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JOINT SELECT COMMITTEE ON GAMBLING REFORM

Reference: Precommitment schemes

TUESDAY, 15 FEBRUARY 2011

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JOINT SELECT COMMITTEE ON

GAMBLING REFORM

Tuesday, 15 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: Senator Xenophon and Mr Champion, Mr Ciobo, Mr Frydenberg, Mr Stephen Jones and Mr Wilkie

Terms of reference for the inquiry:

To inquire into and report on:

the design and implementation of a best practice full precommitment scheme that is uniform across all states and territories and machines — consistent with the recommendations and findings of the Productivity Commission.

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Committee met at 9.01 am

CHAIR (**Mr Wilkie**)—Good morning, everyone. 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 will hold 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 them 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 a committee, and such action may be treated as a contempt. It is also a contempt to give false or misleading evidence to a 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 this. Before we begin, I ask participants to switch their mobile phones off or to silent.

[9.03 am]

CROWE, Mr Desmond John, National Chief Executive Officer, Australian Hotels Association

HORNE, Mr Ian Philip, General Manager, Australian Hotels Association; and Chief Executive Officer, Australian Hotels Association (South Australia)

WHELAN, Mr John, Director of Responsible Gambling, Australian Hotels Association

CHAIR—I welcome our first witnesses, from the Australian Hotels Association. I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Crowe—Initially, can I thank Lyn Beverly, the secretary of the joint select committee, for assisting us in our preparation for today and organising our attendance, and also Katie Bird, who was able to assist us in finding the chamber! I appreciate that assistance from the secretariat.

Thanks for the invitation to address the committee today. I am here in the capacity of representing the national Australian Hotels Association. Our national executive has effectively gone through the issues in terms of the presentation to this committee, and it has not necessarily been an easy task because of the different jurisdictions in terms of the branches of the Australian Hotels Association. So the presentation today is the position of the national Australian Hotels Association. The committee may be aware of other submissions that a branch or branches of the Australian Hotels Association might have made to this committee relevant to their particular jurisdiction. I will not be making any comments with respect to those submissions; I will be presenting just the national position.

In Australia, there are currently around 5,500 hotels, with approximately 3,400 of these hotels operating gaming machines. While gambling and gaming machines are important to the profitability and survival of the hotel industry, there is certainly more to the Australian hotels than gambling, with the Australian Bureau of Statistics reporting that, in hotels operating gambling facilities, around 70 per cent of income was generated by food and beverage sales—sales unrelated to gambling.

In 2009, PricewaterhouseCoopers completed a comprehensive review of the Australian hotel industry. This review included a survey of 607 metropolitan hotels and 470 regional hotels. The study found that Australian hotels employ 188,000 staff and we spend about \$72 million training them. The hotel sector generates a substantial net benefit to the economy, with total spending in hotels estimated to be \$12 billion to \$13 billion per annum. In the absence of the hotel sector, Australian household consumption would contract by an estimated \$3.5 billion.

In terms of support, each year Australian hotels give \$75 million to community and sporting organisations. Each year, Australian hotels provide support to 20,000 sporting teams and 32,000 community, health and education organisations. We also host 123,000 local sporting and community meetings in our hotels annually.

In terms of live music, it might be of interest to the committee to know that, within the Australian hotels, we host 250,000 live music performances each year. An interesting fact in relation to that live music is that hotels with gaming machines are twice as likely to host live music as those without gaming.

With regard to the agreement between Mr Wilkie and the Prime Minister, it is important for the committee to recognise that the way forward that was signed off is not the way forward recommended by the Productivity Commission. The Productivity Commission recommended a precommitment system that commences in 2016, with exemptions for small hotels until 2018. The Productivity Commission did not recommend Mr Wilkie's 2014 starting date. In addition, the Productivity Commission's 2016 start date was subject to much further work, including (1) initial development, (2) trialling and (3) compatible monitoring systems. I will highlight that point again: in terms of implementing precommitment schemes, the Productivity Commission recognises that Australia is not even at the initial development stage.

In terms of responsible gambling, the AHA believe the government's focus should be on education, information and prevention rather than on a mechanism that will still allow problem gamblers to play gaming machines. Under the solution signed off by Mr Wilkie and the Prime Minister, a problem gambler will still be able to play a gaming machine with no loss limit. Problem gamblers would also still be able to gamble without restriction at the casino card table or the TAB, for instance, or online, where credit card bets are permitted.

The Australian Hotels Association is a member of the government's Ministerial Expert Advisory Group on Gambling. In December the group invited an expert to provide advice on what is technically possible in the Australian gaming market. The expert, Mr John Duffy, advised that the current gaming machine replacement cycle across Australia is 14 years. Mr Duffy also identified that substantial work needs to be done prior to the introduction of a new national precommitment system, including software design and implementation, hardware design and implementation, creating a national database of registered players to make sure people do not register more than once and also to allow the replacement of lost or stolen devices, whether that be a card or USB, and the integration of nine different gaming machine protocols around Australia.

In summary, the Ministerial Expert Advisory Group on Gambling was advised that the full precommitment solution signed off in the Wilkie-Gillard agreement will require 25 per cent of Australia's electronic gaming machines to have a software upgrade costing around \$3,000 to \$4,000 per machine, 25 per cent of Australia's electronic gaming machines to have a software and hardware upgrade costing around \$9,000 to \$12,000 per machine and 50 per cent of Australia's electronic gaming machines to be replaced at a cost between \$18,000 to \$25,000 per electronic gaming machine. Therefore the AHA strongly believes it is not appropriate to rush through this new technology without extensive research and trialling, particularly when implementation cost estimates range from \$2.5 billion to \$5 billion.

The committee should be aware that around half of Australia's hotels with gaming machines are located in country and regional areas. In fact almost a third of all Australian hotels with gaming machines are located in country and regional New South Wales. These smaller venues typically have older gaming machines, of which the bottom 50 per cent will need to be replaced at up to \$25,000 per machine. We would say they simply do not have a spare \$300,000 to replace

their 12 electronic gaming machines. PricewaterhouseCoopers found that, if mandatory precommitment is introduced, 89 per cent of hotels will be forced to cut staff while 81 per cent will be forced to reduce community support.

The Australian Hotels Association is also strongly of the belief that Australians do not think poker machine players should be required to have a licence to gamble. They do not want big brother monitoring their gambling via an Australia card or a fingerprint scanner. The AHA has real concerns over the security of the data collected. The AHA believes that hardline gaming machine restrictions will only drive gamblers to other forms of gambling such as the horses, sport or online casinos. In relation to the online casinos, this is a genuine area of Commonwealth responsibility.

In terms of ATM restrictions, the most significant impact of limiting ATM withdrawals will be on food and beverage sales. As mentioned earlier, the ABS found that 70 per cent of hotel income generated is from food and beverage sales.

Mr STEPHEN JONES—Sorry to interrupt, Mr Crowe. When was that study done?

Mr Crowe—That was in 2004-05. I can pass the ABS information through to you.

Mr STEPHEN JONES—Thank you.

Mr Crowe—I mentioned that 70 per cent of hotel income is generated from food and beverage sales. Limiting ATM withdrawals will not reduce problem gambling. A problem gambler would still be able to withdraw large cash amounts from ATMs located outside the venue and use their credit card to do so. The Australian Hotels Association was pleased the Productivity Commission saw merit in the hotel industry's ATM self-exclusion proposal and suggested governments could consider exempting venues with self-regulatory mechanisms that restrict ATM access. We find it disappointing that this has not been recognised in the Wilkie-Gillard agreement.

In summary, this is an inquiry into and a report on the *Productivity Commission report into gambling* released in June 2010, including a national response to the full set of its recommendations. The Australian Hotels Association submits that the Wilkie-Gillard agreement is inconsistent with the recommendations of the Productivity Commission report. The Australian Hotels Association submits that the Wilkie-Gillard agreement fails on its time frame of implementation and on the cost of implementation. These are quite separate issues from the economic impact on the hotel business.

Upon finalisation of the proposed legislation, the Australian Hotels Association will file a further submission on the regulatory impact on our business. The Australian Hotels Association sees the input of the state and territory jurisdictions as paramount to the solution to the introduction of precommitment schemes appropriate to each jurisdiction.

That concludes the initial presentation of the Australian Hotels Association. I introduced John Whelan previously. John has been the architect of the paper that was submitted to this committee and has also been working with the national executive subcommittee dealing with that particular presentation. John is here to field any questions in relation to that. I also previously introduced

Ian Horne. Ian is here today, not only in his capacity as having a very good understanding of the South Australian precommitment trials but also for his understanding of related works in Norway and Nova Scotia that may be of interest to this committee. Both these gentlemen will assist with answering questions that you may have on the presentation.

CHAIR—Thank you, Mr Crowe. I am very grateful for that opening statement.

Mr FRYDENBERG—Thank you very much, gentlemen, for your submission. It raises a number of important issues that we are considering in relation to personal responsibility, privacy, cost and the like. You have said that the average number of machines in the hotels in South Australia and New South Wales is around 20. Do you have the figures for the other states as well?

Mr Whelan—I will just have a look at our submission. I think that nationally the average number of machines in hotels is 20.

Mr FRYDENBERG—Taking you to page 5 of your submission, in South Australia—

Mr Whelan—One of the difficulties we have is obtaining information from all the jurisdictions on the number of machines in each venue. I am not sure whether you have been more successful than we have in getting a breakdown of the number of machines in hotels across Australia, but that is certainly something that we have found difficult. Some jurisdictions are very good—you can obtain that information very easily—but others are a lot more difficult.

Mr FRYDENBERG—Maybe we can just take that on notice. It seems we have got the data from New South Wales and South Australia, but it would be helpful if you were able to get further data from the other states.

Mr Horne—Might I add some further clarity. Because of jurisdictional differences, Queensland, New South Wales, South Australia and Tasmania—although different models—have a maximum number of machines of up to 40. Victoria, however, distorts that because Victorian hotels and clubs are allowed to have a maximum of 105. The types of venues in Victoria specifically are much bigger. I would suggest from my own experience that in the other four states the figures equally reflect the number of machines in hotels in Queensland, as opposed to in clubs. Clubs have a maximum number of machines of 250, whereas in Queensland it is only 40.

Mr FRYDENBERG—Point taken. But just for clarity—

Mr Whelan—As I initially indicated, if you look at the bottom of page 4 of the submission you will see that according to the Productivity Commission there are 69,000 gaming machines operating in hotels and there are 3,448 hotels with gaming machines. That means that there is an average of 20 gaming machines across Australia.

Mr FRYDENBERG—But if there was a state breakdown is my point.

Mr Crowe—We are happy to provide further information.

Mr FRYDENBERG—Can I take you to page 6 of your submission, to the PricewaterhouseCoopers chart. Can you just take us through that—that is, the impact on your hotels of what you believe is a mandatory precommitment system?

Mr Whelan—In the lead-up to the Productivity Commission inquiry into gambling in Australia in 2009, we commissioned PricewaterhouseCoopers not only to undertake a comprehensive review of gambling in the Australian hotel industry but also to look at hotels that did not operate gaming machines. As Des mentioned in his opening statement, there were some 600 metropolitan hotels and around 470 country hotels surveyed. Precommitment was obviously an issue at the time and we had PricewaterhouseCoopers survey all the hotels for their expected impact of a mandatory precommitment system on things such as food prices, staff numbers, community support and so on.

Mr FRYDENBERG—What about closures? Do you have information on the number that will become unviable?

Mr Whelan—No. I do not have those numbers on closures here.

Mr FRYDENBERG—It would be interesting if you had the information, taking into account what I mentioned.

Mr Whelan—That was done in 2009. There is talk that we might regularly update that report and survey the members. That is certainly a question that could be asked in 2011.

Mr FRYDENBERG—Finally, you mentioned Norway and Nova Scotia. We have heard testimony about the two systems that were trialled there. Could you just talk a little bit about your views on what happened in both Nova Scotia and Norway.

Mr Horne—I tabled a couple of documents for you to read at your leisure. A delegation went there just over two years ago, in late November-December 2008. We first went to Nova Scotia, which had attracted a lot of international attention because of their trial through the Nova Scotia Gaming Corporation. They have a unique model where all of the machines are owned by the corporation, which is a government body, and then allocated out to what we would all know as bars, small restaurants and things like that. They had various trials and the summary of our observations is contained in this public document. I have no problems with the document being distributed further. The document makes the observation that the motivation for implementing the trials in Nova Scotia was driven by a number of reasons, but there were a lot of inconsistencies with the trials.

They have a unique situation in North America where, in jurisdictions like Nova Scotia, gaming machines—slot machines or lottery terminals, as they tend to call them—which are in licensed venues like restaurants and bars are controlled, but where they also have First Nations gaming. First Nations gaming is predominately on the reservations, but they can be in a town like Halifax. You might have a bar on one corner that is controlled by the Nova Scotia Gaming Corporation, but across the road there is, for all intents and purposes, another bar which is part of the First Nations gaming, and that has no restrictions. So even they acknowledge, as is documented in here, that some of their outcomes were not necessarily correct. They trialled and now they are implementing, but the concern for us is—and we were there just over two years

ago—that they have still failed to implement their system. You will see in the quotes from the developer of that system—John Xidos of Techlink Entertainment International Ltd—that even at that stage there had been something like \$25 million in development costs. So they simply have not been able to implement it in the format and in the way that they were ambitious about doing it.

Again, Nova Scotia is unique in as much that it is not like the Australian model; it is predominantly gaming. Even the casino licences are owned by government. Certainly, from what we saw, while they were looking to implement a precommitment program they at that stage, and still have, failed to address issues of codes of practice. They had no restrictions on ATMs. Their venues were very crude and they lacked total professional service. There were no designated cashier facilities. There were no designated gaming facilities. It was primitive by anyone's standards. Our observations were that their solution, which is yet to be implemented, was equally primitive.

Norway was a far more sophisticated approach but, again, unique. In Norway, Norsk Tipping, which is effectively a government owned entity, dominated gambling revenues in the early 90s, and that is all in our written report. But over a period of time a very unregulated slots market has started with private operators and charities. In fact, one of the largest operators of slot machines in Norway—and they are very crude slot machines—was the Norwegian Red Cross. They housed them in everything from bus shelters, to railway stations, to airports, to concourses and some bars and convenience stores and places like that. There were some 18,000 of them. There were no regulations and limited controls. In 2003, the Norwegian government determined that things were out of control—there was a community and political backlash against the type of operations that were going on—and they moved to remove the machines completely. They proposed to bring them under control of government. In fact, that took some three years and many, many millions of dollars because there was a legal challenge by the various operators, including the charities and the Norwegian Red Cross. It took three or four years to go through the European fair trade agreement court and the Norwegian Supreme Court. Ultimately it was found that the government was able to do that, so the plan was—and it did happen—that in 2007 some 18,000 privately owned and operated slot machines were removed. The plan was to replace them with 10,000 of a different form of gambling machine, but a gambling machine nonetheless, owned and controlled by Norsk Tipping under the overview of the Norwegian Ministry of Culture and Church Affairs. That has happened but they have not implemented the 10,000 machines yet; it has been an enormously costly exercise. But, now, the government in Norway controls all gambling, including horse racing. So there is no private gambling. The lotteries, horse racing and gaming machines are now all controlled by the government.

In terms of outcomes, we would say that it is far too early to see what impact that has had other than the fact that it cost many millions of dollars in legal fees. There was some \$200 million paid in compensation to the charities that lost the use of their machines. They also have a system in place that is based on smart cards, where in fact only Norwegian citizens can play gaming machines. Their cards are based on their social security number, which requires an enormous database, and there are various impositions.

Culturally, Norway is extraordinarily different. With liquor purchases in Norway, all bottle shops are owned by the government, so there is no discount marketing. I guess from that perspective it is quite a different model. But the dismantling of the old gaming model and the

removed of the associated slots came at a significant cost: three years of litigation and substantial compensation, particularly to the charitable entities. It effectively removed 18,000 privately owned machines that were largely unregulated and replaced it with government control with the government eventually owning and operating 10,000 video lottery terminals.

Mr CIOBO—I am interested in exploring further a better understanding of your patrons and their likely response and reaction to a mandated precommitment system. We know, for example, that there has been some comment that club members would be more willing to provide the kind of details required given that they have to provide bona fides anyway.

What would we be talking about if someone wanted to come into a hotel? In Queensland I have certainly not been required to provide my personal particulars. In a city like mine, the Gold Coast, where we get millions of tourists every year, both domestic and international, they are not required to do that. What would we be talking about if they wanted to sit down and put \$50 into a poker machine if there was mandatory precommitment and a threshold of, say, \$20, as the Productivity Commission outlined?

Mr Whelan—My understanding is that those people would have to register to gamble, essentially, if they wanted to gamble above that threshold. That would change the way that all hotels operate quite dramatically. As you mentioned, the people who enter clubs produce a form of ID. That is certainly not the case at all in the overwhelming majority of hotels. There are some hotels that operate loyalty schemes, but those hotels are definitely in the minority.

Mr CIOBO—The ID check, as I understand it, is for date of birth and proof of age rather than name, address et cetera.

Mr Whelan—You are referring to the clubs or what might be proposed?

Mr CIOBO—I am talking about going into a hotel, if someone was required to present ID.

Mr Whelan—Sorry. I understand what you are saying now. Yes, you might have to produce a drivers licence or a card that would identify your date of birth, but that is the extent of it.

Mr CIOBO—Is that information recorded? My experience with pubs is that it is normally just sighted to prove bona fides, that you are over 18, and then that is it.

Mr Whelan—That is the case.

Mr CIOBO—Have you done any studies or research into the likely impact if patrons were required to provide this information upon entry in order to satisfy the chance that they might go and have a flutter on the pokies later? Would you see it operating on a segregated model? How would you see it?

Mr Whelan—We have not done any research there. Now that we are in this environment where a mandatory form of precommitment is being proposed and pushed forward by the government, it might be something that we look at. But no, it is not something that we have looked at recently.

Mr CIOBO—I would suggest that you certainly should, because the chair of the committee and the Labor Party have indicated that they will be introducing mandatory precommitment. So we know that it is a game changer as far as the chairman is concerned. I am just interested to know what the impact of that is going to be. We are very familiar with this. We have spent a lot of time talking about what the possible, potential benefits are. I am trying to make an assessment as to net costs and benefits.

Mr Whelan—We will take that on board. The general feedback that we are getting from patrons is that it is something they do not want at all.

Mr CIOBO—In those pubs that have loyalty schemes, how do they work? Can you tell us more about that?

Mr Whelan—They offer a card where you can sign up and you might be able to accumulate points either by spending money at the bar or by playing a gaming machine. It is not dissimilar to a loyalty scheme that might operate in a club gaming machine. But, as I said, it is the overwhelming minority of hotels that operate those types of schemes.

Mr CIOBO—I have just had a look at the reports that you provided after the AGC visit to Oslo and Halifax. I get the impression that they are both quite different to Australia because in both instances, upon my reading—and please correct me if I am wrong—the bulk of these VLTs were in retail locations. They were in a variety of concourses and those kinds of things. I noticed—I think it was in Nova Scotia—there were a couple located in licensed premises, but I got the impression that the vast bulk of them are not. Is that correct?

Mr Horne—In Norway they were everywhere—bus stations, concourses, outdoor shelters and things like that. In Nova Scotia the regulated gaming was in what we would call bars and restaurants. The First Nations gaming, which was not regulated, would be in First Nations bars, restaurants or somewhere else. But, because there were owned by the Nova Scotia Gaming Corporation and allocated where they determined, you certainly did not get the standard of establishment that we have in Australia, let alone the New South Wales club scene, which is quite enormous.

The standard of hotels across Australia with gaming was significantly higher. In fact, the experience we had in Halifax, Nova Scotia at one particular venue was that winnings were paid out of the cash in the barman's pocket. There was no signage, there was nothing. It was quite primitive. The standard of their venues was also particularly primitive as well. The Nova Scotia Gambling Commission had on their list of ambitions to raise the standards of their venues, but our knowledge of what is still going on is that is yet to be achieved because the model is costing so much.

Mr CIOBO—The tourism industry in Australia generates about \$24.5 billion worth of export income for this nation. We are already having difficulty competing with other international gaming destinations like Macau and more recently the significant investment in Singapore. If you were what we call a high roller, and I know this might not be your bread and butter, it is more the Casinos Association, but for high roller tourist who we are trying to attract—

Mr STEPHEN JONES—High rollers do not go to the Dandaloo Hotel in my electorate.

Mr CIOBO—I realise it is more the casinos but it is the same principle. With respect to Norway, I know it is a long way from Macau but my point is that if you were a tourist wanting to gamble there can you do that?

Mr Horne—You cannot on slot machines, no. The machines do not accept money, they only accept a card that is pre-issued based on your social security number. You has to be a citizen of Norway to gamble on those video lottery terminals. There are not the same stringent controls on the trotting, the horseracing, or on what we would call lotteries or instant lotteries and things like that, but on the machines only Norwegian citizens can play. You have to have an account where you deposit money into your account through Norsk Tipping and any winnings from your VLT are transferred back into your account, so no money comes out, there is no money exchanged at the retail level. It is very controlled but it simply excludes tourists. So if you chose to play, the only way you could play there would be to have a friendly Norwegian prepared to allow you to use their account and their card.

Mr CIOBO—And that could happen, could it?

Mr Horne—There is nothing to restrict that happening, no.

Mr CIOBO—Because there is no link to identity.

Mr Horne—The card is linked to a person's social security number but on the day—

Mr CIOBO—Say you are my local friendly Norwegian and I wanted to use your card and you gave me your PIN number, I would just merrily use that.

Mr Horne—Yes.

Senator XENOPHON—That is absolutely useless.

Mr Horne—I am sure they would be happy to work out some kind of arrangement.

Mr CIOBO—It depends how friendly the Norwegian was. My final line of querying is on impact on revenues. Are you familiar with some of the impact that had in terms of recreational gaming and what we saw happen with it?

Mr Horne—In Norway it wiped it out because they physically removed the 18,000 slot machines that were privately operated and therefore revenue went to zero. There were great concerns of a transfer. The AGC, who will be giving evidence, may be better qualified to talk about that, but certainly a suggestion is that there has been a move to online and in fact that has created some great concerns. But they simply shut down the privately owned industry and start up a government-owned industry. Norsk Tipping now controls 100 per cent of all gambling revenue in Norway.

Mr CIOBO—I know it is difficult but is it possible to determine what the impact on revenue was between the two models?

Mr Horne—It is probably too early because they have not come back up to 10,000. They are still putting new video lottery terminals in. And in Nova Scotia they have not got it working yet, so the industry is still wobbling along. Just going back to some of the problems with the jurisdictional issues, South Australia is the unique example where we have about 12,800 machines and a central monitoring system that runs on a unique protocol. It is a scientific games protocol called E2 and, guess what, no-one else has it. It is a fairly limited protocol. It was essentially put in place in 1994 when gaming machines first started and has clearly been upgraded but we also have a very old fleet of machines. The major reason for that is that because we have a unique protocol all machines that come into South Australia have to run the gauntlet of being tested by the local regulators, so a machine that is available in a club or pub in New South Wales is not available in South Australia and the manufacturers simply do not put the effort in for such a small market. That is one justification. But essentially if there was a mandatory standard across Australia our central control system would have to be replaced and probably a greater proportion of our machines.

Interestingly, Loto-Quebec—and that is another government owned organisation—replaced, in September last year, their 12,000 video lottery terminals, which are the equivalent of our poker machines, and the central control system. I am informed that that was at a total cost of \$265 million. So that is a process they have gone through. That is the sort of comparison that we in South Australia are concerned about, just in terms of the capital expense. Forget the revenue impacts.

Mr CHAMPION—We have heard a bit about the different protocols and different systems around the country. It seems to me that that process inhibits product innovation and it has inhibited the industry's ability to provide any sort of consumer protections on the machines themselves. I am just wondering if you have an opinion about whether we would be better off over time seeking a national, standard protocol. We have had some evidence that that could lessen red tape and lower cost to the industry, notwithstanding Mr Horne's evidence about the cost involved.

Mr Whelan—There is a national standard. I think that it is a question better directed to the manufacturers, who determine what sort of product is created and distribute it throughout the marketplace.

Mr CHAMPION—So you would not have an opinion?

Mr Whelan—I certainly have not had hoteliers complain to me about the lack of innovation in the machines that they are able to operate in their venues.

Mr Horne—South Australia is unique because we are the odd one out.

Mr CHAMPION—But you are not, because New South Wales is on X-series and—

Mr Horne—That is right.

Mr CHAMPION—Queensland is on QCOM.

Mr Horne—Victoria is on two systems.

Mr CHAMPION—Holden make cars in my electorate. If they were making cars for South Australia and making a different standard for Queensland it would not be a very efficient way of regulating or marketing a product, I would not have thought.

Mr Whelan—I think we would have to have a look at what systems there are, and every state and territory would no doubt comment on it.

Mr CHAMPION—We see a lot of research. Mr Horne has been off to Nova Scotia and other places. It does disturb me a bit that there does not seem to be much home-grown research or many home-grown trials of not just precommitment but a whole range of other areas, such as the interaction of patrons with machines. Is some sort of national body for research that the industry, government and social welfare groups alike could all rely upon something that the Hotels Association would be interested in?

Mr Whelan—That makes good sense. A change in the way that research is conducted across Australia has been discussed. I think there is real merit in that. Because gambling has been regulated at a state level and there are different priorities in different states and territories, people have gone off and conducted their own research separately. I certainly think there is merit in exploring that and having government, industry and all stakeholders involved in the process.

Mr CHAMPION—Presumably, venues would be okay with participating in that research if government asked that of them.

Mr Whelan—I imagine they would be. It would depend on what they were asked to do. I cannot speak for each individual venue.

Mr CHAMPION—We are asking you to speak for the industry.

Mr Whelan—Sure.

Mr CHAMPION—We hear a lot about the economic costs. There is a tendency, I think, with any change, for people to roll up and give us worst-case scenarios. I am not saying that that is the case here. I have heard a lot about job losses in my time in politics. Just about any time you are proposing anything people will talk about job losses and the like. With the smoking bans, obviously there was an economic cost to your industry from that. We have obviously weathered those costs. It seems to me that the figures were about the same. Do you concede that smoking gives us an indication that the industry can adapt to regulatory changes without there being a great cost to the economy?

Mr Whelan—I have not seen any actual figures on the impact that the smoking restrictions had in terms of employment. I have certainly seen figures on the impact that smoking restrictions have had in terms of gaming revenue. What I have heard from a lot of hotels is that the smoking restrictions actually allowed them to improve other areas of their hotel, particularly their food service. People enjoyed going to a hotel and having a meal when it was not full of smoke. So maybe in that instance hotels were able to pick up in terms of their food sales what they lost in gaming revenue. I am not sure that there would be that sort of flow over to other areas of the hotel if a mandatory form of precommitment came in. I could not see it boosting food or alcohol sales in the hotel.

Mr CHAMPION—But you would concede that in the past, where there have been regulatory changes, hotels have diversified. If you had asked people 10 years ago about banning smoking in clubs and pubs, you know what the reaction would have been—the sky will fall, jobs will be lost, no-one will go to pubs. It was a bit the same with drink driving laws. We all survived it.

Mr Whelan—I think in this case the impact would be particularly felt by those country and regional hotels. Des mentioned that if this full precommitment is introduced, the advice that we have from the expert is that 100,000 of these machines are too old and could not be modified and would need to be replaced. As Des mentioned, the little pub that might operate 12 machines just does not have \$300,000-odd to replace them. Gaming is not the be-all and end-all for their business but it certainly helps them stay alive. I think we would see those businesses close.

Mr CHAMPION—Would it be fair to say you are telling us the economic dislocation might be regional and might be disproportionate in some areas but easily adapted to in others?

Mr Whelan—There are 200,000 machines across Australia, and a lot of those small regional hotels, and maybe some small city hotels as well, have the older machines, and they are the hotels that would need to replace those machines under this full precommitment model.

Mr CHAMPION—Clubs have come to us and said they have 40 machines and they tend to replace three a year. You would concede that those older machines are being slowly phased out?

Mr Whelan—They are. I think 14 years is the average the industry has quoted to us.

Mr Horne—You need to be careful about that. The Responsible Gambling Working Party in South Australia has visited a number of smaller venues. Just last week we went to the Colonel Light Gardens RSL, which has 10 machines, and eight of those machines have been there since 1994. The other two have been there since 2002. They do not have a replacement schedule; they might upgrade another one if they can sell the car park across the road and get some capital, because they need to paint the roof as well. That is a tiny suburban club, but suburban pubs are the same.

Mr CHAMPION—Are they the same? What are the opening hours of the Colonel Light RSL compared to—

Mr Horne—That is the choice they make, but they also do not have the running costs—

Mr CHAMPION—You are saying it is the same—

Mr Horne—No, I am saying there is a similar experience in small country hotels. Many small country hotels still have machines that need replacing. Going back to your original question about bigger venues being able to cope, that would depend entirely on each venue's structure, their gearing, their ownership. A major suburban hotel, the Glynde Hotel, went into bankruptcy late last year.

Senator XENOPHON—There were other factors there. Don't mislead the committee on that.

Mr Horne—No, I am not misleading—

Senator XENOPHON—They were involved in other businesses.

Mr Horne—I am simply saying that each venue has a different ownership structure, a different financing structure, a different debt structure and because one particular venue is very viable, the one across the road or up the road or in the same suburb does not, so it is too easy to make bland statements. That was the point I was making.

On smoking, I can tell you that in South Australia when the smoking bans came in the gaming revenue, which we measure because of a central monitoring system, dropped by 15 per cent and it is yet to recover. However, the transition to the smoking ban was not over one or two years; it was over a decade and a half because in South Australia there were restrictions on dining room smoking back in the middle nineties. The total ban on dining room smoking in hotels and restaurants was in 1998. There were various transitions from 2000 to November 2007 where bars were 50 per cent and then—et cetera. That happened over 15 years of transition. In the meantime, gaming did come in and that compensated to some point. Of course, there has been an enormous amount of capital expenditure in creating outdoor drinking areas. For many hotels in Australia now, the traditional front bar where most of the drinking was going on now happens in outdoor areas—that is the reality.

Mr CHAMPION—But you would concede the point that industries, whichever they may be, can adapt over time to regulatory changes.

Mr Horne—As with smoking where we adapted over 15 years, not two years.

Mr CHAMPION—Going back to replacement of the machines, presumably there is some capital depreciation and the like.

Mr Horne—As with any business, that is right.

Mr STEPHEN JONES—I am interested in some of the industry's structural issues Mr Champion was just exploring with you. How long has the AHA been in existence?

Mr Horne—Some of us have been in existence since 1836—I have not been there that long!

Mr STEPHEN JONES—I was not asking a personal question.

Mr Horne—It varies. Some of the branches started back in the 1830s. I think Tasmania is the oldest branch. The South Australian branch formalised itself and has operated continuously since 1873.

Mr STEPHEN JONES—There have been a lot of changes over the years, then.

Mr Horne—Not that many presidents, but a lot of changes. We have gone through the six o'clock closing of 1915. The impact that had on hotels in particular was that people built bigger and bigger bars to try to sell more and more booze before six o'clock. That still has consequences on the habits of Australians. There was the impact of going to 10 o'clock closing, midnight closing and much more open trading hours now. The impact of packaged liquor with competition from grocers has changed the whole structure of packaged liquor sales.

Mr STEPHEN JONES—Off premises.

Mr Horne—That is right. There has been significant change, that is correct. And there was the introduction of poker machines. From our perspective that had an extraordinary impact on the viability of the hotel industry and the sort of money which was then expended for renovations and refurbishments.

Mr STEPHEN JONES—It was not just a biological or natural happening that they grew up in your back lounge one day. Your association lobbied quite hard. Could you explain why?

Mr Horne—I can only speak for the South Australian experience. I was there in 1994 and that was when we still had state based liquor licensing fees, but a significant number, something like 20 per cent of venues at that stage had trouble paying their quarterly licence fee because of cashflow issues—with blood alcohol testing levels and the changing nature of the industry. Also in South Australia's case, one of the catalysts for it was in fact the state-owned Lotteries Commission, which said, 'We've been to America, we've been to South Dakota, we're going to introduce VLTs.' Both the club and hotel industries had had a pretty ordinary experience with government-controlled gambling and thought, 'We'd rather be owners of our own destiny than in a lotteries commission model.' Ultimately that debate was had in parliament and the industry model was the preferred one with all the checks and balances and the control system in place.

Subsequently, as the honourable senator from South Australia would know, we put in place a whole range of structures funded by the industry called Gaming Care and Club Safe, where we have some 10 people on the road visiting hotels and clubs, ensuring they are compliant, training their staff on intervention techniques et cetera. That has even been acknowledged by our Independent Gambling Authority chairman, Alan Moss, as being something unique and special.

Mr STEPHEN JONES—Yes, I get the point you are making. I think Mr Champion was exploring this as well. Of all the sectors or industries that I look at in Australia, the pub and hotel industry would be one of the most adaptive. From Prohibition to opening-hour restrictions, under-age drinking, off-premises sales, the introduction of food, all those sorts of licensing changes, and gaming, as you say, you continually have to adjust your businesses to fit within community expectations—

Mr Horne—And we often reflect community expectations.

Mr STEPHEN JONES—on very loaded issues. Alcohol consumption and gaming are probably two of the most contested activities in our nation's history. I guess the point—and your evidence seems to suggest this—is that the industry is continually changing and adapting. Is that correct?

Mr Whelan—I think it is important to recognise that what is being asked of the industry this time around will involve a multibillion dollar capital cost, and it is very unlikely that most venues around Australia have the cash to do that. It is equally unlikely that the banks will lend them the money to fund that capital cost.

Mr Horne—Complicated by a time frame that we think just cannot be met.

Mr STEPHEN JONES—I have been passed a note saying the chair wants me to wind up soon, but there are a couple of key points I want to put now, because I think these are important witnesses. The concept of the old neighbourhood pub, which the AHA promotes, is changing, isn't it? It is changing significantly.

Mr Whelan—Pubs are changing.

Mr Horne—That might be too broad a statement.

Mr STEPHEN JONES—It is not too broad a statement to say that we have seen the growth, over the last decade, of large pubs and megapubs, and multiple holdings are becoming quite a common feature of the industry. Is that correct?

Mr Whelan—Yes, but I think, overwhelmingly, hotels are owned by individuals rather than by large corporations, and that is still the case. Corporations have certainly got a large number of hotels but—

Mr STEPHEN JONES—It certainly was not a feature, if we wind back to 20 years ago, that a supermarket chain would be—

Mr Horne—There are a few big families as well.

Mr STEPHEN JONES—one of the biggest hotel owners in the country.

Mr Crowe—It is because the breweries themselves used to own a lot of the hotels—

Mr STEPHEN JONES—That is true.

Mr Crowe—and so, for a very long time in Australia's history, we have had very large corporations, through the brewers, controlling licensed premises. It is only in recent years that the leaseholds have become freehold.

Mr Horne—In fact, in South Australia, in 1996 the breweries still owned 20 per cent of South Australia's hotels. They just happen to be 20 per cent of the best hotels as well.

Mr STEPHEN JONES—I think that is an important point to make. One of the other changes since the introduction of poker machine licences, particularly in New South Wales, is that a market has emerged in licences for poker machines or electronic gaming machines themselves.

Mr Whelan—Yes. They are traded in New South Wales. There is a scheme that the government introduced to reduce the number of gaming machines. So venues are allowed to sell three machines, but the purchaser actually only gets two; one is forfeited. That has seen the overall number of machines in New South Wales decrease by around 4,000 or 5,000, I think, over the last five or six years in the hotel and club market.

Mr STEPHEN JONES—It is also true, is it not, that one of the consequences of that subsidiary trade in electronic gaming machine licences is that hotels are bought for the gaming

machine licences themselves, then those licences are traded off-premises and the hotel that was originally associated with the licences closes down? I can cite a few.

Mr Whelan—A lot of people buying hotels know that, if you are buying a hotel for its poker machine licences and looking to sell those on, you might buy a hotel that has 15 poker machines but you can sell on only 10 of those machines. So I do not see too many operators paying for 15 licences when they buy a new venue, knowing that they can only sell 10 if they choose to move them on.

Mr Horne—You cannot have them in South Australia or Victoria. I am not sure about Queensland. They are specifically prevented from trading in gaming machine licences.

Mr STEPHEN JONES—It is true, is it not, that in New South Wales—and not to the exclusion of other states—pubs in regional areas have been bought for just that purpose and the licences have been transferred to more profitable venues?

Mr Whelan—There have probably been a few, but I think it is important to note as well that around 45 per cent of gaming machines in New South Wales hotels are actually still in country and regional hotels today. As Des mentioned in his opening remarks, country and regional hotels in New South Wales represent a third of all hotels with gaming machines in Australia. So they are still out there.

Mr STEPHEN JONES—I have one final point. You made some observations in your submission about the privacy consequences of the scheme. I draw your attention to an article in the *Sydney Morning Herald* written by Natalie O'Brien and Eamonn Duff on 30 January this year. Are you familiar with that article?

Mr Whelan—No, I am not.

Mr STEPHEN JONES—I will quote from it then:

The fingerprint scanning system takes a photograph of the patron, scans their ID and takes a fingerprint which is converted into a map of the meridian points on the print and converted into a PIN. When a patron returns, the scanner matches the meridian points of their finger to the code to find their identity. The company insists there are no fingerprints kept in the system. Patrons can request their details be deleted from the system although not if they are flagged as troublemakers.

ID Tect scanners scan identities into a database which can be shared with hundreds in the country. The system stores the data for 28 days and then it is deleted.

The article goes on to talk about the sharing of biometric data between hotels within and outside Sydney.

Mr Whelan—Is that right? Which hotels?

Mr STEPHEN JONES—This was the Coogee Bay Hotel.

Mr Whelan—I am aware of the Coogee Bay Hotel, but I am not aware of other hotels.

Mr STEPHEN JONES—The article also says:

NSW premises using the systems include the Australian Brewery, Lone Pine Tavern, Phriction Night Club and the Mean Fiddler ...

It also lists the Home Nightclub, the Coogee Bay Hotel, Woodport Inn, Wollongong's Palm Court and Fotheringhams. There are a number of other hotels listed. Are these hotels members of yours?

Mr Whelan—Some of them are. Coogee Bay Hotel certainly is.

Mr STEPHEN JONES—It sort of cuts against the force of your submission about privacy when you look at the fact that hotels are already introducing what I would consider to be incredibly intrusive measures. I would never support something that went to that level of intrusion.

Mr Whelan—I have not spoken to these hotels about that, but I have heard reports that it is something that customers do not like at all. They do not like providing that sort of information and data.

Mr STEPHEN JONES—Understandably so.

Mr Whelan—I also understand that those hotels have been forced to undertake those types of measures due to alcohol related issues and possibly in consultation with the local police force. I think what you are talking about there is only a dozen or so hotels out of 3½ thousand across Australia that have gaming machines. So I do not think you can really hold them up as representing the entire industry.

Mr STEPHEN JONES—My final question is this. You have been quite critical of the agreement between the Prime Minister and the chairman of this committee. The force of the criticism went to the time lines introduced. Does the corollary stand that if the time lines as suggested by the Productivity Commission were adopted then your association would agree with the recommendations of the Productivity Commission's report?

Mr Whelan—We still think that the Productivity Commission time lines are unachievable and overly ambitious. However, we made mention of those just to highlight the difference between what the Productivity Commission has recommended and what the Prime Minister and Mr Wilkie have signed off on. I will just highlight the fact that what is in the agreement is not a recommendation of the Productivity Commission.

Mr STEPHEN JONES—Okay. I understand.

Senator XENOPHON—Further to Mr Jones's line of questioning, Mr Whelan, could you provide some details going back to those hotels—the Coogee Bay Hotel and others—on the whole issue of privacy and further information to the committee? Perhaps you could take that on notice. Mr Crowe, you are the National Chief Executive Officer of the AHA. What percentage of losses from poker machines do you consider comes from problem gamblers?

Mr Crowe—I have asked Mr Whelan—

Senator XENOPHON—No, I am asking you, Mr Crowe. You are the National CEO.

Mr Whelan—If you have a look at the Productivity Commission's own numbers—

Senator XENOPHON—I am asking Mr Crowe.

Mr Crowe—I think I mentioned to the chair before the architects in relation to our submission. My position in coming along today was to give you the initial preamble. In relation to specific questions on detail I would be asking Mr Whelan or Mr Horne to answer.

Senator XENOPHON—Any of you, then, what percentage of losses from poker machines do you consider come from problem gamblers?

Mr Whelan—If you have a look at the Productivity Commission's numbers they say—

Senator XENOPHON—It is 40 per cent.

Mr Whelan—In the document, they do mention 40 per cent and it is surprising how they arrive at that figure. When you look at them, they actually list the number of problem gamblers on EGMs being 95,000. They list an average annual EGM expenditure per problem gambler of \$21,000. That makes a total problem gambler EGM expenditure of \$1.995 billion and then they also refer to total EGM expenditure of \$11.9 billion. If you work out that the problem gambler share of that EGM expenditure it is a figure of 16.76 per cent. We are a little confused as to how they arrived at the 40 per cent figure.

Senator XENOPHON—Let's not get into debate about it now but I think there is also an issue of how much those who are already showing signs of developing a gambling problem make up another significant number. There are up to 160,000 people or more who are already showing signs. Does that mean that the AHA accepts that 16 per cent of losses come from problem gamblers?

Mr Whelan—No.

Mr Horne—Problem gamblers as defined by the current uses of the Problem Gambling Index.

Senator XENOPHON—The Canadian Problem Gambling Index?

Mr Horne—We think it is too good. If we have failed anywhere over the years it is to test that. That is the measure.

Senator XENOPHON—Isn't the CPGI test narrower than the SOGS test?

Mr Horne—Absolutely.

Senator XENOPHON—But it is broader for you.

Mr Horne—It captures very widely is the point I am making.

Senator XENOPHON—You are not counting people at risk, though, are you in those figures?

Mr Whelan—No. I think the question you asked me was about problem gamblers. I was just referring to what the Productivity Commission reported.

Senator XENOPHON—But does the AHA as the peak body representing the hotels in this country have a view as to how much of the money lost on poker machines in pubs comes from problem gamblers?

Mr Whelan—No, we have not done that research.

Senator XENOPHON—So you do not accept what the Productivity Commission said.

Mr Whelan—We do not accept 40 per cent.

Mr Horne—The racing industry does not accept that 33 per cent of their money comes from problem gamblers as per the Productivity Commission.

Senator XENOPHON—That was in a 1999 report.

Mr Horne—But they have not stepped back from that.

Mr Whelan—They did an update in 2010.

Mr Horne—The racing industry rejects that too because they think it captures—

Senator XENOPHON—We are talking about poker machines now. There is no figure from the AHA, but you do acknowledge that there are problem gamblers because you have the Gaming Care initiative of hotels in South Australia?

Mr Horne—There are at-risk people as there are at-risk people with drinking. That is why we so heavily regulate it.

Senator XENOPHON—Are you acknowledging that you have people on the road, the Gaming Care—

Mr Horne—The Gaming Care people are there to support the industry. That is a unique model to South Australia.

Senator XENOPHON—Not to support problem gamblers.

Mr Horne—They are there to support venues to comply with measures and to ensure that—

Senator XENOPHON—So you do not acknowledge that there are any problem gamblers from poker machines?

Mr Horne—What I said was that we acknowledge that there are obviously some people at risk.

Senator XENOPHON—You are saying at risk.

Mr Horne—All right. There are some people who have a problem, there are some people who are at risk. It is not dissimilar to the other products such as alcohol. That is why we are heavily regulated. But we cannot quantify it because we have not done the research.

Senator XENOPHON—Do you acknowledge there is at least one problem gambler in Australia?

Mr Horne—I would be foolish not to acknowledge that.

Senator XENOPHON—That is very gracious of you! In terms of Gaming Care and Club Safe, on notice could you provide details of how many visits—

Mr Horne—Absolutely. We report that to the IGA.

Senator XENOPHON—Perhaps you can provide that to the committee. I am not sure whether you give this to the IGA, I read it recently. How many interventions were there, what happens with those interventions when a person is tapped on the shoulder? How many people are tapped on the shoulder to say, 'Are you spending too much?' What do you do with it? You and I are familiar with a case where a woman lost \$14,000 where the AHA said there was compliance with the law and therefore they were not going to intervene.

Mr Horne—I don't think we said that. I think the Office of the Liquor and Gambling said that.

Senator XENOPHON—All right.

Mr Horne—The Office of the Liquor and Gambling, the regulator, said there was no breach—not the AHA.

Senator XENOPHON—Maybe we will have a separate meeting on that.

Mr Horne—But I want to make clear that it was the regulator who saw that case and said, 'Nothing has been breached.'

Senator XENOPHON—That is another issue.

Mr Horne—That is what happened.

Senator XENOPHON—On 23 May 2006, I think we were in the same room together at the convention centre when the IGA had its hearing—

Mr Horne—And I suggested we have lunch.

Senator XENOPHON—If we had, we'd both be going dutch! Mr Hearne gave evidence to the then presiding member, Mr Howells, and there was an acknowledgement, in terms of the various technologies, that you could bolt-on technologies like smartcard for about \$800 per machine. Again, you may wish to take this on notice and we will provide you with a copy of that transcript. Do you acknowledge that there are bolt-on solutions, even though our South Australian machines have a different protocol and there is not the uniformity of protocols to deal with this?

Mr Horne—In fact, as you are very much aware, the precommitment trials which have been undertaken in South Australia utilise a loyalty system, and that is a bolt-on facility. I am not qualified to say whether Mr Hearne's evidence backing 2006 was accurate or not. What I am saying is that the system that has been trialled, which uses a voluntary based precommitment system utilising a current bolt-on loyalty system, has operated now for some 12 months, and there is a report out about that.

Senator XENOPHON—But if it can be voluntary—if the technology is there for it to work on a voluntary basis—it can work on a mandatory basis as well, just in terms of sheer technical capability.

Mr Horne—It requires two-way communication, and if we are talking specifically about South Australia, that means we have a protocol issue with our system.

Senator XENOPHON—But do you acknowledge that it would not necessarily require two-way communication if it were a value card, for instance—a smart card? It does not necessarily have to be two way to work.

Mr Horne—I would need to look at what you are proposing. The problem we have with precommitment is that it starts from there to there and everything in between. I cannot give you a black-and-white answer, because you might be talking about that end and I might be talking about this end and you will use it against me. What I am saying is: here is the breadth of what precommitment is; there are a number of solutions. Voluntary precommitment is one that has been trialled in South Australia and in Queensland. The South Australian model is still being utilised through the Worldsmart organisation. That is a bolt-on, voluntary precommitment system utilising a loyalty card system.

Senator XENOPHON—But you acknowledge that the technology is there for a mandatory precommitment system?

Mr Horne—My own experience is that in South Australia it is a bolt-on system utilising a current loyalty system, and it offers a voluntary precommitment solution for those venues that are utilising that bolt-on technology. That is a long way from mandatory universal precommitment. Our industry, like the club industry, like some of the private operators, are comfortable with discussing voluntary precommitment opportunities and options, which may

fact be a better solution, particularly when you look at some of the other submissions. I will draw your attention to Lifeline—and Lifeline is not an AHA cover—who talk about a whole range of other things that we should be doing. Precommitment is just one component. There is a whole range of other components to it. They include school financial literacy programs, people to make informed choice through better provision of information, a well-resourced gambling help service, well-trained industry staff to identify problem gamblers—

Senator XENOPHON—I know the Productivity Commission was critical of the effectiveness of education programs. We are running out of time. In terms of Gaming Care, those people on the road that are there to support those at risk, as you put it, or problem gamblers—

Mr Horne—They are there to support the venue staff and the venues, because at the end of the day, when you have 500 venues, hotels and clubs, you cannot have one person in every place. So part of that strategy, which has been recognised as a particularly good strategy by the Independent Gaming Authority, is that they are there to support the venues to ensure the venues are complying.

Senator XENOPHON—Sure. Going back to that, isn't this the issue: often people say—and you would get this feedback from Gaming Care, hopefully—that they went in only wanting to spend \$50, \$20 or \$100 but they kept chasing their losses and ended up leaving the venue having lost \$1,000 or having made lots of ATM withdrawals? Isn't that a common feature? Do you get that feedback? Or are you saying you do not even know that?

Mr Horne—That is a common feature? That is not a common feature of every player who goes in a venue.

Senator XENOPHON—No, but is that feedback that you have got about people chasing their losses?

Mr Horne—I cannot be specific because we are talking about hundreds of millions of visits across Australia in a year.

Senator XENOPHON—So you are not familiar with that being something that occurs on a regular basis with problem gamblers or people who have a gambling problem—that they chase their losses?

Mr Horne—I am not qualified to answer that, but what we do put in place is a support mechanism for the venues to meet the standards of regulatory expectations and also we work closely with the various welfare agencies that are funded in South Australia to ensure that, if there is a person who is identified with a problem or presents with a problem, there is a mechanism in place to find them some support and help—and you know that.

Senator XENOPHON—Mr Horne, take this as a compliment: I think the AHA is very lucky to have you as their lobbyist in South Australia.

Mr Horne—I am not sure that is a good thing. It does not help my career necessarily.

Senator XENOPHON—Isn't this a fact: none of you want mandatory precommitment because it will mean less money will be spent by problem gamblers on poker machines and that will hit your revenue?

Mr Horne—Our great fear with mandatory precommitment is it will disproportionately impact on the recreational gambler. That is our concern. When we look around the world, Nova Scotia is not a model that anyone would want, because it is not working, and the motivation in Norway—and I want you to read that document—was considerably more complex than just problem gambling but now it is a total monopoly by government. I would say our concern with the extreme end of precommitment—the universal mandatory boom, boom, boom—is the impact it will have on recreational gamblers.

Senator XENOPHON—So, if someone says before they start playing on machines that they want to spend only \$50 or \$100 and want to stick to that for a 24-hour period, what would be wrong with that?

Mr Horne—That could be accommodated in a voluntary precommitment system.

Senator XENOPHON—But you can override it, though. When you reach your \$100 limit on that machine you go somewhere else.

Mr Horne—It comes down to the individual who makes the choice. I guess that is where we differ. We sit comfortably in all states with the concept of working through different models of voluntary precommitment. Voluntary precommitment may be quite different in a large high-tech operation to in a small country pub or club. Equally so, our concern with the model being discussed here and in the media is that one size simply does not fit all.

Senator XENOPHON—Mr Horne, you are a great operator. Thank you for your evidence.

Mr Horne—Thank you, Senator.

CHAIR—We are way over time so short answers would be appreciated. In your submission you say that the cost to implement mandatory precommitment would be up to \$4 billion. Given that we have approximately 200,000 poker machines in Australia, that would mean that your association believes that the cost to implement mandatory precommitment would be up to \$20,000 per machine—in other words, almost the cost of replacing every machine in the country. Frankly, that is one of the most bizarre pieces of evidence that I have heard presented to this committee. How on earth do you justify \$4 billion?

Mr Whelan—We did not actually mention \$4 billion; we mentioned cost estimates range from \$2.5 billion to \$4 billion.

CHAIR—My question was—it was very carefully worded—'up to \$4 billion'. How do you justify that figure?

Mr Whelan—If 50 per cent of machines need to be replaced at \$25,000 a machine that would be \$2.5 billion to begin with. The advice we have been given is another 25 per cent would require software upgrades and that would cost around \$3,000 or \$4,000 per machine and then

another 25 per cent would require software and hardware upgrades that would cost around \$9,000 to \$10,000 per machine.

CHAIR—It does not add up.

Mr Whelan—I think we are getting very close to \$4 billion.

CHAIR—For witnesses who are very quick to criticise the Productivity Commission, it does not add up. Four billion dollars is \$20,000 a machine on average. How on earth can you justify that?

Mr Whelan—We started at \$2½ billion with the replacement of 100,000 machines. The other 25 per cent need a software upgrade and the other 25 per cent need a software and hardware upgrade. That is getting very close to \$4 billion.

CHAIR—It is getting very close? It does not add up.

Mr Whelan—We said it would range from \$2.5 billion to \$4 billion. I think we stand by that.

CHAIR—Mr Crowe, I am asking you: do you have any view on that? Do you think that \$4 billion could be overcooked?

Mr Crowe—I would have to check the figures. I was not too sure where the monitoring costs came in.

Mr Whelan—No, that is not factoring that in either, Des. You are right.

Mr Crowe—By the time you add in monitoring costs et cetera then that figure, which I think was \$2½ billion to \$4 billion, is certainly something the Australian Hotels Association, as an entity, was comfortable putting forward to this committee.

CHAIR—Talking figures, I cannot recall if it is in here or not. Have you made an assessment of how many jobs would go with mandatory precommitment?

Mr Whelan—No, we did not make a job assessment. However, we did mention that in the PricewaterhouseCoopers survey 89 per cent of hotels said that they would be forced to cut staff if mandatory precommitment was introduced. The hotel industry employs 188,000 people.

CHAIR—Was that the 2009 PricewaterhouseCoopers survey?

Mr Whelan—That is right.

CHAIR—Was that an independent report or was that commissioned?

Mr Whelan—It was commissioned by the AHA. It is a public document. It was submitted to the Productivity Commission.

CHAIR—How do you explain that the research you have commissioned and paid for is so at odds with the Productivity Commission, which expressed no concern about a significant economic effect on the industry?

Mr Whelan—I will have to go back through it. I will take it on notice and I will come back to you, but my recollection is that the Productivity Commission certainly recognised that there would be quite a significant immediate economic impact on venues.

CHAIR—My recollection is it did not express so much concern that it retreated from mandatory precommitment being one of its most—

Mr Whelan—One of the difficulties is—

CHAIR—Let me finish, please. My recollection clearly is that, while the Productivity Commission canvassed any number of issues, at the end of the day, on balance, it made mandatory precommitment one of its most important recommendations.

Mr Whelan—I understand that, but one of the difficulties we have with the Productivity Commission is that they did not do a cost-benefit analysis to support their recommendations.

CHAIR—Mr Crowe, moving on from the Productivity Commission, what about the Tasmanian government's 2008 report—the exact name of the report escapes me—into the social and economic impacts of problem gambling in Tasmania? It found that employment in pubs and clubs fell after the introduction of poker machines. Again, your association is concerned that this is going to cause a lot of pubs to shed staff. That is at odds with the Tasmanian government's research. How could that be? Also, more recently, under FOI it has been revealed publicly in the last few weeks that the federal Treasury's assessment is that the industry's claims about job losses or economic impact have been overcooked.

Mr Whelan—We have not had a look at that. I have not actually seen that federal Treasury report, and I would be very interested to do that and analyse it.

CHAIR—I suppose my point is that we have the Productivity Commission, the Tasmanian government and the federal Treasury all making informed assessments, and your evidence against those formidable organisations is a PricewaterhouseCoopers report that you commissioned and paid for.

Mr Whelan—We went out and asked our members what sort of impact it would have on employment.

CHAIR—Thanks, Mr Whelan. I am interested in Mr Crowe's response.

Mr Crowe—My position is in relation to what the national executive has signed off. So if it is not specifically contained in there then I will ask my national director, who is responsible for informing the national executive, to respond.

CHAIR—Okay. This PricewaterhouseCoopers report is obviously a very important report. Would it be possible for a copy of that to be provided to the committee, please, so we can weigh it up against these other reports? That would be really helpful.

Mr Crowe—Certainly.

CHAIR—Well, although it has been a robust discussion, I am sure that you would appreciate that it is an issue that needs us all to drill down. There is nothing personal here. It is about developing good public policy and making sure that it factors in the views of all stakeholders, and obviously the AHA is a very important stakeholder. So I am very grateful for the three of you taking the time and very grateful for what you have had to say. Thank you.

Mr Crowe—Thank you, Mr Chair. I will just check with the secretary in relation to what other matters we need to follow up and provide, and I will certainly ask our national director, Mr Whelan here, to follow up and provide that information that is available.

CHAIR—Thank you very, very much.

[10.27 am]

GRINBLAT, Ms Nadine C., General Manager, Australasian Gaming Council

VARDON, Ms Cheryl Anne, Chief Executive, Australasian Gaming Council

CHAIR—I welcome representatives from the Australasian Gaming Council. I invite you both to make a brief opening statement before the committee proceeds to questions.

Ms Vardon—Thank you, Mr Chair, and I thank all the panel for this opportunity to talk about the AGC and briefly about our submission as well and in particular to put the AGC within the context of the industry. We are a peak body. We are a gambling research and education centre and certainly one which values responsible gambling and the sustainable gambling industry. We have a particular charter, which was established at least 10 years ago, to promote gambling education and accurate information about gambling, high-quality gambling research to support that and promote through our members and with our members responsible gambling initiatives. We participate in many gambling and public policy forums and we certainly provide a range of services and products for the general public and members.

As a bit of background on staff, there are two of us plus some part-time helpers from time to time. Nadine has an extensive history of working with the industry in responsible gambling and has been with the AGC for three years looking at research. I have been a career public servant and chief executive and at senior levels in education and family services.

My early connection with the industry is getting on for 20 years ago now, when I led a department in South Australia called the Department of Public and Consumer Affairs, which does not exist anymore. Within that department was the Liquor Licensing Commission, which later became also the gambling regulator. I was there at the time when the first poker machines were introduced in the Adelaide Casino. I think my contribution to social policy at that time was to advise the government that cheque cashing of benefits was not a good idea at the casino. That was a while ago.

The Australasian Gaming Council were established by leaders of the gambling industry in June 2000, following the previous Productivity Commission report. Our members at the moment are the AHA, which includes all hotels in Australia; the Australasian Casino Association, which is all casinos, including some in New Zealand; the ALH, the joint venture between Woolworths and the Bruce Mathieson Group; and the Gaming Technologies Association, which is all the manufacturers. So it is quite a robust participation by the industry. We are very actively involved with government, industry and the research and community sector at both state and national levels. We do not represent one industry sector in particular. We have never done that. We have an overview of the industry and a focus on research and education. We certainly advocate a collaborative approach to solving problems in Australia and coming to solutions.

I will give some examples of our public policy participation. I think this really demonstrates how the work of the AGC has been valued over the years. In South Australia we chair the Responsible Gambling Working Party, which is a collaborative group with the South Australian

government, looking at precommitment and the oversight of trials around precommitment. We have worked in New South Wales with the school counsellor resource working group, with government, looking at responsible gambling initiatives and products for schools. In Victoria we are a member of the Responsible Gambling Ministerial Advisory Council. We are on many, many working parties. We also attend the Queensland government Responsible Gambling Advisory Committee. We have worked, over the years, with at least three state education systems and with Paul Clitheroe, who heads up the Financial Literacy Foundation, to develop school education resources along the lines of those relating to alcohol. At least three states have very good school education programs around responsible gambling.

We belong to the National Association for Gambling Studies Australia, through our research support. We are a member of the international think tank on gambling research and the advisory panel of the University of Melbourne's centre to do with problem and pathological gambling. We also lend in-kind support at various times, and in particular at this time, to the University of Sydney and Southern Cross University's Australian Gambling Survey. That is a bit of a rundown of our involvement. I am also a member of the Ministerial Expert Advisory Group at the moment, which has met a few times and is coming together very well.

With regard to our publications, I will just emphasise that they are public. They are available to all. They are also done in a collaborative way. Our database of Australian gambling industries is produced every couple of years. That is highly sought after. It has everything you need to know in terms of facts, figures and statistics about the gambling industry. It is available on our website. We have developed curriculum resources in the past. In particular, we have involved a very broad range of gambling researchers to help us develop discussion papers and issues papers around a range of topics. Some topics, for example, are: identifying problem gamblers in a gambling venue, how self-exclusion operates, informed choice and gambling principles for consumer protection, and current issues relating to dissociation. You can see that those publications cover a broad range of issues. We invite researchers to make contributions to them and we gather different points of view.

We produced a report *New directions: financial literacy and gambling education for young people* on the gambling environment in 2007. We try and encourage younger gambling researchers with an interest in the area to write. Dr Sally Gainsbury, formerly Monaghan, has written a couple of reports on internet and wireless gambling for us. We have in the pipeline at the moment and about to be printed, 'Problem gambling and its comorbidities: a systematic review', which we did with the University of Melbourne. We have worked with Melbourne university on education as well. We have thousands who subscribe to our website; it is very popular and has a huge array of information. Our AGC eLibrary has over 4,000 research articles, reports and abstracts on it. I am happy to say, because we have looked around at the rest of the world, that it is the best one going. It is used by industry, academics, general public and community groups and there is local and international interest in it.

The AGC submission, which is before you, is really an overview: it summarises the history of precommitment in Australia and also summarises the local and international research evidence available. We think it is a very measured discussion of the issues. Research around precommitment, I have to say, is fairly limited in Australia. I would mention here the good work of Sarah Hare, from Schottler Consulting, who has done most of the precommitment work in Australia at this time.

At the outset I want to identify a couple of matters which the AGC with its members supports, and they are familiar to you. We certainly support a voluntary system of precommitment on offer to gamblers as part of a range of responsible gambling measures designed to give gamblers a choice to assist with gambling responsibly or with a counsellor to curb problem gambling. In our view, the implementation of a voluntary system of precommitment—remembering that this is a new thing to Australia—needs to be accompanied by continued research, evaluation and measuring of the effectiveness of the program. We need at the same time to continue to refine and develop other harm minimisation and responsible gambling measures, what works best and in what combinations, for individuals to make that choice. We have not done enough research in Australia on precommitment.

As an aside, from our perspective, some of the range of measures to assist with responsible gambling and problem gambling are actually nontechnological, to do with education, money management issues and self-exclusion. There is a bit of a tendency, I think, to always default to a gadget, to a technological solution, when we need to be looking at a range of ways of assisting gamblers to gamble responsibly or to deal with their problem gambling.

It has come up several times and at the outset we are happy to say that we also support a national gambling research entity which would include the industry as a member. Gambling research in Australia is also a relatively new area of industry. It is often repetitive, a bit directionless from our point of view and needs better coordination. I do not think that is the fault of the researchers; I think that is to do with Commonwealth-state relations and the traditional healthy tensions that exists there.

I spoke of the need to continue trials in evaluation and research around precommitment. There are a couple of points to make there. The evaluation of any precommitment system would look to see behavioural change—that is, how well people stick to limits and what benefits are reported from those using the system. So that really requires baseline measurement and longitudinal studies. Australia has a multifaceted harm minimisation approach and a number of programs and initiatives have been put in place over the years. We worked well with the Productivity Commission in the process of their current report and review, but the commission itself found it hard to differentiate those harm minimisation measures that work and in what proportion to others.

CHAIR—Excuse me, Ms Vardon. Does your opening statement have much further to go?

Ms Vardon—No, not much further at all. I will take that as a hint.

CHAIR—I am just keen to get to questions but, if you have almost finished, please continue.

Ms Vardon—Importantly, can we bear in mind that when we evaluate a precommitment program we are simply measuring the program's effectiveness in assisting people to adhere to a particular limit. Any impact on problem gambling requires another set of questions and measures. It is complex research.

I will simply signal that we can also talk about some of the unintended consequences of an untested mandatory system. I will ask my colleague, who actually wrote the submission before you, whether she has anything to add.

Ms Grinblat—Given the time constraints I will not add anything by way of discussion. We do have a typographical error at page 21, where we are discussing the McDonnell-Phillips attitudinal research into precommitment. We noted a 40 per cent figure would use limits in the long term; that should strictly be 47 per cent, according to the McDonnell-Phillips research. We have cited it again at page 32, where you will find the figure is correct.

Mr CHAMPION—I take it you are speaking on behalf of the broader industry?

Ms Vardon—Yes.

Mr CHAMPION—So would it be fair to say that the association's members support a national research base, with the resources and the access they need to come to some firm conclusions?

Ms Vardon—Yes, that is what I mentioned. We certainly do support that, provided there is industry participation right from the beginning. That is critical. At the moment the approaches to industry are very ad hoc. We have occasionally had phone calls from our members telling us these researchers have turned up on our doorstep saying they are there to gather data and do good things—what is going on? There needs to be better coordination of that involvement right from the beginning—and I have also suggested right through to the procurement process, too, in terms of letting tenders. That maybe a bit of a call. We broker relationships between the industry and researchers considerably, and I have to say a number of researchers do have very sensible professional relationships with the industry and we work well together. Of course there is room for improvement.

Mr CHAMPION—There does tend to be this duelling academics problem, though. You can get research that has wildly opposite conclusions. I have read quite a bit of it, and a lot of submissions to this committee refer to overseas experience. That disturbs me a little because we are dealing with a very large industry here in Australia. We should have better research.

Ms Vardon—Indeed. It is the nature of research, though, that it will gather opposing ideas. I will ask my colleague to comment further, but it does bring out those differences a little more clearly than in some other areas—although I have to say research around education can be pretty feisty, as well.

Ms Grinblat—It has to go to the complexity of the issue as well. As Professor Blaszczynski noted, problem gamblers are not a homogenous group—they are very much individual people. It is easy to see the term 'problem gambler' and think of a broad group, but in point of fact it is myriad individuals who each have come on various pathways to problem gambling in their lives. That does account, too, for some of the discrepancies in what people find when they take samples and when they render conclusions.

Mr CHAMPION—If we had some sort of research body run by the government, would that allow commercial sensitivities to be protected? Has that been a barrier to research in the past?

Ms Vardon—The kind of organisation you are talking about is different from the national body which is presently in place, Gambling Research Australia. From the model of similar organisations overseas of course good protocols between industry and government and

regulators have to be in place. There has been some effort over the years to begin work on those protocols.

Mr CHAMPION—Talking about the national scene, we have heard a lot of evidence about 14 different computer protocols and manufacturers making different products for different states. Do you have an opinion on how efficient that is in terms of red tape for the industry, product innovation, the prospects for uniform regulation across the country?

Ms Vardon—There are probably some of the areas that we do not necessarily take responsibility for or go into. The manufacturers are best placed to answer that.

Mr CHAMPION—But you have manufacturers as part of your membership.

Ms Vardon—Yes. We talk about research and education. In fact, members put aside their commercial interests when they sit around the board table.

Ms Grinblat—We would refer to what the Gaming Technologies Association said on that score largely because they are the ones dealing with the technological differences, although jurisdictional issues do create problems with an understanding of the broader effects with respect to harm minimisation across Australian jurisdictions as well. Sometimes there is a lot of confusion about what is required where and it can lead to a number of questions from people and it can lead to different jurisdictional effects at times.

Mr CHAMPION—So it would be fair to say that we are not getting the benefits of federation here, competing models and policy innovation, that we are getting the detriments of federation where you have six or seven different systems and they all do their own thing.

Ms Vardon—That is a point.

Ms Grinblat—True, but there are also jurisdictional differences which would argue for a model looking particularly at that region. We have heard evidence about country venues and regional venues. They will vary from state to state. Saying which would be a better model is quite fraught—I think perhaps a combination of the two.

Mr STEPHEN JONES—Ms Grinblat, you worked for 10 years at Crown.

Ms Grinblat—I did.

Mr STEPHEN JONES—Was that in operational roles or management roles?

Ms Grinblat—It was in a number of roles. I started off in an operational role as a gaming machine attendant. Subsequent to that I was a gaming machine area manager who manages the operations of a particular area on the gaming machine floor. Subsequent to that, I became a responsible gambling liaison officer and after that I managed Crown's Responsible Gambling Support Centre for a couple of years.

Ms Vardon—Permit me to say that she is also a lawyer.

Mr STEPHEN JONES—Yes, I read that.

Ms Grinblat—I am sure you are interested in mainly the gaming experience.

Mr STEPHEN JONES—In those operational roles, we have heard evidence from clubs, hotels and problem gambling organisations about the merits and limitations of staff based interventions for problem gamblers. When you reflect upon your operational experience, were you aware of the patrons of the Crown Casino who were problems.

Ms Grinblat—Aware of all of them?

Mr STEPHEN JONES—Any of them.

Ms Grinblat—Quite possibly not. At the AGC we have done some research which I was quite aware of when I was working at Crown on behavioural indicators which might say that someone is experiencing a problem with their gambling. What I can say above all is that somebody may not exhibit all of those behaviours. They exhibit them in sequence. Paul Delfabbro did a lot more in depth research on this subject at a later date. Obviously with overt behavioural responses such as anger or upset it can be a great deal easier to identify somebody you may wish to speak with. I would not identify them as a problem gambler because I would say that those behaviours may be indicative that they have a problem and I would need to talk to that individual to find out where they are at before I made any hasty decisions, but it would certainly be an indicia that I would talk to somebody.

Mr STEPHEN JONES—In your experience at Crown, was that something that happened on a regular basis?

Ms Grinblat—It did when I was in gaming machines and even more when I was a responsible gambling liaison officer with the support centre become that was literally part of what we did on a daily basis. Staff would report to their manager if they saw someone they could identify as showing indicators that they might be experiencing difficulty. We would be called to speak with that person in greater depth, perhaps refer them to counselling and speak to them about the options for self-exclusion or further interventions that might assist them with their gambling.

Mr STEPHEN JONES—We have heard evidence from previous witnesses, particularly those who declare themselves to be recovering problem gamblers, that they would do everything within their power to disguise the fact that they had a problem with gambling.

Ms Grinblat—Absolutely. That is why, when you asked if I had identified problem gamblers, I noted that I could not identify all. How people react to stress and upset about their situation, as you can imagine, can vary greatly. You can have emotional reactions on the gaming floor that have little or nothing to do with gaming; they are to do with other events that are going on in somebody's life. That is why we always said it was very important to report any issue that you thought raised those indicators and then discuss it with that person. You cannot know someone's situation until you have spoken with them, and even when you do speak with some people they are hesitant to disclose. It is not a difficult situation, but you need to be very aware that

somebody is dealing with personal issues and disclosing those to any stranger in a gaming environment can be difficult for them.

Mr STEPHEN JONES—So that is an inherent limitation on a staff based intervention solution?

Ms Grinblat—No, I still think it is important. I do not think anything really replaces the human contact. I think it is important, though, also to have a number of other measures available. We have spoken of precommitment very much as the International Gaming Institute in Nevada did: as one tool in the toolbox. I think problem gambling is a multifaceted problem—it is quite complex, it is psychosocial, if you will—so you need to have a number of solutions there to assist people and any one of them is not necessarily going to be the particular answer. It could be a combination of education, signage, messaging, maybe reaching limits and having someone speak to you about that fact or it could be that someone recognises that they need to self-exclude. But it is definitely not just one solution.

Mr STEPHEN JONES—You have said in your submission that you recommend a series of trials, pilots and research. What do you recommend should be trialled?

Ms Grinblat—I think that if you are going to go back to what the Productivity Commission said, and I am not endorsing everything the Productivity Commission said on this issue, one thing they were very clear about was that they did not have any detailed blueprint for how precommitment should look, what would create the most cost benefit to the industry or to gamblers and that you need to test and look at parameters. In fact, one of the things that they mentioned—I think it is recommendation 19.2—is that you need trials to substantiate that full or mandatory systems have sufficient advantages over partial systems to warrant them going forward.

Mr STEPHEN JONES—Can you draw the conclusion from that that you would have to trial both?

Ms Grinblat—I imagine that you would. We have already started trialling of voluntary systems. I think the learning from that, in and of itself, raised a number of issues where we did not realise that it might perhaps be an issue. With respect to simplification of programs, for example, it is very easy when you are an industry member to say, 'This is all very clear and patrons will understand this very readily,' but when you look at the South Australian trials you see that people were offered primary and secondary limits and very few people seemed to understand the option for secondary limits. So what you sometimes think is clear is not necessarily so.

Senator XENOPHON—You worked for Crown for a number of years.

Ms Grinblat—Yes, I did.

Senator XENOPHON—Are you familiar with the study released last year from Deakin University—it was jointly commissioned; Associate Professor Linda Hancock prepared it—in relation to Crown Casino employees?

Ms Grinblat—I have read the study.

Senator XENOPHON—You have read the study; that is good. The research reported on interviews with 225 Crown Casino workers, conducted privately, in conjunction with the union. The key findings included: a lack of staff awareness of the limited number of signs of problem gambling; ambiguity in the 'upward report to supervisor' process resulting in low rates of floor staff interventions in problem gambling; 65.3 per cent of casino employee interviewees said they did not advise customers to take regular breaks from play; 55.3 per cent said they would not intervene when customers are in a distressed state while they are playing; and 81.2 per cent said they do not approach people whom they think are having problems with their gambling. Does that not indicate there is a problem with the level of human intervention at venues, particularly at a venue such as Crown, which presumably complies with all the standards on staff training under current regulations?

Ms Grinblat—Firstly I would note that that was a self-selected sample, and quite a small one.

Senator XENOPHON—225 employees, though.

Ms Grinblat—Yes, but it was a self-selected sample. So, presumably, when you open up a survey and people are responding, it is those people who wish to say something. I will leave it at that. What I would say is that the findings of that report were quite categorically not my experience of working at Crown Casino. I will say that you can take some amount of learning from that study about the necessity for continued training around responsible service of gambling—around continued statements to staff and reinforcement to staff that they do need to upwardly report any of those behavioural signs about which they have been trained.

Senator XENOPHON—You have tried to diminish that study by saying it was 'self-selected'. I am not sure about that. The Victorian Commission for Gambling Regulation survey of staff in venues had similar findings: 36 per cent of employees have difficulty in identifying problem gamblers; 21 per cent of employees are uncomfortable in responding to requests to help with gambling; 48 per cent of managers are uncomfortable when approaching patrons showing a gambling problem; and 66 per cent of staff are uncomfortable when required to approach someone showing a gambling problem. That is a more recent survey. Doesn't that strengthen the view that there are serious problems in terms of trying to deal with intervention at venues?

Ms Grinblat—I think it strengthens the view that it is an emotionally difficult task to approach someone and ask about very serious issues that are going on their lives. I think what it emphasises above all—

Senator XENOPHON—Issues going on in their lives, so—what?—you are saying that, if they are showing signs of distress, it is because something else is going on in their life?

Ms Grinblat—No, no, no—that is absolutely not what I am saying; I am saying problem gambling is a very difficult and distressing issue that can go on for people in their lives. When you approach someone you need to do it with a great deal of empathy. All those studies suggest to me is the need for constant reinforcement of training. It stresses the need for constant empathy and understanding—that people do experience problems with their gambling.

Senator XENOPHON—Ms Grinblat, doesn't it show a failure in the current system—that most staff just do not want to approach someone. The survey of 225 Crown employees is even more critical.

Ms Grinblat—Does it show a failure or does it show that we can always improve on what we are already doing? I think that is what it shows, above all.

Senator XENOPHON—Ms Vardon, you have a distinguished career in public service. As you indicated previously, you ran the department of consumer affairs. You have a perspective previously in public administration, being there to protect consumers, to advocate for them to ensure that there were sufficient protections. Do you acknowledge that the way poker machines are structured—with the illusion of near misses and what some would call the losses disguised as wins—that there are many elements about the design of machines that are the antithesis of trying to protect consumers from harm?

Ms Vardon—There is always room—and the industry works towards this—to improve harm minimisation measures and responsible gambling measures. I have never thought that it was the nature of the machines per se.

Senator XENOPHON—You do not think it is the machine design?

Ms Vardon—I think it is a matter of the way in which individuals interface with machines. I can play a machine for a very long time and I do not think I would ever fall into being a problem gambler, but some people find that difficult.

Senator XENOPHON—The Productivity Commission in its 1999 report on gambling said something like 4.7 per cent of people who had ever actually played a poker machine developed a gambling problem on it. From a product safety point of view, doesn't that indicate a significant risk of harm with a product and shouldn't the product be modified—or are you simply pathologising it to the actual individual gamblers?

Ms Vardon—No, I do not think it does. I think it is to do with the way in which individuals interact with poker machines. The way in which people interact with motor cars, for example, is another example.

Senator XENOPHON—I am trying to understand this. Given your background in consumer affairs and consumer protection, are you saying that there is nothing that could be done to improve the features of poker machines to make them safe in the same way that with motor vehicles we have seatbelts, speed limits, airbags—features that make them safer. You are not saying that that sort of product safety approach could be applied to poker machines.

Ms Vardon—I think that we do work towards that with a whole range of things about machines that do enhance consumer protection and things in venues that enhance consumer protection as well. Perhaps voluntary precommitment is one of those options that can be taken up. Seatbelts are a bit like that.

Senator XENOPHON—Seatbelts are not voluntary.

Ms Vardon—Right. There are things like dynamic messaging, pop-up messages. They are all consumer protections. I get back to the point that it is really the interaction of individuals with the machines that we need to careful of.

Ms Grinblat—I think you will be very well aware of the research by people like Delfabbro who note that there are EGM characteristics which have been found to attract problem gamblers that have equally been found to attract recreational gamblers. It is very much about the interface of human beings with technology.

Senator XENOPHON—It is a question of product. My final issue is that you talk about it being too much of a rush. What time frame do you say the industry needs to implement changes to the design of machines to make them safer? Do you want to take that on notice?

Ms Vardon—We will take that on notice.

Mr CIOBO—Can you give me an overview of the size of the industry that the Gaming Council represents, employees, export income and so on and so forth?

Ms Grinblat—I do not have all the figures with me today. What I will say though is that we did take issue with the Productivity Commission's estimations of employment within the industry. We found that our own members suggested employment figures that were reaching towards the 300,000 mark. Obviously, our members have hotels and casinos with gaming machines. A large proportion then of the gaming machines in Australia would be associated with our members as well as the manufacturers so it is a sizeable interest that I suppose our board would have in the industry.

Mr CIOBO—So around 300,000 people. What sort of contribution to GDP or turnover do you have?

Ms Grinblat—I think gambling is generally recognised to have about 1.5 per cent contribution to GDP—forgive me if I am wrong, it is not a statistic that I have with me at the moment.

Mr CIOBO—Okay. And export income? I know for example that casinos are very large exporters of tourism income—do you have any figures on that?

Ms Grinblat—Again I did not bring those with me. As Cheryl said we do have a database of Australia's gambling industries where we collate those statistics.

Mr CIOBO—It is fair to say that you are the peak body for gaming in this country.

Ms Grinblat—With regard to research and education.

Ms Vardon—And collecting data and information.

Mr CIOBO—Prior to the launch of this inquiry what measures have the Labor government taken to engage you about discussing the merits or demerits of mandatory precommitment? The government has formed a view that mandatory precommitment is the way to mitigate the effects

of problem gambling. I am interested to know about the no doubt extensive consultations the government has had with you as the peak body about why mandatory precommitment is a good idea.

Ms Vardon—We have not had any discussions with the federal government around mandatory precommitment.

Mr CIOBO—You have had no discussions at all with the federal Labor Party about mandatory precommitment.

Ms Vardon—No, we have worked well with the Productivity Commission over time. We have good relationships with the folks there.

Mr CIOBO—Surely the minister has met with the Gaming Council to talk about the benefits of mandatory precommitment?

Ms Vardon—Previous to the agreement between the Prime Minister and Mr Wilkie, the chair, we met regularly with ministers. We certainly have a good relationship with FaHCSIA, Minister Macklin's department. What we have been involved in and were beginning to be consulted on, if you like, were the Productivity Commission recommendations and where we should go with those over time.

Mr CIOBO—I am confused. Are you saying that you did have conversations about mandatory precommitment or you have not had conversations about mandatory precommitment?

Ms Vardon—No. Previous to the agreement, we have not talked about mandatory precommitment.

CHAIR—Perhaps I could just clarify that. Talking as Andrew Wilkie MP and not as the chair, my agreement with the Prime Minister is based on the recommendations of the Productivity Commission. Did you give evidence to the Productivity Commission's inquiry into problem gambling?

Ms Vardon—Yes.

CHAIR—Did you have as much access to the Productivity Commission during that inquiry as you felt you needed? Did you feel you had a fair go and that you presented your point of view?

Ms Grinblat—Yes. We made a submission within the confines of the process.

Ms Vardon—Yes, We made a submission, sticking within our knitting, if you like—with our charter.

Mr CIOBO—That was about mandatory precommitment?

Ms Grinblat—No. It was about the discussion of precommitment in general. Again, we made a measured argument for a voluntary approach to precommitment. We perhaps knew even less about precommitment then than we do now, because I believe the South Australian trials had yet

to be completed. Also, I do not think the Queensland trials had necessarily been released to the public.

Mr CIOBO—I am trying to get some idea of where this whole mandatory precommitment thought bubble has come from. We have the government committing itself to it, we have the chair committing himself to it, we have—depending on what estimation you want to use—as little as hundreds of millions to as much as \$4 billion of compliance costs and potentially we have hundreds of thousands of jobs at risk. You are the peak body for research into mandatory precommitment. Where has this come from? Is it just a thought bubble? It seems to me as though it is just a thought bubble.

CHAIR—Can you pass me those books?

Ms Vardon—Some of the very popular research that has been picked up by people in Australia has been the Nova Scotia research. Perhaps it came from there.

Ms Grinblat—Even the Productivity Commission noted that it was a far-reaching change in the gaming environment. They spoke a lot about the cost benefits of possible partial systems as opposed to mandatory systems. Eventually it was this issue of leakage that led them to speak of a mandatory solution. I would note that they did speak a lot—and we have outlined this in our submission—about the possible benefits of partial solutions, and they spoke a lot about the research and trialling that was needed going on from that.

Mr CIOBO—I notice that the chair has given me two volumes of a report that I have already read. I just want to know, from the peak body's perspective, about where this came from. The final line of questioning I have is about unintended consequences. We have had two very eminent psychiatrists and a number of other witnesses provide us at length with testimony that one of the potential unintended consequences of mandatory precommitment is that it actually could exacerbate problem gambling. What are your views about the unintended consequences that you referred to in your opening statement?

Ms Vardon—We are talking about the potential unintended consequences of an untested mandatory system. One of them, for example—a very specific and practical one—is what happens when somebody hits their limit. Potentially, problem gamblers can simply leave the venue without having the conversation with staff or without seeking counselling, come back another day and continue to gamble up to that limit, which may in fact be quite a high limit. I will ask my colleague to add her views too, but I also think that the focus on mandatory precommitment as a one-size-fits-all effort does not take sufficient cognisance of the very real and serious harm caused to individuals, families and the community by problem gambling. We take that harm very seriously. People with those problems need a whole range of measures from which to choose. That help is certainly not there with mandatory precommitment. It may help a little group from time to time, but it is certainly not the magic solution to problem gambling.

Ms Grinblat—I concur very much with what Cheryl said. I think there is an inherent danger in imagining that we have found a silver bullet or an answer to problem gambling. Essentially, as we said, it is multifactorial. There may be a great many solutions that are needed to assist people with problem gambling. One of the most obvious unintended consequences of the system that is proposed by the Gillard-Wilkie agreement is that problem gamblers may still choose not to set a

limit. Arguably, as various experts have told you, Professor Blaszczynski amongst them, problem gamblers are more subject to faulty cognitions, more prone to loss chasing and quite possibly more likely to eschew setting a limit—or, if they do set a limit and then find that it has constricted their loss-chasing behaviour, to increase it the next time.

I think it is important not to overestimate the benefits that this can provide to problem gamblers. We tend to concur very much with the Nova Scotian reports and even the Productivity Commission itself when it says this is very much a tool for gamblers as a whole; it is not particularly a solution to problems with gambling.

CHAIR—Thank you very much, Ms Vardon and Ms Grinblat, who are from the Australasian Gaming Council. I think we all found that very helpful. It was an important perspective for the committee to hear. We are very grateful.

[11.17 am]

BANKS, Mr Gary, Chairman, Productivity Commission

FITZGERALD, Mr Robert, Commissioner, Productivity Commission

LATTIMORE, Dr Ralph, Assistant Commissioner, Productivity Commission

SYLVAN, Ms Louise, Commissioner, Productivity Commission

CHAIR—I welcome representatives of the Productivity Commission. I am very grateful that you are here because I have spent the last two weeks defending the commission. You can defend yourselves now. I invite you to make a brief opening statement before the committee proceeds to questions.

Mr Banks—Thank you very much for inviting us back here to talk to you. We have had a bit of a look at the transcripts. You have obviously had very engaging conversations with a whole range of stakeholders. We are happy to answer any questions you have that have come out of that. I have a few brief remarks I want to make.

Clearly these proceedings are focused on the commission's report. As you know, this is the second report of an inquiry that we have had into gambling. The first one was in 1999. A few years after that first report I was giving a talk at a gambling conference in Melbourne and an American academic, who came out especially for that conference, came up to me and said she was pleased to meet me and that she thought our report was very valuable. She said, 'Indeed, we use it in the United States all the time when we are debating these issues.' I said I was a bit surprised at that because surely they have a lot of researchers and evidence in the United States. She said, 'Yes, but we don't know what to believe.' She went on to say that she did not always believe interest groups by definition and a lot of the researchers were being financed, either directly or indirectly, by different interest groups and many people were conflicted. So a report done in Australia was getting some purchase in the United States.

I mention that because in a way that is a rationale for the Productivity Commission's inquiry in a space that is quite conflicted for an independent organisation with a research base and, indeed, probably the rationale for the Productivity Commission itself. Our overriding concern in everything we do, including in this report, has been to come up with some policy proposals and suggestions for reform that would facilitate the best interests of the Australian community as a whole. As you know, gambling has benefits—and you have heard quite a lot about those—but it also has large social costs. The goal of the commission and, indeed, the goal for public policy in this area should be to reduce those social costs as much as possible without impacting unduly on the benefits.

In the commission's inquiry we have given careful consideration to the most cost-effective measures and approaches, and in particular how they might be best implemented to get that balance right. We tested our ideas in a draft report, as you know, and we got a lot of feedback in relation to that draft report and made quite a few changes in the final report. I do not think a lot

has been raised in these hearings that had not been raised also with us in response to our draft report, and therefore addressed by us in the final report. I apologise that the report is such a long one; it is over 1,000 pages and took over 12 months to produce. It has quite a lot of research in it and I am not going to even attempt to give you an overview of that report now, but I will make a few points and then we are open to any questions that you might have.

The first point I want to make is that the potential gains from reform in relation to gambling policy and regulation are very large. As we show in the report, the social costs amount to billions of dollars, especially related to poker machines, and those social costs have increased over time. They relate to the personal circumstances of gamblers, their families and their employers. They impact also on productivity and have social impacts related to crime.

We have seen some reduction in the prevalence of problem gambling in the total population but we have not seen that decline among regular gamblers, for whom losses have actually increased in the period since we did our last report. Even with measures of modest efficacy we found small reductions in harms and costs would be worthwhile provided they had relatively little impact on recreational gamblers and the implementation costs were not excessive. Those are both issues that I know you are looking at in some detail. We found in our report that the highest pay-off from action would relate to gaming machines, and especially to the design and operation of machines that determine the extent of losses. The social costs are very much related to the excessive losses that come about from playing those machines.

As indicated earlier, the commission's proposals are not just focused on problem gamblers but also on those who are at risk and, indeed, the wider consumers who are often misled by gaming machine technology and do not really understand the nature of the machines or how much they are paying to use them. We therefore adopted a much broader framework than a medical perspective—and I know you have had some medical perspectives in these hearings. Our framework has been a public health and broader consumer policy framework which included the medical perspective as well.

Within that wider framework we proposed a range of measures directed at enhancing the personal choice of individuals—their control or their responsibility—and measures in relation to information and to precommitment, which I know is a major focus of this review. We also recommended measures to enhance consumer protection to reduce the intensity of play and the risks. Our proposal in relation to bet limits is one illustration of that.

All of our proposals are based on careful analysis and marshalling the available evidence; proposals that we felt on balance met the test of reducing the social cost without impacting unduly on the benefits. As you well know, the evidence is not perfect in this area, but we believe quite strongly that that is not a reason for not taking any action. There are risks and costs of acting when that may not be justified, but there are also risks and costs of not acting when it is justified. We believe that where we have proposed actions the risks and costs of not doing those would be greater than doing them.

In other words, we believe that for all the proposals in our report the benefits exceed the costs. As I said earlier, we have actually stress-tested those recommendations in a series of hearings following a draft report that we put out prior to the final report. Where the detail is unclear—and it is unclear in a number of areas—we have recommended that further work be done and that

there be trials. But, more broadly, we have proposed an adaptive policy framework that would allow learning and adjustments to be made as new evidence emerges. Crucial to this is upgrading technology, in relation to both monitoring systems and machines. The capacity of the poker machine system, if you want to call it that, would be enhanced to accommodate the key harm minimisation measures that we believe are necessary or, in the future, other harm minimisation measures that may be seen to be effective in relation to the things that you have been discussing—dynamic warnings, tracking expenditure, limits on spending and also, of course, precommitment—with the important capacity that those things could be adjusted remotely at low cost in the future.

So we see the biggest priority as being that of upgrading the technology to provide a platform and enabling technology for harm minimisation measures both now and into the future. Because that is the biggest priority, we have also stressed the importance of developing new standards and protocols as soon as possible. How that technology is introduced can make a big difference to the industry's initial cost, but of course it also makes a difference to how soon the social cost can be addressed. So there are trade-offs in the timing. We have given particular care in our report to the question of sequencing and phasing to try to get that balance right. We have attuned our recommendations on implementation, particularly for precommitment, to the turnover cycle of machines. I know you have heard quite a bit of evidence about the cost. The costs depend crucially on whether you are replacing machines too soon or whether you are fitting in with the turnover cycle. We have given a fair bit of attention to that and also to the question of trials, as I said, particularly in relation to precommitment and a number of the details there. They are the introductory comments I want to make. Thank you again for inviting us and we would be happy to take your questions.

Mr FRYDENBERG—Thank you very much for that presentation. We would not be sitting here were it not for the Productivity Commission's work in this area. We have had a range of testimony, as you indicated, and it has raised a number of issues, some of which I would like to go through with you here. First I would like to take up something that you said in your introduction. You have a number of recommendations in addition to mandatory precommitment and you said the design of the machines had the greatest pay-off. Am I to understand that you are saying that is the most important issue in dealing with problem gamblers?

Mr Banks—There are two broad points. The majority of problem gamblers use gaming machines, and indeed the bulk of the social cost relates to gaming machines. So the environment in which people use gaming machines is obviously crucial. The second point is that how people interact with those machines obviously determines the extent of their losses, and the social costs are very much related to the losses. So a lot of the recommendations that we have made relate to the capacity to make losses on machines and for consumers and gamblers to be informed about how the machines operate. There are a range of measures that are about choice and empowerment in relation to the use of machines. Others are related to consumer protection in relation to machines, and spending limits fit into that latter category.

Mr FRYDENBERG—I am not saying that it is mutually exclusive from mandatory precommitment, but I just want to clarify something. Are you saying that the design of the machines, from your analysis of this industry, is the most important factor or has the highest payoff in terms of reducing problem gambling?

Mr Banks—It depends what you mean by design. I do not mean 'design' in the narrow sense. I really mean how people use the machines and the options and technology available to them. Our recommendations encompass precommitment, as I said, which we have seen as an important harm minimisation measure which empowers consumers, but also measures to do with the spending rates. We have had bet limits, as you know, and limits on the amount of cash that you can feed into a machine. So all of those things are encompassed when I use the term 'design'.

Mr FRYDENBERG—Concerning the time line, we have heard evidence that the Productivity Commission's recommendation around mandatory precommitment involved trials with extended time lines to 2016 and 2018 for smaller venues. As you would be aware, the deal between Mr Wilkie and the government is a more truncated time frame. Can you take us through your time frame for mandatory precommitment and is it subject to these trials being successful? What hurdles are there from the Productivity Commission's perspective in making this effective?

Mr Banks—As I indicated earlier, the rate at which we introduce these technologies will obviously affect the cost. In particular, the key element of cost is the replacement of machines prematurely. Also, time is needed to design technical changes, protocols and so on. You will see in a table we have provided in the report that on one page we have set out from 2010 through to 2020 what we saw as the feasible staging points for this. I will get my colleague to talk in more detail about it but the logic of it, as I said, is to allow enough time for these things to come on stream that would not have unintended consequences. It is crucial that, for example, the technological capabilities in machines are brought up to speed progressively over time as machines are being made redundant rather than trying to do that all at once. Some of the large cost numbers you have are predicated on the whole stock essentially being replaced overnight, which is not what we have proposed. So the timeframe we have there, the one you have indicated by 2016—the precommitment becoming operational in all jurisdictions—is predicated on that.

In relation to the trials, we saw that as quite an important way of understanding how to design a precommitment system to maximise its cost-effectiveness. As you know, there are a few things we left open, including default limits—how long the precommitment period would be for and so on—which really only trials would reveal in terms of the most efficacious. Of course, those things in turn could be adapted over time in a system which is actually operating. As I said earlier, one of the advantages of the kind of system that is based on a technological platform which is quite flexible and adaptable is that changes can be made over time to make the system more effective. My colleague may like to add to that.

Dr Lattimore—The most important thing I would say about the implementation strategy is that it itself involves precommitment to precommitment and by that I mean really the technology platform. So the starting point for the implementation plan is to put in place the standards and the technology across the states that would allow precommitment. It is also the same platform that could allow a whole range of other measures to be put in place and, most importantly, to withdraw or amend them at very low cost depending on their effectiveness. I can give an illustration of this. This is why we have put a lot of emphasis on the platform at the commencement. We had a lot of dealings with the ATM manufacturers because we wanted to address rigorously the costs associated with ATM changes. Changing a limit on an ATM machine in a gaming venue is very low cost because it can be done remotely. In Queensland, where they use the QCOM system, again it is extremely cheap to make a change to the gaming machine

because the communication between the machine and the monitor—a private monitor in this case—is easy. So they were able to introduce a change in the amount you could put into the machine in any one go overnight. As it happened, we withdrew it shortly afterwards but again remotely. On a platform side, that is what you are looking at. That involves the capability for precommitment and it also gives you the capability for a range of other regulatory measures. That is why the most important part of that implementation strategy is getting agreement on standards and technology.

Ms Sylvan—We are talking about a national uniform set of standards, which industry said to us was very important. One of the concerns at the moment is that the standards are quite variable across the states and territories. Our use of the term 'adaptive technology' means you have a base set of standards, but the implementation of that in different jurisdictions could in fact be different. For instance, bet limits could be different and could be changed quite easily. So that is an important feature of the system.

CHAIR—So you could have a state based technical solution to a set of common standards?

Ms Sylvan—A different implementation really.

CHAIR—Okay, but ultimately arriving at a uniform technology?

Mr Fitzgerald—The technology should be standard across Australia. That benefits industry. It is the most cost effective way to do it. Once you introduce this new technology, individual jurisdictions can implement different measures. The problem at the moment is that the current status quo machinery means that all implementation of measures is expensive. This changes forever the way in which the industry, the regulators and government policy can interact. The key thing is that it is very cost effective, but to do it you need national technological standards with a capability to do a range of things. The next questions are which of those are actually implemented by different jurisdictions, when they are implemented and in fact into the future what new measures might be implemented. So the technological base is absolutely critical, which is the single most significant change from the 1999 report. We now recognise absolutely that technology matters in order for governments, over time and with new evidence, to adapt. The current system almost precludes new measures being introduced or, if they are, they are inordinately expensive.

Dr Lattimore—The other comment I would like to make about the implementation strategy is on the trial. We have seen trials of some forms of commitment technologies in a number of contexts and they provided quite useful information about aspects of commitment like player acceptance, how you sign people on and so on. But they all take the form effectively of partial and voluntary precommitment systems and they are like new year's resolutions—you have goodwill but you find it difficult to keep to them. The trial we are talking about has to take a particular form that stops them from becoming de facto partial precommitment systems. You would not want to have a circumstance where a particular pub, hotel or club had this technology but you could walk down the street and play on a machine that did not have that feature. That is why we have suggested the trial involve a reasonably large area. Bass Strait is a very nice natural barrier to people going and playing on other machines. In some ways Tasmania would be an ideal trial site. But the idea is to find somewhere to examine this issues rigorously such that

people do not go and play on machines that do not include the feature. The details of implementation and things like the trial matter a great a deal.

Mr FRYDENBERG—Hence the staged rollout.

Dr Lattimore—Hence the staged rollout and, critically, the development of things that are the necessary precursors to it, particularly this issue of technology and standards.

Mr FRYDENBERG—I just have a few more questions. I know everyone will want to ask you questions and we will probably go around again. One of the key points that we have heard in the hearings to date is that, even with a mandatory precommitment scheme, problem gamblers will find a way around it or, more to the point, they will set their own limits which are unaffordable. Mr Banks, you alluded in your opening statement to this being not just about problem gamblers but about a health issue across the spectrum. Is it therefore right—and we have heard this evidence from a number of different sources—that a mandatory precommitment scheme is not really targeted at problem gamblers per se? It might be people who will eventually become problem gamblers and move up the scale, but actual problem gamblers will not be best treated by a mandatory precommitment scheme.

Mr Banks—I am sure my colleagues will have other perspectives on this. I will start by clarifying what is meant by mandatory, which not everybody understands. Sometimes that word is twisted. As you would appreciate, we are really talking about a system where it is mandatory for the player to choose rather than mandatory in some other sense. It is ultimately about choice. An argument has been made that problem gamblers are unable to choose rationally at any point. We do not believe that is the case and we do not think that the evidence supports that. For example, many problem gamblers self-exclude from venues. These are people who have realised they have a problem and they have gone to the extreme solution of going cold turkey. Precommitment allows them to choose how much to spend et cetera but these people have chosen to self-exclude. That tells me that those people appreciate they have a problem and they have taken action. Many more people we think who are problem gamblers would use a precommitment system to do something short of that draconian self exclusion option but self exclusion would be part of the system.

The second point that I would make is, while the problem gambler may well set quite a high limit, my understanding—and Ralph might want to comment on this—is that some of the evidence suggests that they are less likely to do that than recreational gamblers and more likely to realise that they have a problem and set a limit that is more realistic. The third point in relation to that is that under the system we are proposing once they set that limit they cannot set a higher limit but they can set a lower limit. So a problem gambler, for example, who finds him or herself in a position where they have gone to excess and they are getting kick-back at home and so on, the sort of person who might have self-excluded has the option of setting a lower limit. Once they have set that lower limit that is bound to a period of time as well.

That is in relation to problem gamblers. We do see it, as you say, having a wider applicability than that but we obviously also see it as being applicable to problem gamblers. I do not know whether my colleagues want to make any further comments.

Mr Fitzgerald—It is very important that in public policy terms in consumer protection—and the commission has done a number of inquiries in relation to consumer product safety and consumer policy—that one is concerned about not only those that are actually harmed but also those who are at risk of harm. Consumer protection and consumer policy look to the range of harms that may be evident from a particular product or service. We can apply exactly the same logic in relation to this product. Those at the very pointy end of problem gambling where it is a medical condition and requires substantial intervention will be affected in different ways from those that have commenced gambling but are at risk. Our policies look to cover both. The way in which it impacts on different groups and different individuals will naturally vary but the policy suite is geared to those that are at risk, those that are at high risk and those that are problem gambling.

For a problem gambler that has a severe problem, yes, they are at that very pointy end, which some of the participants to this inquiry have referred to, and they require very extensive therapeutic interventions or even medical interventions. But public policy is not just concerned about those people. It is concerned with a much broader group within the ambit of the policies. As Gary indicated, in talking to problem gamblers and problem gambling groups in both the 1999 inquiry and this inquiry they were very clear that there were moments of lucidity, moments of rational thought, and moments in which they will commit. What you do not want is a situation where you commit and 10 minutes later can change that commitment. That is part of the design features that a trial would actually show.

Mr Lattimore—I will just make a few additional comments. The concern people have is that problem gamblers can get around these measures. One of the approaches that the commission recommended was that when you get a large prize you would have to reveal your identity. If you have indicated you are a problem gambler and if you have given your card away, for example, and you are pretending to be someone else it is going to be tricky because there is no way you can actually claim the prize because you are not actually who you are claiming to be. That is one point.

The second thing is that there have been trials done, obviously. They are not mandatory ones but, for example, the results that we have seen from the study of the PlaySmart arrangements in South Australia have shown that the areas where expenditure has fallen most has been for the people who are at moderate risk and problem gambling. For non-problem gamblers the effects were modest or the other way around.

If you look in the Norwegian evidence at what people thought about their contentment with the arrangements, 57 per cent of those who were the most regular gamblers—the ones who were most at risk—were contented with the arrangements and 23 per cent said it did not matter. Of the ones who seldom gambled, 15 per cent were contented. They were not particularly delighted by it, but on the other hand most of them—79 per cent—said it did not matter. So we see that across the different risk groups the ones where the risks are greatest say that they consider regulatory changes of this kind to be quite acceptable and useful to them.

The third point I would make is that the commission has never suggested that precommitment will be a silver bullet. It is part of a suite of measures. You cannot just rely on a single approach to address problem gambling or, indeed, consumer protection.

Mr FRYDENBERG—We have heard a lot about privacy concerns with a mandatory precommitment system, particularly that in order to be effective you will need some form of biometric identifier. We have heard about black markets in cards from international experience and that being one of the unintended consequences were it to operate here. You would need to have some form of biometric identifier, and that may be through a smart card or a USB or another form.

Secondly, there is an issue as to where that information will be stored. We have heard some evidence, I think it is fair to say, that you could store it on the card itself and it would not be on a database. But then we have probably heard more evidence about the point that there would have to be some central database, and if this system were national and uniform then it would probably be on a national database. So you have here a lot of sensitive information that is actually at the disposal of government, and which raises a number of concerns. I would just like to hear from you about the privacy concerns that have been raised and, more particularly, how you think your system could handle those.

Dr Lattimore—First of all, it does not need to be biometric. The issue is identification, and biometric would usually relate to things like fingerprints or eyes and so on. It merely has to be a robust approach to identifying people. Of course, we use those approaches in a range of official areas; passports or to have a post office box. Even if you want to get a mobile phone these days you have to demonstrate who you are. So it does not have to be biometric in approach. As far as monitoring—

Mr Banks—I think that relates to Ralph's earlier point that one way of ensuring, for example, that gamblers did not swap cards and so on would be to ensure that the larger prizes had to be paid out and that they would only be paid out with identification—a drivers licence or something like that—to demonstrate that you were who you were. That has been quite effective in relation to self-exclusion. Obviously, even a problem gambler is not going to go to great lengths to disguise his identity if he or she cannot win anything significant out of that.

Dr Lattimore—Especially since large prizes loom large in their thinking. That is what they are looking for to cover past losses; it is what gives them an enormous sense of excitement. Not actually being able to get them would be a great source of frustration.

Currently there is monitoring undertaken by private companies like Odyssey Gaming and Maxgaming. They would be quite acceptable parties to hold data, and the main reason they would hold data is if you lost your device it would effectively be listed on the database. But it would not be something that would be open to private parties to use for any purpose. It would be a bit like a bank system which holds a record of your account; I cannot go and look up your account and nor could government.

Mr FRYDENBERG—Would that information include your spending habits and how much you spend?

Dr Lattimore—I am making no judgment about whether you would want that. It would depend on the design of the system, but the thing it would need to have is what you have set. So you will have preferences and it will record those preferences. There will be a trigger when those precommitment preferences were exceeded. How much you include in any such system is a

matter for a trial and the design of the system. As Gary mentioned, there are many dimensions to the design of the environment in which people play and these would be designs which have to be made in implementation.

Mr Fitzgerald—We have tried to make it very clear. Nowhere in the report have we indicated that there would be national registration of that data. It is up to policymakers to determine whether or not there is any collection of data beyond the actual venue or the card itself. So there is no national register of information in relation to the gambler. There may or may not be registration information contained at the state level, if the policymakers so choose, but they do not have to. It can be more localised than that or it can simply be on the card itself and recorded nowhere else. The precommitment system we have indicated is not one that is activated by a third party; it is activated within the mechanism of the card itself and what it triggers on the machine. So it is actually not a system that is open to great privacy abuse. We can see no reason why you would require a national register of gamblers. There are researchers who would like that information, clearly, but there is no necessity for that and we have never recommended that. Again, the actual information can be simply on the card itself or it can be at any other level that policymakers so choose, but the rationale for so choosing would have to be very clear.

Mr FRYDENBERG—That system presupposes that you cannot trade someone else's card. You have your card and you would walk into one RSL, have a gamble. If you would go interstate and you could not use that particular card again?

Mr Fitzgerald—Depending on the nature of the system you design. The system we have looked at can be a state-wide system and, if you went interstate, you would have to register with their system. If you want a purely national system, that is a step further than what we have recommended at this stage and that is because the monitoring systems in each state and territory are in fact different and not connected.

Dr Lattimore—But you cannot trade a card—you could, but we would come back to Gary's point that your capacity for collecting a prize would disappear once your identify shows who you actually are. If you identified yourself as another party, you are of course engaging in fraud and that affects a whole range of other financial transactions and we have methods for dealing with fraud. We did look closely at the privacy issues in the report and they dealt on pages 10, 28 and sub sequent pages. For example, Eddington, the renowned United States research in the gambling field, suggested methods that would ensure privacy of data and would address identity fraud. Regis Controls Pty Ltd, which has given you some testimony, have also proposed a range of methods for considering privacy risks. They did so in their submission to the inquiry, which is numbered 82.

Mr Fitzgerald—I would make one point about recreational gamblers. In our recommendations we have been very clear that irregular players—players who play only occasionally—who have a very low spend would be able to go to a venue and receive a cash card or a card which has a limit of, say, \$20, a low-value card. All they have to do for that is produce some identification. There is no recording of any information. When that card is expended, that is the end of it. most recreational gamblers will not even fall within the precommitment system, unless they so choose or they want to spend a larger sum of money. One of the things which has been wrongly reported is that every single gambler would need to

register. That is not so. Indeed, if you are a university student you have to buy a cash card to make a photocopy. If you go to a video rental you need some form of low-level membership.

For recreational gamblers who go out with their family and do it only occasionally and do not want to spend a great deal of money, they can simply get a card which allows them to spend up to a certain low-level limit and that's it. there is no recording of that for any purposes other than to receive the card. So a very large number of recreational gamblers do not even enter the precommitment system if it is designed in that particular way. It minimises the impact on those who simply go out for dinner and want to have a bit of a poker machine gamble straight after dinner—they can simply access a card. That has been very clear in our recommendations. The alternative of that is they have access to a low-level intensity machine. There are a bank of machines which play at a different rate and they are controlled so that the amount of expenditure is quite low. Most recreational gamblers may not enter the precommitment system.

Mr FRYDENBERG—As a recreational gambler, when you get that card, you are still saying that you have to provide identification. I assume that identification is scanned and kept.

Mr Fitzgerald—It could be, or it could simply be the production of the drivers licence, just to ensure that you are over 18 and so on. Those sorts of design features can be looked at, but we see a very simple methodology for recreational gamblers who only want to spend up to a certain low level.

Dr Lattimore—On that issue as well, it should be remarked that quite a lot of people enter loyalty schemes. They are run, clearly, by reasonably interested parties. They have quite detailed information on the individual, their playing style, times and so on. All we would envisage is that a disinterested party would hold data merely for regulatory purposes and not for any other purpose, unless consent was given.

Mr Banks—On that, data that we have had from a large club in New South Wales—which is anonymous, but we have accurate unit record data—suggests that a lot of the members of the loyalty card system are recreational gamblers. They are not problem gamblers. A very small proportion of loyalty card members account for a large proportion of the firm's revenue. That also illustrates that many of the loyalty card members are just recreational gamblers. So they are quite happy to sign up, get a loyalty card and the benefits that come with that, and allow the provider to have information about them.

CHAIR—What sort of level of expenditure would you regard as indicating a recreational gambler?

Mr Banks—There are two things there. I am going a bit beyond the person that Robert was talking about, who has been out for dinner with his family and decides to have a flutter. A card for that person might be \$20 or \$30 or something like that. That would be a matter for decision. The spending of a recreational gambler comes more out of the surveys about broader spending over a year. Ralph might want to comment on that.

Dr Lattimore—There are difficulties here. We went into substantial detail about how you get a grip on expenditure. In fact, we have represented 19 studies of our own, based on unit record data from multiple surveys around Australia. Curiously, if you look at the ABS, who used a

particular methodology, they managed to find out that around three per cent of the real amount of gambling was remembered by people in their survey. We used more robust methods and we did rather better than three per cent.

The fact is that everybody, problem gamblers and recreational gamblers, tends to underestimate their expenditure. For example, if you go to a New South Wales survey from 2006, which is one where you get a closer approximation of total spending, you see that recreational gamblers spend around \$700 per year. A low-risk gambler spends about \$3,500 a year. A moderate risk gambler spends about \$6,600 a year. In this survey, problem gamblers spend \$20,600 a year. I do not know whether the numbers would be exact. They would probably all have to be inflated somewhat because everybody underestimates their spending. It would nevertheless give you an idea of the relative magnitudes of spending that you see amongst the different classes of people.

Our assumption is that, while recreational gamblers can experience consumer problems associated with gambling—because we have found that—nevertheless, that is more in the low hazard area of spending. They are the sorts of approximations you get from the data. You have to be very careful with any single piece of evidence, which is why we went to great lengths to triangulate the results in this area.

CHAIR—On those figures, that lower end figure means about \$15 a week. I think I have got that right. So if they are able to purchase, just by showing their drivers licence, a \$5 card or a \$10 card, that would keep that category of person quite happy, probably.

Dr Lattimore—That is the average. The only observation to make here is that a lot of people do not gamble on gaming machines very often. Most people do not play weekly. Some people might play less regularly and spend more than the \$15. The point we make is that they could make small expenditures without any significant inconvenience to them.

CHAIR—That was just an example; it is not our recommendation, necessarily. But if it is a \$5 or \$10 card that is probably not going to satisfy someone who is spending \$3,000 a year, or certainly not someone who is spending \$21,000 a year.

Dr Lattimore—They are going to find it difficult to keep on going back.

Mr Fitzgerald—I think Gary has indicated that somewhere around \$20 to \$30 would be the card limit, but policy makers can make that decision based on the experiments. But it is in fact designed not to allow regular heavy-use gamblers to be able to use lots and lots of these sorts of little cards. It is specifically for that group of recreational gamblers who have a low-level spend. Those that have a more regular spend which is of a higher nature—those who are all high-risk and problem gamblers—do not spend \$20 at a time but much more than that and they would end up in the precommitment system. It is designed for that to happen.

Mr Banks—Getting back to Robert's point about the person with his family having dinner and so on, that person would probably spend a lot more over dinner than \$5 or \$10, so that sort of amount would not be very much. But the other point is, I suppose, that we should be thinking of gambling as indeed the industry portrays it, as a recreational activity, and therefore spending an amount that would be equivalent to another recreational activity like going to the movies or

doing something else like that and spending around 20 bucks. Most Australians would not get into trouble spending \$20 on a night's entertainment. The problem, as you well know, is that you can spend a lot more than that particularly if you use these machines in an intensive way. So that is the logic of that. It would bring it down to a card that would allow them to spend an amount that would be commensurate with another form of entertainment in the evening.

Mr CIOBO—Mr Banks, is gaming a net negative or a net positive to society?

Mr Banks—How do you define gaming? Do you mean gambling, broadly, or—

Mr CIOBO—Gambling, broadly. I will ask about them both separately—gambling, broadly, and then pokies themselves.

Mr Banks—As I said, gambling brings benefits as well as costs and Australians are pretty—

Mr CIOBO—No, my question is about whether it is a net negative or a net positive.

Mr Banks—There are ranges of both benefits and costs. When we did our first inquiry, in 1999, the ranges overlapped so it was possible in relation to gaming machines that they were generating a net social cost. For reasons that my colleague can probably explain, the ranges this time do not overlap to the same extent so our calculations in broad terms show that the ranges are such that on balance the gambling industry is probably generating a net benefit.

Mr CIOBO—So it is a fine thing, a close-run thing?

Mr Banks—The benefits are large and they relate to—

Mr CIOBO—I am talking about the net—focus on the net.

Mr Banks—The benefits are large because they relate to consumer satisfaction not to the industry, the jobs, and so on—and we can come back and talk about that. It is about the fact that many consumers actually enjoy a flutter—talking in the broad. But the costs are also very large. The fact that the benefits may outweigh the costs on some calculation does not mean that there would not be major gains to society from measures that would reduce the social cost provided that it did not have a big impact on the benefits. As I said at the beginning, that is really the credo of this whole report—to find a range of policy measures that would reduce the social cost without unduly reducing the benefits so that the net benefit to society from this activity would be greatly enhanced.

Mr CIOBO—I will ask for a third time then: is it a net benefit or a net cost to society from gambling and, in addition to that, from pokies?

Dr Lattimore—I can answer the specific question, then. Yes, for total gambling we have got high and low estimates that depend on the parameters of the model here. It does not matter on the parameters in that instance—it is a clear positive. And in the case of gaming, EGM gambling, it is less clear. It depends on the parameters. With one you get a net benefit in both instances and in the other you actually get a net benefit under the high estimate but you get a net cost under the other estimate. So the result of gaming machines is less certain than it is for

gambling as a whole. I think the point worth making, though, is that when you are looking at the net benefits of anything, the counterfactual is a ban and no-one here is proposing a ban, I think.

Mr CIOBO—If it was a net negative, why wouldn't the approach be—

Dr Lattimore—Because it may well be the case that you can reduce those costs while retaining the benefits.

Mr CIOBO—And that is obviously the policy goal, isn't it?

Dr Lattimore—Yes, indeed.

Mr CIOBO—You spoke about crime and so on, so am I correct in assuming that the predominant costs associated come from problem gamblers and those unable to control their gambling?

Dr Lattimore—The ones we have measured, yes—

Mr CIOBO—What is quantifiable, obviously.

Dr Lattimore—We have quantified some of the costs for non-problem gamblers, but they have not been included in the analysis of net benefits. That would probably bring the figures down.

Mr CIOBO—Just out of interest, did you quantify the positive utility?

Dr Lattimore—That is the key factor behind the benefits—

Mr CIOBO—That is what I am asking—did you do that.

Dr Lattimore—Yes: that is the basis on which it is done.

Mr CIOBO—If on your range it was clearly a net negative, why would the Productivity Commission not propose a total ban?

Dr Lattimore—Because at any time the net benefits you get reflect a certain set of environments. If people get value in some cases, and on the other side of the coin some people are facing costs, if you can manage to secure the same benefits for the people who are enjoying the product and you reduce it on the other side, you can maintain a net benefit.

Mr CIOBO—We know that the bulk of the costs that are quantifiable come from problem gambling. We have had evidence about problem gamblers from two highly eminent psychiatrists who between them have in excess of 50 or 60 years of expertise in the area. I note, Mr Banks, you said earlier you do not believe their evidence that people do not have moments of clarity during which they can make rational decisions.

Mr Banks—What I was saying was that there is counter evidence to suggest that they did.

Mr CIOBO—One of these most eminent psychiatrists actually says he would like problem gambling reclassified as an addiction. He makes it very clear that it is not a rational decision-making process, and we have also had problem gamblers testify that, yes, it clearly was not rational behaviour otherwise they would not have gone on, once they realised their gambling was out of control. Why is it that you think these two psychiatrists with 50 years of research have it wrong?

Mr Banks—I did not say that those two psychiatrists had it wrong; all I said was—

Senator XENOPHON—Chair, this is not fair—Mr Ciobo is not putting it in its full context. Professor Battersby did say that there were moments when people could make the decision that mandatory precommitment would be very useful.

Mr CIOBO—That is not my interpretation of what he said at all, so we will just have to agree to disagree.

Senator XENOPHON—I have his submission.

CHAIR—Can we call an end to this conversation among the committee to hear what Mr Banks has to say in response to the question.

Mr Banks—I would feel now I needed to see what they actually did say before I responded to the question.

Mr CIOBO—So you have not had a chance to review their evidence yet?

Mr Banks—I have briefly looked at it, but I would have to look at it in detail before I would be drawn into making any critical comment about two eminent psychiatrists.

Mr CIOBO—If we follow the assumption for the moment that problem gambling is a clear display of a lack of rationality, and that is why people lose their homes and all sorts of very unfortunate circumstances are created, why is it that under the system the Productivity Commission has outlined, where people can set their own limits, where people are able to swap cards—we will go in a moment to Dr Lattimore's safeguard—they would in any way, shape or form suddenly adopt rational behaviour in that respect but not with respect to their gambling, which is the root of the problem.

Mr Banks—What we observe in relation to problem gamblers, both through evidence we have received and in the literature we have seen, is that they do try to take actions to precommit themselves such as to reduce their losses. For example, we have had anecdotal evidence of problem gamblers wearing thongs on their feet when they go out because they know that the dress codes in the clubs and hotels will preclude them from entering. There are various other stratagems that they have followed. They are all pretty imperfect substitutes for a formal process of precommitment.

We know that even extreme problem gamblers, short of being in absolute crisis and losing everything, voluntarily choose to self-exclude from venues, even though the hoops that they have to jump through to do that are quite onerous and significant and involve a certain amount of

embarrassment and confrontation with other people in order to go through that. So these are two quite important examples, particularly the self-exclusion because, as I said earlier, self-exclusion is just an extreme form of precommitment: you are committing yourself not to gamble at all for some extended period of time.

Mr CIOBO—As, indeed, is abstinence, but unfortunately it generally comes after a crisis point. That is the evidence we have heard from witnesses.

Mr Banks—Not all people who self-exclude, unless you have evidence to the contrary, have already gone through such a crisis.

Mr CIOBO—Of course not all; I do not dispute that for a moment. But the point is that the bulk of problem gamblers are displaying illogical, irrational behaviour.

Dr Lattimore—The issue there, though, is that people are not uniform over time in their problems. The advantage that precommitment brings to such people is that they can commit during a lucid moment that binds their future, to avoid the irrationality that they know will be around the corner. The example of this that we give is Ulysses: he knows the sirens are there and ties himself to the mast. So you do not need to have a situation where people are not irrational; they can be irrational. The requirement for precommitment not to work is somehow that they are irrational all the time. The other point to make in this context—

Mr CIOBO—Dr Lattimore, that is precisely—

Dr Lattimore—Can I continue, please?

Mr CIOBO—I am sorry but I want to pick up on this point because it is precisely the issue. I put this exact point to a former problem gambler because we have been told that the problem is when people are 'in the zone', is the phrase. My question to the former problem gambler was: 'If you have this moment of clarity when you are sitting at home before you make the decision to go to a venue, knowing full well that numerous times previously when you have gone to a venue you have been unable to control your urge, why would you take the decision to go to a gambling venue again? Doesn't that demonstrate a lack of rationality?' The response was, 'Well, yes.'

Dr Lattimore—Problem gamblers are a very heterogeneous group, and I think you have had some evidence in relation to that. And I do not think the point you make that irrationality is present amongst problem gamblers is being contested by parties. The issue is whether they experience moments of lucidity. It is interesting that if you ask people about some of the consequences of gambling, they are things like bills, for example. So people realise that if they have spent a lot of money that is a bad outcome. Some of the stories you hear are of people who have spent a lot of money and their experience after gambling has been to, for example, commit suicide. If there was an opportunity at the end of a period of playing when you could commit yourself, having suffered significant losses, we would expect people to use that strategy. We do see other strategies, as Gary has said, where people wear thongs, freeze their credit cards and in some cases even move to Western Australia.

Mr CIOBO—Do you concede that—

CHAIR—If I could jump in here, the opposition has had almost three-quarters of an hour, so could you make this one last quick question, please.

Mr CIOBO—No, Mr Chair, I am sorry. You and the first witness had 35 minutes. I have had seven minutes.

CHAIR—No, Mr Ciobo, it is almost three-quarters of an hour. One last quick question, please.

Mr CIOBO—You are shutting me down after seven minutes of questions?

CHAIR—Yes, I am. One last quick question, please. The opposition has had almost three-quarters of an hour.

Mr CIOBO—This is completely unacceptable. You have had 35 minutes and you are given me seven minutes to ask the Productivity Commission questions.

CHAIR—You will need to talk to Mr Frydenberg about the amount of time. I assume the two of you can tick-tack well enough. One last quick question, please.

Mr CIOBO—I have got many questions, so I will have to submit the rest on notice.

CHAIR—You don't want to ask one now?

Mr CIOBO—No. It is an absurd ruling.

CHAIR—Okay. We will go to the government members.

Mr CHAMPION—I will be reasonably quick. We have had a lot of evidence about different protocols and different systems of regulation around the country, and you made some reference to that. Would I be right in thinking that that arrangement at the moment inhibits harm minimisation measures being put in place because, by implication, you have got such an inefficient system that if you put anything in place it is going to cost a lot of money? Am I right in thinking that?

Dr Lattimore—The different jurisdictions have different capabilities. You have probably heard about the QCOM system in Queensland and so on. But some systems, such as that in New South Wales, are far less flexible because of their capacity for communicating backwards and forwards with the machines. It comes back to the point that we have been emphasising from the start, that it is critical to get a national approach to standards and systems that relate to gaming machines. So one of the first steps would be in relation to the monitoring systems and the protocols that are used for communicating between the machine and back to the monitoring systems.

Mr CHAMPION—Would I be right in thinking that, at the moment, we have a system that is a bit like the old 1901 railway system, where we are really talking about designing different trains for different gauges?

Dr Lattimore—Yes—to the cost of the gaming machine manufacturers.

Mr CHAMPION—One of the criticisms made by some is on this issue of, 'You can set your own limits.' I noticed that one of the other recommendations in the commission's report is this lowering of the bet limit to a dollar. Do you see some interaction between those two proposals—that on the one hand you would have precommitment, and on the other you would have this other safeguard built into the machine which, by its very nature, stops people making large losses?

Mr Banks—I think that—as a number of us said earlier and, indeed, as this committee has acknowledged—there is no single instrument or harm minimisation measure that is going to provide the total solution. So we have come up with a range of measures, a package of measures that addresses the different dimensions—measures, as I said earlier, that give people more scope to choose and more control over what they do, but also some consumer protection measures that reduce the risks inherent in the machine. That is why we have seen that bundle of measures.

We have also said in the report that it may well be, in this adaptive policy framework that we have set up, that precommitment reveals itself to be so effective that some of these other measures on the consumer protection side can be loosened or removed. But we felt that the package of measures was necessary because some things will be more effective with some gamblers than others.

In relation to the dollar bet limit, we are attracted to that for the obvious reason that how much money you feed through the machine essentially determines what kind of difficulty you get into. It is interesting that around 80 per cent of gamblers—recreational gamblers in particular—would spend less than one dollar per button push whereas for problem gamblers we are looking at a much higher proportion. So that was an example of an instrument that we felt met our test of targeting the problem gamblers without impacting on the recreational gamblers. At the margin there would be some who might be disadvantaged but, on balance, we thought that was a good way to go. So even where we have other measures that are complementary, we still see them being cost-effective in their own right.

Mr CHAMPION—But would the opposite be true, too—that, if we came back here in five years time and found we still had problem gamblers and that level of harm in the community, we might well need to look at further changes to the machine design?

Mr Banks—My colleague has just sent over a chart which you probably cannot see but which we could send to you. It shows the spend in New South Wales on gambling as a percentage of household income—this is on gaming machines. You can see the rapid rise there, and this is in a market that has had gaming machines since the year dot. But there was a very rapid rise through this period here, when the machines became the modern form of machine—the electronic machine, as opposed to the old one-armed bandit which at least gave you a bit of exercise for your right arm. But, for this one, the spending rates are potentially much higher than that, and that is reflected in this kind of data.

So something like spending limits, which may not have been as crucial previously with the more cumbersome technology of the old one-armed bandit, actually becomes more important in dealing with these machines, which I suppose you could call more effective, in terms of the capacity of the punters to lose money.

Mr CHAMPION—We have had some evidence that the machines are evolving to be of even higher intensity. So, potentially, the problem could get worse as technology goes on.

Dr Lattimore—As to the question you posed about what you might do in the future, it comes back again to that issue of the platform, because the platform gives you the capacity to test ideas at low cost and remove them at low cost. So it is an element of reversibility, which is a very good aspect of good quality regulation, which you can put in place and measure and which, if it does not work, you can reverse easily at low cost.

CHAIR—So, in effect, we would be putting all the costs in one hit, changing, if you like, the system which the machines run off. Then you could put in place consumer protection mechanisms relatively easily at low cost to the industry. You could have greater innovation.

Mr Fitzgerald—The point that we make is that this is consistent with the replacement cycles of the machine. The machines have to be replaced, they depreciate at a particular rate. The larger venues as a good business strategy will replace their machines. So we have actually done it in a way consistent. The second thing is that the technology is moving that way anyway. Overseas there is no doubt at all that the next wave of machines already have a lot of these capacities. So it is exactly the right time to be making those changes. But the actual design features we would expect will change over time; the actual measures will change as evidence and information becomes available. At the moment policy makers are almost prohibited from introducing those measures because of the nature of the technology and the costs of ad hoc changes to that.

Mr CHAMPION—To follow up that issue of platform, we have heard a number of witnesses before this inquiry given enormous variants and range in the cost of rolling out such a platform. Do any of the witnesses care to comment on the issue of cost?

Mr Banks—As I said earlier, the cost is very much related to the rapidity of change. At the extreme, if you change the whole system overnight or in a very short period of time you would have to replace all of the machines, even some that were six months old et cetera, and the cost would be very high. A staged introduction means that, as Robert said, the normal replacement cycle would greatly reduce the costs of that. The second point I would make, and again it was made earlier but just to emphasise that, is that there will be nevertheless some initial cost to this, particularly for introducing the central monitoring system if not for the machines themselves because they were going to be replaced anyway. So there will be some costs there.

If you look at it over some sort of investment horizon for the industry and the clubs, it could well see other costs being reduced to the extent that the net present value of all those costs is actually pretty low. In the future when the government decides to change some policy parameter it can do so from a central location, a remote location, and feed it through into all the machines in the jurisdiction at no cost to the establishments concerned. That is a great advantage from an economic point of view if you take a dynamic approach to this and do not just think of it as a static cost imposition on the industry at day one. You really do need to think of this as it has been in the past, an evolutionary process where policy will make changes over time, there will be changes, and you want to do that as cost effectively as possible. So that is the great advantage of

the platform not just for precommitment but for the range of other harm minimisation measures that governments may want to introduce or amend in the light of evidence over time.

Mr STEPHEN JONES—I guess the counterpoint to that or a qualifier to that is always going to be the cash flow or bankability of any particular individual venue at any point in time. Yes, the net present value issues do arise, but if you have got a very tight cash flow inside a business your ability to absorb those costs or write them off or take advantage of tax depreciation arrangements is going to be qualified.

Mr Banks—It is true, and that then comes back to the extent to which they would be scrapping machines prematurely or not. If it was part of their anticipated cycle of replacement, obviously they will factor that into their cash flow and so on. And admittedly that does vary a lot—

Mr STEPHEN JONES—It might be indeed that the venue with the greatest proportion of problem gamblers to their overall gambling population is more able to meet the cost than those that presently have a more, how can I put it, responsible business profile.

Mr Banks—That could well be the case.

Mr STEPHEN JONES—A perverse result.

Dr Lattimore—The other observation is that we had in mind a different pattern of implementation for small venues. I think a lot of small venues were concerned that they were particularly exposed in terms of the cost of replacing machines. What we have suggested is a more phased introduction of the changes for those small venues recognising that.

It is true to say that if you go to machines that are in venues and you change them, there are significant costs associated with just the process. Gaming machines have to be secure devices. So claims that managers fiddle with them is almost certainly not true. A technician has to come along, break seals, open up, remove the chip and so on and so forth. It is quite a costly business to do something to an existing machine. But if it is done at the point of manufacture then the cost is much, much smaller. So most of the costs that you have been hearing are in relation to initiatives that involve physically going to the machines in venue. Effectively, we are not proposing that kind of approach.

Mr STEPHEN JONES—The second line of questioning goes to that effectiveness issue that Mr Ciobo and others have explored with you. It has not come up in this hearing but the issue of migration has come up in other hearings. It would be perverse regulation indeed that an attempt to address one malady just transferred the place from a licensed premise to somebody's living room or study. I would be very interested, given your less than optimistic views of the effectiveness of regulation of online gambling in this report, in what the Productivity Commission thinks about the problem of migration, the impact of mandatory commitment on the problem of migration and the remedies that might be available.

Mr Banks—I think the understanding from the evidence—but Ralph might like to speak about this in more detail—is that migration has not been seen to be a major issue. Poker machine players tend to be poker machine players and are not all that likely to suddenly become internet

based gambling players or punters on the horse races. There is a different kind of mechanism there. Another dimension that distinguishes poker machine play from, say, internet gambling is to the credit of the venues, and that is that they provide a social setting for people to go and gamble. For example, we have seen that since the liberalisation of gaming machines women have been far more active gamblers and, unfortunately, have also been recruited into problem gambling to an extent far greater than in the past, because they did not find other forms of gambling as attractive. They did not want to go to the track and so on. But they find in going to the club, having a meal and a drink and then playing the machines that they feel safe and secure and in a social environment, without having to interact with people. Part of the benefit of gaming is that it does provide these sorts of benefits. I do not know whether Ralph wants to comment.

Dr Lattimore—Only that there has been evidence in relation to at least a Norwegian experience in this area, where there have been a number of changes to machines, not just precommitment. They have then been able to examine the pattern of behaviour of the people as restrictions have been placed on the gaming machines. What you did not see—bingo aside, curiously; but bingo is a very safe form of gambling—

Mr Banks—You have not stood between my mother and a bingo prize.

Dr Lattimore—was a significant increase in participation in other forms of gambling when the measures were introduced. I am probably doing a great disservice to the pronunciation of the researcher, Jonny Engebo, who came from the Norwegian Gaming Authority. We can provide that information to you if you are not familiar with it. Similarly, Ingeborg Lund did a study again in Norway—a good place because of its natural experiments—and his conclusion was that there was no evidence that people switched to other forms of gambling. So you have to look at the evidence that is available, and from what we have seen so far there is no evidence that there is a significant displacement effect to other forms of gambling.

Mr STEPHEN JONES—The final question perhaps goes to some of those issues that Mr Banks raised about the amenity of clubs and hotels to customers. I am interested in some of the issues around cross-subsidisation and redistribution of incomes et cetera that are a consequence of gaming revenue. You have made some comment on that in the report. I would like you to expand on that here if you could. In essence, forceful submissions have been made to us by some within the industry that the measures being proposed by the Productivity Commission and contained in the agreement between my government and Mr Wilkie will have an impact on the benefits of that cross-subsidisation to community organisations and the like. Would you care to comment?

Mr Banks—As you know, we have covered this to some extent in our report because the issue was raised, particularly after the draft report. In relation to the casinos and clubs you would not expect much cross-subsidisation to occur. They are businesses and they want to make each part of their business effectively pay for itself, so I do not think it relates so much to them, although I should say there are a lot of hotels around the country that look a lot better as a result of gaming. They have had the money to actually refurbish the hotel—

Mr STEPHEN JONES—They offer \$5 steaks!

Mr Banks—They can offer \$5 steaks as well, that is true, and you can have it in a more pleasant atmosphere than a tumbledown hotel, which might have been the case before, so there are some benefits there. For the clubs, equally, and probably more so 10 years ago, there was a degree of cross-subsidisation, special pensioner discounts, free Christmas lunches and lower cost food and beverages. My colleague might have some statistics on that. I am not sure that there is the same degree of cross-subsidisation in clubs, as they have become far more commercial than they were in the old days. To some extent, some of the big clubs more closely resemble casinos than the community clubs of the past. That is reflected in the way they have approached the gambling issue in this inquiry, and the one that we had, compared to the inquiry of 1999 when they had a much softer line that reflected their more community focus. We have looked at the actual spending of the clubs and this is where I might ask my colleague to comment. We thought it was very important to look at the nature of the cross-subsidisation and this community spending by the clubs and also to think about whether it is spending best done by the clubs or by the government that represents the people and therefore has some kind of control over priorities et cetera in its spending. Ralph might care to comment a bit more.

Dr Lattimore—I have several comments. I guess sometimes people think that the basic amenities available to a member of a club are significantly subsidised. People do think of the \$5 steaks or the cheaper alcohol but, in fact, alcohol is still a profit source for clubs. Clubs Australia actually provided some very useful evidence on that to us during the inquiry and you might like to look at it in submission 164. What they demonstrated was that there were relatively small cross-subsidies for food, facilities, venue rental and even sports playing. Gaming machines accounted for 68 per cent of their revenue and 32 per cent of their expenses—these are their figures—so it raises the question of where the money goes if it is not spent on things like food, the bar, other gaming, sports and so on. The answer is: on a variety of other investments—for example, long-term rental accommodation, aged and child care facilities, promotional activities and so on—and sports clubs. Most of us will know that the NRL and the AFL are to some extent receiving funding from clubs.

The cash contributions to the community tend to be quite low. IPART in New South Wales identified a \$91 million direct cash contribution from New South Wales clubs to the community. So there are some in-kind contributions but the amount of cash that actually flows from clubs to the community, in general, is quite modest. You find it is the clubs which have the lower levels of gaming that are more rooted in the community—in volunteering, community sports and so on. So the picture of cross-subsidisation is a complex one and you usually have to go outside those day-to-day activities in order to find where the cross-subsidies are going.

Mr STEPHEN JONES—You are quite right, I am interested in the cross-subsidisation issue and I thank you for your response. The second issue that is raised with us regularly—and you used the example of the NRL. There is a whole code which is driven by revenue sources, in part from clubs. It has been put to me quite forcefully in another capacity that a reduction in gaming revenues will impact on the capacity of clubs in particular to sponsor local sporting groups and to maintain sporting grounds. I am interested in the Productivity Commission's economic analysis of that proposition.

Mr Banks—I suppose in broad terms it comes down to who is best placed to make those decisions within a society—whether the clubs or the government should be making decisions about social infrastructure, for example. There may be priorities that are outside the jurisdiction

of a particular club that would deserve that dollar even more. There is that sort of broader question as well.

Mr Fitzgerald—One could argue the benefits of community activity, but one has to go to the source of the income. If a significant percentage of a business is derived from people who are exhibiting substantial harm and if there is a substantial portion of their consumers that are at risk of harm, would we believe that that source of revenue, however spent, is appropriate? What has occurred in Australia is that a significant percentage of the expenditure through gambling comes from people at risk of or with problem gambling. That is the starting point. Whether or not those moneys are applied beneficially or otherwise—and in some cases it is clear that they are—is a second issue.

The second thing is that the quantum of the contributions I think needs to be looked at very carefully. Ralph Lattimore has indicated, for example, in New South Wales that, in 2002 and 2008, \$91 million was made by direct cash contributions. It is also worth noting that in New South Wales the tax concessions related to gambling were in excess of \$500 million, so the tax concessions of over \$500 million were provided to the clubs—

Mr STEPHEN JONES—That is tax expenditure?

Mr Fitzgerald—Yes, and the actual cash contributions were over \$90 million. There are a number of benefits over and above the cash contributions, but, as Gary has indicated, this issue about the way in which the money is expended is a different issue. Perhaps what we really need to say is: where is the source of the funds and is it an appropriate business model going forward? So a high percentage of the expenditure is coming from people exhibiting real harms. Of course there are consequential effects and flow-ons.

I will make a second point. It is very clear that, if our measures were successful in reducing problem gambling, those venues that have higher reliance on problem gamblers will be most affected and those that have exhibited and claimed that they have responsible gambling practices and do not rely on problem gamblers for their revenue will be only marginally affected, because our measures are designed not to affect recreational gamblers. So, if a club, a venue or other person said to you that their expenditure would be dramatically reduced, it is more likely than not that they are heavily reliant on consumers who are problem gamblers or are at significant risk. I think we have to look at it in two ways: firstly, where is the revenue coming from and, secondly, how is it distributed?

Dr Lattimore—Allen Consulting Group for Clubs New South Wales looked at the sports and assets of clubs of different sizes and it found that the smallest venues with the least dependence on gambling had the greatest degree of sports facilities as a share of total club assets. These were highly sports oriented clubs of the traditional kind. In fact, even the smallest amongst all the groups accounted for the greatest percentage of all clubs sports assets. So the very smallest, those with \$0 to \$200,000 in expenditure, accounted for 31 per cent of the total sports assets across all clubs. The very biggest, those with greater than \$10 million, accounted for 21 per cent. So it is the small local club which is critical to sports facilities.

Perhaps another more indirect way of looking at this question is consequential. People are generally interested in community sports for activity reasons. How many people participate in

sport? You find that it is really not radically different in Western Australia than it is everywhere else, despite the fact that community gaming is not present there. The linkage from gambling to sports behaviour does not seem to be a strong one. What we have tried to do here is bring evidence provided by clubs themselves to this issue, and it has proved very useful.

Mr STEPHEN JONES—So in Western Australia those voluntary contributions flow irrespective—

Dr Lattimore—People manage to play sport.

Mr Banks—We are conscious in relation to the point that Robert just made that there has been some contention, as there was in the last inquiry that we conducted, about the share of revenue for clubs and hotels and the industry generally that derives from problem gamblers. We stand by the estimates in our report which, as you know, is a range of estimates going from 20 to 60 per cent. About 40 per cent was the midpoint of that. We understand that on our own figures the clubs have suggested the number is much smaller. I think when any participants on dangerous territory try to use our numbers against us that we are quite happy to provide a full account of why we stand by our own numbers in our report, and to give the methodologies—indeed, there is a whole appendix on that. But if you wish to discuss that now we would be happy to do that.

CHAIR—There are a number of issues that I think we are still yet to address, so if you do not mind making yourselves available on another occasion perhaps the secretariat could be in touch?

Mr Banks—We are happy to stay on a bit longer. I have one colleague who has to go, who I think—

CHAIR—We do actually need to wrap it up. Would that be agreeable to you on another—

Mr Banks—Yes. The challenge is to get our diaries aligned.

CHAIR—I know it is a well worn path!

Mr Banks—I should say that we are very happy to take any questions on notice, and to provide those answers to you expeditiously.

CHAIR—Thank you. I have a couple of very quick questions. The comment has been made today and on other occasions that the Productivity Commission recommended a six-year rollout, and—obviously personally now, not as the chair—I have negotiated a four-year arrangement. Would it be fair to say that when you developed a six-year time line it did not factor in that the issue could become a turbocharged political issue—that it could, in fact, get the impetus behind it that it now has? Do you think it can be done in four years? I say never to ask a question that you do not want to hear the answer to, but—

Mr Banks—It is brave of you to ask it! In our reports, while we are not politically naive, we do try to abstract from politics and think about what is implementable and what would generate the best gains over time. That has been the kind of framework we have brought to the timing. We listened to the sorts of responses that came to our draft report, where we had recommended

something that was quicker than that. We did a lot more research into how long it would take to develop technologies and the turnover rates of machines and so on. But, ultimately, there is a political element in there and that is, I suppose, balancing on the one hand the cost to the industry of doing it quicker with the loss of the benefits to the community on the other. There is an issue for political judgment about that; but just in terms of the economics of it, again, I think we would stand by the kind of time frame we put there and that we put a fair bit of thought into. Again, one of my colleagues might want to comment briefly on that.

Dr Lattimore—We did try as objectively as possible to take into account the different costs of moving it. In a sense we had in mind the policy implementation commencing in 2010, which it has not. That would already have some implications for the timetable that we have outlined here.

CHAIR—Are you saying that you did factor in to start in 2010?

Dr Lattimore—No, we had in mind that the date of commencement of the changes would have been 2010 and, obviously, the central question of commencing the broad development of standards and design features in a fast tracked way has not actually commenced, so that would have an implication for the timetable as well. But as far as possible we took into account the costs of moving.

CHAIR—So the financial cost is the downside of moving more quickly; but would you agree that that is offset to some degree—perhaps a great degree or more—by the social benefit of moving more quickly?

Mr Banks—I think that is the trade-off that is ultimately a political call. The other point is that we allowed sufficient room for a trial, because we were not able to provide advice a priori for some dimensions of the design of the system without some kind of experience to determine that. So we felt a trial was an important way of coming up with a system where we could be confident about the benefits of that system.

As I said earlier, though, the very system itself provides a platform that will allow adjustment and adaptation down the track if, for example, it was found that there were certain elements that were too onerous or if unexpected costs arose or something like that. The system itself would be amenable to relatively low-cost adjustment.

CHAIR—I would just add into the mix that, when talking about the social benefits of moving more quickly versus the financial costs, we heard evidence this morning that the cost to the industry could be as much as \$4 billion. But if your figures are correct and 40 per cent of revenue through the machines is from problem gamblers then they are losing something like \$5 billion a year. As a simple calculation, even if it were \$4 billion—which is in dispute—it is still less than what the problem gamblers are putting through the machines in a single year.

Mr Banks—The crucial thing that we have emphasised—and we are trying to do so again today—is to develop the platform and proceed with that with all haste. Implementing the actual system—and opinions may differ—we felt needed a bit more time than currently is being provided for. In terms of getting a start, as we see it, even from 2010 starting to develop the standards, design features and communication protocols—all of that is very important. Once it is there it will allow a whole range of things to be done down the track. So the early priority—the

area where speed is really required—is to get that. That is the necessary condition for a system that we think would be effective down the track.

CHAIR—And you still feel the need for a trial, even with the shortened timeline?

Mr Fitzgerald—Remembering what we were saying: the trial is not about whether there is precommitment—it is the nature of the precommitment, the actual design features.

CHAIR—Depending on the technical solutions.

Mr Fitzgerald—The technical platform can take place irrespective. It is what you do with that technical platform—in other words, what is the actual period of time within which you cannot change the settings? What are the actual questions that would be asked? In a sense, they are very easy issues, once you have made a decision, to input into the system. The technical aspects of the system that would allow you to ask any questions at all can take place, and we are urging for that, as Gary has indicated, without delay. The actual design features really need to be resolved—absolutely. But they are not critical to the technical specifications of the main platform.

I will give an example. It is exactly the same with bet limits. If governments were to introduce a bet limit, what you would need is the capacity to introduce a bet limit remotely. Whether it is \$1 or \$10 is something that should be trialled, but the technical capacity to have a bet limit is the critical issue and the trial then tells you what that would be if you were to use the trial for that particular purpose.

CHAIR—Mr Banks, thank you very much. And thanks to all of your team and to the Productivity Commission. This has been a very helpful session. Clearly we have a lot more questions and I am very mindful of giving everyone, including Mr Ciobo, a chance to ask questions. I have a lot more questions as well, so I have not had enough time either. The secretariat will be in touch to invite you to meet with us again.

Proceedings suspended from 12.48 pm to 1.33 pm

CARROLL, Ms Liza, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs

EDWARDS, Ms Caroline, Group Manager, Problem Gambling Taskforce, Department of Families, Housing, Community Services and Indigenous Affairs

HAMBLING, Ms Helen, Group Manager, Problem Gambling Taskforce, Department of Families, Housing, Community Services and Indigenous Affairs

OSWALD, Ms Robyn, Branch Manager, Problem Gambling Taskforce, Department of Families, Housing, Community Services and Indigenous Affairs

FURNELL, Ms Peta, General Manager, Social Policy Division, Treasury

CHAIR—Welcome. I remind committee members that an officer of a department of the Commonwealth shall not be asked to give an opinion on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. I invite you to make a brief opening statement before the committee proceeds to questions.

Ms Carroll—I thank you for the opportunity to address the committee. As you are aware, the Department of Families, Housing, Community Services and Indigenous Affairs is working closely with the Treasury on, and has the lead with, the implementation of the government's gambling reforms. I am very pleased that members of the department, as well as Treasury, are here today. FaHCSIA has responsibility for gambling issues, and has done for a number of years, as part of its community capability and vulnerability outcome. Over a number of years FaHCSIA has been working with state and territory governments through the former Ministerial Council on Gambling to progress a number of national initiatives that have happened over the last ten years, primarily aimed at harm minimisation and also looking at things like help lines and counselling.

As you would be aware, on 23 June the Commonwealth released the PC report into gambling and its initial response to the report. As part of that response the government indicated its support for the use of precommitment technology and a nationally consistent precommitment model for electronic gaming machines. The response also indicated support for additional harm minimisation measures to be incorporated on electronic gaming machines such as dynamic warning and cost of play displays. A \$250 national daily withdrawal limit for ATMs per card in venues with electronic gaming machines was also supported. Obviously the process that we have established within the department is to set up a task force to look at the implementation of these specific measures.

As you would probably be aware, a number of committees are feeding into the work of implementing these particular measures, and in particular the new COAG Select Council on Gambling Reform has been established. The purpose of the council is to develop a national

response to the recommendations in the Productivity Commission report on gambling. The select council is a time limited council and it is chaired by the Hon. Jenny Macklin, the Minister for Families, Housing, Community Services and Indigenous Affairs, and the Assistant Treasurer, the Hon. Bill Shorten. As you would be aware, the select council includes ministers from state and territory governments with responsibility for gambling regulation and/or Treasury portfolios and community and human services affairs portfolios. So there is quite a collection of minsters on that ministerial council.

The select council met first on 22 October and is due to meet again next Friday, 25 February. The council issued a communique following its first meeting agreeing to establish Commonwealth-state working groups to look at the issue of implementing the national precommitment strategy, ATM withdrawal limits and dynamic warnings and cost of play displays. These working groups are jointly chaired by the Commonwealth and Queensland. The select council also agreed in a forward work agenda to consider issues around online betting and gambling and also Indigenous gambling issues. That will be part of its forward work program. All the ministers at that select council meeting highlighted the importance of research and evaluation to supplement the evidence base in this area.

As you would be aware, a Ministerial Expert Advisory Group on Gambling has also been established to provide specialist and technical advice to the government, and that was established on 21 September. Professor Peter Shergold chairs this advisory group on behalf of the government. The advisory group met on 8 November, again on 13 December and on 7 February. It is due to meet again in March and it will then report to ministers shortly after that. It will report to both Minister Macklin and the Assistant Treasurer Bill Shorten.

The government also, as is normal practice across the bureaucracy, has a steering committee of senior representatives across the Commonwealth to make sure that the cross-departmental issues are dealt with. That is chaired by our secretary, Dr Jeff Harmer.

As you would be aware—and a number of the people are here today—the Commonwealth has set up a Problem Gambling Taskforce to take forward the issue. That was established on 11 October. The role of the task force is obviously to provide advice to government, but also to provide high-level secretariat support in a range of the committees and meetings.

You would also be aware that the government commissioned and received legal advice on the Commonwealth's constitutional competence and prospects for legislating in the area of problem gambling. It did that as part of its commitment to gambling reforms. This legal advice has been made publicly available, and you would be aware of that advice.

This was to provide you with a summary to date of the sort of work that has been going on and the Commonwealth has been engaged in in terms of taking forward the work in this particular area.

CHAIR—Thank you, Ms Carroll.

Mr CHAMPION—In terms of the research, we have had a fair bit of evidence from competing academics—you tend to get academics at 20 paces with this industry! You have wildly alternating conclusions. Can you give us an idea about whether or not the current

arrangement we have with Gambling Research Australia is going to help resolve the problem. There has been some evidence given to the committee that research tends to be funded by industry or by state governments and that is leading to a narrowness. People giving evidence to the committee tended to refer to international research rather than home-grown research. Can you give us an idea about what the department thinks about research and how we might do it better in the future?

Ms Carroll—Research in any area is often fraught with these same criticisms or issues. The Productivity Commission obviously did a significant scan of the available research. One of the things is that compared to the research that might be available in Australia, in particular around things like precommitment technology and what the impacts are, overseas countries have done more in the area of implementing trials or measures and then evaluating them. So, as in a lot of policy fields, we look to who has done different things and the available evidence. It is not surprising to have different pieces of evidence from different bodies. I guess what we are really focusing on is that part of the Productivity Commission's research that they did themselves to have a look at all those competing pieces of research.

In terms of going forward about what you might want to do with research in the future, it is certainly something that the select council will be looking at. The old Ministerial Council on Gambling had a body of research that was looking at how it was funded and how it made things happen in that particular area so that there was some different research being done. Certainly it is one of the things that is on the agenda for the future select council meetings: to look at the research agenda—what research do we need and what evaluation we need going forward?

Mr CHAMPION—There seems to be a bit of consternation about access to commercially sensitive data—how these machines work out what the interactions are with patrons or players or problem gamblers. Do you see that as something that is going to be resolved in the future or would you see that still being an issue?

Ms Carroll—I guess in any area of research where the people are sensitive about their intellectual property, their intellectual capital, that might be caught up in things. That is obviously an issue. It is one of the things that is on the table for us to think about regarding the body of research that needs to be done.

Obviously the other very difficult thing in this area of research is how far do you go? Do you need control groups, do you not need control groups, what kind of measures do you put in place, how much can you harness around a particular community and not have other variable factors coming into account? They are all things in the research sphere that you need to think about.

Mr STEPHEN JONES—In evidence earlier today, I asked the folk from the Productivity Commission about the consequences of potentially reducing revenue streams to clubs and public sector in particular through addressing problem gambling and any flow-on effects that may have to income transfers or financial transfers to the voluntary and community sectors. The reason I asked is that it has been put forcefully to this committee that clubs and pubs in particular are active donators to sporting and other community organisations in their communities. I am interested in the views of the department about the level of this voluntary activity and what a policy response may be.

Ms Carroll—Clearly the Productivity Commission would have provided you with some answers. In the Productivity Commission report they have talked a little bit about that. We have also commissioned an independent study which we are in the process of finalising at the moment. It will look at a range of things and obviously that is one of the things it will have a look at. But at the end of the day the assessment of those impacts is still in progress and is part of the information gathering and analysis phase we are in at the moment.

Mr STEPHEN JONES—From a Treasury perspective, has any work been done on the impact of precommitment technologies and programs on revenue streams for state and territory governments? If so, is that work that might be available to the committee?

Ms Furnell—Again, I think there is some work in the Productivity Commission report on that. Obviously what impact would depend on the nature of the precommitment processes and technologies that are put in place. Our own team has not undertaken particular work on that but I would like to check further with my colleagues as to what sort of analysis may have been done around that question of impact on state and territory revenues.

CHAIR—Further to that question and now talking as Andrew Wilkie MP not as Andrew Wilkie Chair, one of the details in my agreement with the Prime Minister is in fact that the government will do modelling basically of the money—where it goes and where it might go with the introduction of mandatory precommitment. You are not aware of any such modelling occurring in Treasury yet?

Ms Furnell—I would have to check with my colleagues. I am also conscious of distinguishing between some initial analytical calculations depending on assumptions which effectively are fairly straightforward calculations. However as the Productivity Commission also discussed, in any adjustment process or when other businesses come into effect there are some broader effects around a region or a community. Broader economic effects need more complicated and sophisticated models to assess and I am quite sure we have not done anything around that because of the nature of the model the independent study has been doing.

CHAIR—Is that included in the FaHCSIA work?

Ms Carroll—Yes, part of what the independent study is doing is creating a model which we will look at. So depending on the kind of behaviour changes it will look at what might be the downstream impacts in the different areas. Based on impacts within industry itself it will look at what might be changes around state revenue, community organisations et cetera. The work that we have commissioned through that independent study will give us guidance around that.

CHAIR—Have you outsourced that to a consultant?

Ms Hambling—Yes, we have.

CHAIR—Why have you made that decision? Why not do it in-house?

Ms Hambling—We took the words independent study fairly literally! We have contracted Access Economics to do that work.

CHAIR—Okay, and when do you expect to see their work?

Ms Hambling—It is going to take a couple of months.

Ms Oswald—Yes, we will get some information from Access Economics around March most likely, but the independent study will not be completed until the end of 2011. We will get some preliminary results early on. There are a number of variables that need to be built into the model and it will take some time to gather the information to make sure that those variables are sound.

CHAIR—Thank you.

Mr CIOBO—Is the Productivity Commission the main agency that is informing you in terms of your conclusions about the model and impacts of it?

Ms Carroll—We are taking information from a range of sources. Obviously, the Productivity Commission report and the analysis that the Productivity Commission did is a key data source but in addition to that we are also having discussions through the working groups that sit under the COAG select council with state and territory governments to understand what they believe the key levers issues are. Through the expert advisory group the government is also gaining sets of information to be fed into that. Then Access Economics will be able on a range of sources of information to build the model and think about the impacts. We are not just taking what is in the Productivity Commission report but, obviously, they have given everyone a good start. There is a series of other inputs that we are able to use.

Mr CIOBO—Has the department put a recommendation forward as to what the model should look like? Do you have a view as to what features the model should embrace?

Ms Carroll—Are you talking about the actual precommitment model?

Mr CIOBO—Yes.

Ms Carroll—We have not put any formal advice to government at this stage because we are in the phase of looking at the implementation within a particular period and looking at what the issues are from different perspectives. We are in the process of working out what are the different options around implementation.

Mr CIOBO—Different options around implementation insofar as it pertains to mandatory precommitment or all forms?

Ms Carroll—Insofar as it pertains to what the government is committed to which is a full precommitment scheme.

Mr CIOBO—In terms of the chicken and the egg the government's commitment to mandatory precommitment came first and then you have started the inquiry process subsequent to that—is that correct?

Ms Carroll—No. The government's commitment to full precommitment came after the Productivity Commission had released its report. We are in the process of taking it from the

work of the Productivity Commission and the government's commitment around a full precommitment scheme.

Mr CIOBO—This is precisely my point. From a departmental point of view the government instruction came first and then your work has commenced subsequent to that.

Ms Carroll—On the specific issue of full precommitment the department was engaged in briefing the government on the release of the Productivity Commission report as was the Treasury and a number of departments across government—the kind of normal process that occurs in advising government for them to make some decisions about their response to a big report like the Productivity Commission report. What I want to be clear about is that this is not a brand-new activity for FaHCSIA. We have been engaged over a number of years in the issue of gambling through different kinds of ministerial forums et cetera. Obviously the specific work around the full precommitment—

Mr CIOBO—When you say 'full precommitment', do you mean mandatory precommitment?

Ms Carroll—What has been agreed is a full precommitment that is consistent across jurisdictions, and we are working through what that exactly looks like in our deliberative processes.

Mr CIOBO—So is it mandatory or voluntary?

Ms Carroll—It is a full precommitment scheme, which means that it is not that people at the venue base can necessarily opt in or out, if that is what you are asking.

Mr CIOBO—The threshold approach the Productivity Commission talks about is \$20 or \$30, or something like that—effectively, a small flutter—but beyond that you must precommit. That is what I am referring to.

Ms Carroll—So everyone has to precommit.

Mr CIOBO—Yes. When you say the department has been working this space for some time, have you previously given recommendations about tackling problem gambling, aside from the Productivity Commission report?

Ms Carroll—As I described in my opening statement, the department has had responsibility for gambling since about 1999—after the previous Productivity Commission report and through what was then the Ministerial Council on Gambling—and has obviously been working on the Commonwealth's responsibility around gambling. Work has happened with states and territories on harm minimisation measures, 1800 numbers and those sorts of things over the past 10 or so years.

Mr CIOBO—Has full precommitment featured previously?

Ms Carroll—No.

Mr CIOBO—The genesis of it was the Productivity Commission report?

Ms Carroll—Yes.

Mr CIOBO—Are you able to shed any light as to ministerial/departmental views at a state government level about the merits or otherwise of full precommitment?

Ms Carroll—I would hesitate to speak on behalf of any state government or state bureaucrat.

Mr CIOBO—What are your observations?

Ms Carroll—All I can say is that the state government bureaucrats at an officials level are working on what was agreed at the select council meeting of the work program. We have been working on all those particular things that we were asked to work on around precommitment, ATMs, cost of play displays et cetera. We have been working collaboratively.

Mr CIOBO—You have not done any modelling about the impact of full precommitment on jobs in hospitality—and maybe this will come out in evidence in due course—beyond what the Productivity Commission has done?

Ms Carroll—We are still in the process of—

Mr CIOBO—As of today there has been no work done around that other than what the Productivity Commission has done—is that correct?

Ms Carroll—Yes.

Mr CIOBO—As a policymaker, it is important for me to understand. We have to make a decision about what we do going forward. I am trying to ascertain whether this entire house has been built on the single thread of the Productivity Commission report or whether some more substantial work may have been done on it around the edges. That is why I am trying to ascertain whether modelling has been done at a state/territory and federal level on the ramifications—positive and negative—of full precommitment, and it sounds as if it has not, beyond what the Productivity Commission has done.

Ms Carroll—The Productivity Commission has obviously given a significant basis, but some of my colleagues can probably assist here. Some of the state governments have actually been working in some of these areas for an amount of time. I know, for example, that South Australia has been working on a precommitment trial, and different jurisdictions have made different decisions about ATMs—for example, Tasmania does not have any ATMs. All I am saying is that in a range of these areas other work has been going on in addition to the work of the Productivity Commission.

Mr CIOBO—I just want to clarify that I am focused on full precommitment not because I am personally uninterested in the other forms but because this is what this report is dealing with here and now. In future inquiries we will have the opportunity to explore some of the alternatives as well. At a state level, if any of you can comment about the modelling done off the back of full precommitment I would be interested to hear the findings.

Ms Hambling—I cannot make any comment as far as we know on what is going on in the state and territory jurisdictions. There is work proceeding for the select council between the Commonwealth and the states and territories. The ministers agreed at their first meeting that there would be work done on precommitment, including impacts on industry, government and so on. Work is happening in the context of providing advice to the select council.

Mr CIOBO—Has Treasury done any modelling on the potential impacts? Let us take the scenario that there is a reduction in gambling overall as a consequence of mandatory precommitment—and this is all built on an assumption, so let us be upfront about that now. There would be net job losses as a consequence of that—and I do not think I am pushing the bridge too far in saying that, based on some of the evidence we have heard. Has Treasury done any modelling about the impact that would have on Commonwealth revenues? It has occurred to me that we might get a reduction in state revenues. But if there were an increase in unemployment in the hospitality industry as a direct consequence, that would flow on to the Commonwealth. But then there might be cost savings for the Commonwealth. Have you done any modelling and can you explain to me what you have found as a consequence of that?

Ms Furnell—I am very sure about the figure we have given you but I will check with my colleagues. We have not undertaken that sort of modelling. In the case you are talking about, while there might be some impact on clubs the question of the flowthrough to Commonwealth revenues also depends on whether those people gain employment elsewhere. If there is any change for the club, those people might just get another job. And whether that has an impact on Commonwealth revenue would depend on the net outcome of that. I am not aware of any modelling on that front.

Mr CIOBO—I would be interested if you could check that with your colleagues. What the impact of that would be is one of the things I want to go to with the Productivity Commission. If we assume that the Productivity Commission is correct when it says that somewhere between 20 and 60 per cent of revenue comes from problem gamblers, then if there were a serious mitigation of problem gambling revenue to hotels, clubs and casinos—which would not be a bad thing, by the way—it would have a pretty serious impact on employment numbers. There must be significant policy implications for Commonwealth revenue and expenditure off the back of a change like that, especially for an industry that has around 300,000 employees.

Ms Furnell—I would like to make a comment about that number. I think that number refers to state revenues. I cannot recall whether it refers to Commonwealth revenues as well. To the extent that people spend the money they would otherwise have spent on gambling on other activities that are subject to tax, then obviously there is no change in Commonwealth taxation revenues. As I said, the net impact of any changes on Commonwealth revenue will depend on the adaptation effects and whether people are employed and spend their money in other ways which are subject to tax. One would need to take those factors into account for the full story.

Senator XENOPHON—Is the Treasury modelling looking at the impact of discretionary income being spent elsewhere when there is a reduction in money being lost on poker machines? We have seen an economic study done for the Tasmanian Treasury about the job effects of money being spent in hospitality and sectors of the economy other than gambling. I think you are familiar with that report.

Ms Furnell—I have heard of it. I cannot recall hearing all the details.

Senator XENOPHON—It was for the Tasmanian Treasury. Is that something you are looking at in modelling? Let us say, to pick a figure out of the air, that a billion dollars less is lost on poker machines as a result of these changes. Will modelling be done on where that money would be diverted to and what effects that would have on GST, payroll tax receipts for states and other aspects of the economy and also in terms of jobs?

Ms Furnell—That is quite a lot of effects that you have just mentioned. As I said, I think any analysis that may have been done in Treasury—and again I would have to check with colleagues—would only be very simple. The sort of full impact analysis that you ran through there is something that is being covered in the independent study. We have not undertaken that work.

Senator XENOPHON—That is the Access Economics study?

Ms Furnell—Yes.

Senator XENOPHON—So that will include modelling for all those effects?

Ms Carroll—That is my understanding.

Senator XENOPHON—Thank you.

CHAIR—I have a few questions. Does FaHCSIA have the resources to help progress this reform?

Ms Carroll—Yes. We have established the task force team, which has about 21 people in it. We have had resources from both the department of finance and the Treasury as part of the task force. As well as the cross-government work, we are working very closely with Treasury more generally and also with the department of finance more generally about work that needs to be done. So work is happening both in the task force but also within other departments apart from FaHCSIA.

CHAIR—I am mindful that this issue has become turbocharged as a result of the last election. Has the sudden redirection of resources led to any shortage of resources elsewhere? You don't need me to ask for more resources?

Ms Carroll—No, we are fine. Certainly we have put a significant amount of resources into it within the department, and across government people have been providing assistance and support through their particular areas of expertise.

CHAIR—How would you rate the department's progress and maybe even the government's progress from a bureaucratic point of view against the milestones that the government has in front of us? A couple of weeks ago it had its first milestone, to have legal advice, and met that milestone. The next milestone is for state governments to announce whether they will cooperate or not. The next milestone is the passage of legislation by budget 2012 and then, ultimately, implementation in 2014. From a bureaucratic point of view, from your department's point of

view, how do you feel we are tracking against those milestones? Do you see any threat at this early stage to implementation of mandatory precommitment by 2014?

Ms Carroll—We have certainly been a project planning against those milestones and looking at what work needs to be done to meet those particular milestones. As we indicated before—and this came out of the first select council meeting—the states have been working with us on the work that has been commissioned by the select council. There is a meeting next week and we would anticipate another meeting before the end of May. The work is progressing very well, but we are certainly very conscious of the scheduling that needs to be done and the work that needs to be done along the way. Things like the Access Economics piece of work will be very important in progressing all of these particular components.

CHAIR—Have you identified any show stoppers, if I can call them that, at this stage?

Ms Carroll—As you indicated yourself, there are particular milestones, so it will be a matter of looking at the position, at where things are at, at the end of May and then going forward from there. The key thing is that there is certainly a significant amount of work being done and we are trying to work very carefully on planning the work, from a bureaucratic perspective, to make sure it all gets done to meet those particular milestones.

CHAIR—There has been a lot of talk about the Productivity Commission and to what degree it is a credible basis for this reform. I understand it had over 400 submissions and when you add public hearings and roundtables, it was near on 500 submissions or events for an inquiry that went over about 18 months. It was credible enough for me personally to use as a basis for my personal negotiations with the Prime Minister. Do you have any reason to be concerned with the Productivity Commission report? Do you have confidence that it is the benchmark report that I certainly feel that it is?

Ms Carroll—I can defer to a colleague from Treasury but, clearly, successive governments have set up the Productivity Commission to do this very thing, to go and consider very significant policy questions and gather the data and evidence. We believe that, when the Productivity Commission produces a report, it has undertaken a significant amount of consultation and gathered the evidence that is available, and we believe it is a very credible organisation. From that point of view the government also puts a significant amount of resources aside for the Productivity Commission to undertake that work.

Ms Furnell—The only additional point I would make is: I do not have with me the act for or structure of the Productivity Commission, but it receives references and it has its way of going about an inquiry independently. So it has standing in that sense.

CHAIR—I think it would be fair to say it is a pretty tough judge of issues. It is no bleeding heart.

Ms Carroll—Yes.

CHAIR—I have a question for Treasury. A week or so ago this bubbled up in the media, I think in an article in the *Australian Financial Review*. Someone must have put in a freedom of information request, of which you may be aware; it led to an article, in the *Australian Financial*

Review, I think. Much of it was a black box. But, from the little bit that was not blacked out, it was quite clear that Treasury has come to the view that the implementation of a mandatory precommitment system will not—I cannot recall the exact words. In fact, I will correct myself: Treasury offered the opinion that the industry's claims were exaggerated. Does that ring a bell?

Ms Furnell—I would have to look through the documents that were released. There was indeed an FOI request and the documents that were released were placed on the Treasury website. I would have to find the exact reference to understand the context in which that was made.

CHAIR—If you could take that on notice, please. The committee would be grateful if that information could be made available.

Ms Furnell—There are quite a few documents, obviously. We would not like to delay things here today.

CHAIR—Once you get to have a look at them. If that information can be made available, if it could be, please do so.

Ms Furnell—No trouble.

Mr STEPHEN JONES—It is true, isn't it, that this report of the Productivity Commission is not the Commonwealth or indeed the territory and state governments' first foray into the area of problem gambling. Is that correct?

Ms Carroll—That is right.

Mr STEPHEN JONES—It is also true that, in the year 2000, COAG, as it was then constituted, commissioned a ministerial group to conduct and engage the National Framework on Problem Gambling. Is that correct? Was that framework initiated?

Ms Oswald—No. As far as I am aware that work was never finalised.

Mr STEPHEN JONES—So in 2000 there was not a framework 2004-08 which was reviewed in 2009?

Ms Carroll—We would have to take that on notice just to confirm that.

Mr STEPHEN JONES—I have in front of me some material from a FaHCSIA webpage which goes through an initial review of the 2004-08 National Framework on Problem Gambling strategy. It identifies four areas of key achievements and initiatives, including public awareness, education and training, responsible gambling environments, intervention, counselling and support services, and national research and data collection. Is that starting to sound familiar?

Ms Carroll—That is right. That is what I was referring to earlier when I was talking about the work that had been undertaken previously under the Ministerial Council on Gambling which went to harm minimisation. I believe it was responsible for setting up the 1800 national gambling helpline. There are a range of things that occurred in that period which were very

specifically focused on harm minimisation. So it is something that the Commonwealth and the state governments have been working on collectively over a number of years.

Mr STEPHEN JONES—Over nearly a decade.

Ms Carroll—That is right.

Mr STEPHEN JONES—A number of witnesses before this inquiry have stressed the importance of education, training, awareness, counselling et cetera as the appropriate interventions. Would you agree with the proposition that that work has been going on for 10 years?

Ms Carroll—There has been a significant amount of work in that area. That is not to say that if you had precommitment you would need to stop any of that work; it is a really important component. The counselling, the helpline, getting assistance for people that have a problem with gambling and those sorts of things are all part of a harm minimisation approach.

Mr STEPHEN JONES—So it is not as if there has been inactivity? I am not asking you to comment on whether the work has been excellent or otherwise, on behalf of either the industry or government, but there has been activity in this area for over 10 years. Is that your view?

Ms Carroll—There certainly has been activity, as described.

Mr STEPHEN JONES—You were asked earlier about whether you accepted the data and findings of the Productivity Commission report. I will ask you that question again so I am not putting words in your mouth. Do you accept the veracity of the Productivity Commission's assessment of the number and extent of problems caused by gambling in this country?

Ms Carroll—We absolutely accept that the Productivity Commission report provides very significant evidence based research from which to move forward. As I said, the Productivity Commission does reputable research, and we are working on that basis.

Mr STEPHEN JONES—Are you aware of any other disinterested research body which has produced data which would undermine or cast doubt on the credibility of the number and extent of problems caused by gambling in this country as outlined in the Productivity Commission report?

Ms Carroll—Not that we are aware of.

Mr STEPHEN JONES—So, as far as the department is aware, the best data source and the best disinterested information that is available on the extent of problem gambling in this country is included in this recent report of the Productivity Commission?

Ms Carroll—That is our basis.

Mr STEPHEN JONES—If governments at all levels and industry have been active around the implementation of a national framework on problem gambling since at least 2004, and the focus of that activity has been on education, community awareness, improving the gambling

environment and putting in place counselling services for the duration of that period, and we still have extensive problem gambling in this country, are alternative mechanisms needed?

Ms Carroll—I think what the Productivity Commission report was able to do was to look at the circumstances that exist now, and obviously those circumstances exist at this point in time based on what has happened over the past 10, 20 et cetera years. Also, technology moves on, society moves on and a lot of things happen in that period and so, while a lot of things have gone on, what the Productivity Commission has reported is that there are still significant steps that can be taken to make a difference.

Mr STEPHEN JONES—This question is similar but I am asking it in a different way. Is it the view of the department or of any of the witnesses before us this afternoon that strategies which focus principally on public awareness, education and training are going to be sufficient to deal with problem gambling as it relates to electronic gaming machines?

Ms Carroll—What we are basing our analysis on is the information and research that the Productivity Commission gathered up. They clearly indicated that there were some significant measures that needed to be put in place to assist with the particular issue of electronic gaming machines for problem gamblers.

Mr STEPHEN JONES—Thank you very much.

Mr CIOBO—Is there an IDC that has been set up around this?

Ms Carroll—Yes.

Mr CIOBO—How many departments are represented on that?

Ms Carroll—I would have to have a quick check of my brief—someone will probably have it—but there are about eight departments. There is a range of the central agencies, such as FaHCSIA, and the broadband, regional and industry departments.

Mr CIOBO—In FTE numbers, about how many people are working on this?

Ms Carroll—In the Problem Gambling Taskforce I think there are 21.

Ms Hambling—That is right.

Mr CIOBO—Does that include, for lack of a better term, auxiliary staff that are feeding in through—

Ms Carroll—No, those are the staff specifically in the department.

Mr CIOBO—So what is the total number?

Ms Carroll—There would be also staff working on this in Treasury more generally.

Mr CIOBO—Are you able to give me an estimate of the FTEs?

Ms Carroll—We would have to take that on notice. I would have to go to each of the departments and check.

Mr CIOBO—Thanks.

Senator XENOPHON—One of the recommendations made by the Productivity Commission is to have a trial before implementing mandatory precommitment through all jurisdictions. Obviously, it needs to be geographically robust so that you cannot have people just driving to the next suburb to play machines that do not have any form of precommitments. So presumably an island such as Tasmania or somewhere that is geographically isolated would prevent that impulse to go from one suburb to another. What consideration has been given by the departments to that? Is that factored in as a key part of the implementation—to at least have a trial to nut out any technical issues so that it could go smoothly in a broader rollout?

Ms Carroll—The government is yet to make a decision about what the implementation might look like and how a trial would fit into any implementation, but obviously it is one of the things under consideration. It would also require working with the states. It is one of the things that are being considered as part of that broader work with the states, but I could not provide a definitive answer on that at this stage.

Senator XENOPHON—So far only the Tasmanian government has indicated that it is willing to go along with mandatory precommitment, is that right?

Ms Carroll—At this stage there has not been a discussion at the select council meeting about a trial in a particular area and all of those sorts of things. So that is still under consideration but there have been no decisions made about what the implementation might look like.

Senator XENOPHON—One of the recommendations of the Productivity Commission was to have a trial before a broader rollout. Is a trial still considered to be appropriate, before there is a broader rollout, just to ensure that any technical and other issues are sorted out?

Ms Carroll—Certainly it is still an important step in what could be an implementation, but I am just conscious that the government has not made any decisions about that next phase of implementation. So I am hesitant to say, 'Yes, we are definitely doing it this way or that way.' I am sorry I am not specifically answering your question.

Senator XENOPHON—I understand.

Ms Carroll—It is clearly one of the options but I am just kind of—

Senator XENOPHON—I understand that the form of any precommitment scheme has not yet been finalised and that is what this committee has a role in, as well as the expert advisory committee and other advice the government is getting, but is it acknowledged that a necessary precondition to precommitment is to have a trial?

Ms Carroll—There certainly would need to be some sort of testing of what worked and what did not work. I guess what form that testing will take—whether it is a trial in Tasmania or some other kind of testing—has not been decided. But to go forward with an implementation the government would obviously want to make sure that that was done in a way that allowed for any kind of bugs to be ironed out and for us to be very clear about what was going to work, how it would work and what was the best way forward.

Senator XENOPHON—Sure. Thank you.

CHAIR—The only decision, really, that is left to be made is that there will be a mandatory precommitment system rolled out. I suppose everything else is now for discussion. I personally am very open-minded about all that detail, including whether or not it might be a state based technical solution or a national technical solution. Probably the only certainty at this early stage is that there needs to be some mechanism for making sure that all the states are cooperating and that this is working nationally. So, presumably, there would need to be some sort of national regulatory organisation. Is that the sort of thing that could be part of FaHCSIA? Does FaHCSIA have that sort of role in other areas already?

Ms Carroll—FaHCSIA does not normally have a role as a regulator like that. That would be a consideration for government over time, if that were the model that it decided to go forward with. Clearly, what we are doing at the moment is working with the states and territories, through the select council, to work out what the options might be and, therefore, how you might progress.

CHAIR—I want to get some detail about your time line. Can you recall what you are planning as the critical date by which certain decisions are made by government? For you to achieve your critical path through your project plan, when do decisions need to be made on what this system will look like?

Ms Carroll—Clearly, the first set of decisions are associated with the end of May date, which is the agreement we have with the states. The agreement we have with the states provides a parameter for what kinds of options are available to us. Then there are obviously different variables, depending on what that looks like.

CHAIR—Ms Carroll, to you and your team from FaHCSIA, and to Ms Furnell from Treasury, thank you very, very much. You provided some interesting flesh on the bone, so to speak. It was interesting hearing the departments' points of view, so thank you to all of you. Also, a personal thank you to the departments for the work you are doing on progressing this reform. That concludes today's proceedings. I thank all witnesses for their evidence and all observers for their interest in the committee's work.

Committee adjourned at 2.27 pm