

13 June 2008

The Committee Secretary
Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir/Madam

**POKER MACHINE HARM REDUCTION TAX (ADMINISTRATION) BILL
2008**

I refer to my submission letter of 11 June enclosing the Pokie Jokie DVD and submit further information in respect of my submission.

Victoria relied on Nevada regulators

Up until a few years ago, I had believed Victorian gaming machines to be designed in accordance with fair gaming standards in line with table games. As Commercial/Legal Officer with the Victorian Casino Control Authority I had been involved in settling rules for table games and, subject to proper enforcement, they provide for transparency of game behaviour and regularity of equipment. For example, the rules provide for how dice are to be thrown in craps: that the dice are not loaded or shaped and that they must be numbered one to six with opposite sides adding to seven.

The Authority was not responsible for checking the integrity of gaming machines as these were signed off by the Victorian Gaming Authority which ensured the machines were certified by accredited testing authorities applying Nevada gaming standards.

Nevada regulators realized too late

Perhaps, in hindsight, we were naïve. But we had no reason to believe the games were gaffed. Nevada was the premier gaming regulator with more experience than any other regulator. And Nevada had the reputation for being squeaky clean when it came to enforcing fair gaming standards.

We did not know, though, that whilst Nevada enforced exemplary standards for table games, the gaming machines had slipped under their guard in the early years. By the time they realized the machines were crooked, it was too late.¹

Victorian Senate Committee has accepted cheating

Before we are too critical on Nevada, it should be noted the gaffing of our machines has been drawn to the attention of the Victorian Parliamentary Select Committee on Gaming Licensing² and that Committee omitted any discussion of my evidence from its report and impliedly adopted the VCGR view that a near miss was fair so long as it

¹ This all came out in the hearing of the Universal Machine Case – See Jeff Burbank, *License to Steal, Nevada's Gaming Control System in the Megaresort Age*, University of Nevada Press 2005 – Chapter 4 “Near Miss”

² See my evidence given on 12 February 2008 as per attached Committee document at page 3

“*was the natural outcome of the spin*”.³ This is akin to saying that loaded dice are okay because the way they land is the natural outcome of being thrown or that a short blackjack deck is okay because the hands are the natural result of the deal.

Why Fielding’s Bill is so important

This demonstrates why Senator Fielding’s legislation is so important. It offers a means of escaping from this exploitation of the people by the government and the accompanying corruption of government standards.

The Committee members appeared very concerned about what I had told them. And I believe they were. They were not crooks, not racketeers, not cheats. They were ordinary members of Parliament.

But they were caught in the same bind as the Nevada regulators. Victoria, like Nevada, depends on these machines for a significant percentage of its taxes. The figures I have is that Victoria depends on the machines for about eight percent of its State own-source tax revenues. The Australia-wide state average is around six percent; so most other states are in the same situation.

The Committee obviously weighed up the advantages of stopping the cheating against the disadvantages of forgoing enormous government revenues. They ducked the issue because they decided it was more important to maintain government revenues than to stop the public being cheated. This may have been a pragmatic decision but by condoning cheating, the Committee, and by extension the Parliament, diminished the integrity of government.

The cat will get out of the bag anyway

Even if the Victorian Government and other state governments continue to legitimize the machines, the truth about the gaff will come out. The National Coalition Against Gambling Expansion is taking up the matter in the USA and the matter is also being taken up in Canada. In Newfoundland, the Piercey class action (details below) is underway based on the deceptive nature of the Canadian machines.

As knowledge of the true nature of the machines spreads, the gamblers will desert the machines and there will be a drop in government revenues anyway, irrespective of any decision made by governments.

Timely implementation of the Fielding legislation will enable a fund to be established to act as a buffer against falling state government revenues.

Further materials on cheating design

I enclose further documentation in relation to gaming machine cheating.

“*Unbalanced Reel Gaming Machines*” This is a paper published on the internet in September 2006 and co-authored by Roger Horbay of Gameplanit Inc. and me. It was the first paper to explain the use of unbalanced reels, starving, puffing, dithering, vertical randomized near misses, asymmetrically weighted symbols and horizontal randomized near misses.

“*Comments on Near-Miss Slot Machine Design*” This is a paper produced by me. The paper extracts statements, from 1932 to the present, which have been made

³ See Final Report published at:

<http://www.parliament.vic.gov.au/council/gaminglicensing/Reports/Final%20Report%20080508.pdf>
paragraph 246

concerning the deceptive design of gaming machines and the effect of deceptive design on the player. Materials are assembled in chronological order. I can provide scanned copies of the sources if requested.

Affidavit of Kevin Harrigan PhD This is the affidavit of the expert witness for the Plaintiffs in the Supreme Court of Labrador and Newfoundland Trial Division case of Estate of Susan Piercey and Ors v. Atlantic Lottery Corporation sworn 18 December 2007 in support of the class action based on argument that gambling supplier knows or ought to know that VLTs are inherently deceptive, inherently addictive and inherently dangerous when used as intended. The statement of claim and supporting affidavit can be downloaded from <http://www.chescrosbie.com/vlt.html>. I draw the attention of the committee to paragraph 27 of the statement of claim and paragraphs 45 to 51 of the affidavit. This is the gaff which is used in Australian machines.

Kind regards

Tim Falkiner
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