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JOINT SELECT COMMITTEE ON GAMBLING REFORM

Reference: Precommitment schemes

MONDAY, 14 FEBRUARY 2011

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JOINT SELECT COMMITTEE ON

GAMBLING REFORM

Monday, 14 February 2011

Members: Mr Wilkie (Chair), Mr Champion (Deputy Chair) and Senators Back, Bilyk, Crossin and Xenophon and Mr Ciobo, Mr Frydenberg, Mr Stephen Jones and Mr Neumann

Members in attendance: Senators Back, Bilyk and Xenophon and Mr Champion, Mr Ciobo, Mr Frydenberg and Mr Wilkie

Terms of reference for the inquiry:

a) To inquire into and report on:

   i) The Productivity Commission report on gambling, released in June 2010, including a national response to the full set of its recommendations;

   ii) The design and implementation of a best practice full pre-commitment scheme–that is uniform across all States and Territories and machines–consistent with the recommendations and findings of the Productivity Commission;

   iii) Legal advice commissioned and received by the Commonwealth by 1 February 2011 regarding the Commonwealth's constitutional competence and prospects for successfully legislating in this area, including the reasoning supporting the legal advice and financial and other consequences flowing from it;

   iv) Any gambling-related legislation that has been tabled in either House, either as a first reading or exposure draft;

   v) Appropriate terms of reference, to be set by no later than 30 June 2013, of a further Productivity Commission Inquiry to examine the impact of pre-commitment schemes on problem gambling and to determine what further harm minimisation measures may be necessary.

   vi) Monitoring the impact of reforms to address problem gambling; and

   vii) Such other matters relating to gambling referred by either House.

b) Make recommendations to the Minister for Families, Housing, Community Services and Indigenous Affairs and the Assistant Treasurer, to inform any position that the Commonwealth will take to the COAG Select Council on Gambling Reform.

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Committee met at 9.04 am

CHAIR (Mr Wilkie)—I call the committee to order and declare open this public hearing of the Joint Select Committee on Gambling Reform. Today's public hearing is one of a series of public hearings that the committee is holding to inform its inquiry into the design and implementation of a best practice precommitment scheme. Before the committee starts taking evidence, I advise all witnesses that, in giving evidence to the committee, they are protected by parliamentary privilege. This gives witnesses special rights and immunities because people must be able to give evidence to committees without prejudice to themselves. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to the committee and such action may be treated as a contempt. It is also a contempt to give false or misleading evidence to the committee. The committee prefers all evidence to be given in public, but the committee may agree to a request to hear evidence confidentially. The committee may still publish confidential evidence at a later date but would consult the witnesses concerned before doing so.

[9.05 am]

DOYLE, Mr Stephen John, Chairman, St Vincent de Paul Society Queensland Social Justice Committee

FALZON, Dr John, Chief Executive Officer, St Vincent de Paul Society National Council

Evidence from Mr Doyle was taken via teleconference—

CHAIR—Welcome. I now invite you both to make a brief opening statement before the committee proceeds to questions.

Dr Falzon—Thank you. The St Vincent de Paul Society, the organisation that Mr Doyle and I represent, probably needs no introduction. I would like to say that we are well known as a charitable organisation but it is also important to recognise that our founder, a 19th century French activist academic, Frederic Ozanam, once wrote, 'Charity is the Samaritan that pours oil on the wounds of the traveller who has been attacked, but it is the role of justice to prevent the attack'. One of the key reasons why we are involved in this inquiry is that we believe that this is a wonderful opportunity for Australia to adopt a harm-minimisation approach which will indeed help prevent some of the attacks, particularly on the people we stand in solidarity with—namely, those from low-income households.

We completely reject any approach to this problem that seeks to demonise or discriminate against people on low incomes, however. One of the reasons that we have been loath to be engaged in this policy arena in the past is that it was dominated by an attitude that sought to demonise people on low incomes. For example, we are opposed to approaches that target people who are already doing it tough. This is why we are in fact supportive of a binding precommitment scheme applicable to all electronic gaming machine users, discriminating against none. While we do not believe that this measure in isolation will address all of the problems associated with problem gambling, we do believe that it is an intelligent and meaningful mechanism for harm minimisation. We have always adopted the philosophy that it is better to achieve a little well rather than fail to commit to anything on the basis that it will not solve the entire problem. We do not adhere to the blanket critique of all gambling. As the Productivity Commission noted, the much higher public safety risks posed by gaming machines warrant that more active community awareness, prevention and harm-minimisation measures be targeted at this form of gambling than at safer forms such as bingo or lottery.

We also subscribe to the analysis that this is a systemic problem and that the harm done by poker machines can in fact be minimised by a number of measures. We embrace the harm-minimisation approach to this and other social problems. By 'harm minimisation' we mean an approach that considers the actual harms associated with a particular practice and how these harms can be minimised or reduced.

In summary: we support the recommendations of the Productivity Commission that the amount of cash that players can feed into machines at any one time should be limited to $20, noting that it is currently up to $10,000; there are strong grounds to lower the betting limit to

around $1 per button push instead of the current $5 to $10; shutdown periods for gaming in hotels and clubs are too brief and are mostly at the wrong times, and they should commence earlier and be of longer duration; better warnings and other information in venues would help; relocation of ATMs away from gaming floors and imposing a $250 daily cash withdrawal limit in gaming venues would help some gamblers; problem-gambling counsellors have worked well overall but there is need for enhanced training and better service coordination; and, finally, there is the subject of today's inquiry, which is mandatory precommitment. I will now hand over to my colleague from Queensland Mr Steve Doyle to make any additional comments.

Mr Doyle—Thank you, John. What John has said pretty well summarises the St Vincent de Paul Society's national policy on problem gambling and gaming machines. In my written submission there are a number of points that were probably not fully covered by what John has said, and I would like to reiterate those. Firstly, the Queensland Community Sector's position statement regarding Queensland's responsible gambling strategy, which was published in September 2009, demonstrates clearly how the highest concentrations of gaming machines are in lower socio-economic and remote Indigenous communities. So it appears that the industry is targeting those people who we particularly seek to serve in our work.

On a practical, everyday basis as members of the St Vincent de Paul Society we visit people who are seeking emergency assistance with food and other essentials because part of their income has been spent on gaming machines when they cannot really afford to do that. In my understanding of the Productivity Commission report it is quite a significant problem, with an estimated 115,000 people regarded as being problem gamblers and another 280,00 categorised as being at moderate risk. When taken in proportion to the number of persons engaged in gambling these are very significant numbers. We also need to take into consideration the families and acquaintances of these people, who are affected by their behaviour.

It is of great concern to my group, the St Vincent de Paul Queensland Social Justice Committee, that there is a lack of motivation and will to implement effective harm-minimisation measures by governments because these measures will actually reduce government income derived from gambling. Also, there will be strong pressure and lobbying from licensed clubs and gaming machine industries to prevent effective gambling harm-minimisation measures being adopted. It is our position that any lack of will to implement effective harm-minimisation measures indicates that governments and organisations are prepared to continue to profit from the misery that problem gambling causes, and it is the problem gamblers who are identified by the Productivity Commission as contributing significantly to the income derived from gambling.

Arguments will be put up by those lobbying for the licensed clubs and gaming machine industries that the gaming machine industry contributes substantially to community organisations, but this is only a very small percentage of the income they derive from gambling. For example, in states like Western Australia it is demonstrated that sporting clubs do not need to have that income in order to provide opportunities for participation, so some of the arguments that will be put up need to be looked at very closely. It is also argued that it will cause a loss of revenue and employment opportunities if these measures are brought in. Our position is that those employment and revenue opportunities will be created somewhere else, probably in more socially desirable areas such as housing and retail. Other than those extra points I have mentioned, I support everything that John said previously.

CHAIR—Thank you.

Mr CHAMPION—I noticed in Mr Doyle's submission, which I think was to the Queensland government, a reference to making self-exclusion systems more friendly and having the government more involved in those. What interaction do you see between the precommitment system and the self-exclusion system?

Dr Falzon—Steve, would you like to comment on that?

Mr Doyle—My understanding is that, if people have a precommitment and are exceeding that precommitment on a regular basis, that would be an indicator to them that they do have a gambling problem and they need to look at more severe measures such as self-exclusion. That measure needs to be available to problem gamblers who are making an attempt to overcome their addiction. I would certainly be in favour of an avenue for self-exclusion for problem gamblers. Does that answer your question?

CHAIR—Yes, thank you, Mr Doyle

Senator BILYK—Does St Vincent de Paul run counselling for gamblers? Do you have any numbers that you could give us?

Dr Falzon—We do have a range of counselling services across our state jurisdictions; however, I cannot say that we have really harnessed hard data on the percentage of the people across Australia who would fall into that category of being problem gamblers. I guess the thing to emphasise is that we are in no way arguing that problem gambling is the chief cause of poverty or disadvantage. Sometimes it emerges as a symptom and sometimes it is a cause alongside a suite of causes, and I think it is very important for us to recognise that. We certainly would not want to blow it out of proportion. Having said that, since it is something that we can indeed isolate and identify, we are very favourable towards a scheme that would at least nip in the bud or minimise the effects of this problem. Is there anything you would like to add, Steve?

Mr Doyle—I am not aware of hard data. The evidence that I have got is anecdotal from going out and talking to people in their homes when we visit them to provide emergency assistance. Generally, any assistance that we would give them in regard to problem gambling would be referral to other agencies who specialise in that because we are pretty generalist and we come across a wide range of problems contributing to the circumstances that we find the people in, problem gambling being one of those.

Senator BILYK—Thank you.

CHAIR—I will perhaps seek a more subjective answer. Mr Doyle and Dr Falzon, would you say that, among the people you provide assistance to, problem gambling is a significant element?

Mr Doyle—Again, I do not think I have got the data to make that statement. With problem gambling we are reliant on self-reporting from people to tell us about their circumstances and why they are in those circumstances. I think problem gambling is something that people probably do not readily admit to unless they are at a stage where they are actively seeking help for it. I would be very reluctant to try to quantify it in any way because I just do not think I am

able to do that. I rely more on the figures that are given in the Productivity Commission report in this regard.

Dr Falzon—As we said at the outset—and I really thank you for the question because it is a great opportunity to reiterate it—we would be completely loath to isolate problem gambling as the key contributor to poverty in Australia. I think that would completely miss the point. I completely support everything that Mr Doyle just said. Keep in mind that our members are ordinary Australians reaching out and standing in solidarity with other ordinary Australians. We seek to do this in a non-judgemental manner and give whatever support we can. Our ordinary members do not consider themselves professional counsellors, although there would be some who do indeed have a raft of qualifications but that is in no way intrinsic to being a member of the St Vincent de Paul Society. I would just like to read the quote that we have included in our submission. As the Productivity Commission stated:

> Some communities face widespread problems stemming from poverty, poor health, low social and human capital, rundown or missing local community resources, substance abuse and crime … These community traits can concentrate risks of problems with gambling …

This is often symptomatic rather than causal in terms of its relationship to poverty and inequality.

CHAIR—I think it was Mr Doyle who made an interesting observation about people being reluctant to admit that they have a gambling problem. That is consistent with some Tasmanian government research that touches on the issue of the prevalence of problem gambling being underreported and that in fact the real figures for problem gambling in Australia, particularly for poker machines, could be somewhat higher than what some of the research is showing. Do you have a view on that?

Dr Falzon—Certainly, it is very difficult to quantify, according to our experience. As Mr Doyle pointed out, sometimes the issue of problem gambling will emerge in an interview as we visit a family in its home. Sometimes it will not. It is an interesting question inasmuch as it is not necessarily a matter of people wishing to hide or deceive; it is a matter of perception. In all honesty, where a person is experiencing great hardship, in some respects, it is a false form of consolation. In some ways, you could almost call it a spiritual malaise. I am not seeking to use that term in a religious sense but in a very deeply human sense. Where people are in situations of great suffering, they seek something to kill the pain, whether it be alcohol or other substance abuse or intensive gambling, which is not seen as such but as a form of a recreational outlet which, on the surface, is highly accessible and can appear to be quite cheap. But we know the reality is that it is anything but that. Steve, would you like to add anything to that answer?

Mr Doyle—I agree, particularly with that last point that you have made: gambling is made to appear very attractive to these people. For example, if they go into licensed clubs, which are quite nicely furnished and are set out with good food offered at a price that these people can afford, it is a bit of an escape from their circumstances. I think they may see some hope of escaping from those circumstances because of the way it is presented to them.

Dr Falzon—Again, if I could seek your indulgence and add another comment. This is one of the reasons why the St Vincent de Paul Society has never seen issues of inequality in Australia in

purely economic terms. We do in fact start with the economic because it is the bread and butter that people have a right to begin with—those essentials of life such as housing, food, utilities and so forth. However, we would go so far as to say that cultural inequality and inequality of access to sports and recreation are also incredibly important for the wellbeing of the community. When you have no option but to seek these highly accessible and highly attractive forms of escape it is little wonder when in fact culture and sport have become so highly commodified in Australia that they are simply out of the reach of most low-income households.

CHAIR—Thank you, Dr Falzon and Mr Doyle, for your helpful testimony.

Mr FRYDENBERG—Apologies for being a few minutes late. You said that problem gambling is symptomatic, not causal, in the relationship to poverty. I want to drill down on this particular issue of social infrastructure, which is contained in your submission. Can you elaborate a little bit for us about what you are referring to when you talk about the provision of social infrastructure here?

Dr Falzon—As part of a harm-minimisation approach, the specific mechanism that is being investigated in this particular inquiry, namely, the mandatory precommitment scheme, we would advocate as being particularly helpful. However, your question on social infrastructure is at the very basis of what we believe makes sense as real prevention rather than cure. It goes back to what we were saying earlier in the quote—I am not sure, Mr Frydenberg, whether you were present in the room when I quoted the Productivity Commission—

Mr FRYDENBERG—Yes.

Dr Falzon—which is in our submission, talking about the absences, the lack of decent social and community infrastructure, as well as, let's make no mistake, economic infrastructure being partly linked with those incidents of intensified problem gambling.

To give an example, you do not need to be Einstein to work out that in an area where there has been structural disinvestment in a particular industry or sector, leading to widespread job losses and a deflation of the local labour market, quite naturally, in some sense—sadly but naturally—that will lead to a raft of other social problems occurring due to that economic reality. So if we really want to adopt a holistic approach to something that we take very seriously, such as problem gambling, we earnestly seek support for the position that says, 'Never simply concentrate on the individual, as if to say that they are the ones who should be demonised or indeed pathologised or, in some cases, criminalised. Rather, let us look at the economic, social and legislative structures within which those individuals operate. We are not in any way saying that individuals do not bear responsibility for their actions and that the state must bear all responsibility for other people's actions—far from it. But if we do not get the structures right, how can we expect to really get the best out of people? Steve, would you like to add anything to that?

Mr Doyle—Yes, with regard to the point in my written submission, we wish to emphasise that we do not support the prohibition of gambling, viewing it as a legitimate recreational activity if it is properly regulated. Our goal is the minimisation of harm to families in the context of addressing those issues of social disadvantage which make gambling an attractive option for the people who can least afford it. Education, employment, mental health and housing are all issues

which have a vital role to play here. It needs to be viewed in the light of all those other issues, including social infrastructure issues, that impact on it.

Mr FRYDENBERG—Following on from what you just said then, Mr Doyle, about making gambling less attractive, I note in your submission you obviously supported the range of Productivity Commission measures, not just mandatory precommitment. We have a broad remit in this committee to look at the Productivity Commission's recommendations. You talk about ATMs and you talk about lowering the betting limit by having $1 machines. Do you have a hierarchy in terms of those which you see as being the most important to reduce the incidence of gambling?

Mr Doyle—Not necessarily. Those ones that we have mentioned are ones that we regard as being effective harm- minimisation measures which would demonstrate that the government is fair dinkum about tackling this problem. They are things that will not be popular in some sectors and some areas. They will be quite hard to implement because you will be going against powerful lobby groups and some of them could be quite politically unpalatable. But those ones that we have listed there, including mandatory precommitment, which we do see as being extremely important, particularly with regard to problem gamblers, are ones which we have looked at, which we have seen as demonstrating that these Productivity Commission recommendations for effective harm minimisation will demonstrate that the government is fair dinkum about doing something about the harm that is caused by the gambling industry. Personally, I do see mandatory precommitment as being extremely important.

Senator XENOPHON—Thank you, Dr Falzon and Mr Doyle, for your submissions and for the work that St Vincent de Paul does. Are surveys occasionally done on the causes of why people come to see you for help? I know that your first priority is to help people and not to put them off, in a sense, but have you done surveys from to time to time to determine which factors are causative for homelessness, extreme poverty and the like?

Dr Falzon—I have been involved with the St Vincent de Paul Society for 10 years now. I will let Mr Doyle answer for his own experience but when I first started working for the society I was very interested in precisely that question, having worked in academia prior to that in the area of social inequality and disadvantage. The longer I worked for the society and the more I got to meet people doing it tough and listening to their stories the greater the clarity with which I could see that the key word in this formula was story, that it is almost fatuous to pin down simply one cause or reason why a family or an individual is experiencing homelessness or indeed poverty in a prosperous country such as ours. Each person's life story with all of its complexities has at some stage, or at many stages, intersected with a number of structural causes. That is my experience. For example, a person may have had a steady job, a trade or a profession, and things may have then gone awry in their personal lives. At the same time, they may have experienced a retrenchment due to factors within the market. One thing leads to another and they find themselves engaging in self-destructive behaviours and find themselves going from living in a fairly stable environment to one that is full of insecurity, and so the problems multiply.

Some years ago, a colleague did some very interesting research on some of the older people in Sydney who were experiencing homelessness or living in boarding houses—a form of tertiary homelessness in this case. This research was done in the late 1990s and, quite interestingly, she found that in fact somewhere in the vicinity of 98 per cent of this particular sample had been war

veterans, all of whom had come from fairly stable work and family environments to bit by bit their lives falling apart. So we have always taken the position that we do nobody any favours when we seek to blame individuals for their own poverty.

Senator XENOPHON—I am not suggesting that.

Dr Falzon—I know that you are not, Senator.

Senator XENOPHON—I want to know whether there are key factors that exacerbate a person's problems.

Dr Falzon—Yes. I am not for a moment suggesting that you are in that category. It has been our experience, however, that it is a lot easier to put the blame on the individual than to address the structural causes. I would simply answer your question in this way: if we are really serious about preventing, we as a community will do the things that we consider to be essential to ordinary participation in the economy, society and culture, and it is namely those elements that Mr Doyle listed: housing, health, education and so forth.

Senator XENOPHON—You talk about stories of people losing extraordinary amounts of money on poker machines; are they the stories that you hear on a regular basis?

Dr Falzon—I would say that they are stories that we hear sometimes. I personally would not put it at the level of a 'regular' basis, but Mr Doyle might have different anecdotal experience. Steve, would you like to add to that?

Mr Doyle—Basically, it is purely anecdotal. I am not aware that the society has documented and quantified those sorts of background factors with people. As John said, we go and talk to the people. In my visitations, while I have come across people who have a problem with gambling, with poker machines, I could not quantify it at all or refer to it in those terms. It is very difficult because, as I said, with these people you are reliant on self-reporting. I think the problem has to get to a certain stage before people are prepared to share that sort of information. I am aware of a number of situations. One of the members of our state Social Justice Committee had a brother who committed suicide as a result of a gambling addiction. As such, this person feels very strongly about the issue. From my previous employment as a school principal I am aware of people such as registrars on school staff who have got themselves into some very serious trouble embezzling large amounts of money from school communities to support a gambling addiction. Basically, we are all aware of the stories. To me, as outlined in the Productivity Commission report, it is extremely difficult to quantify and we are looking only at estimates, but that does not mean that the problem is not there and that it is not significant.

CHAIR—Would I be right in saying that, although you cannot quantify it, your observations and the experiences of the society make you fairly confident that the Productivity Commission's report and observations ring true?

Mr Doyle—Indeed. In all the research, the discussions and the reading that we have done, we regard this as an excellent document. It is something that actually gives the information, data and recommendations to guide the advocacy that we do on this issue.

CHAIR—That is a very important observation that you make, Mr Doyle. Talking personally now as Andrew Wilkie, I am very mindful of the Productivity Commission's recommendations and I do see the report undoubtedly as the benchmark review into gambling in Australia. Some comments have been made during these hearings that there is a lack of research in this country, but I think that is dodging the fact that the Productivity Commission report does, after 18 months and 500 submissions, hearings and roundtables et cetera, give us a basis for reform. So it is very heartening to hear you affirm that.

Mr Doyle—I am certain that we have done what we could do, and we were very grateful and heartened by the release of this report. It has given us the data, the information and the arguments to pursue this advocacy. We would not like to see it get shelved, collect dust or go to waste after all the effort that has been put into it.

Senator XENOPHON—Perhaps, given the time, you could take this on notice. You have a presence in WA, I take it.

Dr Falzon—Yes.

Senator XENOPHON—It is a national presence. They do not have poker machines there, apart from in the casino. Can you take on notice whether there is any difference in profile in the intensity of help. It may not be terribly scientific, but it might be interesting in terms of whether there is any difference in people donating—whether it be clothes or cash donations—in the one jurisdiction that does not have the same concentration of poker machines.

Dr Falzon—I would be happy to follow that up.

Senator XENOPHON—I am intrigued to know whether there is any trend there.

Dr Falzon—Could I just add to the answer to your earlier question, Senator Xenophon. One of the issues that needs to be understood here is that our work is particularly with low-income households. But problem gambling does not simply afflict low-income households, and of course many of the people who experience significant financial loss are from middle- and even high-income households. So be aware that in that respect our scope is quite limited. However, from where we sit, it is of great significance to those low-income households that they should further experience that kind of financial stress that is experienced at the hands of poker machine addiction, particularly, and abuse.

I have one other quick point. I would like to refer the committee to some work, if you have not already familiarised yourselves with it. A couple of British researchers, Wilkinson and Pickett, have written an excellent book called *The Spirit Level*, which deals with the symptoms of inequality, particularly in prosperous societies. Mr Doyle frequently mentioned mental health issues, to which we do see this as being quite intrinsically connected. Certainly Wilkinson's and Picketts' research suggests that the higher the level of inequality the higher the incidence of mental illness within a given society.

CHAIR—Thank you very much, Dr Falzon and Mr Doyle, and thank you to the St Vincent de Paul Society, for your submission and for giving evidence today. I think I can speak for all

members of the committee in saying that that was very interesting and very helpful—another important dimension to roll into the mix as we go about our work.

Dr Falzon—We thank you for the work of your committee and wish you well.

Mr Doyle—As well, thank you for the opportunity to put our case.

[9.49 am]

MACDOUGALL, Mr Scott Garreth, Managing Director, Global Gaming Industries Pty Ltd

ROWAN, Mr Earle, Systems Analyst, Global Gaming Industries Pty Ltd

CHAIR—Welcome. I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Macdougall—Global Gaming is a privately owned company which has been in the industry for over 20 years. Earle and I have been in the systems and gaming industry for that long. We are licensed manufacturers and also systems manufacturers. We have systems operating in the Northern Territory, Queensland, New South Wales, the ACT, South Australia and New Zealand.

Mr Rowan—We are currently in trial on a harm minimisation system, a responsible gaming system, with the Responsible Gaming Working Party in South Australia. We been with them for about 14 months. We have been looking at different methodologies in applying concepts of assisting people to gamble responsibly. I have been involved in this for quite some time, going back to about 1996 when I first took a patent on a smart card based system for responsible gaming.

Basically, the issue—and I guess Dr Falzon touched on it at the very end—is that individuals who gamble have a varying ability to gamble. It varies dynamically with a person's income. The expendable income they can spend on a gaming machine is a variable. You cannot set a limit for one person. That makes it very difficult for legislators like yourselves to turn around and say, 'That's the limit you can gamble to', because I may be able to spend $1, 00 a week without it hurting me but another person may spend $5 and it will hurt them.

That ability to spend was something I looked at very early in the piece to address gambling limits. With that come some severe problems, unfortunately, and I would like to quickly touch on them. One is technical. The main technical problem that any system faces is that there is no standardisation between states of systems. Every single state has a different system for operating, which poses an enormous problem in trying to control a gaming machine, if that is the point you are going to. If you physically want to turn a machine off and on, then it is very difficult to do. For instance, South Australia has absolutely no communication back to the machines; it has only a one-way communication system. Some of the machines—as a matter of fact, I think there are probably 1,000 machines there which are over 10 or 15 years old—will have to be replaced. There is just no way you can manage that.

That is one system. Victoria has a similar system, the VLC system. Queensland has two-way communication, but only through the operators, of which there are two. New South Wales has the only system in operation where you can speak directly to a machine from an interface.

Mr Macdougall—And the ACT.

Mr Rowan—Sorry—and the ACT. They run the X-series protocol system. So from a technical standpoint there are some fairly stringent barriers to implementing a system that is going to work across all of the states on a single entity, and I guess if you are going to have a national system it has to work in every state off the same device.

Of course the other problem you have is how you set limits. Who sets them and where do you set them? One of the things we have found over the years is that if you ask someone to set a limit they will set a high limit. As I said, a person's ability to spend money varies according to their income, and their income varies dynamically; therefore, you have to be careful where you set a limit. If I were to set a limit of $200 today, next week I may not be able to afford $200. So I may have a really serious problem next week; I may not be able to feed the kids. That is an interesting issue that we have found over the years.

This has led us to take a different approach altogether—that is, to step away from prohibitional systems, systems that actually control and limit people. The system we have on trial in South Australia at the moment is a system whereby an individual can set a limit at the gaming machine for that session of play. We describe it as an educational system. It is an attempt to educate people to gamble responsibly rather than to force them.

One of the issues you have in forcing people is: how do you police it? What do you do with an individual who decides that they want to break your system? Even if you can lock all the gaming machines and stop them from operating, what happens if I decide I want to gamble, so Scott puts his fingerprint or his eye on there, or his card or whatever other device it might be? You can get some fairly sophisticated devices if you have enough funds to do it. What happens when you break that rule? What do you do to police it? That is what has led us to educational systems rather than prohibitional systems—something to allow the interested parties to work with an individual, to assist the individual to control what they are doing, rather than trying to force someone into a position where they have to do something that they may in all honesty not want to do at that particular time and somehow or other break that ability.

I doubt very much if you could control a system which forced machines to lock. If you put such a system in place that you can measure, the policing of it and the attempt to manage such a system would be prohibitive. There is no way to do that. People will cheat, because we are talking about people with a problem, with a social issue, who want to cheat. If they do, how do you manage that? What do you do with them? This is the most serious issue. Leaving aside the technical issues of actually implementing such a system, we end up with a system which cannot be managed. As I said, that is what has led us to go down the road of educational systems rather than prohibitional systems.

Mr FRYDENBERG—Thank you very much for a very helpful submission indeed. Some of the issues you raise in your submission about biometrics, the migration to online gambling and privacy are significant issues that we are grappling with as we consider this proposal. I want to drill down into a few of the other points that you raised—firstly, this notion of player anonymity. Can you elaborate for us about that: how important it is and how it operates.

Mr Macdougall—In terms of anonymity, people's identities are protected in what they do. If you are trying to set limits or trying to enforce some sort of restriction within a venue, you have people who work the bar in the gaming room who you know. They are your next-door

neighbours or your friends or you could owe them money, and therefore there is a lot of push-back in respect of identifying yourself. What we have tried to do is keep it confidential. They can handle it, the system will work, they can set their limits, they can be warned and they can go and get their little session statement of what they have spent or whatever.

Our system runs off a membership loyalty system. In the trials that we have done we have found that, if members have to go through a process where they have to give their ID and, in some respects, their photo—that is, if we have to enrol them into a precommitment scheme about gaming that is going to control their freedom of choice—there is going to be a lot of push-back. We have already experienced that.

Mr Rowan—One of the issues that has caused this push-back is actually the publicity that has been given and the stigma that has attached to problem gambling. If you ask anyone in a gaming room if they have a problem, they will tell you no, clearly and concisely, and be very angry with you if you suggest for one second that they may have. That is because a lot of the publicity that surrounds gaming and gambling says that problem gamblers are terrible people. We have also found that getting people to fill out forms is extremely difficult. When you are getting people to say, 'I want to set my limit,' as Scott rightly pointed out, it may well be your next-door neighbour who is sitting behind the counter. So anonymity has become an issue that we find actually works. A person could do it themselves and could be given encouragement to do it themselves, which we are doing through various marketing methods. We have now just introduced some audio in the venues and we are running a trial to promote the system. We are starting to sell this and we are starting to see a movement towards taking this up. It is very early days at the moment, but it is encouraging. So there is a reason for anonymity.

Also, if you want to get a gaming report, I doubt very much if any of you gentlemen would walk up to a bar and say, 'Could I have a report on how much I have spent on the gaming machine, because I have a problem.' It is not really something that people will do.

Mr Macdougall—There is evidence that where you have a system with the ability to produce a report—because it is compulsory—if you ask any club secretary-manager, they will not have produced a report.

Mr Rowan—In New South Wales it is compulsory that all venues can give a report on a person's play if it is requested by the individual. We could not find any instance where they had ever been requested. That is factual information.

Senator XENOPHON—You physically have to go and ask someone.

Mr Rowan—You physically have to go and ask someone.

Senator XENOPHON—So it is not user-friendly, is it?

Mr Rowan—No. That is a problem. But that is an actual regulation in New South Wales. You have to have that in your system. If you have a loyalty system of any form within a club or a hotel, you have to be able to produce a gambling report on an individual if they request it—that is, their whole gambling history. No-one has ever asked for it. We could not find any instance in any clubs where that had been requested.

Mr Macdougall—To get around that, we have taken an approach whereby an individual can go to our foyer terminal, they can tag onto that with a device and it will print out a small sheet with no identification on it whatsoever that tells them how much they spent, how much they targeted to spend and how many hours they have been in the venue. They can do that at any time throughout the gambling cycle.

Mr FRYDENBERG—You also talked about the issue of communication protocols and the like in your submission. You have technological expertise. Can you take us through that in a little bit more detail? You are saying you cannot implement a national system without replacing all the machines in South Australia and Victoria.

Mr Macdougall—The system that we are running now could be implemented in all states currently. You sit at the machine and before you do your spend you have an option to say—

Mr FRYDENBERG—Sorry—this is the one you are trialling?

Mr Rowan—This is the one we are trialling at the moment—correct.

Mr Macdougall—Yes. What happens is that as you tag on, or put your card into the device, it says, 'Would you like to set a limit?' You physically have to say yes or no, so you are making a conscious decision before you move forward and you push yes or no. So you set your limit, but it does not stop the machine or lock the machine when you reach your limit. It will give an audio warning and a visual warning, and every time you insert money after that it will keep warning you. It is like a seatbelt alarm. Eventually you put your seatbelt on, you would like to think, in this case. If you wanted to implement a system that would lock the machine and make it inoperable when you reach the limit, you could not implement that nationally because of the different protocols.

Mr Rowan—You could have two different systems operating on the same device—the same card or whatever it is—in Queensland and New South Wales.

Mr FRYDENBERG—And the ACT.

Mr Rowan—And the ACT. But currently in South Australia there is no methodology available. There is no transmission back to the machine and there is no way to interface to that machine going backwards. There needs to be some other sort of system.

Mr FRYDENBERG—Sorry—the interface from the machine to where?

Mr Rowan—To any device that you might put on the machine. We call them PIMs—player interface modules.

Mr FRYDENBERG—The card could talk to the machine but not the other way around?

Mr Rowan—No, the card could not talk to the machine. That is the problem. It can get information from the machine about turnover and that sort of thing—the sort of stuff we use to implement this system—but we cannot turn around and tell the machine to stop. That is the problem we have.

Mr Macdougall—The membership card will talk to the interface on the machine. In some circumstances it will talk to our PIMs, and our PIMs will interact with the card. But in some respects the machine that goes back to the operating system, which is hence one of the protocols—Qcom X series—is restricted in two-way communication and being able to lock that machine out.

Mr FRYDENBERG—It can talk to the interface but not to the operating system?

Mr Rowan—That is correct.

CHAIR—Isn't that simply solved with some sort of technology which has all the information on the card or whatever it might be? So you do not actually need to have a system.

Mr Rowan—Only if you can control the machine. If your intention is to lock out a machine then you need to be able to talk to that machine in some way.

CHAIR—We have not made a recommendation on the system and we are discovering there are so many weird and wonderful possibilities, but we have encountered in the evidence already the challenges in systems, particularly when you have got different systems in different jurisdictions. You could conceivably have a technology where you have all the information onboard your smart card, USB plug or whatever. So there is no need to have a system because that personal device is just communicating backwards and forwards with the machine.

Mr Rowan—But the problem is the communication with the machine. There is no way to actually physically talk to the machine. That is the problem.

CHAIR—We have also been told that you just put in a new wedge. Why is that unworkable?

Mr Rowan—We are here to try and put a technical slant on this rather than a social one. One of the problems in South Australia is that the system is a very old system. It actually runs in DOS, if anyone can remember what that is—I struggle on some days. Until last year, the whole system was DOS. We have just introduced a Windows based server in the venues. Basically the machines themselves have a one-way communication port. They are polled by a central server which goes out and asks them for information and the information comes back. The system was only designed as a monitoring system. There are no other communication ports on those machines that you can interface to. There is one communication port and that is a one-way port back to the regulator, which is IGC in South Australia. That is the only way you can get information. From that we can extract turnover, spend, wins and those types of metrics, but we cannot turn around and stop that machine.

CHAIR—The point I am making is quite a separate point I think. We have been told, although it has been disputed by other people, you could conceivably have a stand-alone machine not networked to any other machine and, so long as the personal device that the player is carrying and inserting into that machine somehow has the player's gambling history and his or her preferences and unique identification, that machine does not actually need to talk to anyone. You put something in the machine and the machine says: 'Player 347 is now playing. They have the following preferences. He or she has lost the following amount of money today.' So you would not actually need a system solution.

Mr Rowan—Absolutely.

Mr Macdougall—You would have to upgrade all of those machines because currently those machines do not have that capability.

CHAIR—I understand. Some witnesses have said that most machines could just have a new wedge installed at modest cost.

Mr Macdougall—You would have to talk to the manufacturers, but I do not necessarily feel that is case, especially in some jurisdictions and smaller venues where there are older machines. All machines are hooked up to the central monitoring system anyway for tax reasons and government monitoring. If you had a stand-alone machine, I really do feel it still would need an operating system behind it.

Mr FRYDENBERG—To turn the machine off in the event that someone reaches their limit?

Mr Macdougall—Mr Wilkie is saying that the machines can stand alone. I have my USB and I put it in there and all my limits are set on the card. I think that is fine, but the capacity of the machine to be able to do that is limited. I am a licensed gaming machine manufacturer and for me to do that I would have to rewrite my software or put it into my next generation of machines.

CHAIR—One of the wonderful things about business is that it will find a way.

Mr Macdougall—You could do it.

CHAIR—If there was a decision of government, I am sure business would find a way.

Mr Macdougall—You could find a way. The other thing is its cost effectiveness. If they choose to implement that system, there would be a transition period. It would be quite an expensive situation. Getting into the social issues, you would have to deal with the smaller venues that cannot afford to implement those sorts of things. I am not blowing our trumpet; we are just talking about the practicalities here. A system based approach is cheaper and more efficient. A lot of the venues already have systems that would possibly do that.

CHAIR—Sorry. I've been dominating the questions. Senator Back, do you have any questions?

Senator BACK—Thank you. I think my questions have largely been dealt with. They related to the USB or a device of that type. With regard to your pilot, have you interacted at all with your staff? This morning we were shown an article that talked about the willingness or otherwise and/or the ability of staff to identify a person who was a problem gambler. Mr Rowan, you made the observation that, depending on a person's level of expendable income, they may or may not be a problem gambler. With your years of experience, could you comment on that?

Mr Rowan—In most venues staff are extremely busy. Venues run the staff at a fairly low level and they already have to manage alcohol related regulations. Responsible gaming regulation is very, very new. Most venues do not have any tools to work with, other than whatever state legislation or regulations have been brought in on how venues must operate or how they should

work. To put the responsibility of identifying a problem gambler onto some poor little girl on a bar would, I think, be drawing a very, very long bow. I do not think they are in a position to be able to understand that. When someone drinks too much alcohol it is very simple to see that they have had enough; it is time for them to go home. When you take something like gambling and staff see someone coming in day after day, after day, they have no concept of what that person's expendable income is. If they see someone in distress then it is a different problem. I know that venues do handle that very well under current regulations. If they see someone who is distressed, they can assist. The problem is how do you go up to someone and say: 'Look, you've had enough. Go home.' It is really difficult to do because of that expendable income issue.

I would like to make another comment on that. It is very, very difficult to police this at all in any way. What do you do with someone who breaks your rules? Mr Wilkie talked about putting in a single machine. Even if we put in a single machine and put a limit on it, what is the limit? Who sets the limit? Who determines what I can spend? Even if you do all that, how do you turn around and police that? What do you do to me when I cheat? I could get Scott to put his finger on the fingerprint device or the iris device. It does not matter what device it is. We could get devices to technologically control a machine and, if we had enough money, we could make it so sophisticated that no-one could play it other than a person who was not a problem gambler. But when I reach my limit and the machine says: 'Put your chin on here and open your eye for me,' what are you going to do to me, Scott or anyone else? Who is going to police that? Who is going to manage that structure?

Mr Macdougall—Biometrics is also a privacy issue. There is a lot of push-back there.

Mr Rowan—This is why we have given up on attempting to make our systems control and gone back to a position where we are looking at education. There can be a form of control within education. If someone has set a limit and continually breaks that limit, we have the ability within our system to SMS some interested party directly from our system, without any other interference. No-one knows about it.

Senator BACK—Is that one of your harm minimisation strategies?

Mr Rowan—We are trying harm minimisation at that point.

Senator BACK—What other harm minimisation strategies are in your pilot program?

Mr Macdougall—You could implement self-exclusion within the system so that, if you keep breaching or if you feel you have got a problem, you could just self-exclude yourself.

Mr Rowan—One of the problems with self-exclusion as it stands at the moment is identifying who is excluded. If you go into venue you will find a list of photographs up on the wall. Try and pick one of them—

Mr Macdougall—Some clubs have hundreds.

Mr Rowan—and they are very difficult to see. If you implemented a system such as we are proposing, that would come up on a screen. It is much easier. If a person logs onto a machine, their photograph would come up on a machine in some place like a backroom and someone

would see that they were there. That is much more easily recognisable than a photo on a wall that no-one can actually recognise.

Mr Macdougall—We have at the entry point into a venue technology where you tag on or you sign in, and we have got it where you have got photo ID on your membership card. It is electronic. You tag on and it comes up 'Scott' with your photo and it says whether you are a financial member, are banned or are barred. I suppose could be implemented to exclude yourself from the venue. So if you go in there and tag onto a machine it comes up with a little warning that says: 'This guy is self-excluded. He shouldn't be in here.' When they exclude people what is usually best to do is to exclude them from the whole venue, otherwise you will follow a person around, saying, 'You can't go in there.' It is quite a difficult subject.

Senator XENOPHON—Mr Rowan, you are an analyst for Global Gaming Industries, is that right?

Mr Rowan—That is correct.

Senator XENOPHON—Does that mean software programming?

Mr Rowan—Software programming and systems design.

Senator XENOPHON—You made an assertion earlier on that if you had mandatory precommitment technology people would automatically set a higher limit.

Mr Rowan—Yes.

Senator XENOPHON—On what basis do you say that? What research do you back that up with?

Mr Rowan—We have seen that if you try to get someone to set a limit they will want to set a high limit.

Senator XENOPHON—Perhaps on notice, could you give us the source documents for that?

Mr Rowan—Yes, I can.

Senator XENOPHON—Is there a problem with that, Mr Macdougall?

Mr Macdougall—No, that is Earle's choice. I just agree with Earle's opinion.

Mr Rowan—Yes, I can give you some anecdotal evidence for that.

Senator XENOPHON—In a qualitative sense about the way that problem gamblers think—even though everyone is different—you do not think that if a problem gambler has just had a losing streak and they have a high limit, but if they could set that limit lower at any time, they would in a number of instances reduce their limit as a result of having a session where they have lost a lot of money?

Mr Rowan—I cannot comment on that, obviously. There is no evidence to suggest that someone would.

Senator XENOPHON—If there is no evidence to suggest that, what evidence is there to suggest your assertion that people would set a higher limit?

Mr Rowan—The trials that were conducted recently seemed to suggest that people were setting high limits on their—

Senator XENOPHON—Yes, but people could always override it. They could simply pay cash. They could go to another machine. Regarding the validity of that study, there were too many variables, weren't there?

Mr Rowan—There were, yes. There were a lot of variables.

Mr Macdougall—And they were not necessarily setting their limit. The limit may have been set by the staff or they may have just ticked that box.

Senator XENOPHON—What I do not understand is that you have made some bold assertions, but you also assert that you do not think someone would set a lower limit after they have had a session where they have lost a lot of money, for instance?

Mr Macdougall—If someone is a problem gambler and has an issue, when you force them to set a limit they are going to set their limit higher because they want to gamble.

Senator XENOPHON—So you have looked at some of the qualitative research that has been done on people in gambling counselling networks where people talk about how they wish they were not chasing their losses, and the evidence that problem gamblers have given to this inquiry, and you are saying that does not have any validity?

Mr Rowan—No, I am not saying that at all. It may have been taken a little bit out of context. What I was saying here was that because of the variation in a person's expendable income over any period of time, if you set a limit that limit may be too high at this time and not at that time. That is all I was saying. To approach that issue, we have taken the approach that you set the limit at the machine at the time you start gambling. That was the point I was making. I was not inferring that the Productivity Commission or anyone else was incorrect in what they did. What I was saying was that if I set a limit today that limit may not be applicable tomorrow or next week or the week after that.

Senator XENOPHON—Precisely. That means that if people could set their limit lower—

Mr Rowan—That is exactly why we have chosen to set limits at the machines and not at something too far in advance of the point of where I actually make a decision to gamble.

Mr Macdougall—And how do they change or set their limits? If I want to change my limit, how do I go about that—depending on the system? Do I come and see the staff and say, 'I want to increase my limit' or, 'I want to reduce my limit'?

Senator XENOPHON—Are you aware that in South Australia the TAB has to offer—since, I think, late last year—a system whereby you can set a limit for your TAB account?

Mr Macdougall—Sure.

Senator XENOPHON—I do not know how many have taken it up; it is only voluntary. But, as I understand it, if you want to change that limit—to increase it—you have to give a week's notice, because it is set on a weekly basis. You do not see that sort of model being useful for time limits?

Mr Macdougall—In the back end of our system you can set long-term limits, if you choose. So we have covered that. But on a daily thing, you approach a machine, you are about to spend some money and it makes you sit there and make a conscious decision: yes or no. That is all we are saying. In the back end of our system you can set a cap limit or you can set a weekly or a monthly limit. We are evolving and we are doing it in stages. We may look at introducing self-exclusion also. But in the back end of this system you can set your limits.

Senator XENOPHON—But the way your system is set up now, if you reach your limit then you can simply go and play another poker machine with cash.

Mr Rowan—Absolutely, yes.

Mr Macdougall—And not tag on—

Mr Rowan—In South Australia we have no way of turning the machine off, even if we wish to.

Senator XENOPHON—Sure. Going to the issue of machines and how you would implement this, there was an interchange back on 23 May 2006 between the then presiding member of the Independent Gambling Authority and people who provided similar services to you—primarily a Mr Hearne—which was referred to on the first day of this inquiry. Are you familiar with Mr Hearne?

Mr Rowan—Very well.

Senator XENOPHON—There seemed to be a concession made by Mr Hearne that you could have an add-on system that could probably cost well under $1,000 that would be effective in South Australia, notwithstanding that we have MS-DOS or some ancient technology. Senator Back had to familiarise me with what MS-DOS was—he is far superior to me in these things!

Senator BACK—Are you suggesting that I am an ancient technologist?

Senator XENOPHON—No, I am suggesting you know a lot more about technology and MS-DOS than I do. Perhaps you could look at that interchange on notice.

Mr Rowan—Yes. I was actually party to it; I was there—

Senator XENOPHON—You were there? Then I do not need to give you notice. If you were there you can answer it now. Mr Hearne said that you could add to it, that for about $800 per machine for all 13,000 or 14,000 machines in South Australia you could tack this smart card technology on.

Mr Rowan—We can. We could implement such a device. It would mean interfering with the machine's operation. There is considerable regulatory pressure not to play around with machines. It would be—

Senator XENOPHON—Hang on, if this is a measure to minimise harm, if there is a new regulatory framework that says these things have to be done—and I am sorry, I think I was there as well—

Mr Rowan—You were.

Senator XENOPHON—Yes, I was. But they say it can be done: Mr Hearne says it can be done for about $800 per machine. Doesn't that contradict the evidence that you have given us this morning?

Mr Rowan—No.

Mr Macdougall—Not in the slightest.

Mr Rowan—In what respect?

CHAIR—I asked you whether you just put a meter on or whatever, and you said, 'No, can't do it'.

Mr Rowan—No, we can.

Mr Macdougall—That is what our system is: it is a wedge.

Mr Rowan—We have already done it.

Mr FRYDENBERG—We were talking about a national network system where you could actually close down the machines—it was quite clear.

Mr Rowan—This is the issue you have: it is not a matter of putting a wedge in a machine—you can put a wedge in every machine, or you can put something alongside the machine. The problem is if you actually want to close those machines down; that is where the issue occurs.

Senator XENOPHON—I think Mr Frydenberg's interjection was quite useful just to put this in context. In the evidence given to the Independent Gambling Authority back on 23 May 2006—you were there—a number of direct questions were asked, and Mr Hearne, with whom you are familiar and who deals with a similar sort of technology to the work that you do, said, when pressed, that for about $800 per machine across the whole state you could have a system whereby you could implement smart card technology by bolting on this technological solution.

Mr Rowan—Exactly correct.

Senator XENOPHON—Okay, so we do not have to shut down machines, because it just shuts out the player who uses a particular card.

Mr Rowan—But how do you shut out the player? If you do not tell the machine that they cannot gamble any more, how do you shut out the player?

Mr Macdougall—You have to disable the coin mechanism or—

Mr Rowan—You have to disable the coin mechanism or the note accepter—you have to interfere with the machine's operation in some way, have new software in the machine or have a new machine.

Senator XENOPHON—Unless it's a cashless machine, and then it would work.

Mr Rowan—But there are no cashless machines in South Australia.

Senator XENOPHON—But do you concede that the evidence given by Mr Hearne to the Independent Gambling Authority in 2006 was that you could have a system that would be effective across the whole network?

Mr Macdougall—Yes.

Mr Rowan—Again, there is no problem with putting a wedge in a machine; we do that in South Australia. We have put hundreds of them in four states.

Senator BACK—Is that the $800 that they were talking about?

Mr Rowan—Yes. It has gone up a little bit since then.

Senator BACK—The $800 is about right, but it still does not address the question you were asking.

Mr FRYDENBERG—Are we talking about apples and oranges here? Aren't you talking about just putting in a wedge that does a certain thing? We are talking about being able to shut down the operating system to make this mandatory precommitment.

Senator XENOPHON—My reading of the evidence is that you could actually have a system whereby people could be locked out of the machines once they reach their limits. That is the clear import of the evidence, as I read it, that Mr Hearne gave back four years ago.

Mr Rowan—I would like to take that on notice to re-read that.

Senator XENOPHON—Please do.

CHAIR—I think it would be good if you could take that on notice. In my mind I am confused because you have said to me that we cannot address the South Australian solution and, according to what Senator Xenophon is talking about, we can do so at minimal cost.

Mr Macdougall—When you are talking about locking a player out of the machine, maybe Mr Hearne is referring to the fact that he is a member and is getting bonus points for point of sale and gaming points. If he reaches a limit it locks him out of the machine—it is not defined there; we would have to look at that—for accumulating any more bonus points.

CHAIR—Perhaps.

Mr Macdougall—Okay. So it is not that clear then.

Mr CHAMPION—Presumably these machines have a shelf life and will be replaced by a new product at some point.

Mr Rowan—At some point. They are already quite old and maybe taken out.

Mr CHAMPION—That is not necessarily an impediment.

Mr Rowan—Not in the long term.

Mr CHAMPION—In regard to the national, we have heard a lot of evidence about protocols and X series and I think the committee is just starting to get its head around these things. The simple question is that people are trying to sell a product to hotels. How much of an impediment is it for you as a company to have those competing protocols and systems?

Mr Rowan—It is a cost issue. We have to have different systems for every state, in fact, different software for every state, in part, to manage it. The management side of that is quite significant, obviously, because we are managing all the different protocols all the time, so it is quite a cost issue. It is a knowledge based issue for people who understand these systems. They are quite complex in operation.

Mr CHAMPION—We are finding that out, Mr Rowan. That, obviously, stops product innovation but stops, perhaps, innovation in terms of features that would protect gamblers, as well.

Mr Rowan—There are other issues in relation to that and, of course, these are regulatory issues. Every state has a different state of regulations and that, in itself, is an enormous thing to stay up with. New South Wales has a different set of regulations, Queensland has a different set, South Australia has a different set. They may extend to what you might consider simple issues such as: what can you actually do in this state in relation to a system. That changes state by state, so you have to be on top of even what they say about how you can operate a gaming room, what you can do within that gaming room, what you can give away as a prize, artwork, notices, for instance, varies in every state.

Mr CHAMPION—Presumably the cost of all that red tape is passed onto the industry.

Mr Macdougall—Industry has a national standard. We have been trying to implement a national standard but every state has different amendments.

Mr CHAMPION—You gave some evidence about self exclusion which I found interesting. In summarising it, would it be your evidence to the committee that, at the moment, self exclusion is practically impossible for staff?

Mr Rowan—It is not impossible, because staff know individuals and can manage them. But it is quite a task. If you have ever watched staff when someone walks into the gaming room who they know has self excluded, a bit of a discussion results among staff as to who is going to remove this person. Somebody has to take on the responsibility, and it is usually the manager, of telling the person to leave. More than anything, the major problem is identification. If you look in any of these venues you will find a list of people up in the wall some place where nobody can see it. It is not visible to the public, but it has to be visible to the staff.

Mr CHAMPION—And there are privacy concerns there, too.

Mr Rowan—Very much so.

Mr CHAMPION—You might want to take this on notice, but you gave us some evidence about prohibitive systems versus rewards systems. I want to question that proposition. I can guarantee you that in my electorate right now somebody is driving without a licence, driving an unregistered car, driving without a seatbelt, driving while on the phone or whatever. There are a whole range of areas in which we set the standard, as it were, and then people breach it. That does not mean that we should repeal a vast amount of legislation, rules or expectations for society. So why do you necessarily rule out that approach?

Mr Rowan—It is just the difficulty of managing it. I doubt very much that it can be managed very effectively. The cost to implement such a system would be high. If you cannot be assured that it is going to operate in the manner in which you want it to operate then—

Mr CHAMPION—But nothing is fool proof, is it? Nothing is 100 per cent.

Mr Rowan—Absolutely not. But if you drive without a licence there is a punishment. If you do it enough times, you can get put in jail. What are you going to do to somebody with a gambling problem? It is not whether you can do it or police it or anything. The question is: how do you manage that situation? If I have a gambling problem, are you going to fine me? Surely not.

Mr CHAMPION—With hotels, at the moment if they serve people who are intoxicated there is a fine for the hotel.

Mr Rowan—Sure. Absolutely. There is a fine, but—

Mr CHAMPION—We do not fine the consumer in that case.

Mr Rowan—But that is again put onto the staff. If someone breaks a limit, how do you police that? That is the trouble. How do I know that it is my card or your card that opened that machine up? It is a practical issue of how you manage that.

Mr CHAMPION—Fair enough.

Mr Rowan—Even if you do catch the person, what do you do with them? You say, 'Don't do that again,' or 'Don't come back in here.' Then they go to the place across the road. It is quite a difficult situation to police.

CHAIR—I have a couple of quick things before we close. We have spent some time talking about the alternatives to mandatory precommitment and your suggested solution. But the government has made a decision already to introduce mandatory precommitment. The big question confronting the committee is: how do we introduce that and what might it look like? Given that there are nine protocols around the country, rather than having one protocol for the whole country what is your view on perhaps having an arrangement under which you might have state based solutions based on a common set of national standards?

Mr Rowan—There is no reason why you cannot do that as it stands at the moment. The problem is how far your system is going to go and what it is physically going to do. If it is going to turn off machines, then we have an issue in some states. If it is simply going to be a warning system, then there is probably no reason why you cannot do that. We are already doing that in trials in South Australia. There is no reason why that cannot be done. When you talk about mandatory precommitment, what we have in the South Australian trial is a precommitment system. It simply does not stop a person from gambling.

CHAIR—It is a voluntary precommitment system.

Mr Rowan—It is a voluntary precommitment system.

CHAIR—It is voluntary without lockout, so it is actually quite different to what the government has decided to implement.

Mr Rowan—Yes. If the government decides to implement a system that requires machines to lock a person out if they exceed the limit that they have set then the issues that you face are who sets the limits, how are they set, how are they managed and how would such a system be technically implemented across the states. That is really it in a nutshell.

CHAIR—One last thing: in regards to your trial in South Australia, it is at two venues, I believe.

Mr Rowan—Yes.

CHAIR—That has been running for 14 months or so.

Mr Macdougall—There have been stages. It has been rolled out in stages. The second phase has run for about 2½ months.

CHAIR—That is a voluntary precommitment system with no lockout function.

Mr Macdougall—And with natural uptake.

CHAIR—We have heard from particularly the industry the concern that mandatory precommitment will be very damaging from the point of view of revenue and thus damage their businesses. We are hearing that concern; we are paying attention to that. What has happened to the cash flow—generally speaking—in the two venues in which you are trialling your system?

Mr Macdougall—At the moment, there has not been any effect on cash flow.

CHAIR—Assuming that there is some problem gambling in those two venues and your system has not affected cash flow, where is the evidence that it has done anything about problem gambling?

Mr Macdougall—With the issues that we had with the South Australian trial and with the new protocol roll out, phase two is now correct and proper. So we have only been going since before Christmas. We monitor every button push and what is happening in those machines. We are getting that data monthly or weekly or whenever we want it. We have seen that there has been much more interaction with the PIMs. We are logging a lot more types of data. It is too early for us to determine that.

CHAIR—Okay. So you have not seen any reduction in cash flow yet, either with the first phase or the—

Mr Macdougall—I do not think that the first phase would have seen any, because unfortunately it did not work well. The current phase that we are in now will give us the evidence that we need to make determinations.

CHAIR—Okay. But in these first couple of months you have not seen any reduction in cash flow.

Mr Macdougall—We have not looked at the figures from the venues. We have not asked them for those. We just wanted to make sure that the trial was working. It has been a slow introduction. We do not have that data.

Mr Rowan—We would be more interested in seeing if people are taking up the system. We want to know if they are interacting with the operation of our system. We have seen that slowly start to increase. We are moving in stages to work out wow we approach individuals and the training. We have just introduced some audio marketing, if you like, in relation to this in venues. That has had an immediate change in response. We have seen many more people interacting with the device. We are about to take that to the next stage.

CHAIR—Okay. But it is important to understand that in both the first phase and the early stages of the second phase your voluntary precommitment system has caused no apparent reduction in cash flow.

Mr Macdougall—We have not asked the venue about its current turnover. The trial was implemented around the beginning of the new year, so we are in the second month of it. We will definitely talk to the licensee. It is their privilege to give us that information. We are not saying that it will or will not work. We are in the stage that will determine that in a few months time. We will gather that evidence as we go along.

Mr FRYDENBERG—While the chair is fond of saying that the government has agreed to implement a mandatory precommitment scheme, he may be speaking of Mr Xenophon, him and the government per se, but as a representative of the coalition I say that we are here to hear the views of industry, psychologists and educators and we are very open minded about how a system would work if it was implemented. That is our perspective.

Mr CIOBO—I have one quick question. I do not know if you can provide this—you may need to take it on notice. Is it possible to obtain off you some statistics about your longest players—in other words, those who play for the longest session times—and the average threshold limit set by those of them who use your technology?

Mr Macdougall—We will have that data. It is our intellectual property, so we will have to determine whether or not we can release that.

Mr CIOBO—If it is not commercial in confidence, I would be interested in having a look at it.

CHAIR—Mr Macdougall and Mr Rowan, thank you very much. I have found this very interesting. It is another important dimension. Political decisions are one thing, but designing a technical solution is a very challenging thing to do. There are many options out. Thank you very much for your time.

Proceedings suspended from 10.39 am to 10.49 am

FERRAR, Mr Ross, Chief Executive Officer, Gaming Technologies Association Limited

CHAIR—Welcome to the hearing. Would you like to make an opening statement?

Mr Ferrar—By way of introduction, our association's member companies are licensed in over 300 jurisdictions around the world, of which eight are located in Australia, and have supplied to majority of about 2.6 million casino-style gaming machines in operation globally today. The existence of these companies relies on the highest probity and integrity standards. Their decision makers are individually licensed in these jurisdictions.

My personal career in the gaming industry commenced in 1979 at Wrest Point Hotel Casino, as it was then known, in Hobart. I was fortunate to be able to fund the latter part of my education through the opportunity to work part time at Wrest Point, as were many of my schoolmates, and many others since.

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

We agree with the view that requiring people who need help to set their own money limits for a day or a longer period might not prove to be effective. We are of the view that the world's best precommitment system will prove to be in-machine and will engage the player in a supportive and empowering way by delivering intelligent messages on the gameplay screen within the cycle of play.

Our submission to the select committee sought to emphasise three major points, which I would like to briefly cover today. The first point is that clear communication with gaming machine players is crucial to the success of any attempt to inform or assist them. Some have said that tiny ancillary displays above, below or beside the main gameplay screen are enough to communicate with gaming machine players. Some have said that simple modifications to existing devices, known as player tracking units, or, I think I hear earlier, sandwich boards, would achieve precommitment. But around 100,000 of the gaming machines in Australia currently do not include a player tracking unit. It is our view, informed by independent research, that clear communication can only be achieved effectively on the main gameplay screen. The screen is the focus where all the activity of the game takes place. Tiny displays away from the gameplay screen are not noticed in the same way as static signs fixed to gaming machines are not noticed. So our first point is that communication with players must be on the main gameplay screen.

The second point is that the process of supplying or modifying gaming machines is not a simple matter. The eight Australian jurisdictions I mentioned earlier collectively administer 14 separate regulatory approval frameworks for gaming equipment. So a supplier seeking to sell a gaming machine or a game throughout Australia must negotiate 14 separate submission and

approval processes for its products to be supplied nationally. These approval processes involve complete disclosure of all aspects of the respective software or hardware to both the regulator concerned and to independent licensed equipment testing laboratories. The laboratories' activities are currently charged to suppliers at the rate of around $18 million annually and involve significant additional administrative overheads. The same processes apply for any change to existing equipment, approval for which can take from three months to three years, depending largely on amendments to requirements during the submission and approval process. Any change to existing equipment is made more complex by the fundamental necessity to ensure that new changes operate reliably with existing modules so that operational integrity continues or is improved.

In our submission we outlined 11 process steps to gaining approval for the supply of gaming equipment and we noted that the first step for precommitment has not yet been addressed nationally. History shows us that ill-defined projects, particularly in the information and communications technology areas, rarely succeed. There is a need for great rigour in determining unambiguous functional requirements prior to embarking on a project involving change to Australian gaming machines.

I would also like to draw your attention to the fact that all gaming machines leave the factory fully tested and certified for compliance with a wide range of Australian and international standards to ensure that they will continue to work safely and with the highest operational integrity. Some of the testimony before you appears to contemplate interfering with the physical configuration of gaming machines but does not appear to consider the range of consequences. These consequences, unintended though they may be, are of great concern to our members, who have no control over the destiny of equipment after it leaves the factory. Yet their global credibility and reputations are at stake. Any postsupply physical or electrical change to any gaming machine may void electrical safety and related compliance, could compromise operational integrity and should be retested and recertified.

Our second point is that the process of supplying or modifying gaming machines is not a simple matter. The lack of harmony between states and territories is an impediment to change. Interference with existing equipment by parties other than the original equipment manufacturer may have massive unintended negative consequences.

The third point I would like to emphasise today is that the current fleet of gaming machines in the field in Australia varies dramatically in terms of age and technology. The logistics of changing its functionality are complex. Our association's technical committee has estimated that the youngest 25 per cent of Australia's gaming machines would require a software upgrade to provide the necessary resources for new functionality associated with measures recommended last year by the Productivity Commission. The middle-aged 25 per cent would most likely require a significant hardware upgrade. The oldest 50 per cent are not capable of being upgraded and would need to be replaced. In December 2009 we said in our submission to the Productivity Commission that this could cost $1.55 billion for software set redevelopments, replacements, retrofits and significant updates. We are now concerned that this figure is conservative.

The cost aspect has been a topic of discussion for many in recent weeks. I previously mentioned that our members have no control over the destiny of equipment after it leaves the factory, which is why we suggested in our submission to this committee that a separate

independent analysis of the current gaming machine fleet would be beneficial. Our third point, then, is that the logistics of changing all the gaming machines in Australia are complex. As we see it, the fastest and least costly approach to change is to require all new gaming machines and games to incorporate revised functionality, common across all states and territories, from a certain date after functional and technical specifications have been defined.

In summary, let me say that our association and its members have proposed and been able to implement several changes in recent years seeking to help address problem-gambling issues. These include on-screen clocks and dollar amounts, along with on-screen player information displays in some states. At the same time, we are concerned about the 140,000 Australians who have jobs as a result of the gaming machine industry. We are concerned about the frustration likely to be experienced by millions of recreational poker machine players if measures are implemented which they find invasive. We share the concerns of our colleagues in the hospitality industry about the financial viability of venues if measures prove to be as financially devastating as they have outlined in their testimony to you.

To quickly reiterate, we agree with the view that requiring people who need help to set their own money limits for a day or a longer period would not prove to be effective. We are of the view that the world's best precommitment system will prove to be in-machine and will engage the player in a supportive and empowering way by delivering intelligent messages on the game play screen within the cycle of play. Thank you. I am pleased to answer any questions.

Mr CHAMPION—Thank you for coming today, Mr Ferrar. It is always good to see you. The South Australian regulator in their evidence said that electronic gaming machines were potentially dangerous, and it does disturb me that that would be said by a regulator. I am just wondering what your opinion is of that evidence that has been given to the committee.

Mr Ferrar—I share your 'disturbedness', if that is the word. I do not know the context of the evidence that was given to you but, frankly, I am surprised at that terminology from a regulator. As you may expect, neither I nor, I suspect, any of the 2, 000 people that work with our members in Australia would agree.

Mr CHAMPION—So you would say that your product is safe for consumers?

Mr Ferrar—I would.

Mr CHAMPION—Safe for them to use, safe for their psychological health, for instance?

Mr Ferrar—It depends on your definition of the word is 'safe'. My definition of the word—

Mr CHAMPION—It is the layman's definition. Is it safe for them to use?

Mr Ferrar—It is safe in the sense that it is safe to drive a motor vehicle or cross the road or catch a bus or catch a plane or go to the movies. All of those things can have consequences, but in my opinion gaming machines are safe. You are asking me a personal question and I am giving you a personal opinion.

Mr CHAMPION—I am asking you your organisation's view.

Mr Ferrar—I cannot represent anything in answering the question other than my personal opinion.

Mr CHAMPION—We have heard a lot about the fragmentation of regulation and the nine different protocols—and I think there were more than that—or varying regulatory hurdles that your industry has to cross to get a product approved. Do you think those regulatory frameworks are efficient?

Mr Ferrar—No.

Mr CHAMPION—Do you think they inhibit product innovation both for commercial reasons and also potentially to protect consumers?

Mr Ferrar—Yes, I heard testimony given to you this morning that there is a national standard which regulators assess gaming machines against. But each jurisdiction has an appendix, and in some cases, more than one appendix. The national standard document itself is just over 100 pages and there are a thousand pages of appendices. That gives you some sort of understanding of what you are dealing with. As I mentioned in my opening address, each jurisdiction does not necessarily have just one set of approval processes. For example, currently in Victoria there are three. There is one for the casino, one for venues which operate on Tabcorp's system, and one for venues which operate on Tattersall's system. Most of the jurisdictions have two, one for clubs and hotels and one for casinos.

Mr CHAMPION—And presumably, these costs are passed on to the industry and then on to consumers?

Mr Ferrar—I heard you ask that question before and I am not sure that 'passed on' is the correct terminology, although I do accept the proposition.

Mr CHAMPION—It is built into the cost of the machine.

Mr Ferrar—It is the cost of developing the machine, and naturally the cost of developing the machine in its entirety is part of the purchase price of that machine. It is the same as any other product, I suspect.

Mr CHAMPION—If you had a simpler regulatory framework, presumably that would allow you to—

Mr Ferrar—I would anticipate two things.

Mr CHAMPION—Competitive pressures would lower the price of the machines.

Mr Ferrar—I would anticipate a reduction in impediments to change, so a faster flow of innovation and change to address whatever the issues might happen to be. Also I would expect the efficiencies that that would generate may result in a reduction of the cost, yes.

Mr CHAMPION—There is also a lot of contradictory research out there and it does tend to be, from my observations, the situation of academics at 20 paces between the industry and their

critics—say, the social welfare agencies or some of the psychologists who are treating people. Does your association support a national research body which would have the powers to compel gaming manufacturers to provide their machines with appropriate commercial safeguards to protect sensitive information, obviously? One of the big problems we have had from this committee in terms of research is that you cannot get access to machines, that a lot of people's opinions about the interface between machines and consumers are speculation. How would we overcome that?

Mr Ferrar—Allow me to break your question down as I understand it. The first part was: does your association support a national research body? Emphatically, yes. The second part had to do with—as I understood it—experiences where researchers might not have been able to review intellectual property. Is that correct?

Mr CHAMPION—Yes, that is right.

Mr Ferrar—I know I am not supposed to ask you questions. Firstly, as I said in my opening address, every aspect of a gaming machine is supplied not only to the respective regulator but also to independent gaming equipment test laboratories as part of every approval process whether we are talking about new equipment, new games or changes to existing equipment or games. On the face of it, the response is that the manufacturers of gaming machines have no problem providing complete disclosure of every aspect of gaming machines in the appropriate environment. This has been a topic of discussion for some time.

The first time, however, that there was any written formal request by academics for access to gaming machine manufacturers' intellectual property was in May last year. We had participated in a Senate Community Affairs Reference Committee inquiry and under their tutelage we had set up a framework by which that process could be undertaken. From a casual conversation with one of the requesters recently, the matter rests with them. The process has been set up, documentation has been generated by our members, who own the intellectual property, so the process is there. It is a matter of any academics who wish to use it doing so.

Mr CHAMPION—Just in regard to the research that companies do into these machines, we have had some other evidence from gaming machine manufacturers who say most of the people developing this product are code writers and IT people and the like. Do any of the companies have psychologists looking at these machines and doing market testing around how people might interact with them?

Mr Ferrar—To the question: do any of our members employ psychologists, the answer is emphatically no.

Mr CHAMPION—What about market research? I am not trying to allege any conspiracy here. We have heard that some machines are very popular and some are not. Nobody really knows the reason. I am just trying to work out how, when you are devising a game, you come to put it on the market. Who makes those decisions about what the design is, what bells and whistles it has, what it looks it and what the features are?

Mr Ferrar—Of course, every organisation will have a different approach. But in very general terms, people who design games typically hold a degree in some sort of media based discipline

before you get to the technical side of designing how the whole thing works with hardware and such. Who makes the decision as to whether or not a game goes to market?

Mr CHAMPION—We know what you do in terms of getting a machine approved, but when you go to market it to clubs or pubs is there pre-market testing of a machine or is that just something the industry and regulators are blind to, that we just put a product out there on the market and it is either successful or not?

Mr Ferrar—It sounds very unscientific, but it is the latter. Often there may have been a successful game in the past, and the theme and the graphics around that game will be revised to form what we call a clone. I know this might sound illogical, but quite often the clone will not be successful in any form compared to the original game. Sometimes the reverse might be true. I am sure, if you ask the venue representative organisations about this, you will hear that what is successful in one venue might not be successful in another venue. In a large venue, what is successful at one end of the venue physically might not be at the other end. There is not a lot of science to the outcome. Like I said, at the risk of sounding—

Mr CHAMPION—You have given us evidence about some of the machines being old and some of them being new. In terms of machine replacement, is it the case that people run machines until they die and there are no replacement parts? What is the process there?

Mr Ferrar—In some cases, that is true. But you have thousands of venues running 200,000 machines almost, and each venue is different to every other venue. They will have different approaches to how they operate their business in terms of inventory replacement, maintenance of inventory, whether they want their machines to work with the rest of their venue—it is a decision for the venues. Probably the most comfortable answer I could give you would be: please direct that question to the venue representative organisations.

Mr CHAMPION—But it would be safe to say that, over time, the machine stock will change, won't it?

Mr Ferrar—Yes.

Mr CHAMPION—That is all I need. Thank you.

CHAIR—Senator Xenophon.

Senator XENOPHON—Mr Ferrar, we need to be mindful of the time, so I ask if you could keep your answers relatively short. Following up on Mr Champion's line of questioning, you referred to the Senate Standing Committee on Community Affairs inquiry. That inquiry was over two years ago, and it asked you if your organisation would provide PAR sheets—probability accounting reports. Are we talking about the same thing?

Mr Ferrar—I think there is a terminology issue with PAR sheets. 'PAR sheets' mean different things to different people in different countries. Now, I do not want to dwell on this but—

Senator XENOPHON—But you know what we are talking about, don't you?

Mr Ferrar—I know what you are talking about.

Senator XENOPHON—Let us call them PAR sheets for the purposes of this exercise, shall we?

Mr Ferrar—My understanding of that inquiry was not that the Senate committee requested that I supply PAR sheets.

Senator XENOPHON—I am not asking about the terminology for PAR sheets. You agree on the terminology for PAR sheets?

Mr Ferrar—Yes, sure.

Senator XENOPHON—As a representative of machine manufacturers, you said that you would provide those. It has been over two years. You have failed to do so—or have agreed to provide them in such a way that they would be useless for analysis by independent experts. Why can't we see those PAR sheets?

Mr Ferrar—Senator Xenophon, firstly, as I just said, I do not believe that I was requested at that inquiry to provide PAR sheets. Secondly, the association does not possess PAR sheets—

Senator XENOPHON—No, through your members. It was made clear through your members.

Mr Ferrar—Sure. Thirdly, as I said earlier, the mechanism was set up where that can take place. The first time there was a written, formal request to undertake that process was a year ago. It was agreed to. It was offered. Anecdotally, it has even been informally offered outside of a disciplined process to the researchers involved.

Senator XENOPHON—Let me ask you again—let us start with a clean slate. Will your members provide those PAR sheets to independent experts so they can be analysed and be the subject of reporting?

Mr Ferrar—Yes. It has already been offered.

Senator XENOPHON—Are you sure about that?

Mr Ferrar—Yes, I am.

Senator XENOPHON—You are on the record as being aware of the work of Professor Kevin Harrigan from the University of Waterloo in Canada—

Mr Ferrar—Yes.

Senator XENOPHON—who has developed a system of analysing PAR sheets to discover reinforcement techniques. Will you agree today to provide those PAR sheets in a format and in a manner which would allow an expert such as Professor Harrigan to analyse the Australian machines, because he is a world expert on analysing PAR sheets?

Mr Ferrar—Senator Xenophon, I am not in a position to supply PAR sheets. Our members—

Senator XENOPHON—But you represent the industry and you said you would provide them previously.

Mr Ferrar—I said it was possible. I cannot remember the exact words. I do not have the transcript in front of me. But, firstly, our members supply, on a routine basis—daily, pretty well—all of this information and a lot more to regulators and to independent licensed test laboratories. It is a routine thing for them to do this. They have no problem providing their intellectual property in an environment where it is appropriate. They have no problem providing academics, in an appropriate environment, with access to anything that they want under the right conditions. It is like asking KFC to publish a list of their 11 secret herbs and spices. I do not think that company would want to do that. This is the basis on which the companies exist. This is their difference between each other. This is the basis on which they compete.

Senator XENOPHON—You are comparing the design of machines to the KFC formula, are you?

Mr Ferrar—I was trying to give an analogous example.

Senator XENOPHON—Let's go to the issue of international protocols. You are aware of the Gaming Standards Association?

Mr Ferrar—I am aware of it. In fact, our association is an affiliate member.

Senator XENOPHON—Yes, you are an affiliate member and your members are signed up to it. Looking at the Gaming Standards Association, international protocols already exist that provide for full precommitment. Do you agree with that?

Mr Ferrar—I would have to defer to the Gaming Standards Association to confirm that.

Senator XENOPHON—S2S is a system to system protocol that talks about developing a single communications interface to connect any number of servers.

Mr Ferrar—Agreed. It is based on an internet protocol. But I think it is somewhat oversimplifying it to say it is an internet protocol.

Senator XENOPHON—G2S, game to system protocol, is a similar thing, supporting a player window interface so that you can connect. And the information I have, based on the Gaming Standards Association, is that the protocols do support the following types of activity, such as mandatory participation or opt-in participation by players. Would you agree with that?

Mr Ferrar—Yes.

Senator XENOPHON—So you are saying that there is Australian opposition to a national protocol. Doesn't that run contra to the international scheme your members have already agreed to?

Mr Ferrar—I am not aware of having said that our association has any objection to a national protocol.

Senator XENOPHON—But you object to mandatory precommitment.

Mr Ferrar—We are concerned about mandatory precommitment and we have said why.

Senator XENOPHON—But you are objecting to it. You are not objecting to it now—is this a revelation?

Mr Ferrar—No, it is not a revelation. I think 'objecting' is the right word, yes.

Senator XENOPHON—Okay, yet the gaming standards—

Mr Ferrar—We are objecting on the basis that, as we said in our submission, for change to be made venues have to be financially viable. We have no objection from a technical perspective. But if the industry ceases to exist—and resonating in my mind is the testimony you had from Rob Smith that if their revenue dropped by 20 per cent Twin Towns Services Club would close.

Senator XENOPHON—Mr Ferrar, explain this to me: you have the Gaming Standards Association, of which your members are affiliated, and their protocols say that mandatory precommitment is one of the things that these new protocols can support. So you are saying that the international organisation that you have signed up to and those protocols are something that you do not support.

Mr Ferrar—I am not saying anything of the sort. I am saying, from a technical perspective, absolutely: we agree with the concept of everything that the GSA says. From a practical perspective, we are talking about viability. We are concerned about the 140,000 jobs that the industry generates or provides. We are concerned about millions of recreational poker machine players finding all of the measures that have been discussed too intrusive, and we are concerned, as I mentioned, that Rob Smith's 20 per cent figure would result in such a significant establishment closing.

Senator XENOPHON—I am sorry I am rushing through this, but I know my colleagues have a number of questions as well. You have said it is not in the fiscal interests of your members to sign up to a mandatory precommitment scheme—

Mr Ferrar—I am sorry, I have not said that.

Senator XENOPHON—But you were just saying it is not viable. Is that what you are saying?

Mr Ferrar—I said at a technical level we absolutely agree with what you are reading out from the Gaming Standards Association. At a practical level we are concerned about the financial viability of the industry, without which there will be no industry, so there will be change but the elimination of the industry. We are concerned about 140,000 jobs and we are concerned about millions of recreational players.

Senator XENOPHON—But you are making a bold assertion about the financial viability of your industry, aren't you? You are talking about 140,000 jobs.

Mr Ferrar—I said I was concerned about these things.

Senator XENOPHON—So you do not have any hard evidence to back it up with?

Mr Ferrar—We have a Centre for International Economic Studies research report, which we commissioned to provide to the Productivity Commission. It is public information, of course I am happy to provide that. That is where the 140,000 figure comes from. We are concerned about the testimony that you were given that a significant venue would close on a 20 per cent reduction in venue. We are concerned with a lot of the testimony you have been given that recreational players would find mandatory precommitment too intrusive.

Senator XENOPHON—I will put some questions on notice because I am worried about time, but I just want to ask you whether you agree with this statement or not:

> Fake wins (1 of 5 trials) are a common characteristic of gambling on contemporary EGMs. It is possible that fake wins sustain interest in and contribute to the addictive nature of EGM play. These results also support the possibility that the inherent arousal in EGM gambling may be the primary reinforcer, with monetary gain serving as a secondary reinforcer.

That is in a report by Professor Alex Blaszczynski, someone the industry has commissioned to do reports on problem gambling. This feature of fake wins is severely restricted under Queensland, Tasmania and Northern Territory regulations. Why do your members not restrict this feature in other states, such as New South Wales, Victoria and South Australia, when they should know it causes harm?

Mr Ferrar—Our members notify players of payouts. What you are suggesting is like someone betting on five of the horses in the Melbourne Cup and spending $10 each, four of them lose and the other one wins $1 and not telling the player that he has won $1 on that. Our members have tackled that by having different intensities, if you like, of payout notification. Where there is a win of say 10,000 credits, you will have a maximum level of sound effects and graphics on the screen to notify the player of that win. Where there is a mid-level, where there is a lesser level—our members have already addressed that.

Senator XENOPHON—This feature is severely restricted in Queensland, Tasmania and the Northern Territory because of the harm that it does, but it is not restricted in New South Wales, Victoria and South Australia. My direct question is: why is it that your members do not have a uniform standard to say the fake wins are not restricted in all jurisdictions?

Mr Ferrar—Our members do have uniform standards. The standards you are referring to are jurisdictional regulatory standards, surely?

Senator XENOPHON—Yes.

Mr Ferrar—Our members comply absolutely with regulatory standards by jurisdiction, otherwise they do not get equipment approved to provide to the marketplace.

Senator XENOPHON—So there is a concession that they understand there is a problem in some jurisdictions but they do not worry about others?

Mr Ferrar—Our members worry about all jurisdictions and, I am sorry, I do not see that as a concession.

Senator XENOPHON—All right, I will put some questions on notice. Thank you, Mr Ferrar.

Mr CIOBO—Chair, Mr Ferrar has just been verballed mercilessly by Senator Xenophon—

Senator XENOPHON—I think you are verballing me!

Mr CIOBO—but he did well to cut his way through it. I am interested, Mr Ferrar, in exploring the issue that is really at the centre of this whole thing—that is, as the Chair said earlier, the government has already made the decision to go down the pathway of mandatory precommitment. The problem is that all of the evidence that the committee has really falls into one of two categories: we have a national uniform system which requires a link to identity, which requires a central database of some form, to ensure that we do not have problem gamblers that are able to use multiple venues, multiple sites, and in addition to that a limit that is set by an objective third-party rather than by the problem gambler themselves; or we go down the pathway of implementing a mandatory precommitment system, which could exacerbate problem gambling and make it worse. So I would like to pick up on some of the points that Senator Xenophon—

Mr Champion interjecting—

Mr CIOBO—No, that is the evidence.

Mr CHAMPION—Are you giving evidence or are you asking questions?

Mr CIOBO—No, I am summarising the evidence we have heard so far. If you are unfamiliar with them—

Mr CHAMPION—It is a very interesting summarisation!

Mr CIOBO—then I am happy to refer you to the page numbers of previous testimony. With respect to the questions Senator Xenophon was asking, is it correct then to understand the evidence that you are giving is that to have a national technological standard means there is effectively one jurisdictional code of compliance framework that needs to apply, that that is relatively straightforward to do? And in fact may be in the industry's interest?

Mr Ferrar—Absolutely—given time is the only proviso.

Mr CIOBO—Leaving costs to one side for the moment, completely discounting costs, is it technologically difficult to put in place a network so that the various machines, the various manufacturers, the various languages can all speak with each other so that you can have one system applied to multiple sites?

Mr Ferrar—It is technically possible but a massive logistical challenge.

Mr CIOBO—So when you say 'logistical', keeping aside cost, the logistics you are referring to include what?

Mr Ferrar—The logistics are bringing all of the different requirements of each of the jurisdictions together.

Mr CIOBO—No, I am making the assumption now that there is just one jurisdiction. If this committee were to adopt the recommendation that there be one national jurisdiction that applies, is that difficult to achieve?

Mr Ferrar—I would say it is difficult, but certainly technical feasible. There is no reason why it could not happen given time.

Mr CIOBO—And is it also relatively achievable with technology today to ensure that there is a biometric identifier, retina scan, fingerprint or something like that so that we know that one player is the same player in every venue and not using multiple venues or multiple systems? Is that relatively straightforward?

Mr Ferrar—It is not impossible. I do not think I would call it relatively straightforward, because there are so many systems operating on the gaming machine fleet. For example the committee would be aware of jackpot systems that run on banks of machines. It is to some extent the responsibility of the manufacturers to ensure that all of the operational aspects of the machine remain reliable.

Mr CIOBO—But if we do not do that, if we do not adopt those as the minimum benchmarks, what safeguards are there to ensure that a problem gambler does not use multiple systems across different sites? Is there any way to ensure that that does not happen?

Mr Ferrar—Without networking the sites, no.

Mr CIOBO—Okay, so without networking the sites it is not possible, so a problem gambler could use multiple sites?

Mr Ferrar—Yes.

Mr CIOBO—Without a link to identity, if we make the assumption that they could be networked, is it possible that a problem gambler could use multiple cards or whatever it might be that holds USB sticks without a link to identity—where they could have in their possession two or three or four and use them across different venues?

Mr Ferrar—Yes.

Mr CIOBO—Okay. So really what you are saying is that from a technological point of view, if we want to be serious in this committee's resolve to mitigate problem gambling, then the only way to achieve it is to go down the pathway of the technology features that we have just spoken of. Is that correct?

Mr Ferrar—That is correct.

Mr CIOBO—Now obviously there are cost savings from having one jurisdictional compliance framework, if that was the adopted measure. There are some savings on that side. But what sort of costs are we talking about? The 25-25-50 per cent that you outlined before: is that for that framework? What sort of precommitment system are you talking about when you gave that 25-25-50 per cent?

Mr Ferrar—The estimate was put together in response to the Productivity Commission's draft recommendations. That was then. We are pretty well talking a different scenario now. We are talking a single, for want of a better term, regulatory framework. That number would be higher, I have no doubt. For me to actually put a number on it is difficult. For a technologist to contemplate what is required to do that is quite a challenge, let alone to achieve it. To continue operations during the process of implementing such a system would be an enormous logistical challenge on its own. I would need to take further comment and put it on notice and respond back to the committee.

CHAIR—Mr Ferrar, you said that ultimately all the machines would have to be networked to safeguard against what Mr Ciobo has warned of, namely people moving from machine to machine. I am not advocating this but we have received other evidence. Why have you apparently dismissed technologies where, as I discussed with the previous witness, all of the information is on board a card, a USB or something so that any individual machine knows the identity of who is playing it, their preferences and how much they have spent that day. That conceivably could do away with the need for networking, other than the networking that is already there.

Mr Ferrar—Firstly, the networking that is already there is significant because it provides information back to the respective jurisdictions. Frankly, I think that the most useful feature that we will see in the next five to 10 years is from that information for the purpose of research. Secondly, I am very concerned about the discussion in relation to handheld devices because there appears to be no consideration of the communication through the main game play screen to the player. I said in my opening address that it is our view that the only way to achieve clear communication with the player is through the main game play screen. Furthermore our members' and my opinion is that setting a daily limit or longer is—to use other's terminology—the ambulance at the bottom of the cliff. What is required here is more immediate than that. It is within a session. The most granular you can get is each play, each button press, hence my comments about intelligent messaging within the cycle of play. We have moved into the cycle of play rather than determining a daily limit through a device. I did not intend to dismiss the terminology and I do not, but we are focused on the actual cycle of play in order to interact more freely and more responsively with the player.

Mr CIOBO—Just to pick up on the point the chair raised, the concern that I have—correct me if I am wrong—with that system as outlined by the chair is that if you have a problem gambler with multiple USB sticks, they could effectively jump from machine to machine using multiple systems and it would be useless, wouldn't it?

Mr Ferrar—That is the way I understand it, yes.

CHAIR—But that would be the case with other systems as well.

Mr CIOBO—Not if it is on a national database.

CHAIR—Any system, machine based, system based, plugs, cards or whatever, that allows people to get away routinely on a widespread scale with having multiple cards or identities I think we all agree that there is a problem there.

Mr CIOBO—That is why it has to be linked to identity to be effective otherwise it is useless.

CHAIR—I am not disagreeing with that although I will wait until the committee has completed its deliberations before I say that. That is my opinion. It would seem that a lot of the evidence is pointing that way.

Mr FRYDENBERG—Mr Ferrar, thank you for your very helpful testimony. You seem to have dealt quite comprehensively with a lot of issues around mandatory precommitment. I want to ask you about other harm minimisation measures. You are familiar with the Productivity Commission's recommendations around the location of ATMs, about limiting bets to one dollar, warning signs and so forth in venues. Does your association have any formal view about the utility of those other harm minimisation measures in addition to mandatory precommitment?

Mr Ferrar—Firstly ATMs are not appropriately our domain. Our domain is to provide gaming equipment to venues. Our members do not make ATMs or have any involvement in them. In relation to all of the Productivity Commission's recommendations we certainly do have opinions about each one. We were concerned about a number of them. You mentioned the one-dollar maximum bet. It concerns us in the context that the denomination of a gaming machine can be one cent, it can be one dollar, it can be $10 and internationally it can be $100 or unlimited. If someone is playing a one-dollar machine and the maximum bet is one dollar all you can play is one line which to a gaming machine player would be very dull indeed.

So we were concerned from that perspective. It would change the way our members provide gaming equipment to venues. It would mean that they could no longer supply one dollar denomination, or above, obviously. There were a number of issues like that that were more technical than, dare I say it, social. We have our opinions but we are suppliers and we are primarily concerned with technology. All of the equipment that is provided in Australia is approved after assessment by regulators and independent test laboratories. We are concerned with complying with the requirements in each jurisdiction.

CHAIR—One final question. In your submission there is a figure of $2 billion, which is obviously about $10,000 per machine, which I suppose in part is a product of a machine based solution. It is yet to be decided, of course, whether it is machine or system. That figure is arguable. There are certainly some witnesses who have said it is excessive. But even if it is accurate, how do you feel about $2 billion, the cost you envisage, being less than half of the losses in a single year by problem gamblers on poker machines?

Mr Ferrar—Firstly, can I refer to the $2 billion. That came from a submission we provided to the Productivity Commission subsequent to the draft recommendations. As I mentioned earlier, the $1.55 billion component of that was in direct relation to replacement and upgrading of

gaming machines. The remainder was an estimate of systems, for which we made our best estimate. Time was of the essence at the time, so the $2 billion to us is $1.55 billion. We feel that we have effectively communicated what we anticipate that cost is made up of. In relation to the cost of the $2 billion, I think I need to make it very clear that our members have no connection with the revenue of the industry in venues. Our members have no participation in the ownership of the equipment subsequent to its sale. Once the equipment leaves the factory, it is a requisite in Australia that ownership passes to the operator, be it the venue or an operating organisation such as currently Tabcorp and Tattersalls in Victoria.

My personal view, and your question really seemed to me to be how do you feel about it, is that testimony has been given to you that it is not in the industry's interest to have any problem gamblers. I have been on the public record a number of times personally saying that one problem gambler is too many. We have made significant attempts over time, as I mentioned in my opening address, to try to implement features which various academics and commentators thought might help. That was a difficult process; just getting agreement among regulators on the font size and colour and location on the screen of on-screen clocks took several years. That is the reason I say the lack of harmony between jurisdictions is an impediment to change. That is from experience, that is not any guesswork. How do I feel? I think a lot of people in the industry, be they academics, be they on either side of the pro and anti fence, are experiencing a little bit of frustration. I think people want to say these issues handled. If I were running a pub, I would not want to have a problem gambler there. I know lots of people who do and they do not want problem gamblers there. That is my personal opinion.

CHAIR—Thanks for being frank with us. We had better wind it up now as we are a little over time. Mr Ferrar and to the association, thank you very much. Again, you have brought a very important dimension to this discussion. It seems to be that we can all get our mind around a lot of the harm cause of the machines and a lot of those sorts of dimensions but the technical issue here is I think very difficult for the committee to get its mind around, so you have helped us a great deal.

[11.40]

TOOHEY, Mr Anthony Peter, Chief Executive Officer and Managing Director, eBet Ltd

CHAIR—Welcome. I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Toohey—Thank you. Ladies and gentlemen, eBay submits that any technology based precommitment solution needs to practically involve solutions which are technically proven in a gaming environment. I think that is pretty much key to everybody's position here today. From eBet's perspective, we are and have been for a long period of time involved in this type of technology. We are the company that installed and provided the technology for Sandgate RSL. Our systems based solutions are currently connected to some 40-odd thousand gaming machines in New South Wales, Queensland and Tasmania. We are arguably the largest and most experienced supplier of commercial gaming systems in Australia. More recently we did lead the way in the card based precommitment solution and trial in Queensland. Again, more recently we have become a gaming machine provider in New South Wales as the exclusive distributor of WMS Gaming machines in Australia.

Without going through our whole submission, which you all have, our overall position is basically based on four points: it is venue based, it is voluntary based, it is card based and it is anonymous. We have put that together on the basis of our technology experience. I unfortunately have to say that I am a 28-year-old veteran of the industry. I do not like to admit to that, based on my age; however, I have operated clubs, I have been the chairman of the BetSafe group of clubs and I have sat on the ClubsNSW board of state councillors. I therefore think I come with both perspectives.

It is our view that there is no system that will be bullet proof. If we are here trying to design a system that is bullet proof, we will not be seeing the introduction of any form of system, whether it be mandatory or voluntary, in my career lifetime. We believe that there are solutions that players will take up and that will allow the industry to be economically viable over a long, sustainable period.

CHAIR—Thank you, Mr Toohey.

Senator XENOPHON—Mr Toohey, thank you for your submission. On what basis do you say that it needs to be voluntary rather than mandatory? Because there is the capacity to make it a mandatory system, isn't there?

Mr Toohey—Absolutely, there is the capacity to make it mandatory. In my experience it is really about bringing the horse to the water. I am a former member of the BetSafe group of clubs. I am sure you aware of what that organisation did. We started on our own, and we invested a lot of money and a lot of time—

CHAIR—Is this with Paul Simon?

Mr Toohey—Yes. We introduced a program before it was actually required by the government. We identified that it was about educating the player but also educating the staff members. At the moment, if you look at the lowest common denominator, the responsible gaming services operate primarily just in the gaming room, so all the staff who work with gaming machines are supposed to undergo a course. We took the view that every staff member from the front door to the back door should be involved. Because of the relationship that you have with your customers, it is an opportunity to be a safety net and educate the player that they have somewhere to go if they are falling into a problem.

Senator XENOPHON—I do not want to labour this too much, but it goes to the arguments for mandatory precommitment. You may be aware of the Victorian Commission for Gambling Regulation survey which was reported in the *Age* today—

Mr CIOBO—You called them 'explosive' revelations, I believe.

Senator XENOPHON—Mr Ciobo is being very helpful; he said I said 'explosive' revelations, but perhaps Mr Ciobo will get his turn in the second. Essentially it found that 36 per cent of employers and venue staff have difficulty in identifying problem gamblers of gaming machines, 21 per cent of employers were uncomfortable in responding to requests to help with gambling, 48 per cent of managers were uncomfortable when approaching patrons showing a gambling problem and 66 per cent of staff were uncomfortable when required to approach someone showing a gambling problem. Doesn't that indicate that, despite whatever good intentions there are, there are some fundamental flaws in relying on individuals to attempt intervention and that a technology based solution would be more effective?

Mr Toohey—Rather than take the glass is half empty approach, with those figures the glass is half full. In most cases those figures—

Senator XENOPHON—One-third full, on 66 per cent.

Mr Toohey—One portion, but I think that is all down to education. Certainly in the venues that I have run under the BetSafe group of clubs, I do not believe the figures would be anywhere near that height, simply because it is an education process.

Senator XENOPHON—I am conscious of the time, so could you take this notice. You said you do not believe the figures under BetSafe would be like that. Could you provide to the committee any independent evaluations done of the BetSafe program?

Mr Toohey—If that information is available, yes. Whether they have done surveys in a more recent time to understand how they feel about doing those things, certainly, I am sure the BetSafe group would give that.

Senator XENOPHON—That will be useful, and also whether there is a comparison with the Victorian study.

Mr Toohey—Sure.

Senator XENOPHON—You talk about bringing the horse to water—I think you used that phrase. At the moment there are millions of people who play poker machines who have and rely on loyalty cards, and in some clubs they have cards with their photo ID. Would mandatory precommitment be an extension of something that is already in existence? There are millions of people who are used to having a card when they play. If there was a smart card, whether it was cashless or not, that would just be an extension of what already is there in the marketplace and people are quite used to it.

Mr Toohey—If we take the exceptions of card usage in a number of venues, and if we look at New South Wales as an example, between 35 and about 48 per cent of people that play gaming machines are using player loyalty cards. I think that is a reasonable number we can all agree on. There is a question mark about why the remainder of the people do not use their cards. If you told the player that that information is now going to be freely available to other venues in a national database, I think there is a level of trust about privacy information that would lead people to stop using their cards.

Senator XENOPHON—Could you just pause there. If there was a system where there was no national database, where any information about player behaviour was contained on the card itself and not on any database, that would allay a lot of concerns about privacy, wouldn't it?

Mr Toohey—It could possibly, yes. For the player, it is all a matter of trust: what is happening with my information and where is it going? That is the real key, from a player's perspective. That is why over half the people do not use their cards today.

Senator XENOPHON—But if the capacity is there to design a system that could be user friendly and that would allay those concerns?

Mr Toohey—If there is the capacity and it does allay players' concerns, yes.

Senator XENOPHON—Thank you, Mr Toohey.

Senator BILYK—Thank you for your submission, Mr Toohey. You have mentioned that you think players and staff could be educated, but I am just wondering how you would do that in a way that would make gambling less risky to that proportion of the population that are problem gamblers.

Mr Toohey—My experience talks about having the confidence to develop relationships with people. In most cases clubs and hotels have a high frequency of patrons that go to those venues on a regular basis and therefore form a relationship with the staff. It is not about the staff member going and tapping a person on the shoulder and saying, 'I think you're a problem gambler.' It is certainly about understanding the messages that player is giving to a particular staff member, and the staff member offering the advantage of some assistance. That is what it is all about.

It could be even be the doorman as they are walking out the door of a large club, or any club, for that matter, asking, 'How was your day,' and them replying, 'No good. I'm not going really well. This is ridiculous; I shouldn't be playing these machines.' Isn't that a point where you should catch the attention of the patron and then say something? It is really about being able to

respond in the correct manner rather than being proactive—because you do not know. As a manager, I did not know who was a problem gambler in my venue until they identified. What we could do, once they identified themselves to a staff member as having an issue, was create a safety net around them straightaway and put them in front of a counsellor. Our counselling service provided financial services. We have had the situation—and I am happy to have this situation—where people have come back to us and thanked us for putting them in touch with the counselling service.

Senator BILYK—Isn't one of the problems, though, that a number of problem gamblers are, for lack of a better definition, in denial about it until it has gone too far?

Mr Toohey—That could possibly be correct.

Senator BILYK—And, in fact, that is the difference in some ways between a gambler and a problem gambler. What we do not want to do, of course, is stop the person who just wants to have a little go on the pokies occasionally or the little old lady who wants to meet her colleagues at the local club or pub. I cannot quite get my head around how you think an education process of some sort will be equal to a precommitment process.

Mr Toohey—Let's take your point about the problem gambler being in denial—and I do not think too many people would disagree with that position. If they are in denial, they are also not going to pass over their information, as we are all talking about, to get a card. If you are forcing a position on them, in my view they are going to look for an alternative.

Senator BILYK—It has yet to be decided which technology we could go with, so it may not be a card—it may be; it may not be.

Mr Toohey—It is some form of capture, whether it is a card or a USB—whatever the case may be, it is some form of capture. It is interesting to look at the statistics of problem gambling. When people first started analysing how many problem gamblers there were, everyone was aghast that it was growing. It was only growing because people were now starting to do some real research to understand what was happening in the industry. From our perspective, if you wanted to implement, in the way we suggest, a venue based, voluntary card based anonymous system, you could basically do that tomorrow. If you look at New South Wales, there are 97,000 machines, of which a little more than half are currently connected to a gaming system. You could start educating people about voluntary precommitment tomorrow, basically. There is no technical impediment other than turning it on.

Senator BILYK—To clarify, are you saying that any information on a particular gambler-client would not be stored anywhere?

Mr Toohey—In the current environment it is actually stored in the venue's network. What needs to happen is that that information needs to be ring-fenced so no authority can touch it. That leads to a level of trust. If people know nobody can get and they are assured of that, then they will be happy to participate.

Senator BILYK—Would having that information about an individual not give a commercial advantage to an organisation?

Mr Toohey—Again, it is about how you use it. We cannot advertise to those venues. We cannot send mail or SMS messages or anything like that to those venues in New South Wales. You are not allowed to have any form of gaming advertising outside the venue.

Senator BILYK—I am sorry to hold the committee up, Chair; I just need to clarify this. Say I am in New South Wales, I have a card and I am playing a poker machine, that card is registering my activity. That information stays within that venue. As a gambler, does that not give me some benefit to keep going to that venue? Are they going to offer me freebies because they have this information?

Mr Toohey—Basically, the only thing that you can get as a gambler these days is loyalty points. The conversion of loyalty points could be in the form of a prize, and the prize levels are set. It could be bistro meals—

Senator BILYK—A financial prize?

Mr Toohey—No, no. It has got to be a prize in kind. The only goods that you may get may be a petrol voucher, but you cannot cash it for cash. There is no cash delivered in New South Wales at all. That level of, I suppose, bonus points or reward is exactly the same whether you are a problem gambler or not. It is a frequent flyer program.

Senator BILYK—So it may well be a meal in the venue or something to get me back into the venue another time?

Mr Toohey—Yes, it could be. It is fairly limited what you can do directly with the players these days. That has evolved over time through regulation.

CHAIR—You spoke of venue based, which is currently the arrangement with your system. How might your system or systems like yours be adjusted to stop someone walking up the road to another venue and gambling again?

Mr Toohey—We can and do run wide area networks. Currently if there is a club group in New South Wales that may have three or four clubs in their group, geographically apart, we would run a wide area network between those, where it is one central membership database.

CHAIR—So conceivably, with current technology, you could network at least broadly enough that most gamblers might be at risk of—

Mr Toohey—Yes. You might take an LGA, local government area, approach. It is very easy to link those venues.

CHAIR—It is unlikely that a problem gambler in Hobart is going to hop on a plane to Melbourne to continue his or her session that day.

Mr Toohey—Yes.

CHAIR—So it does not necessarily need to be national.

Mr Toohey—No. We all talk about the breaks of play for a problem gambler and the fact that, if they attempt to move from one venue to the next, at least it is forcing them to take a break away from the gaming machine, and in some cases they may decide not to go to the next venue.

CHAIR—There is a lot of talk about a national system. What is your view on having national standards but perhaps cognisant of the differences in systems from state to state, territory to territory—perhaps having jurisdiction based technical solutions but to a national set of standards?

Mr Toohey—I think it is all possible. We believe that to have something up and running in the short term—because obviously the problem gambler exists today; it is not a new thing—if you have a collaborative approach with the industry, if you start educating on this venue based, system based, voluntary card based anonymous system, then you can start delivering a solution tomorrow. As soon as you start talking about state-wide regulations then what do you do on the border of New South Wales and Victoria? It then becomes very, very problematic. I am sure the industry can work together to create a solution where they have a collaborative approach amongst venues, amongst clubs and even across borderlines.

CHAIR—I have one last question before I hand over to my colleagues on the right. Please explain to me the gap between what you are saying and, say, our previous witness, who said half the machines would need to be replaced, presumably for a machine based solution. Can every machine in New South Wales be reasonably quickly and inexpensively changed to suit your type of system?

Mr Toohey—I think you have got to put the machine numbers in some form of context. That is why I do not necessarily believe that you need to have a state-wide solution as well, or a total solution. There are machines in venues that sit not even turned on for four or five days a week, simply because the venue does not trade—the smaller venues et cetera. The practical and pragmatic approach is to exclude all those people, because a problem gambler is not going to sit outside in a car park waiting for a venue to open if it is not trading. In my estimate, there are a good 20,000 of those machines that you do not even need to draw your attention to, because the venues just do not trade. Small bowling clubs and so on trade two or three days a week.

If you then look at the addressable market in New South Wales, we consider the number of machines that are being changed regularly is around 50,000 machines over a seven-, eight- or nine-year period. So, if you do the maths, we are only talking about a difference of about 20,000 machines. If you say 97,000 machines are in New South Wales, you take the 20,000 away that I have just mentioned, we are now down to 77,000. If you take away the 50,000 that I have just mentioned, we are now talking about 20,000 machines. In most cases our system requires what they call triple CE functionality, which is centralised cash control, because it is card based gaming. Basically, it is required to be able to take the inflow and outflow of moneys, other than a coin of the realm. It is therefore a card based cashless system. If a machine can take card based cashless—and a very high majority of machines can and I would be suggesting to you in the 90 per cent range—they can be implemented with this type of system.

Mr FRYDENBERG—I want to take you further down the track with this privacy issue that you raised. You said half the people do not use their cards regularly because they are concerned about the information that is gathered. Is that correct?

Mr Toohey—Correct.

Mr FRYDENBERG—With this system we are talking about keeping the information, as you said to Senator Bilyk, within the particular organisation.

Mr Toohey—Yes.

Mr FRYDENBERG—Wouldn't those privacy concerns still apply and if you were to introduce a much broader mandatory precommitment system you will have more recreational gamblers having their information stored, even if it is in a venue?

Mr Toohey—Yes, you are correct. I think there is still a high level of questioning about what will happen with that information. In clubs at the moment the reason why somewhere between 35 and 45 per cent of people use their cards is that they are happy for the club to have that information. They know that the club has the information; they have identified themselves and they have elected to participate more readily in a loyalty program. It is really a case of getting across to the players: do not use those cards; the information will be quarantined both at a commercial level and at a regulatory level.

Mr FRYDENBERG—That is where I have a difficulty, because you said to Senator Xenophon that you could understand the system being workable if you could allay everyone's concerns. But judging by the evidence that you have given about the high number of people who do not use their cards because they are concerned about their privacy, on an expanded system the problem would be exacerbated.

Mr Toohey—As an example, it is about the way the card is delivered. In our situation where a person uses a card, it is a matter of just holding out 10 cards and, at the end of the day, saying, 'Pick one.' From my perspective, if I stop a person from exceeding the limits in any one day, I do not really care who that person's identification is. I have achieved the result and the result is stopping them from going over their limit.

Mr FRYDENBERG—You say in your submission:

> Experience with card based precommitment in Nova Scotia also provides evidence of the measures considered necessary to ensure the anonymity of player information …

Can you just elaborate on that?

Mr Toohey—Our understanding of how that works is that basically the cards were issued based on a drivers licence. But the drivers licence of that number was quarantined, so nobody else could get to it. It was totally encrypted; nobody else could get to it. We talk about the magic formula, but there was not a magic formula in relation to how to crack the encryption of that particular identification. So it became one card, one person.

Mr FRYDENBERG—And that worked effectively?

Mr Toohey—We understand so.

Mr FRYDENBERG—Finally, we have heard a lot of evidence previously on the issue of the combination of loyalty schemes with a precommitment system. We have been told by some that this would not work because they have different objectives. Essentially, a loyalty scheme is to build customer clientele and a precommitment system is designed to, in a sense, reduce people's exposure to gambling. Do you have a view on that?

Mr Toohey—You can run both systems together in tandem or you can run them separately. You could have a player who is using a precommitment facility that does not earn loyalty points or vice versa. The flipside to that is that, as part of trying to bring the players on to a precommitment system, you could give them incentives to participate in precommitment. You could actually promote the whole concept of precommitment.

Mr FRYDENBERG—But how would you do that? What sorts of incentives are you thinking of?

Mr Toohey—The only thing you can give away in New South Wales is bonus points. Bonus points can be converted to goods of kind.

Mr FRYDENBERG—So if you take up precommitment under this voluntary system, you could get a free meal?

Mr Toohey—Yes. You could get some form of a bonus.

Mr FRYDENBERG—That is helpful. Thank you.

Mr CIOBO—I just want to touch on a couple of things again. You spoke in response to the chair's questions about using a wide area network. I think you made reference to one group. I assume that is one ownership group. Is that correct?

Mr Toohey—Correct.

Mr CIOBO—One of the other members of the committee has raised with me how they had something like 16 venues in their electorate in the city that a problem gambler could use. There is the difficulty of achieving a lockout, or whatever phrase you want to use for a problem gambler, across all those different venues. You said in your testimony before that if we were to adopt this wide area network concept or local government area type concept along the lines of what you are speaking of, that would require a central database for that area. Whether it is a national or a local area—whatever it is—it requires one central database. Is that correct?

Mr Toohey—Yes, very much so.

Mr CIOBO—With respect to clubs, pubs and casinos under different management, how forthcoming have you found them in their willingness to share their customer databases et cetera?

Mr Toohey—Up to this stage, fairly unwilling. But I think you have to come to the objective of why you will be sharing that information. If you get to the stage, potentially, of a voluntary card based system and it is anonymous, you can nearly get to the point of 'no card no play', but

they do not have to be participating in a precommitment system. So if there is one card solution that is anonymous and you have been able to quarantine their identification, a player who is in a precommitment and has reached their level can go to another venue but, because there is one card one play and no card no play, they will not be able to participate in any other form of gaming.

Mr CIOBO—That is effectively mandatory precommitment, is it not? No card no play means that you have to have a card to play.

Mr Toohey—No, because you do not necessarily have to participate in a precommitment system. You are basically saying, 'I have a card, and to play a gaming machine I need to put the card into a machine'. You may not have committed to a precommitment system.

Mr CIOBO—Sure. But that is the same as if a problem gambler set their daily limit at $10,000—exactly the same outcome, really, is it not?

Mr Toohey—To a point. Again, you have the situation that if it captures one person it is a good result.

Mr CIOBO—I guess it depends on your perspective. From my perspective, having someone who can afford to lose only $20 a day setting their daily limit at $100 a day is as ineffectual as someone who can afford to lose $150 a day setting their limit at $10,000. It is all on a sliding scale.

Mr Toohey—Absolutely. The biggest issue is how you determine the amount.

Mr CIOBO—Exactly, and that is what the committee is looking at. You spoke about Nova Scotia: one card one system. Am I correct that Nova Scotia is all government owned and there is just one card that is run through the central database? Is that correct?

Mr Toohey—I understand so, yes.

Mr CIOBO—So it is quite a different market to Australia, is it not?

Mr Toohey—Absolutely.

Mr CIOBO—On this 50 per cent issue that you were speaking of—you said that about 50 per cent do not have cards—we had the fortune to go to the Sandgate RSL and we saw a very good system in place there. I turned my mind to how much we can replicate that system across the board, because I note that in Queensland and indeed in other states when you join a club you are required to provide some basic information about yourself.

Mr Toohey—To prove your bona fides.

Mr CIOBO—Correct. When you go into a pub, though, you are of course not required to do that. So to start with, we are talking about substantially different customers. Someone who is going in to have a beer is different to someone who goes down to their regular club day in day out. If we were to go down the pathway of having a system where people are required to have a

card to play, separate to precommitment, given that you already have 50 per cent not taking it up, about what percentage of people do you think would simply not take it? You might not be able to put a finger on this.

Mr Toohey—If you are talking about no card no play but the card is anonymous, there would be no reason people would not take it up.

Mr CIOBO—Is there a reason people do not take the cards up now?

Mr Toohey—I think it is information.

Mr CIOBO—But did you not say that it is anonymous already?

Mr Toohey—No, it is not anonymous at the moment, in current venues, because they have to be members to participate.

Mr CIOBO—But for it to be anonymous you have to require all of those in your wide area network, at whatever scale that is, to provide their customer databases to each other. Is that correct?

Mr Toohey—Yes, put it all into one.

Mr CIOBO—I am struggling with what seems to me to be an internal conflict, that you have an anonymous system but everyone's information is stored centrally.

Mr Toohey—Again, the anonymity comes from the fact that they have identified themselves to get a card and that is the only thing that the information is used for. You are not tracking their play, but if they go on to precommitment you are tracking their spend. If they are not involved and they have not volunteered to participate in precommitment, you are not tracking anything they are doing other than card in, card out.

Mr CIOBO—What stops someone in that situation? I do not understand. If you are not tracking their play, how does that do anything for problem gamblers?

Mr Toohey—As I said, if they are not participating in a precommitment system, obviously the problem gambler is not getting the benefit. But the key here is that it is about offering the ability to have messaging—Ross spoke about messaging—and all those types of things.

Mr CIOBO—There are alternatives. The government has already taken a decision about mandatory precommitment; we already know that. As opposition members, we are not necessarily supportive of that—in fact, I am not; let us put that out there—because we know that it is going to be ineffectual. What we are talking about now is an alternative to achieving better targeted messaging at gamblers even though, in limiting the loss for a problem gambler, in a direct technological sense this means nothing. Is that correct?

Mr Toohey—Yes.

Mr CIOBO—This whole conversation is about problem gamblers, not the 99.5 per cent of gamblers who are not problem gamblers but the 0.5 per cent that are. For it to do something to limit the losses of the 0.5 per cent that are problem gamblers you would require play to be tracked. Correct?

Mr Toohey—Yes.

Mr CIOBO—So the privacy concerns you have outlined will once again rear their head?

Mr Toohey—Yes.

Mr CIOBO—When you have that situation, about what percentage of people do you think would not take up the option to play?

Mr Toohey—Stop playing completely?

Mr CIOBO—Yes, those who would simply refuse to get a card because they are concerned about privacy. You said it is currently 50 per cent.

Mr Toohey—I am not quite sure.

Mr CIOBO—I am asking you to make crystal ball prediction, but currently it is 50 per cent. Is that correct?

Mr Toohey—Yes.

Mr CIOBO—So if we had a 50 per cent refusal rate we would be talking about decimation of the industry, wouldn't we?

Mr Toohey—Absolutely.

Mr CIOBO—I have nothing further, thanks.

CHAIR—No-one is suggesting that with a mandatory precommitment system 50 per cent of poker players would stop playing. It is chalk and cheese; it is about 50 per cent of people offered a voluntary precommitment system designed exactly as yours is designed. That is a very interesting figure and I think we can take some things from it. I certainly take the point that people are concerned about privacy. I am not dismissing that, but you cannot possibly jump to the conclusion that 50 per cent would not play under the mandatory system.

Mr CIOBO—I was just saying that the current trend is 50 per cent.

Mr Toohey—You would have to argue, however, that if there is a predisposition of not wanting to give your information to anybody when it is voluntary there would be a personal objection to be giving information if it is mandatory.

CHAIR—Yes, and I am the first to acknowledge that.

Mr Toohey—I would have thought, with this approach, if you capture 50 per cent and some of those people are problem gamblers, then you are doing something for the problem gambler, 50 per cent of them, and that is a great result to start with.

CHAIR—I want to make sure everyone understands that I know there is no-one on this committee who has any interest in breaching people's fundamental rights to privacy. One of our challenges is to design a system that is respectful of people's rights to privacy but still gets the job done. In closing, I clarify for the record that some people say that half of one per cent of Australians are problem gamblers, but I would say that 15 per cent of the 600,000 Australian who gamble weekly are identified as problem gamblers with another 15 per cent at least deemed to be at moderate risk. I would not want anyone to think that we are not talking about a lot of people. Mr Toohey, thank you very much for that and thanks to eBet You have been very generous with your time including the fact that we were able to see the Sandgate RSL. We all took a lot away from that site visit.

Mr Toohey—I think it has been a successful implementation of some technology that was requested by the customer. We followed up that request.

CHAIR—The customer struck us as very happy with the way it has gone so far, within the obvious limitations of being a voluntary system.

Mr Toohey—I think the participation uptake would be higher if we did not require people to sign up and therefore create barriers to entry.

CHAIR—That is noted. Thank you, Mr Toohey.

[12.18 pm]

BATTERSBY, Professor Michael, Private capacity

CHAIR—Thank you for making yourself available in Canberra for the committee. I invite you to make a brief opening statement before the committee proceeds to questions.

Prof. Battersby—I am a professor of psychiatry at Flinders University. I am appearing in my capacity as Director of the Statewide Gambling Therapy Service in South Australia. I really did not want to spend a lot of time making an opening statement apart from just acknowledging what I have written in my submission. I deliberately targeted that around my own area of expertise in seeing problem gamblers for treatment and the kind of effect that we notice they have in trying to control their gambling problems, in particular the machines, the venues and the length they will go to in order to avoid any control even when the venues bar them. Even though I have lots of wide interests in terms of machine designs and so forth, I limited my main submission to people who have already got a gambling addiction and their likely behaviour in relation to precommitment.

CHAIR—I will kick off with something that has preoccupied the committee; it has come up time and time again during our hearings. It is the issue of whether or not a problem gambler has those periods of clarity or common sense, call it what you will, when he or she can reliably make a decision about precommitment. Can a problem gambler never be expected to have those periods of clarity?

Prof. Battersby—When a problem gambler comes for help they are pretty rational. The decision to come for help means they have recognised they have a problem and they have to do something about it. So, to paraphrase your question, it would be in that state they are logical and sensible; they feel guilt, they feel depression and are remorseful. They say very clearly—and this goes to the second part of your summary—that when a gambling trigger arises, which could be an internal emotional trigger, or an external trigger like a venue or money, all rational thinking goes out the window. That is absolutely universal, common et cetera. They can say, 'Dr Battersby, I am sitting here talking to you right now. If you said to me, "Put $10 or $15 into a machine," I would say, "Go and jump in the lake. You're stupid, why would you want to do that." If you presented me with some sort of trigger or we drove past a venue my logical thinking would go straight out the window.' That compulsion about what they describe as an uncontrollable urge, which I tried to describe in my submission, actually means that their thinking processes become totally distorted. I think I am answering your question.

CHAIR—That is very helpful. A witness earlier today suggested that people will want to set different limits from day to day and that they should be allowed to set their limit when they go to the venue, before they start play. Although, leveraging off what you have said, by the time they have decided they want to gamble and get to the venue they are already starting to enter some sort of zone. They almost need to be setting it six hours earlier or the day or week before; before they have the urge to go gambling.

Prof. Battersby—Sure; they or their family or someone else could. But these sorts of proxy setting of limits—either by themselves, a family member or even a venue—just do not work for problem gamblers. With the best of intentions, they say, 'I've lost my family; I've lost my job; I've lost everything; I'm going to bar myself.' Does it work? No. They say, 'When I get that trigger, I'll go straight to any venue, I'll do absolutely anything I humanly can do to get to a machine and put money or tokens in it.' The idea of them setting a limit some time or another is like a false prophecy. My submission was saying that unless compulsory, mandatory limits are set for everybody, they certainly will not work to a significant degree. Voluntary limit setting and things like that obviously might help some people. If you go through the Sarah Hare report into the trial in South Australia, it looks like some of the problem gamblers actually reduced their turnover to some degree, but they were also the ones who broke their limits, reset limits or did not set limits. There is small evidence from the sample of 90 people, including 16 addicted gamblers and 34 borderline gamblers, but even that small sample showed that they cannot really manage to control and set their limits on a consistent basis. So I think mandatory limit setting by the state, the government or somebody is the only real way to protect borderline and problem gamblers.

CHAIR—How would the state get over the fact that $10 might be too much for one gambler and $10,000 might not be too much for another gambler?

Prof. Battersby—I think somebody—the government, a regulator or someone—has got to come up with a number. It could be $100, $200 or $300 a day for anybody, a maximum limit. You could do more research and so forth, but that is what it takes. There are examples like that in other areas—how many drinks you can have before you drive a car and all this sort of stuff. So the state as a whole, the government, should have the capacity to set an actual dollar limit for every single human being in Australia.

Another of the points I wanted to highlight which I did not put into my report is this whole issue in relation to at-risk groups of people, like our Indigenous population and our mental health population. We know that for people with current severe mental illnesses and then the Aboriginal population as a whole the problem gambling prevalence rates are much higher than for the general population. They are vulnerable because they are often living in the areas where the pokies are—lower socioeconomic areas—but they also might have problems with concentration, literacy and a general understanding of how the whole machine design works.

I noticed in the Hare report that there was lots of feedback from people interviewed that they just did not understand the system and they made mistakes about how they set limits or did not set limits and so forth. I suspect really strongly that they and other disadvantaged groups—culturally diverse groups, Asian populations, migrants from Iran and Iraq that we see in our gambling services—would have a lot of trouble negotiating their way through these sorts of systems. So another submission I am making is that the systems should be mandatory and compulsory across Australia and they should be really simple. It should not be some great, complicated system—choose this, choose that and so forth—so everybody can understand what the rules are and the Australian population can tell their neighbours, 'The most you'll be able to spend on a machine today is $150,' or $200, $300 or whatever it is. It should be common knowledge. It is a simple system.

CHAIR—Would a default setting go some way to dealing with your concern?

Prof. Battersby—Yes. I think I understand what you mean.

CHAIR—I mean that people can choose to reset it higher.

Prof. Battersby—There would be a maximum mandatory limit that is set, but anyone could set a lower limit.

CHAIR—No, my question is about a default such that, when you get your card, it is set to a figure—a modest figure, probably—but people could choose to set it higher.

Prof. Battersby—I do not think that is going to help problem gamblers.

CHAIR—Although one aspect of the system that would help them, I suggest, is that it makes self-exclusion much more effective. If everyone has a unique card, or whatever it is, and they can choose in a sane moment to exclude themselves wherever they go, people do not have to rely on a photograph stuck to the wall. The system prohibits them.

Prof. Battersby—That would be fantastic. This all relies on technology issues, which I am sure you have been going through in a lot of detail, about how you make it so that one person cannot transfer a card and all the rest of it. The example you gave is also borne out in the report from South Australia, where the problem gamblers were the ones most likely to move venues. Unless you had the kind of system that you are referring to, they would break that rule. The beauty of a mandatory system where you could not transfer cards, or whatever the technology is, is that the problem gambler would not be able to break their limit. If they had already decided to exclude themselves and then changed their mind an hour later, that would be it. They would have to have a time limit on it, whether it was a day, a week, a month or a year that they banned themselves.

Mr FRYDENBERG—Professor Battersby, thank you for your very helpful testimony. I am interested in your idea of the reclassification of problem gambling from a control disorder to an addiction

Prof. Battersby—So you are talking about treatments rather than precommitment?

Mr FRYDENBERG—Yes. Would you please just talk about that idea.

Prof. Battersby—When it became apparent that there was a thing called problem or pathological gambling, it was really described in the media and submissions as a social problem. The idea was that people who were disadvantaged were somehow vulnerable and would end up getting into problems. But what really was not understood was that the machine design specifically facilitates people becoming addicted to the machine—and you can say this about other forms of gambling—in exactly the way that a person becomes addicted to heroin or alcohol. So this change in classification had pathological gambling in the DSM IV, under the impulse-control disorders.

You can get off the American Psychiatric Association website the proposed DSM V, which now puts it into addiction and related disorders, so they now have a classification which is ‘addictions and behavioural addictions’. Pathological gambling is the first proposed behavioural

addiction. There are these large American committees that debate all of these things, whether they move and so forth, and they do it based on evidence. So there is now a lot of biological evidence from brain scans, PET scans, genetic studies and so forth that show that pathological gamblers have similar profiles to other addictions in their brain chemistry, brain reactivity and so forth. Professor Mark Potenza, who has done a huge amount of research, is comparing pathological gambling with other addictions, and he provided those summaries to a meeting that I was at. He talked about how the DSM V came about in order to propose this.

From a clinical point of view we would say, and have already been thinking like this for the last 15 years, that this person has an uncontrollable urge to gamble in the same way that someone has an alcohol or drug addiction and that they should have the same considerations by society, including in the legal system, which currently does not recognise it as an addiction. Most people who have a gambling addiction who commit a crime are still jailed, whereas they would put someone else with an alcohol or drug addiction on a diversion program. A Victorian barrister recently asked me, 'Why isn't pathological gambling considered an addiction and a reason to have consideration for sentencing in legal situations?'

We already treat people with problem gambling as having an addiction, but a lot of helping agencies around Australia do not. They often provide general counselling, financial support and social support, and they do not really treat it as an addiction. That makes a huge difference to your clinical thinking about what you offer to somebody in terms of therapy.

The positive side of it is that the treatments we have been developing actually result in what some of our clients call a cure. They really believe they have been cured of their gambling addiction because they have found a way of extinguishing the urge to gamble. We are just about to start a randomised controlled trial with Professor Robert Ladouceur, a Canadian professor who has developed a cognitive program. We are going to compare our behavioural program versus the cognitive program, and that is being funded by the Victorian government.

Mr FRYDENBERG—You used the words 'false prophecy'. Am I correct that you are saying that it is a false prophecy to think that problem gamblers will set reasonable limits?

Prof. Battersby—Yes, that is a better explanation.

Mr FRYDENBERG—If that is the case—because your suggestion that we set these mandatory limits across the population is probably the most radical that I think we have heard in our testimonies to date—do you believe that should be extended to all forms of gambling, apart from pokies?

Prof. Battersby—I will need more than another 10 minutes to go into that.

Mr FRYDENBERG—I ask because another issue that has been identified with us is the migration of problem gamblers from pokies if you were to restrict their playing ability into online gambling which is a growing area. I am interested in your views on that.

Prof. Battersby—The Norwegian study by Lang where they surveyed people prior to the moratorium on gaming machines and studied the same people after the gaming machines were removed showed they did not migrate to another form of gambling.

Mr FRYDENBERG—Can you provide us with that study?

Prof. Battersby—Sure.

Mr CHAMPION—You are familiar with the Productivity Commission's suite of recommendations around gambling, and mandatory precommitment is one, but there is education, signage, venues and ATMs. Given your experience with these issues, do you see any of them as either more important or more significant in terms of priorities?

Prof. Battersby—Definitely setting the limits of the machine designs. Charles Livingstone and I and our group of other people have a lot of expertise in that area. But there is Canadian research talking about the nine attributes of machines that make them more addictive. The Productivity Commission has sort of picked out four or five of those. Spin rates and those sorts of things are important, but the basic message is that no strategy that I am aware of in Australia in the last 15 years has actually reduced problem gambling. So, going to the heart of the problem, the machine design itself and the way that people are allowed to play the machines are the two things that governments could control most readily. Properly implemented precommitment technology and machine design would be the two biggest areas we should focus on.

Mr FRYDENBERG—If you introduced precommitment without saying here is a mandatory limit on all gamblers, we have heard that problem gamblers would just set irresponsible limits anyway. So it would not deal with the issue that problem gamblers have. It might reduce some people from going into that problem gambling range from their moderate risk position but in terms of dealing with problem gamblers per se it is not going to hit the nail on the head.

Prof. Battersby—Yes, that is what I think. If you take on face value what was in the Hare report some problem gamblers reduced their expenditure, but they did a whole lot of other things which showed that by making up a voluntary system with all of the different limits they were able to set they were the ones that actually broke all the limits, including moving around. For helping problem gamblers as opposed to borderline or at risk gamblers, anything other than a mandatory system is not going to be very helpful. I am taking into consideration the expense and the resources that are going to go into setting up a voluntary system, let alone a mandatory system. A mandatory system might actually be cheaper and easier to implement. It would be less confusing, have less myriad groups of regulations and so forth.

Mr FRYDENBERG—Just to clarify, you mean a mandatory system not just when a problem gambler can set their own limit but where—

Prof. Battersby—Everybody.

Mr FRYDENBERG—Everybody is restricted from any amount. That is a distinction because we have heard a lot about mandatory precommitment but it still involves the problem gamblers setting their own limit but you are talking about this more expansive system.

Prof. Battersby—Yes.

Senator BACK—I read your submission with great interest. I am particularly interested in the Norwegian work and understand that we get to get some more data. You have said under precommitment in answering two questions, you would answer the second one first from your experience. You say the second question is easier to answer because of the uncontrollable urge; once the gambler has the urge almost nothing will stop them from seeking to gamble, and once they do they are unable to stop until their money is depleted. My limited experience is from mainly watching people wagering on horses. If you were to suddenly stop horseracing, it has been my observation that once that person has that uncontrollable urge nothing is going to stop them.

It is interesting that your statement there concurs with my own observation and yet the Norwegian experience seems to suggest that when compulsory precommitment or whatever is put in place they reduce gambling and do not endorse elsewhere. So that does not seem to be exactly in line. I am sorry I was late coming into this hearing—I am also participating in another hearing—but did I hear you say that people with mental health problems and pretty well everyone in the Aboriginal community are at higher risk of problem gambling?

Prof. Battersby—Yes, that is correct.

Senator BACK—I think I heard you mention Iranian and Iraqi people. Was that to do with language difficulties and not comprehending?

Prof. Battersby—We have got three sites in Adelaide where we have gambling services, and whatever community is in an area will come to our service, so in one area it happens to be some Vietnamese, Iranians, Iraqis.

Senator BACK—My reason for asking, particularly about the first two groups, was that I wondered if you had any way of knowing from your contact or research, if these groups are at higher risk of problem gambling, to what extent are they likely to actually be beneficiaries under our social security systems and networks? Are they more likely to be independent income earners or are they more likely to be recipients of social security benefits, or could you not say?

Prof. Battersby—I really cannot answer that question. Statistically I have not seen a number around that.

Senator BACK—Would it be possible to obtain that information?

Prof. Battersby—All the state surveys that have been done, and they seem to be repeated quite frequently, do ask questions around ethnicity and social welfare status. I am sure they are available.

Senator BILYK—Just a point of clarification: you mentioned that in South Australia there are three places people can go and so they are the people that reside within that locale. Would people come from outside areas, though?

Prof. Battersby—For help?

Senator BILYK—Yes.

Prof. Battersby—Yes, they do. When we were set up originally we were one site at Flinders Medical Centre in southern Adelaide. People used to come from all over the state. It limited the number of people through transport.

Senator BILYK—But people will still come and seek help?

Prof. Battersby—Yes.

Senator BILYK—We have heard that people will not go and seek help from other areas until it is way too late. I am just wondering how people hear about your service.

Prof. Battersby—The percentage of people with problem gambling who seek help is less than five or 10 per cent, whichever jurisdiction you look at. People generally do not come for help until it is too late. When I was answering your question I was saying, yes, we have seen people from all over South Australia when we had one site, and now we have three sites we see more, but still, with that group, it nearly always is too late.

Senator BILYK—Thank you for clarifying that.

Senator BACK—Professor Battersby, you were saying you thought it may be possible to derive the data on the likelihood or the proportion of people who may be within our social security system and who are themselves problem gamblers. Where would that information be obtainable?

Prof. Battersby—Most Australian state governments commission prevalence studies with all that information you are talking about. The Independent Gaming Authority in South Australia would have those figures or the Office of Problem Gambling in South Australia. The Productivity Commission report or their background documentation has got a lot of that information in it too.

Senator BACK—There are obviously two aspects to this problem gambler situation. One is limiting, identifying, negating, minimising the impact for the person. The other is the impact their gambling has on their family, their children and others in the family. We already do have an income management system, if you like, in place for some recipients. I know in my home state of Western Australia there are a couple of areas where those who are recipients are in an income management scheme, and also in Aboriginal communities. I ask the question because I want to know if we would in fact be helping with that second scenario—the impact on families—by actually having these people participate or encouraging them in a proactive way to participate in managing their receipts from the social security system for education costs, food costs and associated costs such as rent and managing their family's accounts and therefore trying in some way to limit the impact of the problem gambling? It would not be removing it but it would at least be ensuring that within the family structure those necessary costs are met and the impact of the problem gambler is reduced. Could you comment on that?

Prof. Battersby—I see where you are coming from. First of all, the person has to be declared—someone has to work out that they are a problem gambler.

Senator BACK—Yes.

Prof. Battersby—Then this system you are talking about could kick in—but you are saying it would not necessarily be voluntarily.

Senator BACK—One lady who appeared before us in Melbourne had been a problem gambler, and she said that, in her more sane and rational moments, she was a good wife, good mother, good homemaker and good employee. I am suggesting that, during that time, a person, if it is presented to them logically, would say, 'Yes, I know what I'm like when I'm in the zone'—as she described it. I can imagine a situation in which a person at a rational time would say, 'I know I've got this problem, but in my more rational moments I don't want to deny my family all of those sorts of financial benefits that I know I'm going to deny them by gambling by everything I've got.' It just appears to me that that is a preventative mechanism that would go in some way to protecting the community as represented by those persons' dependants.

Prof. Battersby—I definitely agree that that would be a positive benefit to those family members. I have certainly seen that work in actual practice in the people that we see or people that are referred to us through financial agencies that find out why this person is presenting in a distressed financial state and it comes out that there is a gambling problem and they come to us. Once someone presents the idea to them 'Would you like your finances managed?'—very much along the model that you are talking about, where you get X amount per week and the rest of it is for your family—a lot of people jump at it. There is a group of people who are not that committed to change or supporting their family or who are so addicted that they would not take up the offer, but I think that the overall model is really good, a positive idea.

Mr CHAMPION—I was interested in your submission in this 'blame the victim' culture. In particular you talk about the interactions, the urges, and that sort of thing. We have touched on that factor in some of the evidence before this committee, but I do not think it is well understood in the community. Obviously precommitment is something we are doing with players, but I am interested in the interaction between machine design and this problem. We heard from the South Australian regulator that machines are potentially dangerous. What are your views on that whole interaction? The vast majority of people do not seem to have a problem, and then there are these individuals who seem entirely normal but they have a rather big problem.

Prof. Battersby—Sure. Basic first year psychology talks about conditioning—Pavlov's dog right through to Skinner and his box and so forth. We know that human beings can change their behaviour or have their behaviour reinforced in ways that are not productive, through a conditioning model. Machines are designed around conditioning—simple as that. They are designed to increase a behaviour—in this case, putting money in a machine. There is about 50 years of research to show that human beings respond, they change their behaviour, if the reinforcement is intermittent, variable ratio reinforcement. Put in plain person's language, that means you do not know when the reward is going to come and you do not know the amount of the reward. If I were to say to you, 'Every five times you press that button, you will get $5,' after a while you would get sick of it, even though you were getting regular money. There is no excitement; there is no reinforcement. It is a strange paradox.

Human beings and animals have that basic ability to change their behaviour—or a machine has the ability to change their behaviour. What we did not really understand is that one of the facilitators of that is what we now call an uncontrollable urge. People say: 'When I first started going to the machines, it was exciting. I had this really positive feeling.' The sympathetic

nervous system is activated, your heart rate goes up, your breathing gets a little bit faster and maybe there is a little bit of sweat. So it starts off being a positive experience, but after a while it becomes a really negative, aversive experience. Putting the money or tokens into the machine actually reduces that aversive experience and so it gives people temporary relief. They go, 'That's great!' but what they do not realise is that it actually reinforces the urge for the next time they might have a gambling trigger. That is the oldest bit of psychology research in the world.

The newer findings from Canada about the way the machines are being programmed in terms of software are that gaming designers have—

Senator XENOPHON—Is that Dr Harrigan's work?

Prof. Battersby—Yes, it is. They have come up with at least nine attributes which reinforce this intermittent reinforcement or the conditioning for individuals and machines. One of the obvious ones is a near miss: you have four queens instead of five, so to speak, so you immediately get that kind of arousal. That is an explanation as to why it becomes an uncontrollable urge.

To answer the other part of your question, behavioural science is not evolved enough to know which individual person is going to be hooked. We know that 30 to 40 per cent of regular players in a gaming venue are hooked, so it is not a small number of regular players and it can have quite a devastating effect. We know that for some people it is a one-off win, and that is published in the literature. The first patient I ever saw was a Chinese woman who did not like gambling; in fact, she came here and it was a machine at one of the venues in Canberra. She was taken on a big night out by her friends to celebrate her birthday. She pressed that button and won $300 or $500. There was noise and excitement and people were rushing around and patting her on the back. She woke up the next morning thinking, 'I've got to go back.' With other people, if you take their history, it actually evolves over weeks and months and they develop this urge gradually. So I agree with the submission from the Independent Gaming Authority that the machines themselves are the primary mediating factor in people developing problem gambling.

Mr CHAMPION—Are the machines different from other forms of gambling, like blackjack, the horses, lotto or online?

Prof. Battersby—There is no doubt that these sorts of video lottery or electronic game machines are the most addictive form of gambling known internationally. I was surprised when the first TAB gambler came to see me. The reason that gaming machines are more addictive is because they are just so available. In some places you can more or less sit in front of them for 24 hours a day. The play—how many credits you get and so forth—is in milliseconds. There is a direct link between the way the machine operates and the frequency with which you can gamble and get a response, compared with other forms of gambling. However, when I started to think through that—why someone would get so addicted to TAB gambling—it turned out this guy could gamble every 15 seconds on something in Australia and the world. It was almost the same play phenomenon. About 15 per cent of the people we see use the TAB or hotel form of gambling. They are not just betting on the horses, it is horses, dogs or tennis et cetera. It is getting closer and closer to that gaming machine paradigm.

Mr CHAMPION—It is the intensity of the conditioning, in this case?

Prof. Battersby—Yes.

Mr CHAMPION—There is obviously precommitment, on one side. As regulators, do you think the current regulations look enough at game design and, particularly, interactions with this small group of people?

Prof. Battersby—Do you mean the existing regulations in each state?

Mr CHAMPION—Yes. Do existing regulations have sufficient safeguards against the intensity of the machines?

Prof. Battersby—No, not at all. In most states it looks like the machine designs—the spin rates, in particular—have been allowed to go up. There is a link between the denominations of the bet—the one cent or the five cent bet—the lower the denomination, the more likely you are to get that reinforcement and larger number of credits and spin rates of the machines. So when you look at South Australia versus Victoria and overall expenditure on machines, the machines and the numbers have stayed about the same. They have gone down a bit in South Australia but in Victoria the actual expenditure has been going up like that, and the single biggest thing that correlates with that is the increase in the machine spin rates.

Mr CHAMPION—Okay, so you can see the industry evolving perhaps by accident to these higher intensities, and that is manifesting itself in the amount that is gambled?

Prof. Battersby—That is correct.

CHAIR—How big a problem is the unknown volatility of these machines and the fact that some gambler might play all day and not win anything? How important might it be to reduce the volatility so that at least in a reasonable session people would only lose the regulated amount?

Prof. Battersby—I agree. I think I understand what you mean by volatility. There are always variables that can go into the machine.

CHAIR—The period over which the regulated return is paid out.

Prof. Battersby—Okay. You mean if a venue says that it returns 88c in the dollar, you mean whether that is one day or one year—

CHAIR—Or the lifetime of the machine.

Prof. Battersby—Yes, that makes a huge difference. The players have no idea that the 88c applies to a thousand machines in over a year. They think it is for that machine for them that day.

Mr CHAMPION—In this case, from what you are telling us about this reinforcement, those return rates, which in the regulations are supposedly to make sure that there is a decent return to players, mean that the more you win the more reinforcement you have, and we have had this phenomenon where you bet five bucks and you end up winning $3 and the machine will go off. That is actually a problem—

Prof. Battersby—That is one of the nine features that is in that Canadian report. The idea that you are winning but you keep losing—that is kind of the idea. The machine tells me that I am winning but every time I look at my credits they are going down. It is a very deceptive system.

Mr CHAMPION—That is unlike most other forms of gambling, because if you win at blackjack you have won.

Prof. Battersby—The Canadian report, basically, says that the electronic gaming machines are pretty well the only form of gambling where the player does not really know what the rules are behind the game. You go to blackjack, roulette or even on the horses, you know you have got a one in six chance of winning—or whatever it is—whereas, for the machine design there are all these features about the machine that you have no real understanding of. Most people do not understand how the machines actually work. They see the headline 'eighty-eight cents in the dollar' and think that there is a good chance they will win. They do not realise that 88c is won by somebody over the other side of Adelaide who has won $2,000 and they are actually going to lose in order to support someone else's one-off win.

Mr CHAMPION—We have had constant references to Norway and Canada and other countries and there does seem that in Australia it is academics at 20 paces—duelling academics from the industry or from elsewhere. Do think that that is a problem with the current regulations, that government and academics and regulators do not have a surer base of knowledge about how these machines actually work—or the community, for that matter—and how they might interact with the human brain and how that might then inform regulation?

Prof. Battersby—There are two forms of conflict of interest. One is that the state governments receive the revenue and then also regulate gambling and they provide a gambling treatment, or some sort of help service, to ameliorate the damage. But they obviously have a conflict of interest there.

The second conflict of interest is in the research. Governments are pretty well the only groups in Australia that commission research and most of that is targeted research, the research that they want to have done. The alternative is something like the NHMRC or the ARC and they have tended to fund very low levels of what I would call independent academic research. Yes, I think there is a systematic bias, if you like, in terms of what research is done and even how the findings are disseminated.

Senator XENOPHON—Professor Battersby, thank you for your submission and your work. Over the years, I have seen many former problem gamblers who have been successfully treated by your program. The proposal we are looking at is mandatory precommitment but also a system whereby you could play at a low intensity, maybe a card value that is not determined. How much would that go against that if people could play, say, up to $20 per venue or play a low intensity machine where they could not lose that much on the machine on an hourly basis? Would that go against the effectiveness of a mandatory precommitment scheme, or could that be manageable for those very occasional recreational gamblers?

Prof. Battersby—If I understand that: you are saying if someone—

Senator XENOPHON—turns up at a venue and does not have a card and gets a value card which allows them to play $20 maximum at that particular venue, they could arguably go to another venue and play another $20. It would be fairly low. They would have to make a big effort to lose a lot of money very quickly.

Prof. Battersby—Let us say five venues and five lots of $20. Obviously, it is targeted at people who are not addicted. If, on the one hand, there were a compulsory or mandatory system targeting regular gamblers and problem gamblers and so forth, they would readily opt for this sort of low denomination type system. They would go in and talk to people in venues and say, 'Can I buy your card off you?' or 'Will you come into the venue and buy a card for me?'—one of those cheap cards. They would most likely then go around to other venues and do exactly the same thing.

Senator XENOPHON—So it can be circumvented from your point of view?

Prof. Battersby—I reckon, yes.

Senator XENOPHON—You also raise the issue of having not just a precommitment but a state set limit. Given your expertise in dealing with problem gamblers, looking at the triggers and hearing the stories that problem gamblers have told you over the years, let us assume that there is no set limit; it is up to the person playing to set those limits. If the person could reduce the limit at any time—let us say they had a binge that they regret—and they changed the limit to a lower limit or locked themselves out for a period, could that be effective as well? In other words, it would be something that would be after the event in a sense, if they have set an initially high limit. In your experience dealing with problem gamblers, do they often say: 'I've lost all this money. I need to cool off. I need to have a bit of a break'? What is your understanding of this in terms of the case studies that you have dealt with, the many people that you have dealt with over the years?

Prof. Battersby—People basically keep on gambling until they run out of money in a single episode. They will do anything they can to get that money, whether it is going to the ATM or ringing up their spouse, mother, brother or friend to get the money. What you are proposing would require a very detailed system. Okay, I have lost X-amount of money. If I go home and feel remorseful, guilty or bad about the whole thing then I have the option of saying, 'Okay. From today I'm banning myself,' or 'I'm going to set a limit' then it is possible that that could happen. I am not sure whether it is an alternative to a mandatory system.

Senator XENOPHON—It is mandatory. In setting a limit, one proposal could be that the limit was open but I could always adjust it downwards. If I want to adjust it upwards there could be a relevant cooling-off period. Could that work in terms of being the efficacy of such a system?

Prof. Battersby—Yes, definitely. Adjusting downwards is critical. It would definitely be helpful. And the other things that you were talking about, such as moratorium periods—I am not going to gamble for the next week—combined with all of those sorts of things. There is nothing wrong with an option going down.

Senator XENOPHON—Okay. Thank you.

Mr CIOBO—Professor Battersby, I am not sure how much you follow Professor Blaszczynski, but the two of you are experts in your field and—I am not wanting to verbal anyone—present pretty similar advice. There has been some confusion among the committee members about precisely what it is you are saying from a psychiatric point of view about problem gamblers. I do not mean to quote your submission back to you but I think it really does warrant putting on the record, and it extends what Senator Back said. You say:

From my experience, the second question is easier to answer. Because of the uncontrollable urge, once the gambler has the urge almost nothing will stop them seeking to gamble and once they do, they are unable to stop until all their money is depleted. If they run out they will go to the ATM until all their funds are withdrawn. If the venue closes or they are banned they will go to another venue. In other words unless the protocols are a) universal i.e. all patrons in all venues b) a maximum time and spending limit is set by the state c) precautions are put in place to ensure that the card cannot be transferred e.g. finger printing, then problem gamblers will find a way to gamble.

Prof. Battersby—Yes.

Mr CIOBO—Given that ostensibly the whole reason the government is going down this path is that it was part of an arrangement set between Mr Wilkie, the chair, and the Labor Party for them to take government—

Member of the committee interjecting—

Mr CIOBO—I am not sure why that is a controversial statement. For those of us on this committee who are looking at the impact of mandatory precommitment from a policy perspective, we have no political masters to serve other than what is good policy. This is a very interesting statement because I believe it accords precisely with what we heard from Professor Blaszczynski. My question is the inverse of that. If that is what it takes to achieve an actual reduction in problem gambling, we have heard evidence from others that in fact a halfway house—what I might call a political fix, which does not actually contain these elements—may in fact exacerbate problem gambling, with people setting higher limits and so on and so forth. Given your years of experience, would that be your point of view, or would you reject that? I am interested in your thoughts on that.

Prof. Battersby—Firstly, as an academic and a scientist, I cannot answer the question in a factual kind of way. As far as I am aware there is not the evidence to give a definitive answer to your question. There are not the kinds of randomised control trials which say, 'We did this with this group of people and that happened and so forth.' So all I am really giving you is, I guess, my professional opinion or reflection. I think there would be—and as you alluded to from my report—the second question is really the second question: How much is a flexible system likely to either facilitate people going on from low risk to moderate to high risk gambling or stop borderline gamblers becoming problem gamblers? If it is a totally voluntary system there is a potentially higher risk of that happening. The small amount of evidence is in the Hare report, which is that borderline gamblers were the ones who had the biggest increase in changes in their behaviour and the highest expenditure and so forth. That was 35 people out of 90, so it was not a big sample. They did have a control—

Mr CIOBO—That is 35 out of 90 as a sample size, not as a percentage.

Prof. Battersby—Yes. They did have a control sample of about 67 people. They were small groups. If I had to weigh my experience on that, I would say that there is a reasonable risk that by having a totally voluntary system where people can increase and then change their limits and so forth, there is a risk that they will go on to become problem gamblers.

Mr CIOBO—Wouldn't that be the case if you had those features in a mandatory system, because a potential problem gambler would simply not adopt the system if it were voluntary?

Prof. Battersby—Are you saying a potential problem gambler?

Mr CIOBO—Yes.

Prof. Battersby—Okay, what they call 'borderline' or 'moderate risk'.

Mr CIOBO—I am using the lay term. My point is that isn't it more likely under a mandatory system that is flexible, because wouldn't the person simply opt out under a voluntary system?

Prof. Battersby—They could opt out. I will go back to the mandatory option. This is where it comes down to the detail of what the mandatory levels are—the daily expenditure or the session expenditure and the time commitment and moratoriums and so forth.

If they set, let us say, a state set upper limit too high—and I do not know what the magic number is, but you would have to have an intelligent guess—then people who were using that system and were in that kind of borderline, moderate-risk area could easily go into a problem gambling risk category. If they could have total flexibility within a mandatory system there would be an increase in their expenditure rates, decrease in the breaks betweens sessions and so on, then there is no reason why they could not become addicted. The critical theme would be: what are the actual maximum limits in expenditure, time, breaks and all those sorts of things. I guess Norway has confronted that issue and come up with a set of criteria.

Mr CIOBO—This may be splitting hairs, I am not sure, but I am sure it is an important point. You gave the example before of a Chinese lady who had a bet once and won some form of jackpot and was addicted, for lack of a better term, from that point on. What we are actually talking about is not stopping addiction, is it? It might be for some.

Prof. Battersby—Yes.

Mr CIOBO—What we are actually talking about is state imposed limits to mitigate harm for those that are already addicted with some possible benefits for those that may become addicted. You understand the point that I am making? If you have someone who becomes addicted off the back of one win, what we are talking about is not going to prevent that person from after one win becoming addicted, it is simply going to mitigate their ability to lose more than they can afford.

Prof. Battersby—Not necessarily. It depends on the size of the win for that person. If the win had been $20 she would not have got the same thrill out of it. I forget what it was; it was several hundred or a thousand dollars or something.

Mr CIOBO—Have you any research as to what level of a win is an appropriate level of a win that prevents addiction?

Prof. Battersby—I am not going to say it is research but I know that the Norwegians commissioned their own research and came up with their own criteria around the way the machines are designed with maximum wins. They have done all the things we are talking about.

CHAIR—We are over time and if there are further questions perhaps they could be put on notice. Is there anything else you are keen to mention?

Prof. Battersby—There is one other small thing I should reinforce what I did not quite say in our discussion before about the whole nature of the addiction. The other element, which I imagine has come out before but I wanted to make sure that it was put into the picture, is the uncontrollable urge combined with winning back your losses. It is the winning back of the losses. Some would say that here is a non-problem gambler and they are roughly betting the same amount as a problem gambler but, by definition, the non-problem gambler has not been losing money regularly. This person has two powerful motivations to break limits and to go to other venues. There is the urge and there is the three, two, five, 10 or 20 thousand dollars in debt. Even if they do win a bit it is not enough and they have to keep going and win more. That is the second reason why they keep on losing. Even if they win they will put more money back in. So, whatever regulations end up being recommended in the design of a system, whether mandatory or not, they really have to take into account that—and I notice it was mentioned in the report—and the limit itself has to incorporate the wins that have been gained into the limit.

CHAIR—Professor Battersby, thank you and especially because you have come all the way to Canberra to give evidence. We are very grateful for that. It is interesting that you have explored the issue in all sorts of way, much of which is consistent with the decision to implement a mandatory precommitment system with an inability for people to move between venues and so on. The one different thing that you brought to this is the idea of government imposed maximum limits, which is something I do not think any other witness has articulated, or at least not so clearly. It is something for us to think about.

Proceedings suspended from 1.14 pm to 2 pm

BLAIR-HOLT, Mr Ross, Director and Chief Operating Officer, ALH Group Pty Ltd

CURRY, Mr David John, General Manager, Government and Corporate Relations, ALH Group Pty Ltd

MATHIESON, Mr Bruce Jr, National Operations Manager, ALH Group Pty Ltd

CHAIR—Welcome. I invite you to make a brief opening statement, or statements, before the committee proceeds to questions.

Mr Curry—Thank you for the invitation to address the committee today. ALH operates 286 licensed venues and over 450 retail liquor outlets across Australia, employing almost 14,000 people. These venues offer a diverse hospitality experience, including electronic gaming, lotteries, sports bars, bistros, restaurants, cafes, retail liquor, accommodation, nightclubs and wagering. ALH is a jointly owned company between Woolworths Ltd—75 per cent—and the Mathieson family—25 per cent. ALH positions its venues at the family and community level. As such they are frequently the hub of the local community and a meeting place for friends, family and social and community groups. ALH believes that tackling problem gambling is a shared initiative and that all key stakeholders have an important role to play: the industry, government, community and the individual. The common objective of each of these stakeholders is to minimise the level of problem gambling whilst at the same time preserving the amenity of responsible gamblers.

Our group has engaged David Schwarz, a well-known ex-AFL footballer, media identity and reformed problem gambler as its responsible gambling ambassador, to provide employee education and customer awareness about the importance of being honest with yourself about your gambling. This program is now in its third year. Last year ALH released a hotel and gaming charter which details our commitment to the responsible service of alcohol and gaming.

ALH believes real progress has been made in reducing the prevalence of problem gambling in Australia over the past decade, and notes that spending on electronic gaming machines has declined since 1999 as a percentage of household disposable income and that the percentage of adult problem gamblers has halved since the 1999 Productivity Commission report.

ALH believes that the proposed policy measures to combat problem gambling should be supported by robust, scientifically based evidence and research. ALH supports the adoption of an appropriately designed voluntary precommitment model as a way of minimising the level of problem gambling associated with gaming machines. Precommitment mechanisms are likely to assist those who could have negative gambling behaviours, but not at the expense of reducing the amenity of recreational players. We are deeply concerned that the introduction of a full precommitment scheme with no relevant evidence based research to hand will seriously impact the amenity of the recreational gambler. The requirement of players to register before playing a legal product is not warranted and also raises a significant number of issues relating to the Privacy Act.

Again, I think it is important to stress that the impact of a full precommitment scheme will be on the recreational gambler and the venue operator, who will incur implementation costs, higher wage costs to manage the system and in addition will have to factor in reduced EGM usage by a significant proportion of the population who do not have an issue with gaming but who will now have this additional requirement prior to playing. ALH believes the problem gambler will continue to find a way to gamble unimpeded, either on electronic gaming machines or on other forms of gambling, particularly online.

ALH are very concerned that the regulatory landscape has become uneven and traditional hotel and club venues have been subject to more heavy-handed regulation than other forms of gambling and emerging online gambling products. Migration to less regulated channels can certainly undermine policy objectives. This regulatory unevenness will cause migration to less regulated gambling products such as global online gambling, which had an estimated gross in 2009 of $26 billion. To give the committee an example of the changing landscape of gambling, on 25 January this year I attended the ICE gaming expo in London. Of the exhibiting companies, I noted the following listings: 41 gaming machine companies, which were the traditional style EGM product media factories such as IGT, Aristocrat and Bally; 96 internet and online gaming companies; 38 mobile gaming companies; 28 poker software companies; and 65 sports betting sportsbook companies.

In summary, a well designed voluntary precommitment model could effectively and efficiently assist those who have negative gambling behaviours. A full precommitment system is unlikely to be effective or efficient in addressing negative gambling behaviours. In terms of effectiveness, there is no evidence that this type of one-size-fits-all, blunt policy measure is likely to reduce problem gambling. The impact will largely be on reducing the utility of response gamblers while having very little impact on the target minority, so representing an inefficient and costly policy response. Even if such a policy measure could be demonstrated to have some level of impact on reducing the level of problem gambling, the benefit would be unlikely to be outweighed by the substantial detriment to recreational players and the industry overall, thus imposing a net social cost.

The regulators in Nova Scotia, which I visited, have introduced precommitment technology have stated that the aim of precommitment is not about reducing problem gambling but, rather, informed choice in keeping responsible players responsible. We urge the committee to reconsider the adoption of a full precommitment in favour of a voluntary scheme, which is more likely to yield a higher level of efficacy in reducing problem gambling, but also deliver higher efficiency through preserving the utility of the recreational and responsible player. An achievable time period should be allowed for the implementation of voluntary opt-in, venue-wide precommitment. ALH believe that 2016 would be a realistic date for voluntary opt-in precommitment to be available on all electronic gaming machines.

Finally, ALH would like to note that Mr Ross Blair-Holt is the director of the Australian Gaming Council and I am on the national board of the Australian Hotels Association. We support both those organisations' significant submission to the committee. My colleagues and I now welcome any questions from the committee.

CHAIR—Does ALH currently have any voluntary precommitment systems at work?

Mr Curry—We do. We have the system at the Oxford 152 in Queensland, which is also where our head office is based, and we have the Maxgaming Simplay system, which we have had in place there for two years.

CHAIR—I am very mindful of the industry's concern that mandatory precommitment would affect revenue. Have you seen any significant change in your revenue in venues where voluntary precommitment is implemented.

Mr Curry—I have a couple of observations on that. In Queensland it is linked to a loyalty system as well and about 25 per cent of the players at the hotel have actually engaged in that and around 11 per cent actually used the precommitment component. We have seen a nine per cent drop in maximum bet for the players who use the precommitment component of the system versus those who do not actually engage in the precommitment component.

CHAIR—My question is about a different matter: the total revenue from your poker machines in the venue where voluntary precommitment is in place. Has the implementation of voluntary precommitment led to any decline in your revenue.

Mr Curry—It has stayed in line with the rest of the market network because it is voluntary in nature and people do not have to sign up. So if I and a couple of friends visit the venue on a Friday night and I am a genuine casual player and we say 'Let's put 20 or 30 dollars into a machine,' and I go to the cashier and they say 'You have got to sign up to a card to play,' it becomes all too hard. I think a large number of recreational players will just walk away and say, 'This is all too difficult, when I can have a bet on Tatslotto or racing or any other type of gambling without signing anything.'

CHAIR—I understand, but the point of my question is: are you confident that a voluntary precommitment system would be a helpful means of diminishing problem gambling?

Mr Curry—I think it would be part of a whole gamut of responsible gambling measures, along with the self-exclusion programs, along with the David Schwarz program that we offer. For people who may have a problem with their gambling or want to have better control over their levels of spend, it gives them another tool to manage those issues.

CHAIR—But in the venue where you have voluntary precommitment, where presumably there are some problem gamblers—it would be a remarkable achievement on your part if there were no problem gamblers in that venue, but it would also be hard to believe—given that your revenue effectively did not change when you implemented voluntary precommitment, what is your evidence that voluntary precommitment has had any effect on problem gamblers? I use the word 'evidence' carefully because your concern is that there is no scientific evidence for mandatory precommitment and I am looking for evidence to back up your claim of voluntary precommitment but, on the face of it, if your revenue did not change, presumably there was no reduction in the number of problem gamblers.

Mr Curry—It did not change against the benchmark of other Brisbane hotels but I think a good sign is the fact that the 11 per cent of people who chose to use the voluntary precommitment component had a nine per cent lower average bet than those who did not use that

system, which would suggest to me that they are applying some level of control over their gambling spend.

CHAIR—But what is the evidence of that when your revenue did not change?

Mr Curry—There are a variety of things which can affect a hotel. During that time we also conducted extensive renovations—we had a micro-brewery there which we have taken out, we have increased our bar footprint area, we have renovated a significant component of the hotel et cetera.

CHAIR—But I am only interested in the revenue from your patrons.

Mr Curry—I understand that but those things drive additional people into the property and increases foot traffic. You would have to assume that a percentage of that increased foot traffic would also partake in gambling, whether it is on a more regular basis or on an occasional basis.

CHAIR—Putting that aside then, what is your evidence that voluntary precommitment will be effective?

Mr Curry—We think it will be another tool that will assist gamblers in setting time and/or spend limits and the fact that it 11 per cent of people have taken it up would suggest to me that people want to have some level of control over their gambling. It is a bit like a clock on a machine that gives them a sense of time and some of the other 96-odd measures which have been introduced since 1999. It is just one piece of a puzzle. Different things assist different people in different ways.

CHAIR—But Mr Curry, what I am getting is that you are critical of mandatory precommitment for lacking evidence. I would say that the 18-month inquiry of the Productivity Commission, with something like 500 submissions and hearings, roundtables et cetera, is fairly significant evidence. That is my preferred way to go. What is the evidence for yours or is it just your opinion?

Mr Curry—No. I have several concerns. Firstly, the unintended consequence of mandatory precommitment will mean, I think, that a percentage of people, people who have a problem with their gambling, will migrate to all other forms of gambling in an unregulated environment, particularly online. The data I have from the senior adviser at the Norwegian department of church and culture was that 54 per cent of callers to the gamblers help line in Norway for the first quarter of 2009 were related to i-gaming. So it is around the unintended consequences and the impact on the recreational player. In addition, in my discussions at length with David Schwarz, a reformed problem gambler—and run a responsible gambling program with him—says categorically that if the internet were available to the level it is now, it would have been a disaster for him because he said that if one avenue chops off or becomes all too hard he would move somewhere else.

CHAIR—So what do you—and this is the first you have heard of this so you might want a moment to process it—make of Treasury advice—which became public I think last week as a result of a freedom of information request from persons unknown—that people will not necessarily migrate to other forms of gambling? That in fact is consistent with advice that

members of the Productivity Commission have given to this committee, not during these hearings but beforehand, that the profile of a poker machine player is actually quite different from the profile of an online gambler. So it is not necessarily the case that one will move to the other. What do you make of Treasury's assessment and the Productivity Commission's view?

Mr Curry—I will take Treasury's assessment on notice because I—

CHAIR—That is the first you have heard of it. I understand.

Mr Curry—There are two components to this. The first is what you are arguing for, which is mandatory precommitment. There is also the impact on the recreational player as well, which I think will be significant and will see a significant drop in revenue. I do not believe that mandatory precommitment is going to be effective in reducing problem gambling because the problem gambler will still find a way or continue to gamble, whether it is within the regulated time frame or whether it is on other unregulated products.

CHAIR—Okay. Thank you.

Senator XENOPHON—Let us not mince words on this. Woolworths owns 75 per cent of the ALH Group, so effectively ALH is a subsidiary of Woolworths under standard corporate law definitions. You would agree with that?

Mr Curry—Woolworths owns 75 per cent of ALH Group. That is correct.

Senator XENOPHON—Therefore it is a subsidiary. You talked about these hotels having a family and community environment. Woolworths, of course, is an iconic Australian brand. There is no question about that. How does the Woolworths brand sit with, say, a Victorian government survey that found that some 12,000 Victorian poker machine players contemplated suicide and that about 5,000 stated that poker machine gambling led them to commit an act against the law? How does that fit in with the corporate ethos of the Woolworths brand?

Mr Curry—Firstly, gambling is a legal product and Woolworths comply with every legislative standard in each jurisdiction and each state that we operate in. Further to that, we have introduced a hotel and gaming charter. We have also engaged David Schwarz to assist with responsible gambling and staff education in that area.

Senator XENOPHON—Does that mean if methamphetamines were legalised you would sell methamphetamines?

Mr Curry—What I am saying is that we meet all the requirements bestowed upon us by each state and that we conduct our business responsibly.

Senator XENOPHON—But is there an inconsistency? You only comply with the standards in each state. For example, in Victoria all venues must have warning signs on their poker machines. Your CEO stated to shareholders that all your machines have warning signs, yet there are no such signs displayed in other states. So is the attitude that you do not use best practice; you just use whatever is required under the regulations?

Mr Curry—I dispute that. In each state we have significant levels of point of sale. Not only do we meet but we exceed those requirements with regard to gambling responsibly. Each state runs different campaigns and has different messaging. We not only put up all the requirements in that area; we also have images of David Schwarz and highlight significantly our responsible gambling program, which also talks about the 1800858858 national number, which was recognised at a national level as being something that could assist.

Senator XENOPHON—Can you point to any areas where this Woolworths subsidiary goes over and above the requirements of the law with problem gambling harm minimisation measures?

Mr Curry—Certainly. With the David Schwarz program, he actually flies over the country and talks to our staff and educates our staff on the importance of responsible gambling. He also talks to our staff about how to identify people who may have an issue with their gambling and how to approach them if they have an issue with their gambling. We have pocket guides that we are trialling at the moment that all our Victorian staff have. One side deals with how the self-exclusion program works. The other side deals with how the responsible gambling program works. We have also identified in our hotel and gaming charter that, in addition to recognising that, gaming is in areas that are clearly separated and clearly only for people over 18 to enter. We are putting screening in that will reduce the conspicuousness of those areas in our venues. I would suggest that all those things are above and beyond what is legislatively required.

Senator XENOPHON—That screening was put on the agenda through shareholders petitioning Woolworths, wasn't it?

Mr Curry—We listen to feedback, even though it is not evidence based. Most of our rooms are clearly zoned, clearly identified. We have incorporated that into our hotels.

Senator XENOPHON—Can I just drill into this. I might ask Mr Blair-Holt given his key role as chief operating officer. For instance, in Queensland there is a restriction on losses disguised as wins in terms of machine features. You play five lines, you win on one and there is an impression that you actually won. In Queensland it is quite restricted because the regulations there are much stricter than in other jurisdictions. Has that been followed through in other jurisdictions or do you simply comply with Queensland law?

Mr Blair-Holt—I would probably defer to David on that.

Mr Curry—Each state complies with what is legislatively tabled as the machine specifications and requirements. We meet those requirements in each state that we operate. I would add one more thing on that point. If I buy a 50-game TattsLotto ticket, which costs me around $30, and I win $12 on one game of that I go and collect my winnings and say, 'Congratulations, I've won $12.'

Senator XENOPHON—In terms of the instant messaging, getting the message on the machine, there is reinforcement there.

Mr Curry—If you played single lines, single game, then in all probability you would have a win on that. It means that some games that people have played were not successful. If I put a

flexi quadrella on at the races for five per cent and spend $20 and it pays less than a hundred then also when I collect it, it says, 'You have collected X.'

Senator XENOPHON—So you do not have a problem with—

Mr Curry—We comply with each different state's legislative requirements. If there was a national standard introduced around an agreement and consensus across states we would adopt measures, but every state has things that are different. As I said before there have been 96 different legislative changes at least since 1999 across all states in Australia to do with a whole variety of measures to assist with the prevalence of problem gambling.

Senator XENOPHON—I am just trying to understand the framework. From your point of view you do things ethically and by the book.

Mr Curry—Correct.

Senator XENOPHON—So the Woolworths joint venture manages pokies venues for AFL football clubs and other sporting clubs which in Victoria gives you a preferential tax rate. Is that correct?

Mr Curry—No. It gives a coverage of every taxpayer. We get a fixed contract for service fee.

Senator XENOPHON—Can you explain this to me because I am referring to a *Herald Sun* story some time ago. Did your company get any advantage from this tax rate in managing a poker machine venue for the North Melbourne Giants when that club had ceased to exist several years before?

Mr Blair-Holt—No the ALH did not get any benefit; the club gets the benefit of the tax rate. We get a fixed management fee in operating venues which has nothing to do with what the gaming take is or the tax rate on the gaming.

Senator XENOPHON—So you are saying it is a flat rate?

Mr Blair-Holt—Yes.

Mr Curry—We get a flat management fee.

Senator XENOPHON—Even though the club had ceased to exist several years earlier.

Mr Blair-Holt—The playing club had ceased to exist but not the club that owned the licence of the Richmond Tavern.

Senator XENOPHON—I have one final question, if I may, Chair. Minister Macklin has said:

We also want to minimise the impact on occasional players and overseas visitors. The Productivity Commission's model would allow occasional gamblers to play outside the pre-commitment system, by purchasing a pre-paid card for example.

Your submission does not seem to acknowledge that. Would you agree that that would allow for the recreational occasional gambler to play at your venues with a prepaid low-value card?

Mr Curry—I do not think a recreational gambler should have to engage in any other transaction other than being to play the machine. A person who wants to engage in voluntary precommitment can sign up and use a device or whatever else to set appropriate time and/or spend limits to assist them.

Senator XENOPHON—Okay, so no limits for recreational gamblers?

Mr Curry—I do not see why there should be a limit for recreational gamblers. If a recreational—

Senator XENOPHON—So before someone starts playing they can at least make a commitment and precommit by saying, 'This is how much I want to lose in this playing session.' You do not agree with that.

Mr Curry—I do not agree that there should be an additional requirement of a recreational player before they commence play. There is not when someone plays TattsLotto, there is not when they engage in internet gambling, there is not when they go to the racetrack.

Senator XENOPHON—We are out of time, thank you.

Senator BACK—Mr Curry, when you were referring to Nova Scotia you said that the aim was not to reduce problem gambling. What was the aim of the Nova Scotia technology?

Mr Curry—The aim speaking to the regulators there—and I attended Nova Scotia with the Australasian Gaming Council and the Australian Hotels Association—was to keep the responsible players responsible. It was about giving people an additional tool to use if they wanted some greater control over their gambling spend.

Senator BACK—My understanding is that the Nova Scotia Gaming Corporation decided to proceed with mandatory player registration from April last year. Gamblers would be required to register to play. However, use of the precommitment tools would remain voluntary. In line with what you understand to be their objectives, it seems to me that the concept is to have a precommitment system but the actual use of the tools is voluntary. How would that help?

Mr Curry—My comments were from a visit that was made 18 months ago. I know that the Australasian Gaming Council will be expanding on some of that research in their submission and I am happy to leave it to them or to take the question on notice.

Senator BACK—You made mention of the function you attended in the UK recently where there were 96 gambling organisation stands representing internet gambling companies.

Mr Curry—Correct.

Senator BACK—You mentioned 38 mobile—

Mr Curry—Mobile phone, yes, you can bet on a mobile phone.

Senator BACK—So they may or may not be part of an online gambling system?

Mr Curry—That is correct, yes.

Senator BACK—Again, I ask the question because we seem to have had conflicting evidence in regard to Norway, I am trying to get a handle both anecdotally from associates in Norway as well as from what else I am reading. I understand again that the Norwegian Gaming and Foundation Authority for their plan for this year, 2010-11, says that initially there was a reduction in dependency problems relating to gambling machines. They had declined. However, recent studies carried out suggest that people have in fact moved to other forms of gambling especially in relation to internet gambling. Do you have any further information on that yourself?

Mr Curry—The evidence that I have was from a senior adviser to the Norwegian government. In terms of iGaming 22 percent of calls through the national helpline were related to iGaming in 2006. In 2007 it was 41 per cent and 15 per cent sports betting on top of that. In 2008 it was 70 per cent of the calls and 23 percent of sports betting on top of that. In 2009 the first quarter was 54 per cent of calls and 17 per cent sports betting, remembering that from 1 July 2007 slot machines were banned in that jurisdiction.

Senator BACK—What would the reaction be, from your understanding of the providers here in Australia, for there being a requirement for a precommitment system to be in place with participation by people being voluntary. How would that impact on those who provide electronic gaming services such as casinos, pubs and clubs?

Mr Curry—It would impact significantly. There are multiple levels. Are we talking about a voluntary model, an opt-in model or a mandatory model?

Senator BACK—I am putting to one side how gamblers would react. I am saying if it were not compulsory for them but there would be the provision of a service should they want to actually avail themselves of it in line with some of the comments. It is interesting that 11 per cent who signed up experienced nine per cent less spend. The question I am asking is what would the reaction of the industry be to having that facility in place so that those who wanted to voluntarily use it could do so?

Mr Curry—Our position is that we support the introduction of voluntary precommitment. We understand there are significant costs that go with that but we support the introduction of that to give gamblers an additional tool, if they so choose, to assist with their gambling spend decisions.

Senator BACK—If it became a recommendation that such a process was followed out, what would be a reasonable time frame, do you believe, for providers to have this mechanism in place so that those who want to voluntarily precommit can do so?

Mr Curry—I have been working on the Victorian precommitment ministerial working group for a couple of years and we think that 2016 would be a reasonable time frame. It can take up to

a year or two to get a game change approved through a state jurisdiction. And you would want to make sure that it is best practice.

Senator BACK—Thank you.

Mr FRYDENBERG—Thank you, gentlemen. A number of the issues you raise about privacy and migration and so forth are very relevant to our deliberations. Apart from mandatory precommitment, do you have any particular views on the Productivity Commission's recommendations about other harm minimisation measures—education, the placement of ATMs, opening hours, the training of workers and so forth?

Mr Curry—The things that our group thinks are particularly important include education, and early education, so people understand the cost of gambling, as they do with other things that could potentially have some addictive nature. It is also important in addition to early education that people take a level of individual responsibility as well. We are happy to support robust, evidence-based measures in reducing the prevalence of problem gambling not at the expense of the utility of the recreational gambler. The Productivity Commission made a raft of recommendations. We already exceed the mandatory requirements. We have found the David Schwarz program to be particularly useful because our staff can call him confidentially to ask any advice on dealing with problem gamblers who maybe in a venue or if their friends or family have an issue with their gambling, so our group is looking at ways that we can go above and beyond what is legislatively required. There have been many legislative changes over the past decade but no-one has really stopped to take a breath and say, right, which ones have worked, have these worked, what has worked in terms of reducing the prevalence and the percentage spent on household disposable income?

Mr CHAMPION—I want to refer to some of the problems with getting machines approved and games changed. We have had lots of evidence that there are multiple jurisdictions. Would your company support a national set of standards for poker machines and approvals?

Mr Curry—We will operate under whatever environment we are required to operate under. If there is a national set of guidelines and a national set of standards—

Mr CHAMPION—Let me put it this way: would a single jurisdiction lower the cost to your company?

Mr Curry—Yes. We do not have any concern with a national set of standards.

Mr CHAMPION—And likewise with research? One of the complaints is that there has not been any research.

Mr Curry—We would certainly support more research at a national level.

Mr CHAMPION—And presumably your company would be happy to participate in that research if that aided the common good?

Mr Curry—We have consistently participated when state governments have asked us to participate in any research around gambling. We have always supported that.

Mr CHAMPION—We have heard evidence from the South Australian regulator that machines were potentially dangerous, and we heard Professor Battersby say that we really do not know much about the interaction between the consumer and the machine and what goes on in the brain—some of the conditioning that goes on, and some people are more susceptible to it than others. Does it concern the company that potentially your product is dangerous?

Mr Curry—One interesting survey that I came across was a national study of 43,000 Americans, funded by the National Institute on Alcohol Abuse and Alcoholism, that found that three-quarters of pathological gamblers abused alcohol, more than a third used illegal drugs, three-fifths were addicted to tobacco and a large number suffered from a mood disorder. So there is a significant issue of co-morbidity amongst problem gamblers. How you identify that is difficult, but we would certainly welcome any research on that.

Mr CHAMPION—But how does that answer my question? Do you think the product is safe?

Mr Curry—I think the product is safe.

Mr CHAMPION—For everybody?

Mr Curry—The product is safe, but some people have addictions be they to fast food, drugs or a whole variety of other things. Are we saying a hamburger is safe? Hamburgers are safe if they are consumed in moderation but they are not safe if you eat four or five a week and do not have a balanced diet.

Mr CHAMPION—A hamburger does not cost you your house, normally.

Mr Curry—But it can cost you a heart attack if you eat too much fat.

CHAIR—Mr Curry, ALH's financials would be on the public record, I assume. Is it a listed company?

Mr Curry—Limited financial information is available. It is part of the broader liquor group reporting within the Woolworths corporate reports.

CHAIR—Are ALH's discrete financials available?

Mr Blair-Holt—I think they are available, Mr Chair, and I think that is an important point. Gaming in our group represents less than 15 per cent of our turnover.

CHAIR—Of ALH?

Mr Blair-Holt—Of ALH. We have food, wagering, public bars, entertainment, Dan Murphy's, accommodation and 450 BWS stores. Gambling is actually a small component of our group.

CHAIR—Of ALH?

Mr Blair-Holt—Of ALH Group.

Mr CHAMPION—Mr Blair-Holt, you talked about job losses and the like. We are going to have some Treasury modelling showing us the economics and then, presumably, if there are falls in one area, there will be gains in another. Woolworths is so broad, presumably if there were falls in revenues around gaming there might be increases in liquor—

Mr Blair-Holt—People buying takeaway liquor!

Mr CHAMPION—or at other places.

Mr Curry—I do not necessarily subscribe to that. In the hotel business if we had a significant fall in bars, hotel accommodation or wherever else, that would impact our business totally. We are talking about our hotel business and, yes, if there was a revenue drop in any component of our business it would impact jobs.

Mr CHAMPION—What happened with smoking, though, when revenues went down? Did you notice dollars popping up anywhere else? I know it is hard to track one dollar from another.

Mr Curry—No. The smoking ban certainly impacted the business, because people would go home, sit on their balcony and have a beer and a smoke.

Mr CHAMPION—How much did that affect business?

Mr Curry—It varied by different state jurisdiction because they rolled it out, but there was a financial impact of up to 20 per cent on business at various points in time.

Mr CHAMPION—Did you cut jobs?

Mr Curry—We certainly cut back the number of staff that we had at that point in time.

Mr Blair-Holt—It goes across a whole venue as well because people do not go there as often and, therefore, they do not have food or participate in other activities.

Mr Curry—It impacted not only gaming but bars and all the rest.

Mr CHAMPION—But what you have said is that, in effect, with smoking, we went through the shock that you are talking about with precommitment. The economy as a whole and your company in particular have actually been through one of those economic shocks with jobs.

Mr Mathieson—In this circumstance, though, we would see the dollars moving into an online environment.

Mr CHAMPION—That is your opinion.

Mr Curry—The unintended consequence.

CHAIR—Is ALH a profitable enterprise?

Mr Curry—Yes.

CHAIR—What sort of profit did you make in the last reporting year?

Mr Curry—I will leave that to Ross, if this is appropriate.

Mr Blair-Holt—I am not sure whether it is appropriate, but we made around $80 million or $90 million.

CHAIR—Is your poker machine sector the most profitable of your operation?

Mr Blair-Holt—It certainly has one of the highest gross profit margins, but you have to look at it as a total picture. You also have some areas that you support that you do not much make as much margin on, such as food and takeaway.

CHAIR—Would you agree with me that it would be best to diminish problem gambling even if it meant a reduction in the profit margin from your poker machines? Would ALH be happy—I would hope you would be—to have less problem gambling?

Mr Blair-Holt—We do not want problem gamblers. We do not want gamblers to have problems in our business.

CHAIR—But do you accept that an effective harm minimisation strategy, no matter how it was crafted, would reduce problem gambling and so reduce cash flow through your machines?

Mr Blair-Holt—Yes, if it was properly constructed it may well do that.

CHAIR—And, in fact, in your case, as a profitable well-run company, presumably you could handle that. Other venues might say they cannot deal with any reduction in their cash flow, but they would effectively be saying that they rely on problem gamblers. What sort of reduction in cash flow could you deal with?

Mr Curry—I am not entirely sure about the relevance, but what is relevant is that we are happy to support measures that are scientifically and robustly proven to reduce the prevalence of problem gambling but not at the expense of the utility for the recreational gambler. We need to make sure of that. In the case of mandatory precommitment, we do not think it will achieve the desired outcome. It is not a question about the tolerance level of the reduction in profit; this is simply about what is sound policy and we do not think mandatory precommitment is sound policy.

CHAIR—Do you think the interests of the recreational gambler are just as important as the interests of the problem gambler?

Mr Curry—The interests of every individual are important. Remember that the majority gamble responsibly. We are saying that we have not seen evidence to suggest that a mandatory precommitment model will achieve the desired outcome of reducing the prevalence of problem gambling, but we do see that it will significantly impact recreational gamblers.

CHAIR—But you are yet to present the committee with evidence that a voluntary precommitment system will diminish problem gambling.

Mr Curry—We are saying that the voluntary precommitment system is one of a variety of responsible gambling measures that we have in place. Eleven per cent of the players at the Oxford 152 hotel choose to use that to assist with them setting time and/or spend limits. We also have a self-exclusion program operating there. We also have responsible gambling messaging. We also have all our staff trained in the responsible service of gambling. We are saying that voluntary precommitment is one of a number of measures that could assist and that people can use any combination of those measures to assist with their gambling behaviour.

CHAIR—Thank you.

Mr CIOBO—I am interested in the impact on jobs in the hospitality sector that this will have. This committee is comprised of government and Independents who have formed the view that mandatory precommitment will happen regardless of the evidence.

Senator XENOPHON—Come on, you are verballing us now. You said 'regardless of the evidence'. That shows that we have some cavalier disregard for the evidence.

Mr CIOBO—The evidence is clear that there is only one way to achieve it.

Senator XENOPHON—You are putting your value judgment on the evidence.

Mr CIOBO—I think the evidence is clear. My interpretation is based on the evidence from two psychiatrists who both said the same thing about what needs to happen. The Tweed Heads RSL sub-branch and the social club there say that there will be a minimum of a 20 per cent downturn. Have you done any calculations of the impact of a mandatory centralised database with biometric identifiers and the likelihood of hotel patrons signing up to such a scheme before they have a flutter on the pokies?

Mr Curry—It is a different one to model. We have seen some of the research that has been conducted through hotels and clubs et cetera and we believe that the impact will be significant—a double-digit impact on revenue. Correspondingly, we would need to make sure that we reduced our staffing levels in accordance with that revenue drop.

Mr CIOBO—Can you give me some numbers?

Mr Curry—It is difficult to quantify, but somewhere above 20 per cent, I think, would be a reasonable low point.

Mr CIOBO—How many jobs are we talking about?

Mr Blair-Holt—14,000 people. One thing you should know, Mr Ciobo, is that we are really 300 small businesses. You mentioned that RSL club; we have 300 of those. If they take a hit of 20 per cent, each of those 300 businesses will have to take some measures to reduce their costs—whether it is electricity or staffing. Staff is one area where it can be done.

CHAIR—I am confused by this. The Tasmanian government's social and economic impact study into problem gambling in Tasmania—a benchmark report that was done a couple of years ago—found that employment in venues with poker machines fell after the introduction of poker machines; that, in fact, poker machines do not employ people and venues that rely less on poker machines employ more people. Help me link that finding by the Tasmanian government, who have been a strong supporter of poker machines—so they are no bleeding heart in this—with your concern about employment.

Mr Curry—I will take that on notice.

CHAIR—Okay.

Mr CIOBO—The committee spent a great deal of time assessing evidence from a number of witnesses about which form of mandatory precommitment is going to achieve the best reduction in problem gambling. We have not spent a great deal of time looking at the impact of mandatory precommitment on jobs. Just to clarify, was that a net 14,000 reduction? I know it is an approximation and it all depends on where you want to draw the line in the sand in the downturn in revenue, but is 14,000 the aggregate number or the anticipated job loss based on a 20 per cent reduction?

Mr Blair-Holt—No, 14,000 is our current number of employees.

Mr CIOBO—Okay. With respect to flow-through, do you currently provide sponsorships to communities, sports clubs et cetera? Can you tell us more about those?

Mr Curry—Yes. Given that, as I mentioned before, we are 75 per cent owned by Woolworths, we have two tiers to our corporate donations program but we manage that in conjunction with Woolworths. In 2010 Woolworths reported contributing $36.3 million to community, which was verified by the London Benchmark Group. That equates to the equivalent of 1.15 per cent of pre-tax profits and compares to the LBG Australia and New Zealand corporate average of 0.63. Our individual component of that was a seven-figure amount.

Mr CIOBO—Million or millions? What would happen to that support of community groups off the back of a reduction which would be reasonably assumed to follow through from mandatory precommitment?

Mr Curry—It would be a significant. Any variable costs are things that you look at when you experience a revenue downturn, so our level of community support would be significant in terms of reducing it.

Senator XENOPHON—I am intrigued by the comment earlier on the whole issue of comparing with health risks of burgers. Are you saying that it is in that realm, that poker machines do not pose challenges in terms of dealing with the risks any more than, say, people eating a burger and the health effects of the burger?

Mr Curry—What I was referring to was things that were addictive and things that could potentially be addictive. I do not believe poker machines are harmful or unsafe. I do not believe poker machines are unsafe, which was the question that Mr Champion asked. That is my answer.

Senator XENOPHON—So the Productivity Commission back in 1999 that said that there are something like between one in 20 and one in 25 people that ever actually play the poker machines developed a gambling problem, you do not think that would set off alarm bells from your point of view?

Mr Curry—The percentage of problem gamblers since 1999 has halved to less than one per cent—

Senator XENOPHON—You are being misleading now. You are using a different index. You are using the Canadian problem gambling index compared to the South Oaks Gambling Screen. You are nodding, Mr Mathieson.

Mr Mathieson—The CPGI measure, yes.

Senator XENOPHON—Yes, and back then it was the SOGS index.

Mr Curry—That is a variable that they have got to measure on, and also there has been a reduction in household disposable income.

Senator XENOPHON—It is a complete different test. You are saying that the risks in terms of dealing with poker machines are similar to the risk of dealing with, say, burgers in terms of health effects of burgers.

Mr Curry—What I am saying is that the majority of players enjoy the product responsibly. There are a small percentage of players who have a problem with their gambling, like there are a small percentage of people who have a problem with obesity and a whole variety of other addictions.

Senator XENOPHON—So you are saying it is akin, you are putting it on a par.

Mr Curry—No, you are saying that, I am not saying that. I am saying that there are a whole variety of addictions that people suffer.

Senator XENOPHON—And one of them you referred to was overeating and obesity.

Mr Curry—I was giving an example of another form of addiction that people may have in the broader context of addictions.

Mr CIOBO—Mr Curry, I am in furious agreement with you. In fact, as Senator Xenophon would know, I am not really sure why we are only focusing on problem gambling and why we are not also requiring people to precommit to the amount of calories they have every day and precommitment to the amount of alcoholic drinks they want to have every day. A much greater percentage of people have a problem with alcohol, and indeed have negative externalities in terms of public health detriment. Maybe that will be the next inquiry, when we start getting precommitments on calories and drinks.

Senator XENOPHON—Perhaps we can have a public debate about this sometime.

CHAIR—Mr Blair-Holt, Mr Mathieson and Mr Curry, the committee is very grateful. You are the biggest operator of poker machines in the country and you bring a very important perspective to this. The exchange has been a bit robust but I am sure both sides understand there is no hard feeling when you drill down into this, and I think we have done a good job of that. It is a really important perspective. In fact, we are going to see another very important perspective, one regional New South Wales smaller club as opposed to a big operation like yours. We are very grateful for your time. I think you have been left with at least one question on notice, so we will await that response.

[2.51 pm]

RYAN, Mr Colan John, Secretary-Manager, Crescent Head Country Club

CHAIR—I welcome Mr Colan Ryan from the Crescent Head Country Club. I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Ryan—I am representing a club which was established in 1956 and is situated on the mid-North Coast of New South Wales. The club is the focal point of the seaside village, which has a population of 1,900. The club itself has a membership of 3,450, which is due to the many holidaymakers who enjoy the qualities that the area has to offer.

Crescent Head is tucked into the leeside of Big Nobby, a volcanic remnant, which slopes towards the sea. Between its summit and the sea lies a golf course with magnificent views over the town, beach, headlands and ocean. This golf course is one of the main attractions of the region and it is maintained by Crescent Head Country Club. We are the only registered club in the area and it is the heart and soul of the local community. There is little local development and this has resulted in a diminishing population. Crescent Head is surrounded by national parks, so there is no new land opening up and any houses that go on the market tend to be bought by investors.

Crescent Head Country Club is reliant on all current income streams, with little or no opportunity to create new ones. The club is located on crown land, which restricts our use of the land and the income we can derive from it. The land is zoned recreational, so we cannot diversify into any type of commercial interests in order to try and gain a greater income. The New South Wales Land and Property Management Authority recently increased the rent for the bowling green and clubhouse area by 180 per cent and increased rent for the golf course by over 500 per cent. The club is the largest employer in Crescent Head with 29 staff and a large number of contractors to work in the restaurant, bistro and sports shop. We also have contract cleaners, musicians and obviously use local tradespeople as well.

The club supports the local community through development and maintenance of sporting facilities, sporting contributions, donations and sponsorship. For over 50 years Crescent Head Country Club has played an integral role in the sponsorship of many local juniors and sporting teams. Crescent Head's entire community also benefit greatly from the development and maintenance of the local golf course, tennis courts and bowling greens. Without the club's support these vital assets would not exist. All of those vital assets run at a loss. The reason we are able to run them at a loss is that they are subsidised by the income the club derives through poker machines. The club also has the only library in Crescent Head. There is no government-run library in Crescent Head. The club has the only toilet and disabled toilet in the CBD of Crescent Head. The club operates a seniors kiosk so that seniors can access the internet. The club operates a Heart Moves program, which is a vital health aspect for seniors.

Crescent Head Country Club is over 20 kilometres from the nearest bank. We have the only two ATMs in the entire town, other than one ATM in a nearby hotel which also has gaming machines. The local community relies upon the club's ATMs to access cash so that people can go

about their day-to-day lives. It also relies on tourist dollars coming from those ATM withdrawals. Restricting ATM withdrawals would cripple Crescent Head's local economy. For example, last Friday the clients of a local business operator who has some small accommodation units needed to use the club's ATMs. The operator had some people visiting from Sweden. The local tourist association's hand-held EFTPOS machine was down, so they all had to come to our club so they could withdraw money from the ATMs to pay for their accommodation. We often hear people say that all the money that comes out of the ATMs goes into poker machines, but we do not agree with that at all.

Crescent Head Country Club has an ongoing commitment to providing a responsible gambling environment. Crescent Head Country Club subscribes to the ClubSAFE program, and all employees have undergone certified training in the provision of gambling services. All staff that work in gaming services, even indirectly, must complete the Responsible Conduct of Gambling certificate. I myself am a qualified trainer and assessor of both RCG and RSA. It is also club policy that all members of the board of directors must undertake the RCG course. Staff meetings are conducted on a regular basis and responsible gambling is regularly addressed. All staff are instructed in how to deal with someone who may need assistance or who may have a gambling problem. The club employed a dedicated compliance officer around two years ago. It is part of this person's role to ensure the club is legally compliant and responsible in all areas, including responsible conduct of gambling and effectively operating the self-exclusion scheme. All patrons have access to information on our self-exclusion scheme, through which people can choose to exclude themselves from the entire venue or from the gaming room.

While our 44 poker machines accounted for less than 40 per cent of our revenue in 2010, it is an essential revenue stream that has allowed Crescent Head Country Club to provide facilities to local community for over 50 years. Just the cost of implementing mandatory pre-commitment technology to our machines would threaten the club's financial viability. Irrespective of any impact on our gaming revenue the flow-on implications would be disastrous not just for the club but for the entire local community of Crescent Head and surrounding areas. I am happy to take any questions.

Mr CHAMPION—How big is Crescent Head?

Mr Ryan—We have a population of 1,900.

CHAIR—It is reasonably small. Presumably one of the things that helps your self-exclusion scheme and your compliance officer is the fact that the town is so small that you would know everybody, or know of everybody.

Mr Ryan—Not really. We are a tourist area, so we have people coming and going all the time. It does help us with local people but we also have a floating population coming and going as well. One thing that does help us with self-exclusion for tourists is that we have an IDTECH system at reception. People scan their licence when they enter the premises. If it is somebody who is not known to us, as well as having their photo and name put up for the staff to identify them the IDTECH system will also identify the person at reception and come up with a message to staff that that person is under a self-exclusion program.

Mr CHAMPION—How does that work?

CHAIR—Could you elaborate on that?

Mr Ryan—By law, clubs in New South Wales have to keep a register of people who enter their premises as visitors, which is the person's name, their address and so forth. We use a scanning system to do that, which is legal and okay by privacy laws. Instead of the person having to sign a slip of paper, we scan their licence. At the same time we scan their licence we take a photo of the person so we can identify the person from their licence when they enter the premises.

CHAIR—So, like all clubs in New South Wales I suppose, you are holding the name and address but also harvesting date of birth, licence number and a photo of the person.

Mr Ryan—Yes, if the person chooses to do it that way. They can still sign in if they wish to. If they have a problem with the system, they can choose to sign in.

Mr CHAMPION—In terms of locals, if a problem gambler has said they want to exclude themselves, it is pretty hard in Crescent Head for them to get into your establishment and gamble?

Mr Ryan—None of my staff would want to let anybody in or they would find themselves in a lot of trouble.

Mr CHAMPION—I am just trying to tease out the differences between the city, where I live, and a small country town.

Mr Ryan—When we walk down the street, we all say hello to each other!

Mr CHAMPION—Yes. One of the figures you gave us is that poker machines and gambling services only account for about 37 per cent of the revenue and restaurants accounted for about 60 per cent of it. That is a lot lower than it is in the lot of the clubs. It tends to be the inverse of that in a lot of clubs—they derive a lot more of their income from poker machines. Perhaps that is another difference in regional communities—that there is a lower reliance on poker machines. I am not trying to detract from the fact that you are telling us it is an important part of the revenue, but it seems less.

Mr Ryan—It is an important part of our revenue because it is very hard for us to diversify into anything else. We have a diminishing local population and because of the restrictive use of our land—we are on crown land—we cannot diversify into a commercial operation of some sort and derive income from somewhere else.

Mr CHAMPION—But already your revenue from poker machines is much lower than many of the bigger clubs.

Mr Ryan—I do not know. Sorry, I do not have that information.

Mr CHAMPION—I can inform you that it is. Obviously you are against ATM restrictions.

Mr Ryan—We are the bank of the village. We are where people come to get money. Like I said, it is 23 kilometres to the nearest bank.

Mr CHAMPION—Obviously the reason for the restrictions on ATMs is to give gamblers a break. The idea is that they leave the venue and perhaps have one of their moments of clarity. What assurances can you give to the committee that problem gamblers would not use those ATMs if they were left as they were?

Mr Ryan—You could never say that a problem gambler would not use the ATMs—it would be silly to say that—but there is no correlation between our ATM withdrawals and the money that goes into our poker machines. There is no match-up there of anything. Just because we have a lot of money taken out of our ATMs on one day does not mean there is a lot of money put into our poker machines on that day. In saying that, if the committee were worried about that, wouldn't it be easier to go through the banking system so that a problem gambler could choose to have their card not work at any pub or club ATM. I know that, through our ATM provider, we can do that at our own venue. Our staff are well aware of that and we can offer that to a person. If they think they have a problem with gambling, we can ring up our supplier and they can set it up through the banking system so that their card would not work if that person wants to do that.

Mr CHAMPION—So that might be an alternative for a small rural venues like your own?

Mr Ryan—Yes. Or they could have a limit or whatever.

Mr FRYDENBERG—Thank you, Mr Ryan, for your very helpful testimony. Are you the manager of community Organisations in your area?

Mr Ryan—We sure are. Under our umbrella we have a men's golf club, a women's golf club, a veterans' golf club, a men's bowling club, a women's bowling club, a tennis club, a netball club and a surfing club. Everything in the local community basically comes from our club. The Anzac committee comes from our club. The Lions Club get all their proceeds are our club—the local Salvation Army and everybody.

Mr FRYDENBERG—How long ago did you get pokies?

Mr Ryan—1958.

Mr FRYDENBERG—And a lot of those groups sprang up once she started getting poker machines?

Mr Ryan—Yes. All of those different groups rely on voluntary work. When the club originally started in 1956 it was because the local people put money in and started the club off way back then—the first members of the club. And right through until today, the club still relies heavily on voluntary workers. The current board of directors are all unpaid. There is no monetary gain to any of them.

Mr FRYDENBERG—So it is fair to say it is a meeting place, a sporting place and a place for general community activity.

Mr Ryan—Yes. It is the heart and soul of the place.

Mr FRYDENBERG—It is the hub. Do you have problem gamblers that you are aware of?

Mr Ryan—From time to time I see a problem gambler. It is probably easier to identify a problem gambler at a TAB or Keno window because you are seeing their cash transaction. If I see a bloke who I know works as a tiler come in on a Friday afternoon and put $400 on a horse, I think, 'How can you afford that?' With poker machines it can be a little bit more difficult to see the signs of a problem gambler, but my staff are trained in how to try and help and deal with the person. And also we offer a self-exclusion scheme so a person can exclude themselves if they wish.

Mr FRYDENBERG—How often has that happened?

Mr Ryan—We have two people currently under a self-exclusion scheme.

Mr FRYDENBERG—Two people out of your 3½ thousand members, is that right?

Mr Ryan—Those who can join a self-exclusion scheme are not necessarily all members. Visitors can also choose to do so.

Mr FRYDENBERG—So it is an even broader group than that number?

Mr Ryan—Yes.

Mr FRYDENBERG—So you currently only have two people on a self-exclusion scheme?

Mr Ryan—Yes. Over the six years I have been at the club I have seen seven people on self-exclusion, but five of those have dropped off and I have not seen them return to gambling. So we currently have two. But it is one of those things. You might not have anybody for 18 months and then you can have three people in one week.

Mr FRYDENBERG—You have made it very clear in your submission what you think about mandatory pre-commitment. One of the issues we have also been talk about is voluntary pre-commitment. Do you have a particular view on that?

Mr Ryan—I would support voluntary pre-commitment as long as it was financially viable—especially for us, being a small regional club. We operate a player loyalty system. The club installed that in 1998. The system that we currently have is very old and I know it would not be capable of operating a voluntary pre-commitment scheme. Other player loyalty schemes that I have seen are very, very expensive. We would definitely support voluntary pre-commitment. The only concern is the cost.

Senator XENOPHON—Mr Ryan, thank you for very much for your submission and for being here today. I can appreciate that you come from a much smaller community and you are quite different from the ALH group, which runs 11,000 machines.

Mr Ryan—Some of their problems would have been nice to have!

Senator XENOPHON—Yes. I think their contribution to Woolworths' profit before tax, their hotels division, was $176.7 million.

Mr Ryan—Last year we made $12,000.

Mr FRYDENBERG—A bit of a difference!

Mr Ryan—That was after we supported the community with about $16½ thousand. We supported the community with more money than what we actually made in profit.

Senator XENOPHON—Which is unusual given some of the big clubs that we have dealt with, who might make $5 million or $7 million—

Mr Ryan—We are not about profit making; we are about looking after our own little community.

Senator XENOPHON—Sure. Can I just touch on another issue. You refer to ClubSAFE, you refer to trying to identify people, and I can appreciate that. You concede though that of the locals that visit the club, of that 1,900 permanent population of Crescent Heads—I know you get a lot of floating population—your staff would tend to know them. It is not the same as some anonymous metropolitan club or hotel, is it?

Mr Ryan—Our locals would be well known, yes.

Senator XENOPHON—You may be aware that the Victorian Commission for Gambling Regulation did a survey of poker machine staff. I will just give you a few statistics. They talked about how staff at poker machine venues were struggling to identify people with gambling problems. This would include hotels—it would be mainly hotels. It found that 36 per cent of employees have difficulty in identifying problem gamblers, 21 per cent of employees were uncomfortable in responding to a request to help with gambling, 48 per cent of managers were uncomfortable when approaching patrons showing a gambling problem and 66 per cent of staff were uncomfortable when required to approach someone showing a gambling problem. That was in Victoria and it would have been across a range of clubs and pubs—mainly pubs, I would imagine. Do you think your club would be a bit different to that because it is a smaller community environment?

Mr Ryan—I am not aware of the statistics that you are speaking about—

Senator XENOPHON—I am just quoting them.

Mr Ryan—but the reason that my staff would not be uncomfortable approaching a problem gambler is that I run staff meetings about every four months, which all staff attend, and I go through with them the fact that it is more important to look after an individual's wellbeing than to worry about club profit. So they are told that if somebody has had enough to drink or if they are showing any signs of possible drug use or something like that, they will be asked to leave the premises. There is never a thought to come into their mind, 'Oh no, that person is spending money.'

Senator XENOPHON—If someone is spending up big and you think they are showing signs of problem gambling, you would not ever discipline somebody who said, 'I think you have gone too far' or anything like that?

Mr Ryan—A staff member?

Senator XENOPHON—Yes.

Mr Ryan—No, they are doing their job. If they went the other way and let somebody continue to gamble because they thought they were betting big, that is when the staff member would be in trouble.

Senator XENOPHON—And I accept fully what you are saying. I guess what I am getting at is that I think your club is unusual compared to some of the other much larger clubs and organisations we have dealt with in the sense that there is a direct link to the community given the size of the community and the number of machines you have.

Mr Ryan—That is true on one hand, but then most clubs in New South Wales are small clubs. I do not know—we might just be an example of a small club. You might have heard more from bigger clubs. But most clubs are small clubs, then you have the minority that are bigger clubs.

Senator XENOPHON—Say recreational gamblers, just visitors, could play with a low-value card and regular players could use a smart card to play machines. If that were designed properly, do you think it would actually be something that people could get used to?

Mr Ryan—The problem we would have is that we have a floating population. So we have different people there all the time. I think if they had to sign up to use such a system it would be a turn-off to the person who does not have a problem.

Senator XENOPHON—I appreciate what you are saying. If it were a universal system, in the sense that you would get one card in one venue and use it in all other venues in the state or in the country, that would make it a bit easier, wouldn't it?

Mr Ryan—I have spoken to members of my club—this is been in the media—and people that are just recreational players and I have said to them, 'Would you fill in a form to play the machines?' and they have said, 'Look, I wouldn't bother—I would stop playing the machines.' That is the reaction that, personally, I have received from people.

Senator XENOPHON—But, if it were quite user-friendly to join, would that make a difference, do you think?

Mr Ryan—If we could do something to help problem gamblers, we would want to do that, but I think that we would be better off attacking it through the banking system.

Senator XENOPHON—How so?

Mr Ryan—If you had to hook up every single club throughout Australia—and I am aware that the different states in Australia use different systems, technology wise—it is like you are

trying to reinvent the wheel. You already have a banking system in place now that is hooked up right throughout Australia whereby a problem gambler could choose to set themselves a limit. Surely that would be a lot simpler.

Senator XENOPHON—In Norway they have a different system in place for their poker machines. They shut them down for a year or two and then they put them back on line, and there are limits as to how much you can lose. Nowadays, with the Australian dollar as it is, I think it is about $70 or $80 a day and about $400 or $500 a month. It is a value thing—people do not swap cards because they have a value on them. Leaving aside the limits, if there were an absolute limit in the system, do you think that would work?

Mr Ryan—I am not aware of what they do in Norway. I do not really know much about Norway. But we have a floating tourist population. We have people who might save up all year and then, once a year, they will go away and they do not mind spending a few dollars. January is one of the few months of the year we actually make a profit. We rely on the money that we make in that one month to get us through the rest of the year.

Senator XENOPHON—But I guess what I am suggesting is that, because of the size of the club, the size of the community and the way you train your staff, you are giving away more than you make on the machines to various community groups. I could suggest to you that the Productivity Commission average says 40 per cent of money from poker machines comes from people who have a gambling problem but that in your club it could actually be substantially lower than that, given the way you are set up—the size and all these other factors, including the training and the community ethos in your club.

Mr Ryan—I suppose it goes back to the original question: what are you trying to achieve? Are you trying to stop problem gamblers or are you trying to stop everybody from gambling?

Senator XENOPHON—It is obviously about stopping or reducing the level of problem gambling.

Mr Ryan—That is the problem I would have with it. To me, it is not designed to target problem gamblers; it is designed to target everybody. You are going to pick up all those people who do not have a problem.

Senator XENOPHON—Do you have loyalty cards in your club?

Mr Ryan—We have a membership card, which I mentioned earlier. We do run a loyalty system.

Senator XENOPHON—And you can put the card in the machine?

Mr Ryan—Not into the poker machine. It is software attached to the machine.

Senator XENOPHON—Okay, but your members are used to this. What percentage of them have that card—about half?

Mr Ryan—All our members have a membership card. To be a member, they have to have a card. But, if you are asking me how many of those use the card, I would have to take that on notice. I do not know.

Senator XENOPHON—If you could take that on notice. What I am saying is that, if it were as user-friendly as that, you could have a card and you just put it in and decide on the screen how much you want to spend in that particular session.

Mr Ryan—That is fine, but the honest person would then get caught up. A problem gambler would probably have 10 cards.

Senator XENOPHON—If you could have some integrity in that, though, that would make a difference, wouldn't it?

Mr Ryan—Again, how do you finance it? How do you operate it? I do not know. All those things would need to be looked at.

Senator XENOPHON—I appreciate your evidence, actually, coming from that smaller club perspective.

CHAIR—Yes. It has really reinforced a point the Productivity Commission has already made about smaller venues.

Mr Ryan—If our system fell over today, we could not afford to replace it.

CHAIR—How often do you replace your machines?

Mr Ryan—We have machines on the floor at the moment that were manufactured in 1996. We have 44 poker machines and we would buy three to four machines a year. So the life of a machine would be anywhere between about 11 and 15 years. There are some machines that, over the years, I have not wanted to replace but I have been forced to replace. Because of the fact we are near the ocean, we cop salt water and often that can make electronic equipment play up. It is not just the poker machines—we have other electronic equipment in our club. Building maintenance wise we have a lot of additional costs from the salt water.

CHAIR—Senator Xenophon, I think you made a fraudulent slip—

Senator XENOPHON—A freudian slip.

CHAIR—A freudian slip! A slip of some kind. You said 'giving away more money than you make on the machines'. That is not correct.

Senator XENOPHON—No, sorry. I meant they give away—

Mr Ryan—We gave away more money than the profit we made in the year.

Senator XENOPHON—more money than profit. Yes.

CHAIR—I knew what was meant. I just wanted to make sure the record was corrected.

Senator XENOPHON—It was not freudian, or even jungian.

CHAIR—It is quite commonplace, but is it the case that your poker machines are relatively profitable and that they cross-subsidise your other activities?

Mr Ryan—Yes. We run the golf course at a huge loss. It loses about $65,000 a year. The tennis courts run at a loss. We had two grass bowling greens. Two years ago we converted them to one synthetic bowling green to try and cut our overheads. The only reason we can run them at a loss is the income from the poker machines.

CHAIR—I make the point again that the Productivity Commissioner warned us, and I think all members of the committee are very mindful of—

Mr Ryan—There are no other facilities in Crescent Head. If you took our club out of Crescent Head—

CHAIR—I understand that. I just want to make a point here. I make the point in your favour. The committee is very mindful of the need to factor in special consideration for the smallest pubs and clubs. You obviously have less cash flow. You have challenges. You are probably closer to the margin. I suspect you are not doing as well as the ALH Group. That is not a criticism of the ALH Group; it is just the reality of a small coastal venue.

Mr Ryan—Obviously we are different to a hotel, in that any profit we make has to go back into the community. So we are very different to a hotel in that respect. No one individual makes a heck of a lot of money.

CHAIR—This is not a criticism; it is just getting a sense of your financials, getting to understand the financials of a small club. Just looking at the figures we have, there is GST of $146,000. The revenue that GST is payable on is, say, $1.5 million or $1.6 million plus other things. I am guessing you might have a turnover of a couple of million dollars.

Mr Ryan—Yes, that is right.

CHAIR—But you have huge overheads.

Mr Ryan—We are the only one in the area providing those facilities.

CHAIR—If anything, it is a bit disappointing to hear that if you are turning over a couple of million dollars a year you have actually only been able to put back $16,500 into the community. But I suppose—

Mr Ryan—But that does not include all the sporting facilities that we operate—the tennis courts and the bowling green.

Mr CHAMPION—That is after you have run the library.

Mr Ryan—Yes. The library is not included.

CHAIR—I understand. I emphasise that it is not a criticism. It is just interesting to understand your financials and to see that you do not have a lot of room to move.

Mr Ryan—No, that is right.

CHAIR—That is the bottom line, I suppose.

Mr Ryan—The problem is: what do we do? Do we get rid of the golf course? Do we get rid of the bowling green? Do we get rid of a tennis court? I suppose we try to do the right thing by the entire community.

CHAIR—Yes. Please understand we are not trying to do any harm to pubs and clubs and we are mindful of the good work you do in the community. But we are equally mindful that there are problem gamblers out there, and if we can come up with a very well-designed and effective harm minimisation regime it will reduce problem gambling. If you have as low a rate of problem gambling as you suggest, then except for the setup costs there will be a minimum ongoing cost to you.

Mr Ryan—I just get worried when I see on TV the ads for internet gambling. When you watch sports games, betting on games is advertised continually through the cricket and rugby league to children. It is poured down our throats. I do not know about your local TV stations, but where I live you continually see ads for playing poker machines online. There are lots of different sports betting agencies around, and some of their operations in trying to make money to me seem very unscrupulous, I suppose, in some ways.

CHAIR—You may be interested to know that the committee has on its worksheet to eventually look at the issue of online gambling.

Mr Ryan—That would be good.

Senator XENOPHON—And advertising.

Mr Ryan—I run RCG courses as well as being the manager of the Crescent Head Country Club. I have been running courses for about four years, and in recent times I am hearing more and more about people using the internet to gamble. If you go back only three or four years, that was unheard of.

CHAIR—Noted. Mr Ryan, do you have any concluding remarks?

Mr Ryan—No. I am pleased to have had this opportunity today and I am glad that you could understand the differentiation between us and people like the Woolworths of the world.

CHAIR—I do. I think I can speak for all of us and say that we do.

Senator XENOPHON—We sure do.

CHAIR—Mr Ryan, thank you very much for travelling all this way. We are very grateful for your perspective. As I said to Woolworths, Woolworths is one end of the spectrum and you are the other end of the spectrum. In some ways you are the end of the spectrum that we need to tread especially carefully with.

Mr Ryan—We are just a little guy.

CHAIR—Thank you very much.

Proceedings suspended from 3.25 pm to 3.45 pm

CONNOLLY, Ms Helen, Chairperson, South Australian Council of Social Service

OGLE, Dr Greg, Senior Policy and Research Analyst, South Australian Council of Social Service

SCHRAPEL, Mr Simon, President, Australian Council of Social Service

WOMERSLEY, Mr Ross, Executive Director, South Australian Council of Social Service

Evidence was taken via teleconference—

CHAIR—I welcome representatives, who are appearing via teleconference, from the South Australia Council of Social Service and the Australian Council of Social Service. I invite you to make a brief opening statement before the committee proceeds to questions. Does one of you have the leading role here?

Mr Womersley—Yes, Chair. I might just make it a few brief introductory remarks and hand over to Simon as the President of ACOSS. SACOSS became engaged in preparing a response to the parliamentary inquiry on behalf of the councils of social service around Australia, in part because we had previously been involved on work around the Productivity Commission's inquiry and in part because we had some resources right at that time that we could offer to the network, if you like. So the submission we have put before you is really a submission that comes from right across the nation; it is not simply based in South Australia, although South Australian experience has shaped a number of the considerations. With that said, I would like to hand over to Simon as the President of ACOSS to briefly introduce you to the submission and the key points.

CHAIR—Good, thank you. Mr Schrapel?

Mr Schrapel—I will very briefly overview the essential elements in our submission. We take it that the committee has had an opportunity to read through it and we would be more than happy to outline in further detail anything that can the committee members would like us to. In summary, our position is that we are certainly very supportive of a precommitment scheme that is both universal and mandatory, and we are happy to talk about what we believe constitutes both of those terms if the committee would like us to go into more detail about that. Having said that, we also believe that precommitment is part of a suite of options that need to be considered and measures that need to be put in place as a harm minimisation strategy, both to actually assist problem gamblers but also as an important element of a consumer protection program for people who are using EGMs.

We believe that there are a number of implementation issues and we understand quite clearly that the gambling industry has some concerns about the impact of a precommitment scheme. We have tried to address some of those key issues in our response and have dealt with issues to do with the costs of implementation, the impacts on recreational gamblers, the concerns about revenue decreases, but also how to manage some of the civil liberties issues. We are more than happy to talk in detail about any of those or other implementation issues.

Very briefly though on the issue of costs, we do understand that implementing a precommitment scheme will have some costs primarily in terms of implementation. We have seen lots of costs bandied about by the industry. We do not see a lot of verification for those. However, we understand that consideration needs to be given to a scheme that will be cost-effective in the end. We think it is important that decisions are made quickly in relation to the nature of the precommitment scheme that is going to be introduced to give industry some certainty and to allow it to actually make the plans it needs to, particularly in terms of replacement or changes to machines. We believe there is an obsolescence anyway and it is debatable about whether that is occurring somewhere between six and 10 years for machines. So in terms of the timeframe of implementation, it probably needs to bear in mind some of that obsolescence of machines that would occur anyway. We believe that will mitigate some of the costs that industry have had some concerns about. We also believe that there are probably advantages in looking at a non-network system on the basis that it may be more cost-effective than a fully networked system, but once again I guess some further assessment needs to be undertaken in terms of what the true costs of either of those options might be.

In relation to other avenues that the Productivity Commission picked up on, we are certainly supportive of the recommendations in relation to the ATMs. There is a view that perhaps as we have in Tasmania and are soon to have in Victoria there may be advantages in not having ATMs in venues at all and we do not believe that would unfairly prejudice not just customers of those establishments but the public more generally in terms of access to cash. As a default, we are certainly very supportive of there being a $250 limit, as outline by the Productivity Commission. That is the basis of our submission. As I said, we are more than happy to talk to any of those elements in further detail or to answer any questions that committee members might have in relation to our proposal.

CHAIR—Thank you, Mr Schrapel.

Senator BILYK—Thank you all for your submission and for going to the effort of being on teleconference this afternoon. I am interested in your views on self-exclusion and third-party exclusions. Could you talk us through your views on those?

Dr Ogle—We included it in the submission partly because we think self-exclusion is a form of precommitment and we did not want it to get lost among the technical detail of how a card system might work. Hence, we included that. We have certainly heard of examples through the various service providers of people being invited back almost against their wishes, losing money and being back in the same rut. We think self-exclusion should be able to be applied in the same broad principles in terms of being jurisdiction wide—universal. We think where that is driven by the gamblers themselves or by people who are immediately or severely impacted, such as a gambler's immediate family, that that is a very useful harm minimisation measure that sits with precommitment.

Senator BILYK—What about third-party exclusions?

Dr Ogle—As I said, I think it would have to be limited to people who had a close and personal interest there. What we know is that problem behaviour stemming from gambling has huge impacts on families, anything from financial losses to stress, relationship breakdown, domestic violence. People in a gambler's family have an interest in the management of that

gambling. So in that sense I think it is reasonable to give them a stake and, in scenarios where it is able to be clearly justified, give them the right to have exclusion put in place.

Mr Schrapel—But obviously with appropriate safeguards to ensure that the rights of those individuals are not trampled upon in terms of having third parties impacting upon their behaviours. There are some schemes around Australia where this has been trialled or is being used. We do not think it has had extensive use to date. It depends on whether it is a court imposed decision where a third party can actually apply to a court or to some other arbitration or authority that makes those sorts of decisions. But there needs to be sufficient safeguards to protect the interests of all parties.

Senator BILYK—You also mentioned both in your submission and your opening address that you were supportive of precommitment. I notice, however, that you said that you did not think it was the panacea and that, even if successful, other measures would still be required to minimise the harm of gambling. Can you elaborate on what you mean by that and any ideas you may have there.

Mr Schrapel—I guess when we are saying that it is not the panacea we do not believe that there is a silver bullet in terms of any one solution beyond perhaps getting rid of gaming machines altogether, but we do not believe that is being proposed at this point in time. But we certainly acknowledge the evidence—and I think the Productivity Commission has actually outlined this pretty well in their report—that precommitment, if it is universal and mandatory, will actually have a very significant impact on problem gamblers but, more importantly from our perspective, as a prevention measure to enable consumers who may have a propensity or be at risk of problem gambling behaviour to become more aware of their spending patterns and commitments and make wiser decisions as consumers about how they choose to gamble and how much they are prepared to spend.

But once again it is not the only solution. That is why in our paper we have talked about a number of other initiatives. We believe that access to cash, and therefore the ATM access issue, is an important one to legislate on. Also, we believe other issues like opening hours are of critical importance. My colleagues may want to talk about some of those other measures in a bit more detail. But it is very much in our mind as a suite of measures.

Mr Womersley—The other thing I would add is that people who experience major issues around their gambling behaviour are likely to require treatment that is well and truly in addition to any system of precommitment that might be introduced. So, it is really important to acknowledge that the precommitment system really is designed to prevent people from developing deeply problematic gambling behaviour by being able to feed people information about what they are doing and how they are doing it and by intervening and putting a small space between their behaviour and their decision to act. I guess that does not take away from all the other things that might need to be available to people who have major addictions to gambling.

Senator BILYK—In your opening address you spoke about consumer protections. Do you as an organisation, or as organisations, have an idea of how you see a precommitment scheme working? If so, how do you see that working in regard to consumer protection?

Dr Ogle—What is useful for consumer protection is the technology that would be involved in precommitment, by tracking individual expenditure, actually enables real-time information to be given to a gambler so that they know how much they are spending, how long they have been there and patterns of expenditure. That sort of information is pretty stock standard consumer information in most fields but it has not been the case while people are just dumping coins into a machine. It is the technology of precommitment that enables that real-time information, which is really useful for people trying to manage their gambling and also just stock standard consumer information.

Mr Schrapel—The other aspect of this is that precommitment, by its very nature, does two things or intervenes at two important points in time. One is that, before somebody starts their gambling activity, it gets them to make some conscious choice and decision about what level of financial commitment or investment they are prepared to make. That is the initial decision they make about what they are prepared to precommitment. It forces consumers to think that through before embarking on their gambling activity. The second point obviously is at the point at which that limit is reached. Our proposal is that, once a limit is reached, people cannot continue to gamble for a period of 24 hours, so that there is a cooling off period to enable them to rethink their strategy and participation in the gambling activity. In our minds, they are two very important consumer protection aspects of a precommitment scheme because they require people to make some conscious decisions rather than immediately getting seduced into the gambling activity.

Senator BILYK—Do you think that limit should be set by the individual or that some third party should be setting the limit?

Mr Schrapel—Our view is that it should start with a third-party limit being set and we believe there is enough research around to suggest what an average and reasonable limit should be, but that then people would have a choice to make a change to that before they commence gambling. There should definitely be a third-party prescribed default position which is a reasonable level of expenditure that an average gambler might be expected to be involved in in punting and an option to change that.

CHAIR—To tease it out a bit more about limits, some witnesses have said to us that if you have ultimately no limit—you might have a default limit but if you allow people to amend that to potentially virtually any limit some people see that as a weakness, but you feel strongly that that would be okay. Can you tease that out a little bit and tell me on what basis you feel that effectively having no limit, so long as they have to put some sort of figure in, would be an effective aspect of the scheme?

Mr Schrapel—The essential thing, this being a sort of a consumer protection and giving people those sorts of choices, I guess there is a trade-off in any sort of scheme that is going to be introduced along those lines. Once again I reiterate that our view is that there should be a preset limit and that forces people to actually think right from the outset what sort of limit they are prepared to put on themselves. Our view is that at the end of the day if people want to get around limits or around any schemes that are devised to try and prevent people sliding into problematic behaviour, if they are determined they are probably going to end up doing that in any case and we do not believe that the precommitment or any other scheme other than them barring people

from being able to participate is likely to achieve an outcome for that cohort of the population. So we get back to this being really a consumer protection.

People will make choices but what we are hoping will happen and what we believe will occur is that people will make informed choices when they are given that option right from the outset. You are right, some people will set default limits thereafter that are much higher. Our view is that people should be required to come back to their original default limit that is preset and that they have to make choices on a regular basis about that so that they do not slide into a position that they default to almost infinity from day one and they allow that to be the default position thereafter. We have certainly heard views from the industry to say that their preference, if this is to occur, would be that once you have reset your limit that that is the limit that is set there forever. Our view is that people should be required on a periodic basis and a fairly regular basis to rethink this. The whole benefit of a precommitment scheme is that it is actually forcing people to think through their gambling behaviour in a much more conscious way.

CHAIR—Should they be able to set the limit and reset the limit at the venue or should it be somewhere away from the venue where perhaps they are in a slightly different frame of mind?

Mr Womersley—There is certainly an argument for people having distance between the activity and the decision, and I guess we would generally support that kind of position. The other thing I was thinking, Mr Wilkie, is that in fact in addition to the precommitment, going back to the question of spending, it is one of the reasons that we have argued for limiting total spend as an additional protection that might need to be put in place for people. We recognise that the precommitment system and the decision to gamble that set amount of money in the first instance is one thing but the way that the machines operate and the speed with which you can go through that money without necessarily knowing or being given immediate feedback is also an issue. So that is one of the reasons that we are also proposing limiting total spend by changing the ways that the machines actually operate as an important measure and we certainly support the Productivity Commission's conclusions around that.

CHAIR—You are obviously aware that the committee is currently inquiring into the implementation of a mandatory precommitment system, but the terms of reference for this committee more broadly are in fact to advise the parliament on the implementation of the broader Productivity Commission recommendations. So don't see what we are doing right now in the committee as the end of things, it is really the start.

One final question. Talking about the Productivity Commission, some witnesses have expressed concern at the lack of research in regard to problem gambling on poker machines in Australia. What is your assessment of the Productivity Commission's report? Does what it has to say about problem gambling ring true to you in the experience of your organisations?

Mr Schrapel—It is a pretty general question. Our view was that the Productivity Commission has got it largely right in terms of the measures that they are proposing for problems gamblers but also more broadly for consumer protection. In relation to research, I think the Productivity Commission has referenced the research in a way that is highly appropriate. I know there is always a debate about whether we have sufficient research in this area but I note as an observation that we could research this till the cows come home and still have disputes about the evidence that comes out of some of the research. I know I have seen a lot of the research

particularly from other countries, the Scandinavian countries where a fair bit has been done but their systems are much different, from Nova Scotia, for instance, that people criticise because it does not actually have the local context. I have seen others that have been done in one jurisdiction and do not take into account some of the differences across the jurisdictions in Australia.

The reality is that we introduced these machines without having a solid research basis to say that this was not going to cause harm. We have a fair bit of research evidence to suggest not only is it harmful for a proportion of the population but there are certainly measures that would help to limit that harm for certain people. I think there is sufficient evidence out there. We need to start listening it and putting it into practice.

Mr Womersley—The other observation we would make is that industry has a huge amount of information about the behaviour of the people who use its resources. That information is not necessarily at all available to any other consumer groups or groups like us, which makes it very difficult for us to make judgments about what industry does and does not know about the behaviour of the people who use its resources. We would be delighted if there was a mechanism for that information to become transparent and for industry to be pushed to reveal the information it has available to it about the behaviour of the people who use its resources.

Mr FRYDENBERG—Thank you very much for your helpful submission. I want to drill down on this recommendation where you talk about allowing no limit as an option but periodically querying the gambler. Who is the gambler in this instance in your view?

Mr Schrapel—Our response on that was that the person at the gaming machine was the person who was setting the limit. If we just run this through, there would be a predetermined limit which people would have before they start gambling the first time they start using this system. They would have the option of either accepting that limit or changing it to a limit that suits their particular circumstances. We are then suggesting that on a periodic basis they be required to rethink and reset that limit. They may set the same limit that they set the first time around. They may reflect on that and set a different limit, depending on what their experiences have been over the preceding period.

Mr FRYDENBERG—How would that take place?

Mr Schrapel—There would be a requirement, through the card they had inserted, assuming that this was a non-network system, and all of their details would be recorded on that device. They would put it in and the limit would be set at the first time but when they would go in after, for instance, a week, the next time they used it it would come back up and say, 'This is the default limit that was originally set. Do you wish to stick to this or do you wish to change it again?' On a periodic basis or on a weekly basis people would be asked to reset their limit. We do not think that is a huge imposition or would upset recreational gamblers. I know that part of the argument that has been used is that this would be too intrusive. We think it is a pretty simple device and would take only a few seconds for people to have reset their limit on a periodic basis.

Mr FRYDENBERG—I take your point that it would not be intrusive. I suppose my question is in relation to the previous evidence we have heard, that one of the major concerns people have had with a mandatory precommitment scheme is that the problem gamblers are unlikely to set an

affordable limit here. So you may prompt them as many times as you want about whether they are happy with the limit but they are going to place an unaffordable limit there and therefore we are not really going to treat their problem. How do you respond to that?

Dr Ogle—For us precommitment is not primarily about problem gambling; it is primarily about consumer information and giving people the tools to manage their behaviour. Some problem gamblers will be able to take up that tool and use it effectively but there are other things that would need to be done to address problem gambling but I do not think that sort of critique undermines the value of the precommitment system in relation to gamblers as a whole and the risk minimisation potential that precommitment has.

Mr FRYDENBERG—Okay, that is helpful. Secondly, one of the other issues is about the migration of gamblers. If you started to put mandatory precommitments around their pokie behaviour they would move to online gambling, which is an expanding area. Do you have a view on that or would you want to see some sort of equivalent system rolled out to other forms of gambling as well?

Mr Womersley—We would certainly see the relevance of a system that applied in other gambling jurisdictions. Anything that invited people to consider what they were doing in a more considered way would seem to be helpful.

Mr Schrapel—I would echo those views. The issue is we are not sure there is evidence to suggest there would be a mass migration. There are a number of options out there for gambling at the moment. We know that a high proportion of people are using EGMs as their preferred source. Unless you put such stringent controls that would impinge upon the recreational nature of gambling for most gamblers they would likely migrate to another system. Would the problem gamblers do that? Well, they have a number of options anyway. As we keep reiterating, this is not just about problem gamblers. We do not think that is a major risk by introducing a precommitment system.

Mr FRYDENBERG—In your executive summary, you referred to the importance of ensuring players' privacy. I understand you are not technical experts per se—and we have heard from various experts in the course of these hearings—but do you have any opinions you wanted to share with us about how we could go about protecting or ensuring a person's privacy given that a lot of sensitive information would be collected, perhaps on a national database?

Mr Schrapel—We are not technical experts and that is why we got cut off the phone earlier. If we are looking at the two broad options that are available, the one that would provide greatest protection, security of information and privacy for participants would be a non-network system—that is, people effectively would have that information contained in their own card or device and would carry that with them. That would mean that there were not third parties that got access to the information. The downside of that, of course, is that for research purposes we would be very limited in being able to use any of this information to ascertain what sort of impact it has had on people who gamble. Our biggest concern is that there are not third parties. Our view is that this should not be linked to any loyalty schemes within the industry—hotels, clubs and others—and that if there is a network system the only people that should have that information is probably a government authority that is able to obtain that information and that it

is not passed on to any third party whether that be for taxation, for social security or any other purposes.

Mr FRYDENBERG—Finally, given your expertise or your exposure to people with gambling addictions, we have referred to the other Productivity Commission recommendations additional to mandatory precommitment. Are any of them in particular, in your view, urgent and important? You have listed a number of them as important. Do any of them stick out to you in limiting the operating hours, the total spend, the warning signage, the ATMs and so forth?

Dr Ogle—We listed them because we think they are probably the most important of a suite of measures. I am not sure I would pick between them. EGM warning signage is quick and easy to do in a sense and the Productivity Commission highlighted that—static signs if not electronic based ones. All the different COSSs around the country have been concerned about operating hours for a long time and so that is probably still a big-ticket item for us and a long-standing concern. That is certainly one I would highlight.

Mr Schrapel—It is difficult. We have not put a weighting on these different measures. The Productivity Commission certainly highlighted one of these things and it is one of the things that we understand the government is seriously investigating—that is, the ATM machine availability in venues. Our submission proposes that we should go further than the Productivity Commission's suggestion that there should be a limit of $250 in terms of withdrawals at venues. We understand that there are probably going to be some logistical challenges to that, although we understand that it is certainly possible to calibrate the machines to ensure they can only do those $250 withdrawals. We believe it would be a better and more effective measure if in fact the machines were not available within venues at all. As I noted earlier in my introductory remarks, that is certainly the case in Tasmania and it will be the case from 2012 in Victoria. We believe that, if we are going to have some national consistency in this area, it makes sense to go down that route right across Australia and actually ban ATMs from all venues. We think that would have very little inconvenience factor for the public.

Mr FRYDENBERG—The duty of care provision was obviously looked at by the Productivity Commission. It was in their draft report but not in their final report.

Mr Womersley—We should not dismiss the duty of care provisions though on that basis. We would argue that the duty of care provisions are still a highly relevant form of support for people who are gambling, particularly people who have deeply problematic gambling behaviour. In the same way that we would argue that limiting total spend through the machines themselves remains an appropriate intervention.

Mr FRYDENBERG—Thank you very much.

Senator XENOPHON—Thank you for your submission. In your submission you made reference to having small-value prepaid cards. What do you say is an optimum value for those prepaid cards for casual or very recreational gamblers?

Mr Schrapel—I do not know if we have really given too much thought to what those limits should be. We believe that, if the system is going to be effective, we should actually try to restrict access for people being able to opt out of the system or operate around the edges of the

system and therefore that those limits should be pretty small in the main. In a sense, if you actually provide too many provisos for people to opt out then you undermine the system itself. We could make up a figure right here and now but I do not know if it would be a particularly well-researched or thought through figure. There are two principles here: keep that figure small and keep the exceptions that are allowed for people to opt of the system to an absolute minimum.

Senator XENOPHON—That is consistent with what Professor Malcolm Battersby from Flinders University said earlier today in his evidence. Can I put to you an alternative scenario. In Norway there is a limit and, depending on what the exchange rate is, it is about $80 a day and $500 a month that you can lose in total on poker machines. That is simple in that people just get a card or a chip that has the stored value so it is unlikely that people will want to swap their cards around. Could you see that working as an alternative system on the basis that, if somebody really wanted to gamble more, they could always make a special application to do so? There is a controlled experiment in that Norway, with 8 or 10 million people, has that approach.

Mr Womersley—We probably would like a little bit more time to consider that option before giving a really thoughtful response.

Mr Schrapel—I have now considered it! I think it certainly has some merit. It would actually change the dynamics of gambling on EGMs substantially if we went with that system. I think we acknowledged that Norway's history is quite a bit different. I understand they actually had them banned for a period of time and then reintroduced the gaming machines over a period too. They have actually had a history of much more substantial controls over gambling on EGMs.

That would certainly take it to a new level. People who have real problems with gambling would find ways of getting around it and I am sure there would be trading in cards and the like and that is the argument that would come back. But for the majority of people who might experience problems it would certainly limit the damage in terms of the amount of money that they could spend on gambling activities. It would substantially change the way gambling is undertaken in Australia if something like that were introduced. It is at the higher end of the harm minimisation range of measures that could be undertaken, so it certainly has some merit.

Senator XENOPHON—You may want to take this on notice. For the organisations that SACOSS represents, this is seen as a submission, generally, for the Council of Social Services network, is not it?

Mr Womersley—Yes, right across Australia.

Senator XENOPHON—Your constituent organisations—VCOSS, QCOSS, TasCOSS and the like—see a number of people who have a significant problem with gambling. Could you provide further information on the extent of the problem, through the stories you are told by people who have fallen on hard times and who directly attribute their problem to poker machines? Again, please take this on notice.

Mr Womersley—Yes, we would be happy to follow that up and provide some more information. We certainly cannot give it to you off the top of our heads. However, there is absolutely no doubt that our member organisations and other community service organisations talk with great passion and disappointment, I suppose, at the circumstances of a number of

people that they continue to meet on a daily and weekly basis who have really struggled around their addiction to playing the pokies.

Senator XENOPHON—New South Wales is probably the worst example because pokies have been around for many years, but in those states and territories where pokies are relatively recent—I think it was July 1994 for South Australia, a bit earlier in Victoria and in Western Australia you do not have any apart from the casino—it would be useful to know whether there was any spike noticed in people seeking help or whether issues of hardship were raised with constituent organisations once pokies were introduced widely into the community?

Mr Schrapel—We would have lots of anecdotal evidence. I think the problem was that we did not research it right from the outset—we are talking 17 years ago that we had the introduction of pokies to South Australia. As someone that has worked in this industry for all of that time—and longer—I can certainly recount that there was a spike at the time they were introduced. The important thing is that it is not just in those services established to help problem gamblers, it impacts upon those services where housing and accommodation is the primary issue or poverty and finance is the primary issue or mental health and relationships is the primary issue. It actually pops its ugly head up in a whole number of domains. The problem is that it is largely anecdotal, rather than an evidence base that has been collected routinely across the industry since its inception.

Senator XENOPHON—It is also an issue that it is under reported. A lot of people feel shame, unfortunately, in talking about their gambling problems. Is that another factor you have, that sometimes when people seek help from an agency they often will not give the reason why?

Mr Womersley—That is absolutely true. I was having a conversation this morning with some people that are involved in financial counselling services and they reported that it was not uncommon for them to be three, four or five counselling sessions in—talking to someone they are supporting around their financial arrangements—and it is only then that people reveal they might have major issues around gambling influencing their circumstances. So I suppose we would certainly concur with that.

The other thing I was going to add is the issue of keeping tabs on what has been happening. The COSS network has never been resourced in a way that has enabled us to keep tabs on some of these activities, whether at a practical, implementation end of the spectrum or at a policy end of the spectrum.

In contrast, we recognise that the industry has huge resources that it throws at these kinds of issues in terms of defending industry's interests. We would argue that it would be entirely appropriate for there to be a much stronger investment in consumer protection and some work at the consumer side of this equation.

Senator XENOPHON—Thank you.

CHAIR—If there are no further questions, do any of the witnesses have any closing comments they would like to make?

Mr Schrapel—No, I do not think we have other than to reiterate the point that we made at the beginning. It is important that some decisions, in our view, get made in relation to the form of a precommitment scheme quickly and that they can actually be implemented soon, primarily because the benefits we think that will accrue from that are substantial and also because it would get rid of some of the scaremongering that has been occurring from the industry about the excessive costs and it does provide industry with some certainty about where we are heading in terms of the type of precommitment that is going to be introduced.

CHAIR—Noted. Mr Schrapel, Mr Womersley, Dr Ogle—talking to all these empty chairs is like a scene out of *Yes Minister*—and Ms Connolly thank you very, very much. You have brought a very important perspective to this and we are very grateful for the time all four of you have taken so thank you.

[4.36 pm]

PUPLICK, Mr Christopher John Guelph, AM, Chair, Convenience Advertising Pty Ltd

STANLEY, Mr David Alexander, Chief Executive Officer, Convenience Advertising Pty Ltd

CHAIR—Welcome. Gentlemen, I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Puplick—Thank you. There are two very brief corrections to the document. The first is on page 8 in the third paragraph. The start of the second sentence should read, 'During a two-year period of the campaign'. That reference is to a two-year period, not to the entire campaign, which lasted over 12 years. The second correction is on page 14. The start of the second sentence in the fourth paragraph should read, 'Most Australians either do not gamble or when they do'.

Thank you very much, Chair, and members of the committee for allowing us to appear at the end of this exhaustive process. Very briefly, what we find particularly interesting about the Productivity Commission's report is that it is one of the few reports that, when dealing with a major issue that is both an economic issue but also in many respects a public health issue, actually contains a chapter dealing with the question of advertising and the question of how in fact you adapt what has already been proven to be successful advertising in other public health areas, such as sexual health, fitness and a whole range of other matters. It actually addresses for the first time an approach that says, 'Regardless of what you do about the structure of the gaming industry or precommitment or anything else, if there are going to be gaming venues and if gaming is going to be lawful, however it is regulated, steps should be taken to use the best examples from public health to minimise the negative consequences that gambling has for a small number of people who participate and develop an addiction or a problem related to it.'

We were motivated in putting to the committee a submission to draw your attention to the fact that, as the Productivity Commission report indicates, there is a long history of very successful advertising interventions based upon best public health practice. We would hope that, with the broad terms of reference being to look at the whole of the Productivity Commission's report, the committee would also turn its attention to the importance of making recommendations which go to addressing those very specific issues.

We have tried in our submission, and I will ask Mr Stanley to say a few words, to draw your attention to what we believe are effective types of intervention. They are even given far greater weight by an article which appeared in this morning's *Age* newspaper drawing attention to the extent to which staff in gaming venues find it difficult to approach people and talk to them about problems which they see they are encountering in those venues. This has been addressed very successfully in campaigns for example in educating bar staff about drinking problems and drink spiking problems and has yielded very considerable positive results. That is the basis of the submission we wanted to make to you. I would be grateful if Mr Stanley could just add a few words.

Mr Stanley—I want to take a more micro-approach. There is enough research that talks about the issue of denial. I heard in the previous submission that this is a topic of concern. The idea of putting a safety net around these venues and delivering a message that might be taken on board in a private setting, in a one-on-one setting not only addresses the tenets of good public health practice and the Ottawa Charter it also gives rise to significant others, friends et cetera. The idea of a safety net where the messages might be delivered in a close, if you like, locus of engagement or locus of risk has been proven in this country.

In Australia we have been leaders in our response to HIV-AIDS bringing transmission rates from something like 3,600 down to a targeted 600 by 2000. I think we achieved 690 over a 12-year journey. In Victoria with the road toll running at a 1034 plus 25 years ago we brought it down to below 300. Narrowcasting plays its role in that range of issues. Of course it is the message delivery which is the narrowcasting aspect but then there is the message design.

I would urge the committee to consider the tenets of the Ottawa Charter in the way in which the construct of these messages might be designed. Put simply, this is about targeting behaviours not people, being gender sensitive, and as Chris mentioned in his submission, looking to put guidelines and assistance in place for those staff. This is an area similar to bars et cetera where you have a high turnover of people. You might do some training but it is important to have some level of guidelines. We need to use words and images that are directly relevant so, if we are using the affected and effected communities in the development of those messages, their language will be included and those messages will resonate with that percentage of people that have problems.

Finally, having a situation where there might be a regular change in the addressing of the messages, so it would be not an intervention that might have a wonderful launch and a wonderful short period. When you look at chapter 8, volume 1 of the Productivity Commission inquiry report ,the Victorian experience, which we have been involved in, is, in my view, best practice in terms of looking at events, timings, gender, geography—rural, remote and urban—and then picking up the issues of people from non-English-speaking backgrounds. Thank you.

CHAIR—I will start with an observation, I suppose, more than a question. I am very interested in what you have to say, although less about a very targeted campaign to address problem gamblers and probably more broadly about selling mandatory precommitment to the community. We have received some evidence from some witnesses that there may be a certain public reluctance to embrace mandatory precommitment. Some witnesses have been quite strident in this regard, saying that some people will never sign up to it. Would you mind offering an observation about the broader need for a public information campaign and where your type of work might fit in.

Mr Stanley—It is my view that narrowcasting would not lend itself to that type of a campaign. There are other mediums and broadcasting mediums that are better able to do that. This narrowcast medium is an adept and useful tool in dealing with denial and gender and in bringing a safety net right up close to where those behaviours are taking place.

CHAIR—Why did the broader public information campaign on the HIV-AIDS program eventually run out of steam?

Mr Stanley—It put out a proposition that, in some respects, would let everybody know about something that was new in society—a new viral threat to the whole of humanity. In doing that it created quite a lot of unintended consequences which were quite difficult to manage from the communication point of view. What narrowcasting did as time developed was allow messages to be delivered using the affected and effected communities in the development that were relevant to the various subgroups, such as injecting drug users, prisoners and backpackers visiting far northern Australia from high prevalence countries, and, then, it looked at university students et cetera. Whilst the issue was the same, the way in which those messages were developed was vastly different. The language used and the message given were quite different from the gender point of view, and that sits on the record. So, whilst it was a large and wide response, it was really a series of campaigns that were running, targeting different audiences and really drilling down deeply into those audiences' beliefs, languages and, indeed, the behaviours that were being sought to be changed.

Mr Puplick—I do not think it would be fair to characterise the HIV campaign in the sense of having run out of steam. I recall my earlier incarnation as one of the original members of the parliamentary liaison committee on AIDS, when Dr Blewett was minister. We sat around as a parliamentary committee and looked at the Grim Reaper campaign and the Beds and Feet campaign, as it relates to your previous question. It was decided quite strategically that, in order to create a public environment in which we could eventually move to very specific targeted campaigns, which in fact were going to be expensive and which in their imagery and their language were going to be confronting and shocking to quite a large number of people, it was necessary first to create public awareness that there was a problem, and the public awareness was that HIV was something new, that there was no cure for it and that we were not entirely sure how many people in the community were at risk because there were still questions, for example, about spitting and sharing of utensils—about the methods of transmission.

So the early HIV campaigns were designed to say to people: 'Here is a problem. It is new. We don't have all the answers and getting to those answers is going to be expensive and confronting.' Once that sensitisation had occurred and it was no longer regarded as necessary to imply that small children, elderly people and others were at risk that allowed the campaigns which then came through the Australian National Council on AIDS and Related Diseases—that was the next body I was on; I was ANCARD's chairman—to deal specifically with the behaviours, to talk to gay men, to talk to injecting drug users and to talk to sex workers and in fact use narrowcasting to drill down on that. So that HIV campaign was in fact a broad based campaign to legitimise the subsequent narrowcast campaigns which targeted particular groups of people for information and particular types of behaviour for attempted change. That was the structure of that campaign.

Mr FRYDENBERG—Thank you very much for a very useful submission. I want to go back to the first question the chair asked, which was whether you would be in a position to add value, for example, to sell a mandatory precommitment scheme. It surprised me that you said you would not be able to, because, if you think of narrowcasting in terms of the target audience, it might be the recreational gambler, for example, that is the target audience here and you could construct—

CHAIR—Or even an ethnic group. We have received some evidence about that.

Mr FRYDENBERG—I would like you to think about that in more detail. You obviously have particular skills here and, more to the point, experience in the area of gambling analysis. It would be very useful for us and for you to consider that.

Mr Puplick—Thank you. I was just reflecting on this in relation to some questions that you asked the South Australian witnesses. One area, for example, in which a narrowcast campaign would have some impact would be in addressing specific issues like: how is your privacy protected? In other words, the issue you that raised very centrally about: 'I'm inclined to go along with this system, but I am not altogether sure that I understand all the ramifications and I am really worried about the privacy of it,' is something through narrowcasting you could certainly address in the venues. The messages would say 'Precommitment: your questions and answers', 'Precommitment and privacy', 'Precommitment and telling your friends', 'Precommitment and how to recognise problems'. Those things certainly could be addressed in the narrowcast environment. I think what Mr Stanley was saying was that building a large public campaign in the way the large public campaign about HIV was built would require an advertising strategy which was somewhat different.

Mr FRYDENBERG—Yes. Looking at your submission, I see most of your work has been for either Commonwealth or state governments; is that correct?

Mr Stanley—It is actually 10 or 12 countries around the world over 27 years in that public health area. It would be federal, state and local government and then the likes of VicHealth and other organisations that are chartered with that. That is our main body of experience.

Mr FRYDENBERG—I ask that because obviously we want the industry to be very conscious of its responsibilities too. I think that would also be a target audience for you in that you need to work in that area.

Mr Stanley—Yes, it is a good question and I guess really the role of our organisation is also in the advocacy area. Whether it be HIV-AIDS or this issue, an important role for us is to work with the venue set and bring the venues along. When you look at the work that is being done in this particular area—some excellent and then some not done at all—that advocacy is an important part of bringing the campaign along. They are the gatekeepers—at a national head office level, all the way down to a regional level, all the way down to a particular local government area—and they need to be linked with service providers et cetera. The structure that we have built goes beyond just the messaging, it deals with a longitudinal message program that might have some real value rather than something that might dissipate over time and, under the principles of the Ottawa Charter, it brings all of those stakeholders along with the campaign and then reports back in quite a comprehensive way, not just on the distribution of cards but also on what those stakeholders might have to offer. Some of them bring value to the campaign, but obviously if it is delivered electronically or in other forms it is not even a voice for them to give their thoughts.

Mr Puplick—It is also the difference between an industry which takes the view that they will do the least that they can get away with compared with a public health authority which is determined to get the most that it can achieve. That is a difference.

Mr Stanley—Therein is the tension that I speak to in the advocacy role. I think of early days of HIV when people would say to us, 'We are the antithesis of what you are saying when you bring these messages to this nightclub and these venues; we really do not want them to be here,' but to advocate those messages as giving them a sustained business model or, indeed as in Thailand under a bilateral agreement with the government, bringing some of the government officials along with the process and the importance of putting an appropriate safety net in.

Mr FRYDENBERG—I have one question to be put on notice on the point about previous evaluation that you cited where the greatest impact was among males. Do you have any evidence from the gambling experience that you have that pertains either to genders or particular cultural groups? Have you have noticed greater sensitivities or greater awareness and things that we should be bearing in mind as we go forward?

Mr Stanley—Absolutely, that is the whole thing of narrowcasting. When you talk about looking at demography, geography, remote communities, rural communities and the sorts of accesses, they are all of the things that are embodied in the principles of the Ottawa Charter where the affected and effected communities are used in the development of the message. It is just an underlying principle. Once you move into the broadcasting model, if you are talking about a safety net, it becomes homogenised and you then have a dissipation of effect.

Gender is critical. I am not going to take you through the research—there are better experts that have appeared before this committee, Professor Blaszczynski and others, that talk to the different motivations. The gender issue is absolutely critical and demography is absolutely important in a society like we have here in Australia.

Mr Puplick—We are happy to provide copies of the evaluations if they would be of any assistance to you.

Mr FRYDENBERG—That would be helpful. Have you had any experience in Indigenous communities?

Mr Stanley—Absolutely.

Mr FRYDENBERG—The sensitivity around those communities has come up a number of times, so any information you have on experience in those communities would be useful. Thank you.

Senator BACK—I am sorry I came in late, but I am between two hearings. I think I heard you say with regard to the grim reaper ads that there was a need to prime the community before you proceeded with those advertisements. In the event of this issue associated with problem gambling, do you believe at this moment that the wider community believes there is a serious problem with problem gambling in Australia on the scale of HIV-AIDS or its equivalent?

Mr Puplick—I do not believe that the Australian community as a whole understands the dimension of the problem. With HIV, eventually the messages were that there were certain types of sexual behaviour and certain types of drug-using behaviour which were the causes of HIV infection, and people were able to stand back and say: 'That doesn't relate to me. I don't do that and I don't know anybody who does that.' But people who are in the office sweep for the

Melbourne Cup or who buy a scratchie or who give somebody a lottery ticket as a present may not in any sense regard themselves as actually being involved in a gambling activity in doing that. I do not think that people in the community understand the dimension of the problem that the Productivity Commission has outlined. I always remember hearing an interview with somebody who said that gambling is simply a tax on the mathematically illiterate. If that were understood, then there would be a wider appreciation that there are within that community a small group of people who have particular problems and who have, effectively, an addictive problem.' I think that, for anything that is going to change behaviour as a whole, it is going to be necessary for the wider community to have more information presented to it about the dimension of the problem, otherwise there will be resistance to spending public money on addressing the problem.

Senator BACK—In the event that a compulsory precommitment system came in nationally, with all of the associated media and advertisements and conjecture and discussion that would follow, if there were not an equivalent public education, public engagement, public advertisement process, using HIV-AIDS as the original model, do you fear or are you of the view that there could be a strongly negative reaction, in the sense that the person you speak of that puts a bet on the cup on the first Tuesday in November or buys a lotto ticket would not actually see themselves as being a problem gambler? Is there the possibility or the likelihood that just the introduction of this, without an accompanying advertising program to highlight and to alert the community to gambling as a problem, might in fact backfire?

Mr Puplick—I think there is a very high probability, not the least reason being that, even if you did nothing, there would be an investment by those interests who are opposed to any such scheme to portray this as all part of the increasing nanny state approach, all part of the unnecessary interference with our constitutional, God-given right to waste our money in whichever way we see appropriate. So there will certainly be a negative campaign, whether that is actually a funded campaign on the part of the vested interests or whether it is a political or editorial campaign from people with a particular ideological point of view. But, more generally, I do not believe that any government program has ever been effective without there being resources committed to explaining to people what it is that the government is attempting to achieve.

Senator BACK—I want to go to the pictures you have shown us there from a toilet wall: 'I'll pay the bills next month. Wanna bet?' and 'I'll be home in time for the kids' concert. Wanna bet?' This morning Professor Battersby from South Australia gave us evidence that people who are affected with mental health problems and Aboriginals as a group—and he also made reference to some ethnic groups—seem to be disproportionately represented in the problem gambler group that seek assistance from his clinics. I asked him whether people within those same groups are more likely to be people receiving social security benefits in Australia. Without being able to answer the question, he pointed us to some sources that we might be able to find out from. My reason for asking him that question was this: in their more rational moments, problem gamblers would be concerned about the wellbeing of their family members, paying the rent, making sure there is food for the children et cetera; it is when they get into the zone, as has been put to us by an ex-problem gambler, that they lose that degree of sanity. That then begs the next question: would those people be better positioned to actually be in some form of income management, which we already have in place in the social security system anyhow, so that at least they and their family and others would be assured that those necessary expenditures, for

which the Australian taxpayer makes social security benefits available, actually will be met? I am not suggesting this is a process for preventing problem gambling or maybe even one for minimising it, but at least the risk and the harm they do could be minimised. From your experience, can you comment on that?

Mr Stanley—To be frank with you, the campaigns that have gone across the states and territories have not had any federal leadership, and I commend this committee for the work it is doing—unlike HIV-AIDS, where federal leadership really picked up from a campaignable situation. The message you are referring to is a message that probably would alienate people—people would reject that as a concept and it would feed almost into a denial process. If you look across the states and territories, there has not been best practice applied to the content and campaigns. I make that comment because you have raised that image. I do not believe the content of it is campaignable material that fits within the Ottawa charter principles of the affected and effected community.

As to the broader question, which is not really our area of expertise but I have qualifications in that drug and alcohol area, my understanding is that if you have an addiction to alcohol or an addiction to drugs you go through one, two, three, four, five steps and you achieve a certain outcome, but people in the treatment sector tell me that, with gambling, randomised gratification makes it a very difficult area to manage. Hence the idea of an intervention of that level for a certain section of that population is highly appropriate, when there are five to 10 other people being affected.

Senator BILYK—Is the campaign you are talking about aimed at stopping people becoming problem gamblers or is it aimed at people who are already problem gamblers or is it aimed at people who are recreational gamblers but you just want to draw attention to the fact that there is potential there for anybody to become a problem gambler?

Mr Puplick—That is really a question of responding to the brief that is given. The technique can be used for any of those. For example, in the work that we do in relation to things like road safety, the focus there is on preventing something from happening in the first instance. The work that we do with injecting drug users or with men who have sex with men is very much related to if you think you are having a particular problem then these are the ways in which you should get information; these are the sources of information.

We are currently in discussions with the Australian National Council on Drugs on the question of what sort of campaign would be effective for people who are functional drug users—that is to say they go out, they party at the weekend and they take recreational drugs but they turn up for work on Monday and nobody knows that they are using drugs. So the answer to your question is that narrowcasting is an effective way of getting a message to a particular target group in relation to particular behaviours. If the brief is a preventive brief then you approach it one way, if the brief is in fact an information-sharing brief then you approach it a different way and, if the brief is simply to sensitise family, friends and support networks, again you would do it differently. So it depends very much what the brief is.

Mr Stanley—Coming to the technique, just to footnote Chris if I could, it is bringing messaging right up to where there is a close temporal link between the behaviour and the influence or the information that you are trying to bring. So, from a technical point of view, what

we are saying is that perhaps that expensive ad on a Monday night about drink-driving that an 18-year-old might see might not be as useful as a message in a bathroom which his girlfriend might see on a Friday night when they are drinking and which leverages her not to be the passenger of a drink driver. It is that temporal link and, as Chris well pointed out, it depends whether the brief is looking for preventative information.

We are suggesting subtly in our submission that there is a need for a national safety network. There are a whole lot of low-hanging fruit issues that have been picked up by some states and territories and completely missed by others that could assist those families and communities that suffer as a result of problem gambling.

Senator BILYK—What do you see as the role of staff in venues?

Mr Stanley—I believe they are assets. I believe that there are three stakeholders on the venue floor: there are staff and there are male and female gamblers. Those three should have a pretty clear understanding of what a problem gambler is, what constitutes someone in difficulty and where you might put them in that local community—how you might assist them, even if it is as simple as handing someone a card. That article that appeared today showed that nearly half of management had issues and 66 per cent of staff had issues. Staff have a very important role to play. It would come out in a communications group as to what that might be, but they are on the floor. They have their own unique role.

Senator BILYK—I wondered if some of those issues might be that staff have not been trained, because with responsible service of alcohol you actually have to undergo a training process. It obviously makes you feel a bit more confident after you have gone through that training, whereas I do not know that that happens for staff dealing with people gambling.

Mr Stanley—Notwithstanding the responsible service of alcohol training, with respect, we still suffer in our cities from—

Senator BILYK—Yes, I did not say it was foolproof. I just said I think it gives people a bit more confidence.

Mr Stanley—I wonder whether training is the solution when you have a high turnover of people coming in and out of a particular area. I wonder whether or not that is too costly an impost, whereas four or five simple guidelines might be useful.

Mr Puplick—There was some interesting information when we were involved with the Attorney-General's department in their campaign about drink spiking. The important thing there was in fact to educate staff about how they recognised other people being either the victims of drink spiking or the perpetrators. They were effectively educated to alert their management, to say: 'Look, something is going on here. You need to intervene.' It is not for them as staff members, but they have seen and recognised that there is a problem here in relation to drink-spiking behaviour. They report that to management, who take the duty of care responsibility seriously and then intervene either to assist the victim or to deal with the perpetrator.

Mr Stanley—A footnote on that by way of outcome: the idea was to shorten the amount of time that a victim of drink spiking would present at the police, and independent research done in

Western Australia showed that that was reduced significantly. There were other aspects to it, but that was an important role the staff could play in that setting.

Senator XENOPHON—I do not know whether you are familiar with Malcolm Gladwell's book *The Tipping Point*?

Mr Puplick—Yes.

Senator XENOPHON—To put it in a nutshell: this is the sort of thing that Gladwell talks about; he talks about the stickiness factor in terms of dealing with social issues; trying to get the message to stick in a way that is effective to deliver an outcome.

Mr Puplick—It is absolutely that. I also very much recall a book—I forget the name of the author—about the 'long tail effect'. In many of these instances you do not in fact see an immediate response to a campaign but over a period of time things become taken on board by a sufficiently large number of people that it starts to become a well appreciated issue in the back of the mind which then from time to time something else triggers and a response occurs as a result of that. All the evaluations show that you do not get a series of instant results; you get a spike at the beginning of the campaign but then you do get a long tail which over a period of time becomes normative in a way that is actually very helpful for public health campaigns in general.

Senator XENOPHON—Chris Anderson was the author.

Mr Puplick—Thank you.

Mr Stanley—Just footnoting Chris on that point: the other issue as it relates to this problem is the role that alcohol might play with problem gamblers. The idea that someone might be in a venue longer would see the messages more and the idea that someone might have an alcohol problem will see the message more often will lead to that stickability. You are really trying to, if you like, let the happy gamers get on with their activity but be very relevant. There are very easy research techniques that are employed to make sure that those messages and those campaigns resonate with the people you want them to rather than the unintended audience.

Senator XENOPHON—Thank you.

CHAIR—Thank you very much for that. I think we all found it very helpful. In particular, it reminded us all as we go about developing advice for the parliament about the implementation of a mandatory precommitment system that an essential part of implementing it will be an innovative public information campaign. You have said some things today that have really resonated with me. We heard evidence about needing to really target very carefully some cultural groups and ethnic groups, and you mentioned mental health. It cannot be just one big thing. Of course, the government at the end of the day will have their marketing experts put together a great public information campaign. I think it is important for us to roll this into our advice to the parliament. Thank you very much.

Mr Puplick—Thank you.

CHAIR—I thank all witnesses for their evidence and all observers for their interest in the committee's work.

Committee adjourned at 5.19 pm