix provides further detail on the types of State taxes in Tasmania):

Table 1

Revenue	2010-11 Budget \$m
Grants	2 910.9
GST revenue	1 761.1
Specific Purpose Payments	608.6
National Partnership Payments	501.0
Other Grants and Subsidies	40.2
Taxation	875.7
Financial Transaction Taxes Duties	258.4
Gambling Taxes	92.6
<i>Electronic Gaming Machines</i>	53.2
<i>Licence fees</i>	3.5
<i>Non-EGM gaming</i>	35.9
Guarantee fees	24.1
Land Tax	76.7
Motor Tax	59.9
Payroll Tax	280.9
State Fire Commission Revenue	53.0
Vehicle Registration Fees	30.0
Sales of goods and services	369.6
Fines and Regulatory Fees	88.6
Interest Income	48.1
Dividend, Tax and Rate Equivalent Income	148.9
Other Revenue	120.7
Total Revenue from Transactions	4 562.5

Table 1 illustrates that grants from the Australian Government are the largest revenue source. This reflects the high vertical fiscal imbalance (VFI) in Tasmania. The proportion of own-source revenue to total revenue in Tasmania is the lowest of all the States. Tasmania is therefore very reliant on the Australian Government for its revenue. A reduction in gaming tax revenue, all else constant, would increase VFI as own-source revenue would decline.

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If \$1 bet limits are introduced in Tasmania only, and assuming that overall gaming expenditure declines, and no amelioration measures for State revenue are introduced, (and all else constant) the immediate impact would be:

- State gaming tax revenue decreases;
- revenue from the Community Support Levy decreases; and
- GST revenue from the Federal Group and Admirals to the Australian Government would decrease.

The headline scenario presented by the gaming industry is for a 39% reduction in gaming expenditure on EGMs at casinos and hotels and a 17% reduction in clubs due to \$1 bet limits being introduced in Tasmania. It should be noted that gaming expenditure, gaming revenue and gross profit are identical, i.e. the total amount wagered less the total amount won by people who gamble.

The industry's scenario can be considered a worst-case scenario as it effectively assumes that all the bets over \$1 disappear with no continuation of gambling at or below the new bet limit. Modelling by suitably qualified officers assisting the Committee suggests that the gaming industry's scenario may result in total gaming expenditure decreasing by around \$80 million and State Government gaming tax revenue falling from \$53 million to \$32 million (a decrease of around \$20 million). Revenue from the Community Support Levy would fall from \$4.7 million to \$2.9 million. GST revenue to the Commonwealth paid by Federal Hotels and Admirals would fall from \$19.5 million to around \$12 million (a decrease of around \$7 million). It should be noted at this point that for any net change in the GST pool, Tasmania receives 3.7% only. To put this in perspective, taking the figures above as given, the reduction in GST flowing to Tasmania from a net decrease in the GST pool of \$7 million would be only \$260 000.

The modelling can be considered the 'first-round effects' or the immediate effects of the reduction in gaming expenditure.

From the reduction in gaming expenditure, there would be a secondary negative impact (or 'flow-on effect') but also a positive impact as spending transfers to other parts of the economy with its own flow-on effects.

Taking the negative impact first, the reduction in gaming expenditure would result in clubs, hotels and the Federal Group scaling back their operations in the face of a reduction in EGM expenditure. This would result in a loss of payroll tax revenue and perhaps a marginal decrease in other transactions that attract State tax such as vehicle registration. The reduction in State taxes would result in less government spending with its own multiplier effects and hence less payroll tax and so on.

However, it is possible that gamblers who reduce their EGM spending due to the \$1 bet limit would respond by doing one or all of the following:

- spend more on other forms of gambling (which are also taxed);
 - buy more non-gambling goods and services; or
 - save more or pay off debts.
-

Through household saving or the repayment of debts, expenditure on imports, such as an interstate holiday, and expenditure on other gambling products, not all of the spending would simply transfer to non-gambling goods and services produced in Tasmania.

Of the gaming expenditure that does transfer to other sectors, it is likely that the transfer could simply result in marginal increases in spending across numerous expenditure categories rather than gamblers spending less on gambling and more on buying property, insurance policies and new or used vehicles (all of which attract State taxes).

Table 2 below illustrates that households typically spend across an array of sectors. The transfer of spending may be spread across the whole non-gaming parts of the economy, most of which are not subject to state taxes.

Table 2 Consumption expenditure: Australian and Tasmania

Category	2008-09	2008-09	2008-09
	Tasmania	Tasmania	Australia
	\$m	Share (%)	Share (%)
Food	1 596	11.9	10.7
Alcoholic beverages and tobacco	482	3.6	3.6
Clothing and footwear	434	3.2	3.5
Rent and other services	1 988	14.9	17.5
Electricity, gas and other fuel	291	2.2	2.0
Furnishings and other household equipment	835	6.3	5.2
Health	772	5.8	5.4
Transport	1 895	14.2	11.3
Communications	398	3.0	2.8
Recreation and culture	1 353	10.1	11.3
Education services	372	2.8	3.3
Hotels, cafés and restaurants	777	5.8	6.8
Miscellaneous goods and services	2 537	19.0	16.6
Net expenditure interstate	-369	-2.8	-
Total HFCE	13 359	100.0	100.0

The positive first-round effects would have a negligible impact on State own-source revenues (not all the spending is transferred and what is transferred is likely to be spent on an array of goods and services not subject to state taxes). It is implausible that the second-round multiplier effects would be so large for own-source non-gambling tax revenue to increase such that it offsets the reduction in gaming taxation revenue. This is because gaming tax revenue is around 25% of all gaming expenditure, whereas payroll tax is only around 3%, on average, of the value of goods and services produced by payroll tax-paying firms (labour costs are typically around 50% of total costs and payroll tax is levied at a rate of 6.1% of an employer's total taxable wages).

Economic multiplier effects

The Select Committee has received evidence that claimed there is potential for a net increase in economic activity (output, income and employment) from gaming expenditure transferring to other sectors once the \$1 bet limit is introduced. Such arguments suggest a subsequent net increase in own-source (non-gambling) revenue and GST revenue from the Commonwealth, which would offset some or all of the reduction in gaming tax revenue.

These types of flow-on effects could be described as ‘automatic stabilisers’ in that they would soften the impact on the State Budget from reduced gaming tax revenue without introducing any amelioration measures.

Some submissions and witnesses have also suggested that due to there may be reduced cost pressures on State Government services that are used by problem gamblers due to the introduction of \$1 bet limits. However, while the harm to problem gamblers may decline, thereby reducing demand by problem gamblers for State Government services, it is highly unlikely there would be an impact on aggregate government spending in the face of reduced demand from problem gamblers. If, for example, there were fewer court cases dealing with problem gamblers, it is likely this would simply result in reduced delay in the legal system. Services would be delivered more promptly, but there would not be a decrease in expenditure.

It has not been possible to conduct a comprehensive literature review of economic impact studies of electronic gaming machines. A study which has been brought to the Committee’s attention is the La Trobe University paper by Ian Pinge published in 2000, *Measuring the Economic Impact of Electronic Gaming Machines in Regional Areas – Bendigo a case study*. This study presents multipliers from input-output modelling and argues that the gaming sector has weak forward and backward linkages in regional economies and hence very low multipliers compared to most other sectors for output, income and employment.

However, this study is not relevant to the Tasmanian situation because the multipliers are based, in part, on State Government tax being a leakage from the Bendigo region. Tasmania is the entire region for the Select Committee’s analysis. It is reasonable to assume that all of the gaming tax revenue is spent in Tasmania.

Pinge published another study in 2008, which provides an update on the analysis conducted in 2000, although no multipliers were presented. Pinge concludes that a shift in spending to gaming results in a net loss in output and employment to regional economies.

Pinge refers to the Victorian Regulator’s 2005 study which concluded that increased gaming expenditure in Victoria increased employment in Victoria and Australia. According to Pinge, this conclusion was due, in part, to the study having a statewide focus rather than a regional focus with more of the gaming expenditure captured rather than leaked. The study also made assumptions about gaming expenditure being funded by reduced savings.

The author cites other studies which claim a positive net result for the gaming sector due to the assumptions used, including a savings hypothesis (gamblers are drawing on savings when gaming) or factoring in activity associated with food, beverages and retail liquor sales.

Presented below are the multipliers used in the Pinge (2000) study:

Gaming Multipliers Compared to All Other Sectors								
SECTOR	OUTPUT		INCOME		EMPLOYMENT		VALUE ADDED	
	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2	Type 1	Type 2
Gaming	1.10	1.28	1.25	1.77	1.19	1.64	1.24	1.63
Ranking /18	(17)	(18)	(13)	(13)	(16)	(16)	(15)	(17)
Other Sectors								
(Mean)	1.40	2.00	1.38	1.95	1.36	1.96	1.51	2.04

While it is not appropriate to assume that these multipliers are an accurate reflection of the gaming sector's contribution to economic activity in Tasmania, even if we do use these figures, the gaming sector multipliers, which would be working in a negative direction if gaming expenditure decreased, are greater than one, and the multipliers working in a positive direction from spending transferring to other sectors are greater than one but less than 2.04 on average. Regardless of the amount of reduced gaming expenditure transferred to other sectors of the economy, the net result is going to be less than the initial shock applied to gaming expenditure.

The report, Social and Economic Impact Study into Gambling in Tasmania, published in June 2008 by the South Australian Centre for Economic Studies, concludes that gaming expenditure can be seen as a transfer of economic activity with no net increase in output, employment or investment.

On balance it is reasonable to assume that, consistent with the Social and Economic Impact Study into Gambling in Tasmania, that the gaming sector represents a transfer of economic activity, not a net increase or decrease in economic activity. This means that the loss of gaming taxation revenue will not have any material offsetting revenue source.

State revenue will decrease and therefore it can be expected that State expenditure will also decrease.

Depending on the type of State expenditure that decreases, there could be direct impacts, for example, if road expenditure decreases, payroll tax would fall. Or there could be an indirect impact, for example, if fewer public servants are employed, less spending would occur, resulting in less employment and therefore less payroll tax revenue.

However, in aggregate, it is reasonable to assume that there would be no change to Gross State Product, income or employment as the negative effects match the positive effects.

Goods and services tax

It should be noted that Tasmania only receives around 3.7% of the GST pool. Any positive net change in the pool results in approximately 3.7% flowing to Tasmania in the form of General Purpose Payments. For example, if an extra \$80 million was spent on goods and services subject to GST in Tasmania, all else constant, \$7.3 million flows to the GST pool of which around \$270 000 flows back to Tasmania. Also, while all of the gaming expenditure is

subject to GST, only a proportion of the transferred spending on goods and services would be subject to GST. Some of the goods not subject to GST include:

- most basic food;
- some education courses, course materials and related excursions or field trips;
- some medical, health and care services;
- some medical aids and appliances;
- some medicines;
- some childcare; and
- water and sewerage.

Even if there were a net increase in economic activity from a transfer of spending from gaming to other sectors of the economy, Tasmania's share of any net increase in the GST pool is only 3.7%. It is reasonable to conclude that GST impacts would be insignificant and therefore ineffective in offsetting State gaming tax revenue loss.

State Government expenditure

The Social and Economic Impact Study into Gambling in Tasmania suggests that the negative impacts of gambling, or externalities, can be categorised as:

- Personal;
- Interpersonal;
- Financial;
- Legal;
- Work; and
- Community.

The 'Community' category above includes the external cost of increased State government expenditure due to problem gamblers. The Study suggests that due to problem gambling there may be increased costs incurred by the State Government in providing health, welfare, legal, policing and court services. If the \$1 bet limit bill is effective in reducing the harm caused by problem gambling, it follows that there may be a reduction in demand and therefore in the costs of health, welfare, legal, policing and court services.

The quantification in the study of the external costs is based on the Productivity Commission's 1998 estimates of external costs of problem gambling converted to current, i.e. 2007, dollars and applied to Tasmanian prevalence data. The costs used were based on the Productivity Commission estimate of the annual total cost per problem gambler of between \$8 000 and \$25 000. This was subsequently updated in the latest Productivity Commission report to between \$10 000 and \$30 000.

The only external costs relating to State government expenditure in the study are the costs of police incidents, cost of court cases and jail costs. The costs each year of the impact of

problem gambling on these State government services in Tasmania is estimated to be \$329 300 (no low to high cost band was provided).

The study also suggests that there is lost output from workers with gambling problems being less productive than they otherwise could be. This could affect state revenues in that economic activity is lower than it otherwise could be. The total cost estimated is a low of around \$500 000 to a high of \$3.5 million.

These are not high figures for State expenditure impacts. The largest external costs appear to be under the 'personal and family impacts' category which includes relationship breakdowns, divorce, suicide, family emotional distress etc.

Vertical Fiscal Imbalance

Vertical fiscal imbalance refers to the difference between State-own source revenue and own-purpose expenditure commitments.

In 2009-10, the Australian Government raised around 71.6% of total (General Government) revenue (including the GST pool as Australian government revenues), whereas its own-purpose (General Government) spending will have only been 54.5% of total General Government outlays.

In contrast, the States' share of this revenue will have only been 21.8%, while combined State General Government outlays will have represented 38.2% of the national total.

As a result of VFI, there is a requirement for significant financial transfers from the Australian Government to the states on an ongoing basis and a heavy reliance on Commonwealth funding.

It is likely that the reduction in State gaming tax revenue (without amelioration measures using own-source revenue policy changes) will result in an increase in the already high levels of VFI experienced in Tasmania.

Amelioration

Possible measures to ameliorate the impact on state revenues, and increased VFI, could include the following:

- phase in the \$1 bet limit;
 - broaden the tax base;
 - reduce State expenditure;
 - increase the tax rate on EGM gross profit;
 - increase the tax rates on other gaming taxes;
 - increase the tax rates for other own-source revenue such as payroll tax; and
 - change the dividend policy of Government Business Enterprises and State -owned companies
-

Any changes to the tax regime should be carefully considered as:

- increasing the tax rates on any one tax line to recover, say, \$10 million or \$20 million, may not be desirable as punitive tax rates may result, which makes the taxed activity uneconomic, creating an even larger revenue shortfall;
- Tasmania's Interim Fiscal Strategy states that the Government will continue to maintain its commitment to remaining a low-taxing State and not introduce any new taxes or increase the rate of existing State taxes. Therefore, amelioration measures will mean a change in approach to that espoused in the IFS; and
- changing tax rates, or introducing new taxes, affects Tasmania's competitiveness as a business location and attractiveness as a place to live.

Conclusion

It seems likely that a reduction in gaming expenditure will result in a net decrease in state revenues with the gross loss being more or less the net loss. This would almost certainly lead to lower State expenditure.

Amelioration could occur by changing Tasmania's revenue policies. However, this should be carefully considered in light of the possible economic impacts.

OTHER MATTERS

Other machine modifications to further harm minimisation

The Committee received evidence that simply reducing the bet limit to \$1 is an oversimplification of factors that contribute to the harm that exists for problem gamblers. Other factors that require consideration include:

Spin rate

How fast a EGM can actually be played is largely governed by the machine spin rate. The Tasmanian spin rate is regulated at 3 seconds (i.e. 20 spins per minute). South Australia has a regulated spin rate of 3.5 seconds, 17 spins per minute. Slowing the spin rate is an easy way to reduce the amount lost and therefore the harm of an EGM.⁸⁴

Machine Volatility

EGMs are required to return to players at least 85% of money invested. Tasmanian machines average around 90%. This does mean that every bet receives only 90c in return. The machines are designed to allow players to be lucky sometimes and have wins, but over time most will lose. The volatility of EGMs is the standard deviation that controls likely extremes of wins and losses. The Gaming Machine National Standard is set at no greater than 15⁸⁵, while in Tasmania it is set at 18⁸⁶.

Pre-Commitment

Industry submissions argued that the \$1 bet limit would not help problem gamblers and that the Committee should let the Productivity Commission's recommendation for a pre-commitment scheme, reinforced by the Gillard/Wilkie agreement of 2 September 2010, occur by 2014.

The Committee notes that a pre-commitment scheme, although potentially an excellent harm-minimisation tool, is as yet completely undefined. There are a number of potential approaches, including the use of "smart-card" technology, allowing players a fixed amount of credit to lose in a pre-defined period.

Pre-commitment would necessarily and undoubtedly reduce gaming revenue and carry its own implementation costs. The pre-commitment scheme, it would be imagined, would piggyback on existing player loyalty schemes. It could be argued that the industry has a preference for the pre-commitment option as it gives access to personalised data about players and their behaviour and therefore has marketing potential.

To be completely effective, pre-commitment would need to be a full system and it naturally has the disadvantage that players may find ways to thwart the system by using multiple identities, sharing cards etc.

⁸⁴ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.7

⁸⁵ Gaming Machine National Standard, Revision 10.1, 5 February 2010, p 45

⁸⁶ Hobart 29 October –(Bendat), p4

The potential of the system is discussed in the Productivity Commission Report⁸⁷.

Parliament House
HOBART
20 November 2012

Mr Kim Booth MP
CHAIR

⁸⁷ Productivity Commission Inquiry Report No 50, Gambling, February 2010, p 11.39–11.44

APPENDIX 1 – STATE OWN–SOURCE TAX REVENUE

Besides gambling taxes, the State Government also collects:

- land tax;
- motor tax;
- payroll tax;
- vehicle registration fees; and
- financial transaction taxes (duties on: transfer of real property, motor vehicle registration and insurance policies).

Land tax is levied on the basis of three land categories (general, primary production and principal residence land). However, since 1996 the rate of tax on principal residence and primary production land has been set at zero. General land includes commercial and industrial land, land used for the rental of residential housing and vacant land. Land tax is calculated on the assessed land value.

Motor tax is imposed on the owners of motor vehicles or trailers at the time of initial registration and annual renewal.

Payroll tax is levied on employee wages and salaries, commissions, bonuses, fringe benefits and allowances, directors' remuneration and employer superannuation contributions paid to employees who provide services to their employer in Tasmania. Payroll tax is levied at a rate of 6.1% of an employer's total taxable wages above a \$1.01 million tax-free threshold.

Vehicle registration fees are collected on the registration and transfer of vehicle ownership.

Financial transaction taxes include duties applied to the transfer of property (conveyances and motor vehicle change of ownership), motor vehicle registration and insurance policies.

APPENDIX 3 – SUBMISSIONS RECEIVED

<u>Submission No.</u>	<u>Name</u>	<u>Organisation /Address</u>	<u>Date of Submission</u>
1.	Mr John Dabner General Manager	Tall Timbers Tasmania Pty Ltd	14 September 2010
2.	Mr Robert Gilfillan Owner/Manager	Sunnyhill Hotel	17 September 2010
3.	Mrs Lindy House Venue Manager and Licensee	Somerset Hotel	15 September 2010
4.	Ms Karen Mee Venue Manger	River Arms Hotel	15 September 2010
5.		Wynyard Ex-Servicemen & Citizens Club	15 September 2010
6.	Ms Ann Hughes Acting Chief Executive Officer	TasCOSS	15 September 2010
7.	Mr Michael Hackman Director	Admirals Group Pty Ltd	15 September 2010
8.	Mr Gregory D Farrell Managing Director	The Federal Group	17 September 2010
9.	Mr Steve Old General Manager	Tasmanian Hospitality Association	17 September 2010
10.	Mr Tony Scott OAM JP Coordinator	The Returned & Services League of Australia (Inc.)	16 September 2010
11.	Mr Peter Hoult Chairman	Tasmanian Gaming Commission	16 September 2010
12.	Mr Daniel Hanna Chief Executive Officer	Tourism Industry Council Tasmania	17 September 2010
13.	Mr Peter Scollard	Welcome Stranger Hotel Hobart	17 September 2010
14.	Mr Roger Nelson	Star & Garter Hotel	17 September 2010

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15.	Mr Mark Bester	Elwick Hotel Glenorchy	17 September 2010
16.	Mr Stephen Harwood Venue Manager	Hotel Valern, Moonah	17 September 2010
17.	Ms Mel Arnold	Derwent Tavern, Bridgewater	17 September 2010
18.	Mr Peter Stepien	Brooker Inn, Lutana	17 September 2010
19.	Mr Paul Smith	Molly Malones, Devonport	17 September 2010
20.	Ms Annette Hanson	Hotel Federal, Wynyard	17 September 2010
21.	Mr Peter Sullivan	Waterfront Hotel, Bellerive	17 September 2010
22.	Mr Steve Williams	Hotel Tasmania, Launceston	17 September 2010
23.	Ms Sandra Rodman Licensee/Manager	Claremont Hotel	17 September 2010
24.	Ms Tracey Howe Venue Manager	Lighthouse Hotel, Ulverstone	15 September 2010
25.	Mr Darren Brown General Manager	Shoreline Hotel, Howrah	15 September 2010
26.	Mr Philip Koschella Venue Manager & Licensee	Neptune Grand Hotel, Penguin	15 September 2010
27.	Mr Michael Acquarola Director	Acquamina Pty Ltd	15 September 2010
28.	Mr David Curry General Manager	Government and Corporate Relations, ALH Group	15 September 2010
29.	Steve Godfrey Manager	Mornington Inn, Mornington	17 September 2010
30.	Alexia Kalis Director	Beltana Hotel, Lindisfarne	17 September 2010
31.	Alexia Kalis Director	Cooley's Hotel, Moonah	17 September 2010
32.	Mr Shane Lockett Manager	Beachfront at Bicheno	17 September 2010

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33.	Mr Jeffrey Wood Venue Manager	Formby Hotel, Devonport	15 September 2010
34.	Mr Robert Jones Director	TRC Hotel, Launceston	15 September 2010
35.	Ms Maree Pennington Venue Manager	Furners Hotel Ulverstone	15 September 2010
36.	Mr Michael Hibberd	Brighton Hotel, Brighton	17 September 2010
37.	Mr Donald McQuestin Director	Kings Meadows Hotel	15 September 2010
38.	Mr Marcus Kelly	The Heritage Hotel, George Town	17 September 2010
39.	Mr Wallace Dixon	The Park Tavern, Invermay	17 September 2010
40.	Mr Carlton Dixon	The Central Hotel, Hobart	17 September 2010
41.	Mr Peter Dixon	The Galaxy Hotel, Launceston	17 September 2010
42.	Mr Carlton Dixon	Eumundi Hotel, Eumundi	17 September 2010
43.	Mr Peter Hastie	The Star & Garter Hotel, New Norfolk	17 September 2010
44.	Mr Max Hall	The Scottsdale Hotel	17 September 2010
45.	Mr Carlton Dixon	The Black Stallion Hotel, Rocherlea	17 September 2010
46.	Mr Matt Stringer	The Queens Arms Hotel, Longford	17 September 2010
47.	Mr Tony Watson	The New Norfolk Hotel	17 September 2010
48.	Mr Clinton Laskey	The Commercial Hotel Launceston	17 September 2010
49.	Mr Ian Billing	The Exeter Hotel	17 September 2010
50.	Ms Carol Sice Manager	The Black Buffalo Hotel North Hobart	17 September 2010
51.	Mr Robert Green	Deloraine Hotel	17 September 2010
52.	Mr Paul Bendat	Port Melbourne Victoria	

Select Committee on the Gaming Control Bill 2010

53.	Mr Ross Ferrar Chief Executive Officer	(GTM) Gaming Technologies Association	17 September 2010
54.	Mr Brian Stubbs President	Devonport RSL Club	15 September 2010
55.	Mr Josh Landis Executive Manager	Clubs Australia	17 September 2010
56.	Mr Eric Lockett	The Tasmanian Inter-Church Gambling Taskforce	September 2010
57	Dr Chris Jones	Anglicare Tasmania	20 September 2010
58	Sen. Nick Xenophon Andrew Wilkie MP	Senator for South Aust. Member for Denison	20 September 2010
59	Department of Treasury and Finance		20 September 2010
60	Ms Kelli Neilson	Bridge Hotel, Smithton	22 September 2010
61	Dr Charles Livingstone Dr Richard Woolley	Monash University University of Western Sydney	22 September 2010
62	Mr Derek Walter	South Hobart	23 September 2010
63	Mr David Stewart	Grand Hotel, Glenorchy	23 September 2010
64	Kim Green	All The Year Round Tavern	24 September 2010
65	Mr John Duffy	IGT (Aust) Pty Ltd	24 September 2010
66	Dr Mark Zirnsak	Uniting Church in Australia	19 April 2011
67	Mr Stephen Menadue	Private	21 May 2012

APPENDIX 4 – DOCUMENTS RECEIVED

1. Gambling: Productivity Commission Inquiry Report, Volume 1, No. 50, 26 February 2010 Australian Government Productivity Commission.
2. Gaming Machine Revenue at Risk: The impact of three proposed modifications to gaming machines in NSW, Centre for International Economics, Canberra & Sydney: 22 October 2001.
3. The University of Sydney, Final Report, The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling: A Report for the Gaming Industry Operators Group, Alex Blaszczynski PhD; Louise Sharpe PhD; Michael Walker PhD, University of Sydney Gambling Research Unit, November 2001.
4. Comments and Suggestions Regarding \$120 Hourly Losses: Kevin Harrigan PhD. University of Waterloo, Canada.
5. Digital Gambling: The Coincidence of Desire and Design, Dr Natasha Dow Schull
6. The Hon. Julia Gillard & Mr. Andrew Wilkie ('the Parties') - Agreement: The Hon. Julia Gillard MP Prime Minister and Mr Andrew Willkie MP
7. Nothing left to lose, Margie Law: Anglicare Tasmania, January 2010.
8. House of cards: Problem gambling and low income earners in Tasmania, Margie Law, Anglicare Tasmania, June 2005.
9. Clubs, Pubs, Taverns and Bars, Australia, Australian Bureau of Statistics 2004-05.
10. Impact of Changes to Electronic Gaming Machine characteristics on play behaviour of Recreational Gamblers, Department of Justice Victoria, August 2009, pp. 13 – 82.
11. Measuring the Economic Impact of Electronic Gaming Machines in Regional Areas – Bendigo, a case study, Ian Pinge, Centre for Sustainable Regional Communities, La Trobe University.
12. Submission to the Victorian Commission for Gambling Regulation, Regarding the application for electronic gaming machines by the Beach Hotel, Jan Juc, Deborah Greenslade, PhD Candidate, School of Behavioural and Social Sciences and Humanities, University of Ballarat.
13. Social and Economic Impact Study into Gambling in Tasmania – Final Report, Report Commissioned by Department of Treasury and Finance Tasmania, Report prepared by, the South Australian Centre for Economic Studies, Volumes 1 and 2, June 2008.

- 14 Social and Economic Impact Study into Gambling in Tasmania, Report to the Tasmanian Department of Treasury and Finance, The Allen Consulting Group, December 2011.
- 15 Potential Effects of \$1 Bet Limits on State Revenues and Amelioration Measures, Daniel Hanek.
- 16 Analysis of Evidence Submitted to the Committee, Danny Moore.

APPENDIX 5 - WITNESSES

<u>Witness No.</u>	<u>Name</u>	<u>Organisation /Address</u>
1.	Mr Tony Scott OAM	The Returned & Services League of Australia (Inc.)
2.	Ms. Jo Flanagan	Anglicare Tasmania
3.	Ms. Margie Law	Anglicare Tasmania
4.	Mr Eric Lockett	The Tasmanian Inter-Church Gambling Taskforce
5.	Andrew Wilkie MP	Member for Denison
6.	Sen. Nick Xenophon	Senator for South Australia
7.	Mr Ross Ferrar	Gaming Technologies Association
8.	Mr Peter Hoult Chairman	Tasmanian Gaming Commission
9.	Mr Daniel Hanna Chief Executive Officer	Tourism Industry Council of Tasmania
10.	Mr. Steve Old	Tasmanian Hospitality Association
11.	Mr Darren Brown	Tasmanian Hospitality Association
12.	Mr. John Whelon	Tasmanian Hospitality Association
13.	M. Brendan Blomeley	The Federal Group
14.	Mr Greg Farrell	The Federal Group
15.	Mr. Andrew Eakins	The Federal Group
16.	Mr. Greg James	Private Submission
17.	Mr. Paul Bendat	Private Submission
18.	The Right Reverend John Harrower OAM	Bishop of Tasmania
19.	Robert Mallet	Executive Officer, Tasmanian Small Business Council
20.	Stephen Menadue	Private Submission

Select Committee on the Gaming Control Bill 2010

21.	Dorothy Kelly	National Council of Women Tas. (Hobart)
22.	Sally McGushin	National Council of Women Tas. (Hobart)
23.	Margot Smart	National Council of Women Tas. (Launceston)
24.	Elaine Bushby	National Council of Women Tas. (Launceston)
25.	Karyn Wagner	Private Submission

APPENDIX 6 – MINUTES OF PROCEEDINGS

THURSDAY, 2 SEPTEMBER 2010

The Committee met in the Long Room, Parliament House, Hobart at 5:20 p.m.

Members Present:

Mr Bacon
Mr Best
Mr Booth
Mr Gutwein
Mr Rockliff

ORDER OF THE HOUSE

The Secretary took the Chair and read the Order of the House of Assembly appointing the Committee.

ELECTION OF CHAIR

The Secretary called for nominations for the position of Chair of the Committee, *Mr Best* nominated *Mr Booth*, who consented to the nomination.

There being no other candidates nominated, the Secretary declared *Mr Booth* elected as Chair.

Mr Booth took the Chair.

ELECTION OF DEPUTY CHAIR

The Chair called for nominations for the position of Deputy Chair of the Committee, *Mr Gutwein* nominated *Mr Bacon*, who consented to the nomination.

There being no other candidates nominated, the Chair declared *Mr Bacon* elected as Deputy Chair of the Committee.

PARLIAMENTARY RESEARCH OFFICER

Resolved, That unless otherwise ordered Officers of the Parliamentary Research Service be admitted to the proceedings of the Committee whether in public or private session. (*Mr Best*)

NOMENCLATURE

The Committee discussed the nomenclature of the Committee.

Resolved, That the Committee be known as the “Select Committee on the Gaming Control Amendment Bill 2010 (\$1 Bet Limit)”. (*Mr Booth*)

ADVERTISEMENT OF INQUIRY

The draft advertisement having been previously circulated by the Secretary was taken into consideration by the Committee.

The Committee deliberated.

Amendment made by inserting the submission closing date of 17 September next.

Advertisement, as amended, agreed to with such advertisement to be placed in newspapers on Saturday, 4 September next.

ADDITIONAL RESEARCH SUPPORT

The Committee deliberated upon the need for additional research support.

Resolved, That the Committee:-

1. requests the Treasurer to provide an appropriately qualified officer of the Department of Treasury and Finance to assist the Committee; and
2. requests the Auditor-General to provide an appropriately qualified officer to assist the Committee in the analysis and verification of data submitted. (*Mr Gutwein*)

INVITATIONS TO PROVIDE SUBMISSIONS

Select Committee on the Gaming Control Bill 2010

The Committee considered the question of whether organisations and individuals should be directly invited to provide submissions to the Committee.

Resolved, That:-

1. The Committee invites the following organisations and individuals to provide a submission:-
 - Federal Group;
 - Australian Hotels Association;
 - Tourism Tasmania;
 - State Gaming Commission;
 - Anglicare;
 - Tasmanian Council of Social Service;
 - Senator Nick Xenophon.
2. Members of the Committee provide the names of any further organisations/individuals to the Secretary by the close of business, Friday, 3 September next. (*Mr Booth*)

COMMITTEE SPOKESPERSON *Resolved*, That the Chair be the spokesperson in relation to the operations of the Committee. (*Mr Rockliff*)

MEDIA RELEASES *Resolved*, That any Media Releases be circulated to members of the Committee prior to distribution. (*Mr Best*)

OTHER MATTERS The Committee deliberated upon the usefulness of hearing evidence from a representative of the Productivity Commission.

Ordered, That the Secretary provide a link to the Productivity Commission Report on Gambling. (*Mr Gutwein*)

At 5:45 p.m. the Committee adjourned until 1:10 p.m., Tuesday, 21 September next.

TUESDAY, 21 SEPTEMBER 2010

The Committee met in Committee Room 2, Parliament House, Hobart at 1.10 p.m.

Members Present:

Mr Booth (Chair)
Mr Bacon
Mr Best
Mr Gutwein
Mr Rockliff

Mr Shane Donnelly present.

Minutes The minutes of the meeting held on Thursday, 2 September 2010 were circulated, read and confirmed as a true and accurate record. (*Mr Gutwein*)

Evidence *Resolved*; That the following submissions be received and taken into evidence: (*Mr Rockliff*)

Department of Treasury and Finance
 Sen. Nick Xenophon and Mr Andrew Wilkie, MP
 Dr Chris Jones, Anglicare
 Mr Eric Lockett, The Tasmanian Inter-Church Gambling Taskforce
 Mr Josh Landis, Clubs Australia
 Mr Brian Stubbs, Devonport RSL Club
 Mr Ross Ferrar, Gaming Technologies Association
 Mr Paul Bendat
 Mr Robert Green, Deloraine Hotel

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Ms Carol Sice, The Black Buffalo Hotel
 Mr Ian Billing, The Exeter Hotel
 Mr Clinton Laskey, The Commercial Hotel Launceston
 Mr Tony Watson, The New Norfolk Hotel
 Mr Matt Stringer, The Queens Arms Hotel Longford
 Mr Carlton Dixon, The Black Stallion Hotel Rocherlea
 Mr Max Hall, The Scottsdale Hotel
 Mr Peter Hastie, The Star & Garter Hotel New Norfolk
 Mr Carlton Dixon, Eumundi Hotel
 Mr Peter Dixon, The Galaxy Hotel Launceston
 Mr Carlton Dixon, The Central Hotel Hobart
 Mr Wallace Dixon, The Park Tavern Invermay
 Mr Marcus Kelly, The Heritage Hotel George Town
 Mr Donald McQuestin, Kings Meadows Hotel
 Mr Michael Hibberd, Brighton Hotel Brighton
 Ms Maree Pennington, Furners Hotel Ulverstone
 Mr Robert Jones, TRC Hotel Launceston
 Mr Jeffrey Wood, Formby Hotel Devonport
 Mr Shane Lockett, Beachfront at Bicheno
 Ms Alexia Kalis, Cooley's Hotel Moonah
 Ms Alexia Kalis, Beltana Hotel Lindisfarne
 Mr Steve Godfrey, Mornington Inn
 Mr David Curry
 Mr Michael Acquarola, Acquamina Pty Ltd
 Mr Philip Koschella, Neptune Grand Hotel Penguin
 Mr Darren Brown, Shoreline Hotel Howrah
 Ms Tracey Howe, Lighthouse Hotel Ulverstone
 Ms Sandra Rodman, Claremont Hotel
 Mr Steve Williams, Hotel Tasmania Launceston
 Mr Peter Sullivan, Waterfront Hotel Bellerive
 Ms Annette Hanson, Hotel Federal Wynyard
 Mr Paul Smith, Molly Malones Devonport
 Mr Peter Stepien, Brooker Inn Lutana
 Ms Mel Arnold, Derwent Tavern Bridgewater
 Mr Stephen Harwood, Hotel Valern Moonah
 Mr Mark Bester, Elwick Hotel Glenorchy
 Mr Roger Nelson, Star & Garter Hotel New Norfolk
 Mr Peter Scollard, Welcome Stranger Hotel Hobart
 Mr Daniel Hanna, Tourism Industry Council of Tasmania
 Mr Peter Hoult, Tasmanian Gaming Commission
 Mr Tony Scott OAM JP, The Returned & Services League of Australia (Inc.)
 Mr Steve Old, Tasmanian Hospitality Association
 Mr Gregory Farrell, The Federal Group
 Mr Michael Hackman, Admirals Group Pty Ltd
 Ms Ann Hughes, TasCOSS
 Wynyard Ex-Servicemen & Citizens Club
 Ms Karen Mee, River Arms Hotel
 Mrs Lindy House, Somerset Hotel
 Mr Robert Gilfillan, Sunnyhill Hotel
 Mr John Dabner, Tall Timbers Tasmania Pty Ltd

Hearings

The Committee discussed possible dates for hearings and who might be invited to appear before the Committee.

Resolved, That the Committee next meet on Monday, 4 October next for public hearings and if necessary again on Monday, 11 October. (Mr *Booth*)

*Select Committee on the Gaming Control Bill 2010***Other Matters**

Mr Donnelly briefed the Committee on discussions with the Auditor-General and the Department of Treasury in relation to the provision of suitably qualified Officers that may be provided to assist with the work of the Committee.

Resolved; That the Committee write to the Speaker to request funding for any costs arising from the engagement of the Officer from the Tasmanian Audit Office. (Mr *Booth*)

At 1.34 pm the Committee adjourned until 9.15 am, Monday, 4 October next.

Monday 4 October 2010

The Committee met in Committee Room 2, Parliament House, Hobart at 9.15 am o'clock.

Members Present:

Mr *Booth* (Chair)

Mr *Bacon*

Mr *Best*

Mr *Gutwein*

Mr *Rockliff*

Minutes

The minutes of the meeting held on Tuesday, 21 September 2010 were circulated, read and confirmed as a true and accurate record. (Mr *Rockliff*)

**Audit and Treasury
Officers**

Resolved; That Mr Danny Moore, Principal Performance Analyst, Tasmanian Audit Office and Mr Daniel Hanek, Principal Policy Analyst, Department of Treasury and Finance be admitted to the proceedings of the Committee whether in public or private session. (Mr *Gutwein*)

Mr Tony Scott, OAM, Coordinator, RSL Clubs and Licensed Sub Branches, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

Witness

The witness withdrew.

Ms Jo Flanagan and Ms Margie Law – Anglicare were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Witnesses

The witnesses tabled the following papers:

Papers

- Anglicare Tasmania: House of Cards – Problem Gambling and Low Income Earners in Tasmania
- Anglicare Tasmania: Social Action and Research Centre – Nothing Left to Lose

The witnesses withdrew.

Mr *Gutwein* withdrew

Mr Eric Lockett, Inter-Church Gambling Taskforce, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

Witness

Mr *Gutwein* resumed his seat.

The witness withdrew.

Senator Nick Xenophon and Mr Andrew Wilkie, MP were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Witnesses

Select Committee on the Gaming Control Bill 2010

Paper

Mr Wilkie tabled the following paper:

- The Hon Julia Gillard and Mr Andrew Wilkie ('the parties') - Agreement

The witnesses withdrew.

Witness

Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association, met with the Committee via telephone and was examined in public.

The witness withdrew.

Witness

Mr Peter Hout, Chairman, Tasmanian Gaming Commission, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

At 1.00 pm the meeting was suspended until 2.00 pm.

Suspension of Sitting

Witness

Mr Daniel Hanna, Chief Executive Officer, Tourism Industry Council Tasmania, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

Mr Best took his seat.

The witness withdrew.

Witnesses

Mr Steve Old, Mr Darren Brow and Mr John Whelon from the Tasmanian Hospitality Association, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Mr *Gutwein* withdrew.

Mr *Gutwein* resumed his seat.

The witnesses withdrew.

Mr Greg Farrell, Managing Director, Mr Brendan Blomeley and Mr Andrew Eakin, Federal Group, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Witnesses

The witnesses withdrew.

Mr Greg James was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

Witness

Resolved; That the papers tabled on this days sitting be taken into evidence. (Mr *Gutwein*)

Evidence

Resolved; That the following submissions be received and taken into evidence: (Mr *Gutwein*)

- Ms Kelli Neilson, Bridge Hotel, Smithton
- Dr Charles Livingstone and Dr Richard Woolley, Monash University and University of Western Sydney.
- Mr Derek Walter, South Hobart
- Mr Kim Green, All The Year Round Tavern
- Mr John Duffy, IGT (Aust) Pty Ltd.

Select Committee on the Gaming Control Bill 2010

Resolved; That the transcript of today's hearings be placed on the Committee's web page. (Mr *Gutwein*)

At 4.45 pm the meeting was adjourned until Monday, 11 October next.

Monday 11 October 2010

The Committee met in Committee Room 3, Parliament House, Hobart at 4.00 pm o'clock.

Members Present:

Mr *Booth* (Chair)
 Mr *Bacon*
 Mr *Best*
 Mr *Gutwein*
 Mr *Rockliff*

Minutes

The minutes of the meeting held on Monday, 4 October 2010 were circulated, read and confirmed as a true and accurate record. (Mr *Rockliff*)

Review of Evidence

The Committee deliberated on the evidence heard thus far and discussed the extent to which the terms of reference had been addressed.

In respect terms of reference (b) and (c) which refer to the amelioration of impacts on venues and state revenue, it was agreed that some modelling was required to show the possible outcomes that may result from different implementation strategies for the \$1 bet limit.

The Committee identified the need for data from venues in relation to the percentage of revenue derived from gaming, food, entertainment or other services.

Resolved; That the Committee request further information from the Tasmanian Hospitality Association in respect to the proportion of revenue gaming venues receive from EGMs and other services offered. (Mr *Gutwein*)

Discussion arose in relation to the agreement between the Prime Minister and Mr Wilkie on the regulation of gaming machines and why their agreement did not include a \$1 bet limit.

Resolved; That the Committee write to the Prime Minister and Mr Wilkie for clarification on why a \$1 bet limit was not included in the proposed national reform of gaming. (Mr *Best*)

Correspondence

A letter from Mr Tony Scott, OMA JP, Coordinator, RSL Clubs and Licensed Sub-Branched, RSL Tasmania Branch dated 11 October 2010 was received and noted.

In respect to the Ulverstone Returned Servicemen's Club, Annual Report appended to the correspondence and Mr Scott's request that it remain confidential, the Committee:

Resolved; That the Ulverstone Returned Servicemen's Club Annual Report, attached to Mr Scott's correspondence be kept confidential. (Mr *Booth*)

At 5.00 pm the meeting was adjourned *sine die*.

Select Committee on the Gaming Control Bill 2010

Wednesday, 20 October 2010

The Committee met in Committee Room 2, Parliament House, Hobart at 1.25 pm o'clock.

Members Present:

Mr *Booth* (Chair)
Mr *Bacon*
Mr *Best*
Mr *Gutwein*

Apology Mr *Rockliff*

Election of Chair pro tempore

Mr *Gutwein* was nominated as Chair *pro tempore* in the absence of Mr *Booth*. Having accepted the nomination and being the only nominee Mr *Gutwein* was duly elected. (Mr *Best*)

Modelling of impact of \$1 Bet limit

Mr Moore and Mr Hanek briefed the Committee on modelling that showed how the introduction of a \$1 bet limit would affect the gaming industry under varying circumstances.

Mr *Booth* took his seat.

The Committee discussed the need for further technical information on the operation of gaming machines.

Further Evidence

Resolved, That the Committee contact the Gaming Commission to ask for a suitably qualified person to present evidence before the Committee. (Mr *Bacon*)

The minutes of the meeting held on Monday, 11 October 2010, were circulated, read and confirmed as a true and accurate record. (Mr *Best*)

Minutes

At 2.20 pm the meeting was adjourned until Friday, 29 October next.

Friday, 29 October 2010

The Committee met in Committee Room 1, Parliament House, Hobart at 3.15 pm o'clock.

Members Present:

Mr *Booth* (Chair)
Mr *Bacon*
Mr *Gutwein* via telephone
Mr *Rockliff* via telephone

Apology Mr *Best*

Witness

Mr Paul Bendat was called (via telephone from Melbourne) and was examined by the Committee.

Paper

The witness tabled the following paper:
Submission to the Victorian Commission for Gambling Regulation – by Deborah Greenslade

Select Committee on the Gaming Control Bill 2010

The witness withdrew.

Minutes

The minutes of the meeting held on Wednesday, 20 October 2010, were circulated, read and confirmed as a true and accurate record. (Mr *Bacon*)

Correspondence

The Committee discussed the response from the Gaming Technology Association in respect to the Committee's request for an explanation on the \$20 million discrepancy in their calculation of the implementation costs.

Resolved; That the Committee write to GTA and request a breakdown of the \$55 million implementation costs. (Mr *Booth*)

Resolved; That the Committee seek details from Treasury on the payments made to Queensland for gaming machine testing etc. (Mr *Bacon*)

Other Matters

Resolved; That the Committee seek details from gaming machine providers on the availability of \$1 gaming machines and ease of conversion of existing machines. (Mr *Booth*)

Resolved; That should the Committee require an extension of time for reporting to Parliament a motion should be moved in the House on Tuesday, 9 November requesting an extension of time til Wednesday 17 November 2010. (Mr *Gutwein*)

Extension of Time for Report

At 4.05 pm the meeting was *sine die*.

Tuesday, 15 February 2011

The Committee met in the Conference Room, 4th floor Henty House, Launceston at 12.00 noon.

Members Present:

Mr *Booth* (Chair)

Mr *Bacon*

Mr *Best*

Mr *Gutwein*

Mr *Rockliff*

Consideration of Draft Report

The Committee met to consider the Chairman's draft report.

The Committee deliberated.

Suspension of Sitting

At 2.10 pm the meeting was suspended until 2.38 pm

The Committee continued its deliberations.

Extension for Reporting

Resolved; That the Committee seek an extension from Parliament on the reporting date. (Mr *Best*)

At 4.20 pm the meeting adjourned until a date to be fixed.

Select Committee on the Gaming Control Bill 2010

Tuesday, 5 July 2011

The Committee met in Long Room, Parliament House, Hobart at 6.15 pm o'clock.

Members Present:

Mr *Booth* (Chair)
 Mr *Gutwein*
 Mr *Rockliff*
 Mr *Best*

Extension of Time for Report

The Committee met to discuss the reporting time for the Committee's Report.

A discussion arose.

Resolved; That the Committee seek the agreement of the House to extend the date for bringing up of the Committee's Report to Monday, 16 April 2012. (Mr *Gutwein*)

At 6.26 pm the meeting was adjourned *sine die*.

Tuesday, 27 March 2012

The Committee met in Committee Room 3 at 1.15 p.m. Parliament House, Hobart

Members Present:

Mr *Booth* (Chair)
 Mr *Rockliff*
 Mr *Sturges*

Apology Mr *Best*, Mr *Gutwein*

Witness

The Committee met to hear evidence from the following witness.

The Right Reverend John Harrower OAM, Bishop of Tasmania, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

Bishop Harrower tabled the following papers:

Papers

- Anglican Media Tasmania – Media Release dated 17 January 2012;
- Anglicare Tasmania paper entitled: \$1 Bet Limit Action Sheet: Make Your Voice Heard; and
- Office of the Primate Anglican Church of Australia – Media Release dated 15 March 2012.

The witness withdrew.

Reporting Date

Resolved; That the Committee seek the agreement of the House to extend the date for bringing up of the Committee's Report to Thursday 22 November next. (Mr *Sturges*)

Minutes

The minutes of the meeting held on Tuesday 5 July 2011 were circulated, read and confirmed as a true and accurate record. (Mr *Rockliff*)

At 2.05 p.m. the meeting was adjourned until a date to be fixed.

Select Committee on the Gaming Control Bill 2010

Thursday, 10 May 2012

The Committee met in Committee Room 2 Parliament House, Hobart at 9.00 a.m.

Members Present:

Mr *Booth* (Chair)
 Mr *Gutwein* (via telephone)
 Mr *Rockliff*
 Mr *Sturges*
 Mr *Best* (via telephone)

The Committee met to hear evidence from the following witnesses:

Witness

Mr Robert Mallett, Executive Officer, Tasmanian Small Business Council was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

Mr *Rockliff* and Mr *Best* withdrew.

Witness

Mr Stephen Menadue, was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witness withdrew.

At 10.45 am the meeting was suspended until 11.00 am.

**Suspension of Sitting
Witnesses**

Mrs Elaine Bushby, Mrs Dorothy Kelly, Mrs Sally McGushin and Mrs Margot Smart, National Council of Women, were called. The witnesses made the Statutory Declaration and were examined by the Committee in public.

Paper

Mrs Bushby tabled a copy of her submission.

**Request for Evidence to
be heard in camera**

Mrs Smart sought the Committee's agreement for part of her evidence to be presented confidentially in camera.

The Committee discussed the matter and agreed to hear Mrs Smart's in camera evidence after the last witness was heard.

The witnesses withdrew.

Witness

Ms Karyn Wagner was called. The witness made the Statutory Declaration and was examined by the Committee in public.

The witnesses withdrew.

In Camera Evidence

The Committee recalled Mrs Smart to hear her in camera evidence.

The witness withdrew.

Minutes

The minutes of the meeting held on Tuesday 27 March 2012 were circulated, read and confirmed as a true and accurate record. (Mr *Sturges*)

At 1.10 p.m. the meeting was adjourned until a date to be fixed.

Tuesday 13 November 2012

The Committee met in Committee Room 3 Parliament House, Hobart at 1.15 p.m.

Members Present:

Mr Best
Mr Booth
Mr Gutwein
Mr Sturges
Mr Rockliff

Minutes

The minutes of the meetings held on Tuesday 23 October 2012 were confirmed as a true and accurate record. (*Mr Gutwein*)

The minutes for the meeting held on Tuesday 15 February 2011 circulated read, and confirmed as amended. (*Mr Best*)

The Committee met to consider the Chair's Draft Report.

**Consideration of Chair's
Draft Report**

Mr Gutwein moved the following motion:

1. That as during the Committee's deliberations, there has been a concurrent national debate on problem gambling including the introduction of pre-commitment technology as a harm-minimisation measure to ameliorate the negative impact that gaming machines have on some vulnerable individuals and that legislation introduced on 1 November 2012 includes the following measures which will:
 - (i) establish an Australian Gambling Research Centre;
 - (ii) ensure all new poker machines manufactured or imported by 31 December 2013 are capable of supporting pre-commitment;
 - (iii) ensure all poker machines are part of a State-linked pre-commitment system by 31 December 2016, excepting smaller venues which will have longer to comply;
 - (iv) establish a Regulator to monitor and investigate compliance, and provides for enforcement measures;
 - (v) introduce a \$250 daily withdrawal limit from ATMs in gaming venues (excluding casinos) from May 2013
 - (vi) introduce electronic warning and cost of play displays on poker machines by 2016;
 - (vii) put in place a new levy on venues to pay for the administration for the new scheme;
 - (viii) trial a mandatory pre-commitment system in the ACT; and
 - (ix) require the ACT trial to be independently reviewed by the Productivity Commission upon completion; and,

Select Committee on the Gaming Control Bill 2010

-
2. That the Chair's current draft report be withdrawn and redrafted to contain only the one recommendation contained in 3. Below along with advice as to how the public submissions and evidence provided to the Committee can be accessed by the public; and
 3. That we recommend: That as the Australian Parliament is introducing a raft of harm minimisation measures including a trial of mandatory pre-commitment that this Committee recommends that the Tasmanian Parliament should not proceed with the \$1 bet limit legislation.

The Committee Divided:

AYES

Mr Best
Mr Gutwein
Mr Sturges
Mr Rockliff

NOES

Mr Booth

The question was resolved in the affirmative.

At 1.45 p.m. the meeting was adjourned until Thursday 15 November next.

Thursday 15 November 2012

The Committee met in Committee Room 3 Parliament House, Hobart at 2.00 p.m.

Members Present:

Mr *Best*
Mr *Booth*
Mr *Gutwein*
Mr *Sturges*
Mr *Rockliff*

Minutes

The minutes of the meetings held on Tuesday 13 November 2012 were confirmed as a true and accurate record. (*Mr Best*)

Consideration of Chair's Amended Draft Report

The Committee met to consider the Chair's amended draft report.

A general discussion arose.

Mr *Gutwein* suggested that a number of sections of the Chair's original report could be incorporated into the amended draft.

The Chair agreed to provide the Committee with a further draft for consideration at the next meeting.

At 2.29 p.m. the meeting was adjourned until Tuesday 20 November next.

Tuesday 20 November 2012

Select Committee on the Gaming Control Bill 2010

The Committee met in Committee Room 1 Parliament House, Hobart at 1.05 p.m.

Members Present:

Mr *Booth* (Chair)

Mr *Best*

Mr *Rockliff*

Apology Mr *Gutwein*, Mr *Sturges*

Minutes

The minutes of the meetings held on Thursday 15 November 2012 were confirmed as a true and accurate record. (*Mr Best*)

Evidence

Resolved; That the Submissions Received as listed in Appendix 1 of the draft report and the Documents Received as listed in Appendix 2 of the draft report be taken into evidence. (*Mr Rockliff*)

The Committee considered the Chair's second amended draft report.

Consideration of Chair's Amended Draft Report

Resolved; The draft report as amended be adopted as the report of the Committee. (*Mr Rockliff*)

Dissenting Statement

The Chair indicated that he would be issuing a dissenting statement to be added to the majority Report.

At 1.10 p.m. the meeting was adjourned *sine die*.

APPENDIX 7 – DIVISIONS

The following Division was recorded in the proceedings of the Committee.

1. *Motion moved by Mr Gutwein:*

1. That as during the Committee's deliberations, there has been a concurrent national debate on problem gambling including the introduction of pre-commitment technology as a harm-minimisation measure to ameliorate the negative impact that gaming machines have on some vulnerable individuals and that legislation introduced on 1 November 2012 includes the following measures which will:
 - (i) establish an Australian Gambling Research Centre;
 - (ii) ensure all new poker machines manufactured or imported by 31 December 2013 are capable of supporting pre-commitment;
 - (iii) ensure all poker machines are part of a State-linked pre-commitment system by 31 December 2016, excepting smaller venues which will have longer to comply;
 - (iv) establish a Regulator to monitor and investigate compliance, and provides for enforcement measures;
 - (v) introduce a \$250 daily withdrawal limit from ATMs in gaming venues (excluding casinos) from May 2013
 - (vi) introduce electronic warning and cost of play displays on poker machines by 2016;
 - (vii) put in place a new levy on venues to pay for the administration for the new scheme;
 - (viii) trial a mandatory pre-commitment system in the ACT; and
 - (ix) require the ACT trial to be independently reviewed by the Productivity Commission upon completion; and,
2. That the Chair's current draft report be withdrawn and redrafted to contain only the one recommendation contained in 3. Below along with advice as to how the public submissions and evidence provided to the Committee can be accessed by the public; and
3. That we recommend: That as the Australian Parliament is introducing a raft of harm minimisation measures including a trial of mandatory pre-commitment that this Committee recommends that the Tasmanian Parliament should not proceed with the \$1 bet limit legislation.

Division

AYES

Mr Best
Mr Gutwein
Mr Rockliff
Mr Sturges

NOES

Mr Booth

DISSENTING STATEMENT

The Chair of the House of Assembly Select Committee, established to enquire into the impact of the implementation of the *Gaming Control Amendment Bill 2010* (\$1 Bet Limit), notes that the evidence received by the Committee was overwhelmingly in favour of changing the current \$5 maximum bet limit on gaming machines in Tasmania to a \$1 maximum bet limit per spin.

Given the overwhelming evidence presented to the Committee in favour of reducing the bet limit to \$1, the recommendation by other committee members to not proceed immediately with a \$1 maximum bet limit is, in the opinion of the Chair, unsound and unconscionable. as it does not reflect the weight of evidence submitted.

The evidence provided to the Committee makes it clear that:

1. pokies are a uniquely addictive form of gambling;
2. the social and economic costs to Tasmanians from problem gambling exceed the benefits;
3. the implementation of a \$1 bet limit would not impede the recreational use of pokie machines in Tasmania; and

A \$1 bet limit is a harm minimization measure that is practical effective and necessary, and should be implemented immediately in tandem with mandatory pre-commitment.

The *National Gambling Reform (Related Matters) Bills* introduced by the Federal Government, will not change the experience of problem gamblers at the machine as it will do nothing to adjust the volatility and spin rates so as to limit loss rates from a current maximum \$1200 per hour to a maximum of \$120 per hour.

This deficiency has been noted by many stakeholders at the national level, including some Federal elected representatives, who have stated clearly that although they will support this particular measure through the Federal Parliament, they do so as an initial step forward but that it does not preclude further action being required.

Therefore as a member of this Committee I believe there is sufficient evidence to progress state-based reforms, as that will not be inconsistent with Federal moves.

The refusal of Clubs ACT to commence the proposed trial of poker machine reforms in the ACT until after the next election re-enforces the need for Tasmania to take action immediately.