



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON COMMUNITY AFFAIRS

Reference: ATMs and Cash Facilities in Licensed Venues Bill 2008; Poker Machine Harm Minimisation Bill 2008; Poker Machine Harm Reduction Tax (Administration) Bill 2008

THURSDAY, 11 SEPTEMBER 2008

MELBOURNE

BY AUTHORITY OF THE SENATE

INTERNET

Hansard transcripts of public hearings are made available on the internet when authorised by the committee.

The internet address is:

<http://www.aph.gov.au/hansard>

To search the parliamentary database, go to:

<http://parlinfoweb.aph.gov.au>

**SENATE STANDING COMMITTEE ON
COMMUNITY AFFAIRS**

Thursday, 11 September 2008

Members: Senator Moore (*Chair*), Senator Siewert (*Deputy Chair*), Senators Adams, Bilyk, Boyce, Carol Brown, Furner and Humphries

Participating members: Senators Abetz, Arbib, Barnett, Bernardi, Birmingham, Mark Bishop, Boswell, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Ellison, Farrell, Feeney, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Hanson-Young, Heffernan, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Ian Macdonald, Marshall, Mason, McEwen, McGauran, McLucas, Milne, Minchin, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Stephens, Sterle, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Adams, Boyce, Fielding, Furner, Moore and Xenophon

Terms of reference for the inquiry:

To inquire into and report on ATMs and Cash Facilities in Licensed Venues Bill 2008; Poker Machine Harm Minimisation Bill 2008; Poker Machine Harm Reduction Tax (Administration) Bill 2008.

WITNESSES

BYRNE, Mrs Gabriela, Consultant, Victorian InterChurch Gambling Taskforce	27
FALKINER, Mr Timothy Sadleir, Private capacity	13
FITZGERALD, Mr Denis, Executive Director, Catholic Social Services; and Member, Victorian InterChurch Gambling Taskforce.....	27
HANCOCK, Professor Linda, Private capacity	1
LIVINGSTONE, Dr Charles, Private capacity	1
LONGMUIR, Mr Mark William, Manager, Community Services, Anglicare Victoria.....	19
MITCHELL, Ms Libby, Vice-President, Duty of Care Inc.....	51
PINKERTON, Ms Susan Barbara, President, Duty of Care Inc.	51
REYNOLDS, Reverend Graham William, Deputy Chair, Social Responsibilities Committee, Anglican Diocese of Melbourne	19
RYAN, Mr Phillip James, Chief Executive Officer, Responsible Gaming Networks	40
ZIRNSAK, Dr Mark Andrew, Chair, Victorian InterChurch Gambling Taskforce.....	27

Committee met at 9.03 am**HANCOCK, Professor Linda, Private capacity****LIVINGSTONE, Dr Charles, Private capacity**

CHAIR (Senator Moore)—The Senate Standing Committee on Community Affairs is inquiring into three bills—the Poker Machine Harm Reduction Tax (Administration) Bill 2008, the Poker Machine Harm Minimisation Bill 2008 and the ATMs and Cash Facilities in Licensed Venues Bill 2008. The hearing was originally intended for the first of these two bills introduced by Senator Fielding. However, the Senate has also recently debated the ATMs and Cash Facilities in Licensed Venues Bill 2008 introduced to our committee by Senator Xenophon. We agreed that it would be easier and also more efficient, as the issues in these three bills are closely related, for the inquiry into Senator Xenophon's bill to be run in conjunction with the other two bills.

These are public proceedings, although the committee may agree to a request to have evidence heard in camera, or it may determine that certain evidence should be heard in camera. This is the first hearing of our newly formed committee, so the members are: Senator Fielding from Victoria, Senator Mark Furner from Queensland, Senator Sue Boyce from Queensland, Senator Rachel Siewert, Deputy Chair, from Western Australia, Senator Judith Adams from Western Australia, with whom I spend a lot of time, and Senator Nick Xenophon from South Australia. This committee also has a number of participating members, so senators will come in and out today and tomorrow. There has been great deal of interest in these bills so it is important for people to understand that there is genuine concern and interest. Welcome, Professor Hancock and Dr Livingstone. Do you have any comments to make on the capacity in which you appear?

Dr Livingstone—I am a senior lecturer in the Department of Health Science at Monash University in Melbourne.

Prof. Hancock—I work at Deakin University. I teach public policy and I work in the area of corporate social responsibility in particular.

CHAIR—You have information on parliamentary privilege and the protection of witnesses. We have your submissions. I now invite both of you to make an opening statement and we will then go to questions. We are limited for time so senators know that we are asking for their patience and generosity in sharing that time. The important thing about today is to hear what you are about to tell us.

Prof. Hancock—I will just make some general points in support of the bill. You have my submission so I will not go over it in specific detail. I think there is a lot of evidence to support destination gambling as opposed to suburbanised and localised gambling. The Productivity Commission found that most people gamble within three to five kilometres of home, so opportunistic gambling is what puts people at risk. I think the bills address the need for upstream consumer protections to protect gambling consumers from these products which have become hazardous in the way in which they are currently configured and designed.

The basic argument there is: where are the seatbelts and the airbags for consumer protection on these poker machines? Also, EGMs and the venue context in which they are placed have become the agents of harm. We are looking at the interaction between machines and users. That is why I think that the bills are well pitched in the tax to downscale localised venues and to see this as a form of consumer protection. I think there is a lot of support in the evidence for removal of EGMs from clubs and pubs as a community protection from harm. Locating EGMs in gaming destinations could constitute a new approach. I think that this could be improved based on player tracking and more protections in racinos and casinos—a point to which I will speak later.

Some submissions have put an argument about the two per cent of people who are problem gamblers. This is a misnomer because we know that only about one-third of people even play the machines. I have here the 2003 community attitudes survey conducted when I was chair of the Gambling Research Panel in Victoria. The figure shows that only 33.5 per cent of Victorians even played an EGM in one year. The main people at risk are regular gamblers who represent a smaller proportion of players but constitute the largest proportion of revenue. I can give some figures on that later if you desire. I refer to another observation in my submission. I spoke about the need to ramp up host protection or host responsibility in venues. There are ways that this can be done by the use of international standards and international research via player tracking systems.

CHAIR—Thank you, Professor.

Dr Livingstone—I have a few points that I would like to run through quickly. The first point I would like to make is that when you look at the terrain of poker machine gambling in Australia you discover that infiltration

of what I call EGMs, or electronic gaming machines, into social spaces across Australia is pretty widespread. New South Wales is the worst example of that in the sense that so much of the social space in that jurisdiction basically is occupied by poker machines. Any national solution to the problem has to be cognisant of that and the difficulties of untangling that because so much of the social fabric of suburban Sydney, in particular, is made up of spaces which are devoted to poker machines. Of course, the states are heavily dependent on the revenue in most states where there are poker machines, with Western Australia being the exception.

Somewhere between six per cent and 10 per cent of state tax revenues come from poker machines, so it is a significant proportion. The problem is that about half of poker machine revenues are derived from problem gamblers. I would argue that this is an unethical dependence, both on the club industry and the hotel industry and, of course, on the state governments. However, we have to address this issue. We have to realise that this is the reality of the situation. In my opinion and that of my collaborators, generally speaking our goal should be to make EGM revenues a reasonable element of club and hotel revenues rather than the whole purpose of their business. For example, in New South Wales the clubs association advises that about 65 per cent of average revenue for New South Wales clubs is derived from poker machines, which is a significant proportion.

In some cases we have heard that it is in excess of 80 per cent of the revenue. It is very difficult to untangle that, especially since so much of the community fabric is dependent upon this stream of revenue. What might be a reasonable goal would be to say, 'You can have a stream of revenue from poker machines but it should not be more than a quarter of the business.' For the rest of the business traditional hospitality functions would be more reasonable—food and beverage sales, entertainment, subscription payments, and so on. This is to redress the balance a bit. That is not an unreasonable goal. I do not think anyone could dispute that that would be not a bad idea. So far as ATMs are concerned, I am traversing the terrain of the three bills, if I may.

CHAIR—We understand that.

Dr Livingstone—Studies in Australia, in particular into the relationship between ATM accessibility and problem gambling, generally have been quite inadequate. But there is certainly enough evidence to indicate that access to ATMs fuels excess expenditure on the part of problem gamblers in particular. The problem gamblers to whom we have spoken in our studies for South Australia and Victoria have demonstrated that, for the most part, the reason they stop playing machines in a session of play is that they run out of available funds, or they can no longer access any more money from their ATM account, having run to the edge of it.

One example we came across in regional South Australia is exemplary in the sense that it involved a gentleman who had great difficulty with gambling. Every Friday afternoon he would post his ATM withdrawal card to himself so that he did not have it over the weekend because he knew that if he did have access to it over the weekend he would just be constantly extracting funds from it with which to play the pokies. I suppose that he was a slightly more inventive chap than many, but that strategy is not uncommon. People try to leave cards behind and so forth because of the availability of cash. In most gaming venues ATMs are readily accessible. It is difficult to understand why they need to be there, given that technology has advanced to the stage where EFT facilities and so on can be used for most transactions. ATMs tend to be ubiquitous.

In my submission I refer to a couple of reports. The issue that we have come to is that technology is a two-edged sword in this business. You can tune the technology to do pretty much whatever you want with it. As we proposed there is a possibility of creating two streams of gaming machines where you have open access to very low-impact machines—machines with relatively low volatility, low jackpots, but also low average bet sizes and indeed low maximum bid sizes, which generally would be available to anyone who wants to walk in off the street to play them, but where the likelihood of losing vast sums of money would be greatly diminished.

If people want to play high-impact machines, that is, the sorts of machines that currently are freely available in most Australian states and territories, they should have to use some sort of technological device—either a smart card or some similar device—that imposes limits that people can set in advance and in the cold light of day. That would be of great assistance to many gamblers who struggle with trying to keep a limit on things but also it would enable, at whatever point in time it was available, monitoring of data about people's expenditure patterns and, if necessary, the application of algorithmic software over the top of it which would enable people to discover when they were starting to exhibit the patterns of problem gambling play. I think those sorts of approaches have certainly been developed in Canada and are currently being trialled there. Smart cards, as I understand it, are currently being trialled in two Australian jurisdictions, or are just about to be. The technology certainly is not alien and could be implemented quite rapidly.

CHAIR—Thank you, Dr Livingstone. I expect that senators will be asking questions across the whole issue as opposed to a particular bill. If senators have an issue relating to one bill they should identify it. However, we are really looking at the issues behind them.

Senator FIELDING—I acknowledge Dr Livingstone's and Professor Hancock's years and years of tireless work and expertise in this area. One of the Family First plans is to modify poker machines to reduce the risk of problem gambling. What do you say to this quote published in the *Sun-Herald* by the head of Clubs Australia who said:

When maximum bets are imposed problems gamblers play faster. When machines are slowed they play longer. When ATMs are removed they arrive with money from the bank ATM, and when poker machines are not available they turn to another form of gambling.

Is he right? Is there nothing that can be done to minimise the harm of poker machines?

Dr Livingstone—Almost all the problem gamblers to whom I have spoken say that they always try to limit their expenditure, but they cannot because of the ready availability of access to cash through ATMs and so on. There is no doubt that removing ATMs would have a big impact on the expenditure of people like that. It seems pretty clear that limiting access to cash facilities would have a big impact. Would they turn to an alternative form of gambling? The evidence does not support that. Eight-five per cent of the gambling problems in Australia are clearly attributable to poker machines. That has been validated endlessly in every prevalence study that has been undertaken over the past 10 years and longer.

Is there nothing that can be done? No, plenty can be done. But the problem is that what can be done almost certainly is likely to reduce the revenue because such a high proportion of it comes from people with problems. If you squeezed out all the problem gamblers from the system—let us say that we had a magic wand and we could do that—half the money probably would go. Maybe not, but something like that. The Productivity Commission estimated about 40 per cent and my most recent estimate is 53 per cent. The truth probably lies somewhere between those two extremes, but it is around half the money, which is a lot to forego.

I can see why representatives from clubs would say that there is nothing that can be done because half their money comes from people with a problem. There is no doubt that plenty can be done. What I have suggested today and what Professor Hancock has hinted at is that there is plenty we could do if we had a focus on public safety.

Prof. Hancock—I can back up what Charles has been saying. Limiting access to cash is fundamental to protecting players. Nova Scotia is at the forefront of reforms in this area. It instituted a trial of a player identification tracking system and all players have to be part of that. I am not necessarily advocating the use of a smart card as there are other forms of technology such as iris identification or fingerprints that similarly could be used as a means of accessing forms of gambling. Nova Scotia has this player tracking system across all modes of gambling but in that context it is as concerned as we are about the impact of electronic gaming machines on player safety.

Because of what the clubs were saying I agree with Charles. There is no research to show that if they cannot get access to machines they rush off. That is based on a pathologising of problem gamblers; that if they have an addictive personality they are likely to run off to one form of addiction if they cannot get access to another. That is a misnomer because the problems are about the interaction between these harmful products and the players. The products have had 10 to 15 years of intensive research and millions of dollars have been spent on them in an attempt to try to refine the way they pull money out of players. This does not relate just to any players; it relates to regular players. Regular players contribute over 90 per cent of the money.

From this pool of regular players you get people moving in and out of problem gambling. It is a very volatile thing. It depends on whether or not they have money for the day. As Charles was saying earlier, if we were to address this problem it would mean a cut in revenue of between 40 and 60 per cent. In fact, the performance indicator of success in this area would be whether safety provisions were put in place, if machines were pulled back, if ATMs were removed and there was some sort of player protection system. In Nova Scotia the smart card player tracking pilot on which results have been published found that players appreciated the player protection provisions that were offered and that they used them.

That entailed giving them feedback on spend and enabling them to set limits that could not be changed within a prescribed period. What the clubs are saying in the *Sun-Herald* does not adequately address their negligence. In my view they are part of this as they have not provided sufficient public protections and consumer protections to people who walk in the door.

Senator FIELDING—Dr Livingstone, how many people in Australia are harmed by poker machines? What evidence do you have to support that? I refer to a comment in that same article that states, ‘The incidence of problem gambling has fallen by 50 per cent in the past decade.’ I again quoted from a statement made by the head of Clubs Australia.

Dr Livingstone—If you look at the most recent New South Wales prevalence survey you find that it estimates the rate of problem gambling, but it defines ‘problem gambling’ in part as being someone who scores eight or more on a screen called the Canadian problem gambling index, which is one of a number of screens that are available to identify people who have a problem with gambling. These days it is regarded as being excessive. The cut-off point to indicate moderate to severe problems is probably a score of three on that screen. According to Associate Professor Delfabbro at the University of South Australia, who has made a study of these things, a comparison should be made between the old SOGS 5+ scale, which is what the Productivity Commission used in its 1999 survey, and the CPGI 3+ scale.

If you look at the data from the most recent New South Wales prevalence study and compare it to Productivity Commission data from 1999 you see that statistically there is no significant difference between the two. There is certainly no reduction in the rate of problem gambling in New South Wales. That is indisputable. How many people are affected? At any one time around Australia hundreds of thousands of people are directly affected by having a gambling problem. But again the Productivity Commission estimated that somewhere between five and 10 individuals are also affected. Broader society is also affected.

In Victoria, as I think in other states, there is a seemingly endless stream of people into the magistrates and county courts associated with embezzlement, fraud or whatever. Some studies in New South Wales have shown that perhaps a quarter of the white collar crime in that state can be attributed to gambling. Some studies demonstrated a very high rate of problem gambling for those who are in prison. It is now thought that a high degree of the problems that people have that land them in prison are associated one way or another with gambling issues. It is difficult to know exactly how many people are affected.

Hundreds of thousands, if not a million people, at any one time in Australia have a problem because someone in their circle, a member of their broader family, one of their employees or whatever has a gambling problem. Again, 85 per cent of gambling problems in Australia accrue because of poker machines.

Senator FIELDING—Professor Hancock, on page 2 of your submission you mentioned a comparative Western Australian-Victorian scoping community impact study. Could you tell us a bit more about that study and what it tells us about Victoria? On page 10 of your submission you state:

Victorian GPs are four times more likely to identify patients who present with issues associated with problem gambling than their counterparts in Western Australia.

Could you compare those statistics with the statistics for destination gambling?

Prof. Hancock—Yes, certainly. One of the phenomena in gambling research in Australia is that the states are so beholden to the revenue there has been a very limited approach to gather the evidence from the point of view of state-based funding. In the submissions to this inquiry I was interested to read that the majority of the research tended to cite research that had been commissioned by the Gambling Research Panel. Before it was abolished—and it ran for three and a half years—it was the only independent commissioning body in Australia for gambling research. It was probably abolished because the roll out of research that was planned was going to give more evidence about harm.

What underpinned this Western Australian-Victorian comparative study was an attempt to drill into what we needed to know about community impact. There was a large amount of support for Western Australia to be seen as a bit of a control group because it does not have suburbanised gaming. It has the Burswood casino and it has other forms of gaming, but so far as EGMs are concerned it does not have localised machines placed in communities.

Senator XENOPHON—The EGMs at Burswood are not as intense as machines in the rest of the country. Is that right? They are more like video poker machines?

Prof. Hancock—No. Functionally, you could probably spend about as much in Burswood as you could in Victoria. I do not think it is the pristine state that it used to be. When I was there a couple of years ago giving a talk on gambling, the casino had just gained permission to have about 200 more machines and more gaming tables. It has quite a big regional reach which I think is another factor. Crown and Burswood both have large regional reaches and bring in busloads of senior citizens. For that matter, so does Hobart. It is assumed that

destination gambling does not have these proactive strategies to bring the community to the casino, but that is another issue.

Senator XENOPHON—For anyone reading the transcript, there is a significant difference between the number of poker machine places in Victoria versus the number of poker machine places in Western Australia. One is concentrated in casinos, or dedicated gambling venues versus, say, Victoria, where basically they are located in most clubs and pubs across Victoria. Was the comparison done on that basis?

Prof. Hancock—Indeed. Western Australia has no machines in suburbanised locations but Victoria has 27,000 machines. That is the difference. That study attempted to compare matched local government areas on the impact of gambling. That was a difficult task because in most cases the evidence is not systematically gathered. The research that was done by SACES and Michael O’Neil from the University of Adelaide in South Australia was based on us working with researchers to select regions that would be comparable in population profile, industry base, employment and socio-demographics. We then said, as much as we could, ‘Okay, we have matched fairly similar areas.

What are the differences created by gambling?’ That was very difficult to measure. One of the major outcomes of that study was to make some recommendations about what data should be systematically gathered in order to count the costs. We just do not gather data about suicide, crime, bankruptcy, marital breakdown, depression, family dysfunctionality and those affected by gambling. Most of the studies that have been done gather together small bits of evidence. I would argue that we need these indicators in place on a national basis.

For a long time I have argued that if we counted for gambling what we count for drugs we would know a lot more about the downside and the costs. The point is that the costs are not counted. Researchers tried to look at what might be the impact on health systems. Where do problem gamblers go for help? To some extent they go to dedicated gamblers help counselling, but it is acknowledged that only a small percentage of problem gamblers go to these services. It might have to do with the lack of availability of services, the stigma attached to going to them, or just the problems of the beast itself. People feel ashamed and often just go inwards. That is when you get your suicides and your depression because people hit rock bottom.

Financial counselling is another way that they are often picked up. GPs provide a 24-hour service and they see a lot of community problems. However, we do not count that in the Medicare data. Researchers did a survey of doctors and the percentage was that 16 per cent of gambling-related visits to GPs in Victoria were evidenced compared to 4 per cent in Western Australia. Despite having Burswood with a fair amount of machines, with machines that are pretty comparable to those over here, and which has a regional reach, it tends to indicate that putting machines into the suburbs creates issues and GPs are picking up on those issues.

However, we do not really know the actual extent of the harm because it is not counted. I would argue that it is not counted because state governments have a real problem in counting the costs as they are so reliant on the revenue. In my submission I included figures taken from the four main gambling states with regard to that reliance. In state-own generated revenue it is up to 15 per cent. When it comes to counting the hand that feeds you, the costs and so on, that is a pretty big conflict of interest.

CHAIR—If any senators have questions that you do not have the time to answer are you prepared to take those questions on notice?

Dr Livingstone—Certainly.

CHAIR—If we run out of time it is important for senators to know that.

Senator XENOPHON—I think some of my questions need to be taken on notice. Dr Livingstone, you talked about the core technology of the machines, the reinforcement schedules, and also the volatility of machines. At the beginning of the year you, along with Richard Wooley, prepared a comprehensive report for the Independent Gambling Authority in South Australia. Could you give the committee a snapshot of the difficulties you had in getting details of those reinforcement schedules and the issue of machine volatility? To what extent would you say that it is relevant? On the issue of machine volatility, the payout is not based on an average playing session; it is based on the average life of the machine.

Dr Livingstone—In summary, poker machines are a conditioning machine. They are built along the same principles that were established in the 1950s by B. F. Skinner and other behavioural psychologists in America. Essentially, they teach people that if they keep playing the machine they will get a series of intermittent rewards. The rewards do not happen every seventh button push or whatever, but they happen.

People become acclimatised to the fact that if they keep playing the machine they will get a series of rewards. Essentially, this is one of the bases of the principles of operant and classical conditioning. People are not like rats in cages pressing little levers, but the principles that apply are similar. This is a basic learning behaviour approach to understanding how things work. Poker machines are very complex machines and they have very complex maths, but in those maths essentially is a reinforcement schedule—a schedule of reinforcement under which the machine will either give you a lot of small rewards on a more or less regular basis, a smaller number of larger rewards much less frequently, or some combination of the two. No two games will have the same pattern.

If you walk into any venue you will discover a whole array of machines with different characteristics. The reason for that is that different machines appeal to different market segments or to the same person but at different scales in their playing behaviour. For example, some problem gamblers have reported to us that they would most frequently play a low denomination drip-feed type machine where they can be guaranteed a relatively large number of quite small payouts but enough to keep them going for some time. Then towards the end of the session, when they have nearly exhausted their funds, they think, what the hell, so they go and play on a much more intense machine—in South Australia on a dollar machine called a Shogun, or a Shogun 2.

We did some modelling based on the data that we were able to get from the regulator in South Australia about the proportion of expenditure that is attributable to the two types of machines, which is included in one of the reports I attached to my submission. We found that for problem gamblers most of their time and money was spent on the low denomination machines, which we think are drip-feeder type machines, based on what we were able to glean from their characteristics. Although they spent much less time—they spent a higher proportion than time—a disproportionate amount of money comes from the high-impact machines. We call this the economy of qualities in the venue.

You have a whole different mix of machines which have been configured, very carefully configured in the case of Victoria, and the operators have access to high-quality data describing the performance of each machine in each venue. That is less so in jurisdictions such as South Australia where you do not have that sort of duopoly arrangement in place which facilitates that easy analysis of data. You have a combination of machines which meet all these market segments, but each of the machines will have a different schedule of reinforcement contained within its game maths.

Senator XENOPHON—Could you get access to that?

Dr Livingstone—No, we could not get access to that. We asked the office of the Liquor and Gaming Commissioner, the approval regulator in South Australia, whether we could get access to that, but it appears that they do not hold that data. I think this is an artefact of the fact that in most Australian jurisdictions approval of games is contracted out to private companies—testing companies—who no doubt will have access to the game schedule that is contained in what the industry calls, as we understand it, par sheets. We have seen par sheets from another jurisdiction in Canada where they were obtained through legal means as part of a class action in one of the jurisdictions—I think in Saskatchewan, but I am not sure of that.

We know from those par sheets that some of the characteristics of games, which will be identical to Australian games, are that they have real links that are different. They have very precisely calculated proportions of what payouts will be and so on. If we had access to that data, which we could not get in Australia, and access to the game performance data, to which we do have access in Australia, we could do studies that would start to correlate the two. That would give us a much greater insight into the effect of certain reinforcement schedules, or game maths sets, however you want to refer to them. I know that the industry does not like the term ‘reinforcement schedules’ but that is what they amount to.

The game maths amount to a reinforcement schedule—a very carefully constructed schedule of payouts and so on. We would then be in a position to start analysing which games were more dangerous than other games. The other aspect you asked about was volatility. We believe that this is an artefact of the fact that games are legally required to pay a minimum of 87 per cent, or whatever—in most Australian jurisdictions somewhere around that figure of 87 per cent to 90 per cent of the amount put into them. Obviously in anything that is random—and a gaming machine is a random device; it has five or so random number generators that pop up numbers that are then interpreted by the machine’s computer and translated into a symbol on the screen—will not conform immediately to its 87 per cent or 90 per cent return to player ratio, unless you play it for quite a long time. In some cases it appears that you have to play it for 10,000 or a million times before you get reasonably close to its 87 per cent return.

In Victoria, for example, the way the return to player is calculated is by aggregating the results of all the machines in a particular venue over a 12-month period. If the venue satisfies that, it satisfies the return to player requirement. In a sense that is a clue because it tells us that the machines hop around at that 87 per cent quite a lot. We also believe that games that are more volatile are likely to be more dangerous in some respects. We base that on observation of the situation in South Australia where we had access to some gaming machine data. But we need to verify that by having a look at the EGM schedules and game maths, and so far we have not been able to get access to them. Although my colleagues have approached industry on a number of occasions to talk about these issues, we have never had any success in doing so.

Senator XENOPHON—To do your job properly and for you to be able to advise governments and politicians, you really need access to that material?

Dr Livingstone—Whether it is me or someone else. In reality, somebody has to be able to analyse those schedules independently, and analyse them in a real world performance in order to understand what it is about particular games that seems to stimulate their great success. There are games, for example, in South Australia that we discovered in the study we did for the Independent Gambling Authority where one machine is earning net of nearly half a million dollars a year. That is a staggering amount of money to put through a poker machine. It is even more staggering when you realise that in South Australia, unlike the other jurisdictions, you cannot slot \$50 notes into the machine. You can do that in Victoria and you can do it New South Wales but you cannot do that in South Australia; you have to put a coin into the machine.

The machine is making a net half a million dollars or so a year, and it is coin fed. That implies a staggering amount of success, if you like. It is indisputable that a large amount of that money is problematically derived; there is no doubt about that. That is certainly not the average performing machine, but there are machines that perform at that level. If we understood the game maths of those machines and analysed their data in actual operating conditions we would be much better advised. No doubt industry would argue that this is all proprietary information and that it should not be publicly available, but I do not see any reason why it could not be made available to researchers undertaking independent research into these matters.

Senator XENOPHON—I would like my next question to be put on notice. Professor Hancock, you referred to how software in Canada works to identify problem gamblers. If you could give the committee more information on that I think it would be useful. You talked also about the lack of independent research since the panel that you headed was shut down by the Victorian government a number of years ago. Could you give the committee at a federal level an example of any robust independent research that is free of any interference that could give independent advice to governments?

Prof. Hancock—Yes, I will. I would like to say a few words to back up something Charles was saying earlier. It is my understanding that some of these games and the way that the payouts work are hierarchical and that has been clearly researched to show the player's vulnerabilities. For example, in that 87 per cent return to player the hierarchical feature of that might be that in stage one of the game there is less return to the player because that is where most players congregate. That is where you have the gamble button. Later on in the game, when the player gets the choice whether or not to gamble fifty-fifty each way, there are vulnerabilities in the research.

Other researchers, like Walker at the University of Sydney, have tried to research this. Why are players hesitant to press the gamble button when there is a much higher probability of a payout? I am reinforcing what Charles said about this asymmetry of knowledge. All this money is being spent on research to reveal how the interaction between these products and their consumers is worked out, and others are working in the dark as they do not have access to this information. Referring to accessing information, why can communities and local governments not get access to venue-based data? They could then look at player losses in that venue. They would have some idea about who are the clients of that venue and they would have a much better idea to resource their own planning decisions within current frameworks.

Senator SIEWERT—I have a number of areas that I would like to explore, but I do not know whether we will get through all of them. I will put one question on notice. I was particularly interested in the comments you made about the cost of gambling and the revenue derived from it. Professor Hancock, you talked about revenue and the cost to the Commonwealth. For example, you raised the issue of Medicare-subsidised GP visits. Have you done any studies that have looked at how much revenue the states get versus how much the states pay out as a result of the problems caused by gambling?

Prof. Hancock—This is an interesting sum to do. We do not know. Again, it is about access to data. One of the peculiarities of this area and why it is difficult to count the costs is that the costs are amortised through the

community. It is like a capillarisation, if you like, to use that analogy, where the costs are borne by the community. They are borne by the kids who do not get Christmas presents because their parent is addicted to gambling, and sucked in by it. They are borne by people who have their moneys stolen from them by solicitors and others who have gambled millions of dollars at casinos like Crown, who have not been asked whether or not they have that money in their own bank accounts from their own earnings.

It is quite difficult if you do not have a government committed to counting the costs. In other areas of social harm such as alcohol, tobacco and drugs we have an acknowledgement of the harm and an attempt to count the costs. With gambling we are not yet there. I would argue that it has a lot to do with the states being strapped for cash. I think that it is about to get worse. With the subprime flow on in financial circles, less money is coming into state governments around the country from stamp duty and conveyancing. They will want that gambling money even more and they will be even less likely to count the costs or to put in place systems to count the costs, for example, through their departments of human services.

How many people who come in with gambling as part of their associated problems are presenting to human services? We just do not know that. If we did the costs would be substantial, but they would reach beyond the electoral cycle.

Senator SIEWERT—You are right. We know the cost to society of alcohol abuse. We know, for example, that it is over \$15 billion. But you are saying that there is no overall figure to which we can go at a state or federal level?

Prof. Hancock—There is not.

Dr Livingstone—Not since the Productivity Commission anyway in 1999. By its own admission that was very much a back-of-the-envelope exercise. Nonetheless, it estimated that the net benefits to Australia from gambling industries collectively could be as much as zero. It is perhaps negative; it came up with a range. As Linda said, the costs are externalised, borne by members of the community, and they are not aggregated into any sort of calculus that can show what is the cost. The benefits are all accrued to government, to industry and to shareholders, who can count them quite happily. What you can hold in your hand is much more valuable than what is nebulous, nefarious and hard to calculate.

Yet again, if you compare it with alcohol or tobacco, the consequences of alcohol consumption and tobacco consumption often are quite concrete. There is a pathology associated with the excess consumption of alcohol, as there is with tobacco. The pathology of gambling problems is less physical in nature, although certainly there are some physical manifestations of it. It is much more a mental health question. There are close relationships between the status of mental health of many people and their relationship to gambling.

Senator SIEWERT—Professor Hancock, you referred in your submission to the location of gaming machines and their cost to the community. You referred, for example, to the Dandenongs. I was quite astounded by the information you provided in your submission. Is the Dandenong example an atypical example, or are these machines targeted? It seemed to me that you implied they were targeted to low-income areas?

Prof. Hancock—Yes. Victoria is like a laboratory for looking at this in Australia because the machines have not been licensed to venue in the strict sense. Individual machines can be shifted around by the duopoly providers. They have been in a position where not only did they have a monopoly; they could move the machines that worked best with a particular market segment into that segment. So you have an absolute correlation between areas of disadvantage and the placement of machines. Doughney's research and Charles Livingstone's research backs this up. At least a dozen local government areas have high figures just like the three that I have chosen. The machines have been purposefully put in.

In those local government areas they have been put in the more disadvantaged pockets, so they are absolutely localised for those people. In many of those areas they lack alternative leisure. The alternative leisure has been squeezed out because of the way that these machines have dominated clubs and pubs in those areas. If you did an audit, which has not been done, of leisure outlets in different areas, you would find that Camberwell, which is in the city of Boroondara, has a low level of problem gambling and much lower levels of EGM distribution. You would find much greater diversity and richness of alternative leisure opportunities in that area than you would find in Dandenong, in Hume or in La Trobe.

Dr Livingstone—I wish briefly to give you a concrete example of that distribution. As Linda said, over the years I have done a lot of studies to try to determine the relationship between socioeconomic disadvantage and the location and density of machines. There is a very strong correlation. Again, the Productivity Commission

replicated some of that and found that that same situation prevailed New South Wales, Victoria and South Australia at the time that it did it. They tend to be in areas of socioeconomic disadvantage. But a very interesting example recently is in Victoria where the Hawthorne Football Club successfully applied to have a new poker machine venue built, not in its own heartland in the eastern suburbs of Melbourne but, rather, at Caroline Springs in a very disadvantaged part of western Melbourne. Collingwood Football Club, which you might have heard of, also have venues in that part of the world.

We are seeing a New South Wales-isation of Victorian football as the clubs, hungry for money, become dependent on this. But they do not put them in areas of affluence; they put them in areas of relative socioeconomic disadvantage because the industry knows full well that that is where its business is.

Senator SIEWERT—I wish to put this question on notice. I am trying to work out whether these bills are best targeted to deal with issues that need to be dealt with. For example, people working in the area of alcohol abuse have a table of the key things they need to do to address alcohol abuse, price, advertising, limiting access, licences and those sorts of things. Do you have a similar hit list of the top five or 10 things that we should be doing to address problem gambling? Your submission is really interesting but I am looking for the key things that we, as a community, can do to deal with this. If you have such a list could you provide it to the committee? I would find that extremely useful.

Prof. Hancock—Yes.

Senator ADAMS—Coming from Western Australia the only area with which I am familiar is the Burswood Casino. My familiarity with it is not as a gambler; it relates to rural interaction. Earlier you were talking about regional influences and about a three-hour catchment around Perth in Western Australia. You would not be able to go any further than that. In my home town a number of elderly people really enjoy their trip to the casino in Perth. They save up their money and I do not think that they go overboard. Socially that presents a form of interaction for them. They really do not have many opportunities to do anything in a town that has 2,000 people. In a way that represents a day out for them. Looking at your report on the Tattersalls information and talking about women, I would like to know what effect that has on the pensions of older age groups. Do you have any data about that?

Prof. Hancock—Again, this is an area where there is a need for some carefully controlled research. We know from a number of studies that they are a risk group. Because of low income and vulnerability to do with loneliness and sometimes bereavement, that can be a trigger factor. Certainly there are cases. For instance, one 65-year-old woman who was always at the RSL would park her car in the Safeway car park in Bentleigh and she would go across to the club so that her kids did not see the car outside the club. She did not have enough money to pay her utilities.

She ended up moving to Western Australia to be with one of her daughters so that she could try to beat the habit by being in a suburb where she did not have localised access. If you had, say, a player tracking system and you had card-based access to machines, and you then cobbled that together with an educational program about risk, with groups such as the elderly going on trips, you could ensure that they had good access to pre-commitment strategies. But, again, nothing is a silver bullet. You asked in your question on notice for a list of 10 things. Ten things that would need to be put in place as protections, including looking at the machines themselves. If you did what we call a stool or chair audit—you would go and look at a venue and establish who was in there at a particular time of day—and we had a tracking system where every machine in the country was on an online tracking database, which would be a good thing to do, we would know on pension day what the spend was and whether it went up.

Charles Livingstone conducted research on EGM technology for the Gambling Research Panel. I, as the chair, tried to get data on when the denominations on approved machines were shifted. This is getting a bit technical, but the providers' venues have machines approved within a range of stake and they can then alter that. They alter the machines from a 1¢ to a 5¢ machine within the approved limit, depending on what sort of demand is there. Do they notify the regulator that it is going up on public holidays and on pension day? We do not know because the data is not gathered. In that case we were not able to get access to that data. Stuff is going on in venues to do with maximising profit and take from people that one would see as vulnerable. Pension day would be a very good indicator of that.

In cities like Geelong there is anecdotal evidence about people in the Shell Club. The numbers go up and so would the spend. But because nobody outside the industry gets access to that data we do not know. It is an asymmetry of knowledge; therefore we cannot use that knowledge to protect consumers.

Senator ADAMS—Is there any way that the regulator can prevent the provider from being able to alter the machines?

Prof. Hancock—They are approved in a range, so I guess you would then have to make a judgment. But, again, it is not the fact of altering the machine; it is the reason why they do it. The reason in that case would be to have more throughput on high-spend days, and then on other days to give people a lower throughput or a lower paced machine. Back in the days when the duopoly was putting pressure on venues to build smoking rooms when the smoking ban came in, we had a deposition from a country golf club which said, ‘We would rather spend the \$20,000 on the greens than on a smoking room. Why should we be forced to do that?’ The provider said, ‘We will give you the low denomination machines you have been wanting if you build your smoking room.’ In the end they capitulated. They had been asking for 1¢ machines instead of 5¢, 10¢ and \$1 machines because they wanted to have lower intensity gambling in their venue. All these sorts of controls are going on with whoever distributes the machines and they are looking at the sums all the time with a profit motive.

Dr Livingstone—Another point flows from that, which is that generally the regulators do not analyse the data terribly effectively. In Victoria, we have seen what Tattersalls and Tabcorp have been able to do. Indeed, they made much of it in their recent submissions to the Victoria government’s gambling licences review. They made much of their data warehousing and data analysis capacity. They said that it enabled them to maximise the revenue to the state and to themselves from gaming machines as compared to other jurisdictions around Australia. There is no reason why the regulators cannot analyse the data in the same way, but with a public health focus in mind rather than a maximisation of profit focus. So far they have not shown great interest in analysing the data for those reasons, which is unfortunate to say the least.

Prof. Hancock—Can we tell you briefly how it works with the data tracking in Victoria? When I first took on that job as chair of the gambling panel I was shown these black boxes behind the bars of clubs and pubs which store the data. I assumed that that data went in parallel to Tattersalls and Tabcorp and then to the government. But, no, the government requests the data from the industry on an aggregated basis. The data is there but, as Dr Livingstone was saying, there has been no will by the regulators to collect that data and to use it with a public health and consumer protection focus. The chief focus of the state asking for the data has been to compute the tax.

Senator FURNER—I am trying to get my head around how the concept of designated gambling might work. Not that long ago Queensland had a prohibition on gambling machines and we used to see mainly seniors lined up on the footpaths catching buses across the border into the Tweed to bet on poker machines, given that that is a captive audience of that demographic, and it would encapsulate the youth. If we went to a system where there was designated gambling I am sure that the pubs and clubs would work out ways around that as they do now to cover drink driving and bussing people into pubs and clubs. I appreciate that that would not be the overall position of putting impediments on the abuse of gambling, but how would we overcome that situation? Pubs and clubs would find ways around getting people to their machines.

Prof. Hancock—The argument that we are better off having racinos and casinos as destination gambling rather than suburbanised gambling is a compromise. It is about saying that we are not on about prohibition but we are on about trying to make this safer and we acknowledge that some people enjoy it as a form of recreation. Currently it is legal, therefore, to make it illegal would seem a big step. But there are ways of putting in place much bigger protections. In fact, in my submission I referred to the fact that I did not think the bills went far enough in putting in restrictions and more conditionality, if it went to casino gambling, on racinos and casinos, in particular in relation to host responsibility. In Saskatchewan Lloyds of London, the insurance risk underwriters, saw the loyalty data that they were collecting, and said ‘Do you see this? This puts you at risk of litigation. We want to know what you are going to do to protect people and to use this for good, or we will have to deny you risk insurance.’

As a result they put in one of the world’s best examples of benchmarking player tracking data. Across two casinos they used the data to identify, first up, 1,100 players who were in high risk, and then they had an intervention program around host responsibility. I have given several examples. Casinos in Switzerland, Holland and Saskatchewan are all starting to implement these player protection strategies. Some of them are driven by trying to manage their own risk in relation to litigation.

Their loyalty data is loud and clear. It tells the providers, and our providers currently know who their problem gamblers are. It is also a means of instituting risk management and protective strategies, such as denying a person an opportunity to gamble. An article is just about to come out in policy and society that I co-

authored with Tony Schellinck and Tracey Schrans. In that article we argued strongly that host responsibility should be instituted. This has high relevance and success in jurisdictions. You should also have on-the-floor identification and there are direct parallels between alcohol host responsibility and host responsibility in gambling. In the alcohol licensing area your licence to operate can be revoked if you serve, or you can be fined if you serve an intoxicated person.

Similarly, provisions should be in place relating to host responsibility in gambling. If you provide the product to someone that you know, by virtue of observation and/or tracking data, to be a problem gambler or who is being harmed or is at risk of harm, you should deny the sale of the product to that person.

Senator BOYCE—I want to ensure that I am clear on what we might achieve by taking ATMs out of gambling venues. As I understand it, we could expect people simply to stop gambling because they have run out of money, or if they left the venue to get more money they might perhaps decide instead to go home. Is there anything else that we could expect the lack of availability of money on premises to achieve?

Dr Livingstone—Most problem gamblers to whom I have spoken say, ‘I go to the venue with a certain amount of money and I think I will limit myself to that.’ They go through that money very quickly, make repeated visits to the ATM to withdraw funds and, generally speaking, they leave the venue only when they have run out of all available funds, which means everything they can possibly get out of their bank account is gone. That is a big problem for many gamblers. The ready availability of cash with an ATM five steps away from the gaming room undoubtedly is a major factor in fuelling the harm that is done to gamblers. I wish to make a distinction between someone who has a gambling problem and the harm caused by that problem. You can have a gambling problem, but if you cannot have access to much cash you cannot harm yourself as much as you would if you had unlimited access to cash.

This is almost a classic harm minimisation strategy to make it harder for people to get access to their cash. For a large proportion of problem gamblers it would have an immediate and beneficial impact. Will it cure the problem? No, it will not, but it will certainly have a big impact. My guess is that it would have an impact about as large as the original smoking bans did in Victoria, which was enough to take about 11 per cent or 12 per cent of the revenue out of the system. It is almost certain that a large proportion of that came from problem gamblers. We know that problem gamblers disproportionately smoke on a more frequent basis than do members of the general population.

People were forced out of the venue, and particularly in the early days of the Victorian smoking ban when industry was not prepared for it, unlike the most recent round of bans where they were. People literally had to leave the premises. That appears to have had the effect of making them have second thoughts about what they were doing. A number of them clearly jumped in their cars or toddled off home. That is what we would achieve. Would we inconvenience the public generally? There is no doubt that some people would be inconvenienced.

As I said earlier, if you make allowance for the fact that people can have credit cards and EFT facilities which are available to pay for almost anything they want these days, the impact on people who happen to wander into a pub and who want to have a drink but who do not have any cash on hand I would have thought would have been quite negligible. I would not underestimate the impact that a harm minimisation measure such as this could have on the gambling habits of people who have serious gambling problems.

Senator BOYCE—I just wanted to be clear that it would achieve what we hoped to achieve.

Prof. Hancock—It would depend also on what other provisions you had put in place. At the moment there are provisions to look at this problem. One of them is that an ATM should not be within 50 metres of the entrance to the casino. We find banks of ATMs just outside the limit. Limits on withdrawals do not work. People keep going back if there is a \$200 limit on withdrawals. No doubt your committee will be getting access to financial services data that shows you that with regard to the use of ATMs. With the removal of ATMs the effectiveness of this provision would depend on how close the other ATMs were, and who was providing them. In Victoria a consumer with a Harvey Norman card put it into an ATM and was able to access credit.

From memory that credit bill ran up to about \$40,000. That was because not just the banks are providing these machines; in a deregulated environment other providers have systems and people can access credit via other means with these cards. I think a lot will depend on what other provisions are put in place. As Charles was saying, one of the provisions would enable people to set limits but not change them relating to access to play. Just taking away the ATMs will not solve the problems that you want them to solve.

Senator BOYCE—I found myself becoming more and more alarmed as you were talking about iris recognition et cetera for people playing machines in Canada. What privacy concerns were raised about that?

Prof. Hancock—They do not use that form of technology. No doubt your committee will hear about various modes of technology that are used to give access to various security systems. Canada is using a smart card and the smart card has—

Senator BOYCE—But you did mention player tracking using iris identification. Where was that being trialled?

Prof. Hancock—It is not being trialled anywhere. However, fingerprint identification technology as an alternative to cards certainly is around. To my knowledge iris technology is not being trialled but it is possible. When you go to a casino in Holland, Spain or Slovenia you have to show your ID or a passport to get in. When you go to Crown Casino or any of the Australian casinos they are very open. It is very hard for those venues to have any sort of effective player exclusion program based on self-exclusion deeds. How on earth would they be able to do surveillance photographs of 200 or 300 people walking in through open doorways? New methods of technology are being introduced all the time to provide gateway access to whatever product is being used. Iris technology is certainly on the table, but to my knowledge it is not being used.

Senator BOYCE—I still find it quite alarming.

Senator FIELDING—I would be interested to know what powers you think the Senate should use to get this information. Perhaps we could subpoena information on a confidential basis to establish how these machines work. You referred in your submission to some leaked documents. I would be interested to get a list of specific documents that you know are available. I would be very interested to know how the committee could then use its powers to get that information, even if it is provided on a confidential basis for only committee members to see. Finally, in your submission, Professor Hancock, you stated that there are two broad measures to reduce harm from poker machines. You stated:

Measures that would likely minimise harm to problem gamblers include:

1. Modification of reinforcement schedules.
2. Reduction in maximum bet to \$1 per spin.
3. Continuation of the prohibition on the installation of bank note acceptors to EGMs (in the case of South Australia); Or elimination or modification of BNAs, in the latter case to limit the value of bank notes that may be accepted to a maximum of \$100 in denominations of not more than \$20 (in jurisdictions where applicable).

You then state:

Measures that would likely reduce the potential for excessive gambling include:

2. Elimination or reduction of the near-miss effect.
3. Reduction in maximum bet.
4. reducing spin rate.
5. Reduction in maximum number of lines available for wagering.
6. Modification of 'free games' features to limit both the number of 'free spins'.

Do you stand by your comments that that would make a substantial difference?

Prof. Hancock—Sure. I think Charles Livingstone's research would back that up. There are ways that the machines can be pulled back in that manner to make them safer.

CHAIR—Senator Xenophon, you have a question on notice?

Senator XENOPHON—Referring to ATMs, Tasmania is the only jurisdiction that does not have ATMs within the premises of pubs and clubs. Could either or both of you provide us with some information? As I understand it, the loss per machine is significantly lower per capita, even allowing for other factors. To what extent would you say that the lack of access to ATMs has made a difference in relation to losses and problem gambling rates?

CHAIR—If other senators have questions—and they probably do because of the complex nature of this inquiry—they should give them to the secretariat and they will be sent to both professors as quickly as possible. We are not due to report until 10 November so we would like responses as quickly as possible. We understand the depth of some of these questions but that is the area in which we are working. Thank you very much for your submission and for your time this morning. We could go on all day but other witnesses are waiting to give evidence.

[10.15 am]

FALKINER, Mr Timothy Sadleir, Private capacity

CHAIR—Mr Falkiner, thank you for your time and for your very extensive submission. I can assure you that it took me a while to get through it. You have information on parliamentary privilege and the protection of witnesses?

Mr Falkiner—I do.

CHAIR—Would you like to make an opening statement and we will then go to questions?

Mr Falkiner—I will briefly summarise the issue and refer to points that will be made after I have gone. In the past few days I prepared a simple list after going through the legislative provisions and I have commented on what I believe should be commented on.

CHAIR—I hope it is very simple? Will you leave that list with us, Mr Falkiner?

Mr Falkiner—Yes, I can do that. I will hand it up in a moment. Briefly, I used to be a solicitor, a town planner and then a barrister. I was the commercial legal officer at the Casino Control Authority as the Crown Casino documentation was being bedded down. I assisted in the writing of the regulations dealing with casino table games. After that authority was wound up I ended up going back to the bar a few years ago. In the meantime I spoke to Dame Phyllis Frost and Tim Costello and a steering committee was set up. The idea was to develop educational material to help prevent the downside of problem gambling. The organisation is called Know the Odds, and that is a copy of our educational material if anybody is interested in education about problem gambling.

CHAIR—Are you also leaving that with us, Mr Falkiner?

Mr Falkiner—Yes. I felt that it was most important to mention to the committee that gaming machines are cheating devices. This cheating device causes over 80 per cent of our problem gambling. Other older forms of gambling have caused nowhere near the problems caused by this gambling. With gambling devices there are two ways of cheating, with this sort of device and with table games. The gambling industry will argue that Australian machines do not cheat, but they are referring to only one way of cheating. Either way of cheating is devastating for the player.

I keep on thinking up new ways to explain this, but the simplest way to cheat a gaming machine is to imagine in this case that you want to stop three kings coming up on three reels. There are two ways of doing that. The first way is to shift all the kings across onto adjacent reels. You will keep on getting kings on two reels but you will not get a king on the third reel. That is one way in which it is done. The other way that is used in the United States, in addition to this first way, is to have the kings on one reel but to stop them above or below the pay line. That is not allowed here, but it would not work anyway because we have multiple pay line machines. Even if we pushed the king up to a certain position there would still be a payout if that line was selected. These dice are illustrative of the two ways of cheating.

Casino dice are machined to a very high tolerance, they are numbered one to six, and they are fair. That is a fair gaming device. The dice that I have here are loaded dice. These dice are like the dice that the Americans use. They have all the numbers but they stop at particular numbers, or they select some numbers and they discourage others. These dice are a little bit like our dice. Most of these dice are okay, but the dice that I have here has only fives and the other dice has sixes and twos. If you throw this dice it will generate only seven or 11. These dice are trick dice, a proper set of misspotted dice, and they are more subtle. If you look at a whole lot of dice you will think that they are regular. You will think that they are all the same. That is what people think when they are playing these machines.

In the case of these dice we have numbers on but stop them coming up, and in the case of these dice we omit the numbers. With the Australian machines you can see this clearly on the table for what have been called the cat god machine. That is similar to the Australian machines. I do not know how many of you have seen the DVD, but I have extra copies that I can leave if you want to have a look at it. It explains this very clearly. When you look at the machine table you will see the reels. Do you want me to hand up copies?

CHAIR—Is this the same data that was in your submission?

Mr Falkiner—Yes.

CHAIR—If you have copies and they are in larger print, which is always useful, we will take them, Mr Falkiner. Is this the same argument that you set out in your submission?

Mr Falkiner—It is. You have the material there. It is cheating to misrepresent the chance of winning by concealed asymmetry, by hidden crookedness. Informed choice is not possible playing machines with starved reels. The player cannot see what is on the reel and he or she assumes that they are the same. The player consciously, or unconsciously, believes that the reels are the same. I have given you statements made since 1932 which describe the deceptive nature of these reels and the way that these cheating techniques encourage excessive play by continuously making players believe that they are close to a win.

The player who matches two reels and misses the third thinks that he or she has the same chance on the missed reel. That is the way in which these machines work. Roger Horbay was the first person to ask questions about these machines. A lot of people were being diagnosed by psychologists as having conceptual dysfunction. Roger said, 'There cannot be that many people who have this so-called disease.' He started looking at the machines and he said, 'These machines are rigged.'

As a gambling regulator regulating table games it never occurred to me that the standards applied to gaming machines were racketeering standards. The players are making decisions from moment to moment on false information. You cannot make a rational decision when you are working on false information. Roger Horbay pointed out that the machines destroy many people because they mislead the players into thinking that the odds are better than they are, and that a big win is coming. Let me refer to some of the ramifications of this. Firstly, you cannot say that you will do nothing. The dam will burst sooner or later. The media cannot keep the lid on this indefinitely. As soon as one media outlet publishes, the others will have to follow.

That could be devastating in Victoria if the AFL clubs to which Professor Hancock referred and the RSL have paid big up-front taxes. That is why we should have a reserve fund and there should be wider powers to grant money from it. For example, you might have to bail out the AFL clubs and the RSL. The Victorian government, in getting rid of Tattersalls and Tabcorp, increased the potential profit for the football clubs and the RSL, but at the same time they increased the downside. Tattersalls and Tabcorp are large corporations with other businesses and they can take a loss, as they have recently if they do not get compensation, but the football clubs and the RSL are service organisations and they should not be taking that sort of business risk.

They will be taking a big business risk and it will need a fund from a tax to be able to bail them out. It is no answer to say that the machines have always worked this way. Cheating people for 100 years makes it worse not better. Player turnaround of 90 per cent is only good cheating. You get more from grinding the customers than from busting them. The machines pay out only about half of what the reels indicate they should. The machines do not produce random results for each symbol as between reels. Concealed asymmetry is the hallmark of cheating.

Recently I received an email—a point I made in that unbalanced reel gaming machines paper that I co-authored with Roger Horbay. Roger said, 'Make sure that they understand the point on concealed asymmetry.' The gaff, the cheating mechanism, is the game itself; it is not the trappings. If a casino is using loaded dice you fix the dice; you do not fix the game by putting a clock on the wall, or by putting some gamblers' help cards in the toilets. It is not complicated. The gaffs are simple, but the simplest gaffs are often the best. This should be fixed first. Once again, if a casino is using loaded dice on 100 tables you do not fix the problem by taking away five tables. It is not a wowsers argument.

The most avid gambler is against cheating. Act now. It is not a question of doing any more studies. We know how dangerous these machines are and a cheating device is a cheating device. It is not a question of notifying people how the machines work. What they are doing with these machines is like adding amphetamines, an illegal substance, to beer. The machines would still be dangerous. The machines are a service industry using a deceptive product and competing unfairly with service businesses for disposable income. That is particularly relevant with the corporations power.

These machines are taking money from restaurants, newspapers, hairdressers, chemists and from all the businesses competing for discretionary expenditure. In my view a lot of people have been put in jail that would not have become addicted, if we want to use that word, to the machines but for this cheating mechanism, which the Victorian government allowed. In my view a lot of people who were sent to jail either should not have gone to jail or should not have been put in jail for as long as they were because of this cheating device. I have no doubt that people are in jail at the moment that should not be there. Those are the points that I have about machine design. I have specific comments on the tax bill, the harm minimisation bill and the ATM bill. Do you want me to run quickly through those?

CHAIR—Yes, please do.

Mr Falkiner—With the tax bill we need a reserve, as I have mentioned, to buffer clubs and service organisations against a turning away by the public from the machines. This is particularly so in Victoria where AFL clubs and service organisations such as the RSL will pay large up-front licence fees. The section relating to disbursement of funds must be widened. We need wider powers of disbursement. If we are to end reel starving there must be a provision in the harm minimisation bill that reels on each machine are to be identical with one another.

Alternatively, if multiple pay lines are to be retained, we need a requirement that in respect of each symbol the symbol occur at the same frequency on all reels. If you have six kings on reel one you have to six kings on all the other reels, but you can put them in different places on the reels. Games must be transparent, just like table games. The game specifications, including reel design, must be published and freely available on the Internet. Machines must clearly indicate which version is in the machine if different versions are being used for the same machine. One of the things with these machines is that you do not know what is inside them. I think I am right in saying that you could have two identical machines with different odds that are programmed differently.

There are others, such as Sue Pinkerton, Gabi Byrne, Linda Hancock and Charles Livingstone who could better advise you on these other issues. My comments relate to banning multiple line betting. If that is done there should be a federal provision prohibiting gaffing in the vertical plane, that is, asymmetrical vertical reel programming, like the loaded dice. This is prohibited at present but the regulations might be changed if multiple line betting is discontinued. The federal government ought to nail that down. If multiple line betting is allowed it should be limited to three lines—the straight lines, two, one and three. Some of the old mechanical machines had that. If free spins are allowed there should be no change of code on the spins.

It has been suggested that the machine characteristics change when it goes onto free spins. I do not know whether or not that is correct, but it ought to be prohibited if that is being done. I refer, next, to limiting banknote acceptors. My view is that the machines should be coin operated and they should drop the coins on a win. That is going back to the old machines which, after all, did enough damage. Coins should be obtained from a teller and not from a machine. In other words, problem gamblers do not like being visible. I have heard that they play the machines away from the desk. They like anonymity. They do not like going up to the teller to change money and things like that.

We should bring it back to the coins where people can have fun, the coins are falling in the tray, and when the coins fall in the tray they are able to pick them up. It gives gamblers a chance to pick up the coins and to say, ‘I have to buy dinner for the kids’ when they have the coins in their hands. With ATMs I think the five-kilometre radius is more than is necessary. I would have thought that 200 metres would give people a break and get them out of the zone. I have not even talked about that issue. Once again, Sue Pinkerton and Gabi Byrne would be able to give you better advice on that.

CHAIR—Thank you, Mr Falkiner.

Senator FIELDING—Mr Falkiner, thank you for your detailed submission. I must admit that I am a little concerned about the fair gaming standards that are applied to table type games but not to poker machines. Would I be right in saying that if the standards that were applied to poker machines were applied to a roulette wheel you would be put in jail because you were fixing the game?

Mr Falkiner—Absolutely. At a carnival fair there is a game called milk bottles. You have two heavy milk bottles and three light milk bottles. The milk bottles are stood three in the bottom row and two on the top. They put the heavy milk bottles on the bottom. You keep on knocking over the milk bottles and the game looks easy but there are always one or two left. The operator also shifts them around. The operator can put them on the top for you to knock them over. That is cheating. It is concealed asymmetry.

Senator FIELDING—Does having a standard for gaming machines and having a standard for poker machines not undermine the whole concept of Australia’s fair go and being fair and reasonable? Does that not undermine the whole concept of a fair go in Australia—of ensuring that when you gamble you at least know the odds?

Mr Falkiner—Yes, it is deceptive.

Senator XENOPHON—Mr Falkiner, you are a barrister. Why is some of this conduct not false and misleading under the provisions of the Trade Practices Act? Do you see scope for the Trade Practices Act to be strengthened to give consumers a chance to challenge the design of these machines?

Mr Falkiner—It is always a problem trying to find consumers with money to spend on legal actions. An approach was made to the ACCC by Tim Costello, Sue Pinkerton, Linda Hancock and me. We forwarded the unbalanced reel gaming machine paper and we argued that the machines were an unsafe product, we argued that they were misleading and deceptive and we argued that they were unconscionable. However, the ACCC did not want to hear us. I have the correspondence.

Senator XENOPHON—How long ago was that?

Mr Falkiner—It would be about 18 months ago. We did not push it with the ACCC because it was not considered by the commission; it was dealt with at a lower level. We did not want to back the ACCC into a corner.

Senator XENOPHON—From my point of view, and subject to what the committee thinks, it might be useful to get copies of that correspondence.

CHAIR—I agree Senator Xenophon. Mr Falkiner, can you supply us with correspondence that your group sent to the ACCC and the responses that you got? It would be very useful.

Mr Falkiner—Yes, Madam Chair.

Senator XENOPHON—I have one more question. I want to understand what you are saying about unbalanced reels and all that sort of thing. On some machines you might bet, say, on 10 lines and win on only one, so there is a net loss—you have lost on the others. Some of the machines flash up ‘Congratulations, you have won’, or ‘You are a winner.’ Can you comment on how that might mislead players?

Mr Falkiner—That is part of the trappings. It is a question of: How far do advertisers go in pushing the margins? It is possible for a person to look and see that he or she has lost. A person might have a bet of, say, \$5, he or she gets back \$4.60, and the machine says, ‘You have won.’ Is that the situation you are describing?

Senator XENOPHON—Yes.

Mr Falkiner—It is not something with which I would feel comfortable, but I do not think that is the reason these machines are being played. It is not a very good answer, but it is one thing that could be taken off.

Senator SIEWERT—I would like to follow up on that issue. You said that you did not think that was the reason. Are you saying that the signal that is sent does not then make people think they have won or question the fact that they are still down? I did not quite follow you.

Mr Falkiner—I suspect that there is a whole dimension to these machines that has not even been touched on. Charles Livingstone has written a paper called ‘Commodification of Interiority’ which talks about the spiritual dimension of these machines. I have also done work on that. I did not raise that simply because I had an email just recently in which one person said, ‘This is more important than the starved reels.’ He is probably right. I think the starved reels feed into that. That is a whole new area. If you want some material I can provide you with material on that, which would help to explain the zone. You are looking at most of the problem gamblers as escape gamblers rather than action gamblers. But, at the same time, the unbalanced reels give the machine an unreal effect.

Senator SIEWERT—It would be really useful if you sent in those papers.

Senator ADAMS—I refer to the regulations and to the testing of these machines from the time that they are produced. Who is responsible for ensuring that the dice are not loaded and the machines are not faulty? How often does that occur? Years ago I used to play lawn bowls and our bowls had to be tested by a regulator and the bowls were stacked. You did not play unless your bowl was stacked. Are all the states different in the way in which they regulate the business, or is there a national standard?

Mr Falkiner—There is a national standard. Let me go back and put this into historical context. Roger Horbay, who followed this through, is the expert. Going back to the 1900s originally these machines were illegal. As they were illegal it did not matter if they put anything in them. They were not designed by the gamblers as table games were. They were not adapted table games; they were designed by people who were operating illegally, so it did not matter if you cheated. If the police grabbed them and they did not pay the police they were dumped in San Francisco Bay. It did not matter whether or not you cheated people.

Nevada then set up. It has to be realised that Nevada was only a small state. It was desperate for money and so it allowed gambling. These gambling machines were gambling, so they were put in and they were always very trivial to begin with, but they grew and grew. By the time the Nevada regulators realised what was going on I think we had paralleled them. The machines were there, they were earning money and nobody wanted to

upset the apple cart. Of course, in those days you also had some very unsavoury characters such as Dutch Schultz, Bugsy Siegel and the Chicago outfit behind the gambling. They just said, 'Let us just leave them alone.' They did not see them as big gambling. The big gambling was the craps games and so on.

I think the gaming machine industry had a real problem when the games started to go outside Nevada. They certified the games according to Nevada standards. Everyone had a high regard for Nevada. Nevada is squeaky clean when it comes to table games, but it had these organisations that certified machines. In the early days I can talk only about Victoria. When they came to Victoria I was in the Casino Control Authority. The machines were certified by, I think, the Victorian Gaming Commission and not the casino. They were certified by the gaming commission.

I believe the gaming commission took them on the okay of certificates from United States certifiers. We are in the same situation that Nevada was in. We have realised what is going on, but it is all kept schtum. We have an Australian-New Zealand standard that has a big hole in the middle of it that allows this to happen. The standard, which is 100 pages long, has terrific provisions. It should have a big lock on the outside of the box and all that sort of thing, but it does not say too much about this. It is soft on this issue.

Senator ADAMS—So the machines are not mechanically checked at any stage? They are installed and that is it?

Mr Falkiner—No, they are checked but the regulations allow this to be done, except in Western Australia. My suspicion is that the Western Australia regulators looked at this and said, 'No, we are not allowing it into Western Australia.' I seem to recall that there was a lot of pressure to allow reel machines into Western Australia. I thought Western Australia had caved in a couple of years ago.

Senator ADAMS—Caved in, as in having poker machines?

Mr Falkiner—Yes. I thought it allowed the reel machines rather than the draw poker machines.

Senator SIEWERT—That seems to be consistent with what Professor Hancock said. She said that the machines in Western Australia changed a couple of years ago.

Mr Falkiner—Yes, exactly.

Senator ADAMS—Let me just get this clear. Those machines are installed and no annual audit is carried out on them to establish whether or not they are satisfactory mechanically, or are they being sent away to get fixed? Who oversees them being fixed? Do they come back the right way?

Mr Falkiner—No. From a technical point of view I would say that the machines are computers with computer screens. The chips, which are carefully designed, are checked, but the specifications allow this cheating technique.

CHAIR—Senator Adams asked quite a specific question. We will ask industry about its auditing processes and so on. Mr Falkiner is talking about an error as he sees it but he is not responding to that question.

Senator ADAMS—Yes.

CHAIR—The question was: what is the process of maintenance and checking on the machines once they are installed? Is that right, Senator Adams?

Senator ADAMS—Yes.

CHAIR—Mr Falkiner, I am not sure whether you are the right person to answer that question.

Mr Falkiner—I am not au fait with the technical details, but I have no doubt that they are checked.

CHAIR—I am sure that they are. We will get the answer to your question, Senator Adams, from the people who are in charge of it.

Senator ADAMS—Thank you, Madam Chair.

Senator BOYCE—As you understand it, the machines pay out between 87 per cent and 90 per cent of the money that is put into them over time?

Mr Falkiner—Yes. I think Charles Livingstone calculated it at around 90 per cent. That seems to be the sweet spot.

Senator BOYCE—That is the required amount, is it not?

Mr Falkiner—At least 87 per cent, yes.

Senator BOYCE—You are talking more about the psychology of how you get people to play the machines and to continue to play the machines. Cheating would suggest that people are getting less than what they pay for. The payout is already mandated, so it is the psychology of how to encourage people to keep playing?

Mr Falkiner—There are two ways of cheating. One way is busting. You get a drunken sailor off a ship, you take him into the casino and bust him with misspotted or loaded dice. You clean him out within an hour and clear the decks for the next drunken sailor.

Senator BOYCE—I would understand that to be cheating, yes.

Mr Falkiner—Yes. The other form of cheating is to misrepresent the odds. That is grinding. You can legitimately grind, but it is a far more insidious and a far more dangerous form of cheating simply to let somebody think that the odds are better than they were, and keep on skimming or just taking a little bit from them each time.

Senator BOYCE—People do not understand that the machine will make a fairly random payout?

Mr Falkiner—According to Roger Horbay, people make their decision from moment to moment on their assessment of the reels, in particular, the problem gamblers that we are looking at. Unless they are accountants or something, they do not look at the average player return. And, of course, they are going up and down and they are winning. Sometimes they will get a big win.

Senator BOYCE—But these people would be playing virtually daily, would they not?

Mr Falkiner—Yes.

Senator BOYCE—You would think that they would get some sort of a sense of something sooner or later, would you not?

Mr Falkiner—Roger shows—it is also shown on this tape—a graph of poker machine returns. Roger talks about the devil's heartbeat, which is a graph that has big spikes and which then goes down. It then has another big spike and it goes down. It then has another big spike. It is measuring player return. The player gets these big wins that keeps him going. It is very difficult for a player to say, 'I am winning or losing.' There is volatility with gambling. Some games do not have much volatility to them. Let us take, for example, blackjack. You are really pushing money backwards and forwards across the table and you do not win a lot or lose a lot. You can, but it happens gradually; it happens slowly. With these gaming machines you have big payouts. You have these big peaks and troughs.

Senator BOYCE—I understand what you are talking about in relation to manipulation, but I have trouble seeing it as cheating.

Mr Falkiner—With a pair of loaded dice, for example, these dice are really heavily loaded. The really dangerous dice are the ones that are slightly loaded. They will take the player out. The player will be playing against 15 per cent or 10 per cent, and will never realise what is happening. If the dice are very heavily loaded the player will stop playing, so it is clever cheating.

CHAIR—If senators have other questions that come to mind they can put them on notice. Mr Falkiner has provided a lot of information today. When we consider that extra information, Mr Falkiner, there could be further questions. We will be in touch with you.

Mr Falkiner—Thank you.

CHAIR—Is there anything that you want to add?

Mr Falkiner—No.

CHAIR—Thank you for your time.

Evidence was then taken in camera but later resumed in public—

LONGMUIR, Mr Mark William, Manager, Community Services, Anglicare Victoria

REYNOLDS, Reverend Graham William, Deputy Chair, Social Responsibilities Committee, Anglican Diocese of Melbourne

CHAIR—Thank you for appearing today. You have information on parliamentary privilege and the protection of evidence. We have copies your submission, thank you very much. Would you care to make some introductory comments and then we will go to questions? Have you tossed a coin as to who goes first?

Rev. Reynolds—Thank you. It is my pleasure to represent the Anglican Diocese of Melbourne's Social Responsibilities Committee. Our committee has a deep and longstanding concern over the high levels of harm that takes place through problem gambling associated with electronic gaming machines. Whilst historically that has all been problem gambling, the explosion of the problem has occurred since the introduction of EGMs in states like Victoria, in the increased numbers of EGMs in venues, such as hotels in states like New South Wales, and the sheer concentration of gaming machine numbers in regions already experiencing social and economic disadvantage in both metropolitan as well as rural and regions.

The explosion of gambling, especially through EGMs, has seen state governments become dependent on gambling tax revenue, which is now a significant proportion of their tax income. The SRC is not seeking the prohibition of EGMs, but believes that there needs to be serious measures taken to reduce the overall number of gaming machines and to limit the accessibility of these machines. Research shows how the ease of accessibility compounds the problem. For example, when a venue is next to the supermarket, opportunistic gambling takes place, especially by those with a problem or a developing problem. However, with destinational gambling it has been shown that when a person has to make a conscious decision to travel to a venue, there is a marked reduction in problem gambling.

Whilst the Poker Machine Harm Reduction Tax (Administration) Bill might be an odd way to achieve destinational gambling, it seems to be the only way, while state governments continue to support the gambling industry in its present form and fail to recognise and acknowledge the severe harm the present system does to many people, especially those at the lower socioeconomic levels. Church and welfare agencies are only too well aware of the harm problem gambling brings. From my own experience in rural New South Wales, especially as chair of the MIA Rural Financial Counselling Service, I am well aware of the many businesses, families and individuals who suffered severe loss through gambling—financial, in terms of family relationship breakdowns, and of life, through suicide. Church and welfare agencies see the results of bad gambling habits in the lives of thousands of individuals who spend more on gambling than on the basics of life. This has had a devastating effect on families and those in their immediate circle, including embezzlement and theft from employers.

One of the drivers of problem gambling is the ready access that gamblers have to cash. The ATMs and Cash Facilities in Licensed Venues Bill 2008 provides a remedy to this problem. In Victoria, church and welfare agencies have long called for the removal of ATMs from gaming venues. When a problem gambler or individual in the flush of enthusiasm can easily access cash inside the gaming venue, bad decisions are made. When forced into a pause, such as needing to exit the facility to find more cash, the gambler is better placed to reflect on the situation and whether they can afford to spend any more funds on gambling at that point.

Allied to this problem are both the use note validators and the combination of multiple lines and multiple credits per line on poker machines. In such circumstances very large sums of money can be lost very quickly. Poker machines have certainly made it very easy for people to spend large amounts of money very quickly. Older-style machines requiring coins and handfeeding slowed down the rate at which a person spent money.

An argument raised against the removal of EGMs from local venues is the effect it will have on employment in the sector. Work by the Productivity Commission shows that employment in the hospitality sector is higher in terms of numbers of employees per thousand head of population where there are no EGMs. We would also question the economic benefit of such levels of gambling as currently exists, compared with communities where disposable income is spent otherwise; for example, at restaurants, theatres, live shows and other recreational pursuits. The gaming industry seems to be virtually immune from accountability, especially in the way it promotes gambling as healthy recreation.

To conclude these opening remarks, the Anglican Diocese of Melbourne SRC believes that all such measures as will help reduce problem gambling should be taken as a matter of urgency in order to reduce harm that is currently being done to many people, especially in areas already suffering social disadvantage, and to

prevent any increase in problem gambling. Sometimes hard decisions have to be made for the common good in the building up a civil society. Thank you.

Mr Longmuir—First of all, I thank the committee for the opportunity to make the submission, and to be here today to make comments. I come here today as a manager of a local service that seeks, among other things, to provide support and a pathway to recovery for individuals and families experiencing gambling-related behaviours. Anglicare's written submission and my testimony today relate predominantly to our experience as a service provider. Unfortunately we get to observe in a very direct way the very considerable human cost associated with problem gambling related behaviour. As an absolute bottom line, Anglicare Victoria is strongly advocating for the need for a preventive approach to problem gambling through the development and application of positive public policy and regulation. We need to be building a fence at the cliff edge, rather than adopting the current approach of funding lots of ambulances at the base of the cliff to deal with the issue.

Anglicare Victoria would respectfully challenge the committee in the presentation of all the data and statistics and the macro policy debates before it on this matter to continually underscore their deliberations with the massive human cost that is wrought on individuals, families and communities in relation to problem gambling every day of the week. This massive cost is evidenced in a selection of case studies presented in our submission. Sadly, they are a small sample and do not necessarily capture the emotional and psychological harm, the damage to relationships and the social isolation caused by problem gambling.

Anglicare Victoria would like to briefly highlight some of the specific issues of concern to us. Firstly, we would like to underscore the danger presented by electronic gaming machines. Anecdotal evidence from our councils would indicate that approximately 80 per cent of clients presenting to our services with chronic gambling-related behaviours use EGMs as their preferred method of gambling.

The second issue we would like to highlight is the relationship between problem gambling and easy access to credit. The case studies in our submission have a common theme. An individual develops gambling-related behaviour, which is often fed by easy access to credit, particularly credit cards. They cannot possibly afford this level of credit. They have to declare bankruptcy and also face the double whammy of potential criminalisation as it is an offence to become bankrupt as a result of problem gambling.

The final issue we wish to highlight in these opening comments is the problematic way in which the issue of problem gambling is defined. Public discourse tends to view problem gambling as a discrete issue—one where people make rational decisions on whether to gamble or not to gamble, and, importantly, whether or not to take responsibility for the outcomes of their decision. However, counsellors would maintain that problem gambling-related behaviour is a symptom of underlying issues, the key ones being depression and other forms of mental illness, social isolation, grief and trauma and long-term sexual, physical and emotional abuse. When we highlight these underpinning causal relationships, we paint a picture of a very vulnerable group of people who require a degree of protection. They are not people who are always in a position to make rational decisions in relation to gambling.

I will finish quickly by highlighting a number of strategies that Anglicare sees as important in terms of the way forward on this issue. We acknowledge that not all of them are within the purview or the terms of reference for this committee and within the scope of federal parliament to address. Firstly, the need for electronic gaming machines to be viewed as a dangerous product and for there to be appropriate consumer protection, particularly for the more vulnerable consumers outlined earlier, against the potential harmful effects of electronic gaming machines. We would like to see a major reduction in the number of EGMs available across Victoria, the removal of ATMs from all electronic gaming machine venues, the removal of note acceptance completely from all EGMs, and the introduction of precommitment smart cards. That concludes my comments. Thank you.

Senator FIELDING—Thank you both for your submissions. Do you believe it is okay to accept the harm from poker machines because the revenue from these machines helps to fund a lot of good projects, such as sports teams and community groups? What are your thoughts about that argument when people say that they do such a lot of good and we should not worry about the harm?

Rev. Reynolds—I do not think you can justify harm by some other good that might be done as a result of causing that harm. In Victoria, the evidence is that a lot of the so-called community benefits from poker machines dispersed into the community are of very questionable value anyway. As a society, and as a first world country, we are wealthy enough support the community things we need to do without harming people to do it.

Senator FIELDING—I have heard gambling groups refer to problem gambling as a small and declining problem that does not merit serious action, like some of the stuff in these bills that Family First has put forward. Can you give us an idea of how often you might see problem gamblers coming into your offices?

Mr Longmuir—Every day we have new clients coming through. I suppose, again, I could not present empirical evidence, but I would say that the growth rates in terms of demand for our services is in the order of about a five per cent increase every year for the past three or so years. There is a difficulty also in defining the level of gambling behaviour because of the shaming aspect of gambling. People really need to hit rock bottom before they present, and even then that may not happen in the case of the many suicides we see. It is very hard to quantify what the trend and the pattern is in relation to growth or otherwise in problem gambling related behaviour.

Rev. Reynolds—I was involved in the InterChurch Gambling Taskforce, and they will comment this afternoon. In Victoria it has very hard to get funding for good, broad, quality research into problem gambling and those sorts of issues because the state government does not want to put too much funding into that. I think they are making a detailed submission on the amount of funding. But, certainly, for those who are very concerned about the effects of gambling on people who are suffering addiction to gambling and so forth, it has been very different to get funding for that sort of work, which makes our ability to argue difficult.

Senator FIELDING—Thank you for that. You mentioned in your submission community venues make problem gambling worse, given that they are readily accessible and can entice people into gambling who might have originally visited the venues for social and hospitality reasons rather than specifically to gamble. Can you elaborate on that? What are your thoughts?

Rev. Reynolds—There is research evidence to show that when the gambling venue is in the shopping strip, a mall, an arcade or a major shopping centre, people go in spontaneously: 'Oh, I'll go in and gamble.' They did not go out planning to gamble, but when they are there, it attracts them in. My wife and I went to a local hotel bistro for tea on Monday night. There were wide double doors opening to poker machines with all the whistles, bangs and noise going on. It attracts your attention. You may go somewhere not planning to gamble, but particularly if you have a gambling problem, the attraction of that takes you in whereas, if you have to choose to go to a venue that requires driving or getting the bus or whatever, that spontaneous gambling does not happen. So, people who have a problem are not assisted by that very local display of gambling.

Senator FIELDING—The other point that I want to reflect upon is that you say here that 40 per cent of problem gamblers in New South Wales are under the age of 24, and most of them are men. That is staggering. This is another whole generation coming through and this is their first step out in life. You can start to see future problems escalating. Do you have any comments about those statistics?

Rev. Reynolds—Other than sharing your horror? Good research has produced those figures. My own experience of the hospitality side of things is living in Griffith in New South Wales for eight years and getting a fairly good knowledge of one of the clubs in particular because my wife was the manager, which is another story altogether. That is where lots of young people gathered because they also had associations with sport venues. Typically in New South Wales, it is the leagues clubs. After the match, all the young blokes go to the club and they all congregate around a couple of poker machines and gamble and drink away. It is creating a culture very much of associating their sport and group activity with gambling. My own observed evidence would say that the research would be right.

Senator FIELDING—There have been some thoughts—I do not think I have read it in your submission—or other statements made that this is a tax on the vulnerable. The figures show that the \$2.4 billion lost on poker machines in Victoria in 2001 came from people in lower income groups and regional areas. Do you want to comment on that? We say this as such a simple statement, and as a fact, but when you think about it, these are real people.

Rev. Reynolds—That is right. As Mark can elaborate with his examples, all the research again shows that the big losses take place in the Broadmeadows areas, talking about Melbourne, and the western suburbs where there are low socioeconomic groups. I think we said in our submission that it is in effect a tax on the poor. There is simply not enough money from the income the government gets from gambling for local programs to support and help people through their addictions and so forth. You can understand why someone who is living in difficult circumstances in a bleak world wants to go into a gaming venue. It is all lights and whistles and it is a pretty exciting sort of place. It is escapism; it takes them out of the world they are in. But it also does severe harm to them. Much more support of those people and reducing the number of gaming machines in those areas is vital.

Senator FIELDING—At the conclusion of the Anglicare submission, it says, ‘the destruction brought to family relationships, household security, and mental and economic wellbeing is of great proportions and is experienced at every level of society.’ Is that an understatement or an overstatement? Do you think it is exaggerated?

Mr Longmuir—It is very difficult to describe the magnitude of the impact on families. As I said, we have people coming in every day who sit in front of you and tell you how they have gambled away the farm, the family home, their marriage, their relationships and their children’s future. That is a devastating situation to be in and it is very hard to come back from. Again, I reinforce the need for a preventive approach rather than trying to pick up the pieces all the time.

Senator XENOPHON—Mr Longmuir, you talked about the shaming aspect. The research I have seen in South Australia is that only a small proportion of problem gamblers actually seek help from agencies. What is your understanding of the proportion seeking help in Victoria? How do you break down that shaming aspect so that more people come to you?

Mr Longmuir—Compared to international benchmarks, Victorian programs are very good at targeting and connecting with people who have a gambling-related issue. Having said that, we probably hit about 15 per cent. That is considered world’s best practice. We have potentially 85 per cent of people who have gambling-related issues and problem gamblers who are not seeking help.

Senator XENOPHON—What about having access to venues or being able to set up at venues? For instance, there was a suggestion of that years ago. Is that too intrusive, or would having more direct accessibility for problem gamblers help?

Mr Longmuir—I would have to take that under consideration. I am not sure that we would be all that supportive of outreach into the venues, although I believe that Crown Casino has problem gambling counsellors available in the venue. The approach at the moment is around training venue staff to pick up on some of the issues, for there to be a strong presence in terms of printed information and other material, and for resources so that people can pick them up discreetly and take them with them, consider what is going on for them, and have that phone number ready when they are ready to take that step.

Senator XENOPHON—You raised the issue of suicide. I understand that a project at Monash involved the national coroners database and looked at the causes of deaths. I do not know how far that has gone. It was first flagged eight or 10 years ago. What are you and other agencies you liaise with seeing in terms of the numbers of people who are actually taking their lives or are attempting to take their lives?

Mr Longmuir—The figures are fairly high and concerning. Again, I cannot give you a percentage of the population or that sort of thing. The other difficulty is that the finding might be death by suicide, for instance, but it is establishing a causal relationship between problem gambling as a primary cause of the suicide as against other issues. Again, I stress that there are underlying issues around mental health. What was the issue that caused the suicide? Was it the underlying mental health issue, or was it the problem gambling? Certainly there is a relationship. There is no doubt that when it comes to issues of suicide, domestic violence and family break-up, the pressure that is going on in those situations is obviously exacerbated by problem gambling-related behaviour. It is a factor, but I would not be able to present with any certainty how big a factor it is.

Senator XENOPHON—Would your agency support the Monash project that was flagged a few years ago to have some greater specificity in terms of the link between a death and the cause of that?

Mr Longmuir—Most definitely.

Senator SIEWERT—All of the examples you use talk about credit card debt. What work is done with the banks to deal with this issue? If I use my credit card over a certain amount, I get a phone call from the bank saying: ‘Rachel, have you just bought something on your credit card? Because if you haven’t, someone is using it?’ I think it is over \$1,000 or a bit more. You refer to this example involving \$100,000.

Mr Longmuir—What happens is that people get on the credit card merry-go-round. It is not unusual for our clients to have 10 to 15 credit cards. Surprisingly, in the case of big companies, like GE, they can have two or three credit cards. They can be in trouble with one of their GE credit cards—a Myer card or some card like that—but then be approved for a GE MasterCard at the same time that they are having difficulty paying back another card. There needs to be a lot more responsibility taken by banks in terms of processing applications for credit. Banks need to exercise caution. It is far too easy, even for people who do not have gambling-related behaviours. In our Gippsland office we deal with about 2,500 people every year who essentially are in difficulty, mainly through credit card debt. It is just so easy to get them.

Senator SIEWERT—In example two it was the same credit card. The person got the extension twice with the same company. That person did not in fact have multiple credit cards. If I understand it correctly, they had one.

Rev. Reynolds—I bank one of the major four banks. I have a credit card with them. I deliberately lowered my limit to \$3,000 and every second month I get a letter asking me if I want to increase my credit limit. Prior to that, when it was up much higher, as soon as I was anywhere near my limit, rather than warning me I was near my limit, I was offered another \$5,000 unsolicited. If you are not careful and people have a problem, it is just so easy: ‘Oh, there’s another \$5,000. They must think I’m okay.’

Mr Longmuir—Again, it is the way in which it is done. It is not, ‘Do you want more credit?’ It is couched in terms of ‘You have been preapproved for an increase in your credit, just sign at the bottom of the letter and send it back and we will sort it out for you.’ Again, for vulnerable clients who are struggling, it is far too easy to do that.

Senator SIEWERT—It seems to me that if we get smart card technology, it sounds like it could work. You can impose your own limits on the smart card. What difference will there be with the smart card? Will you take it in and up your limit from your credit card, without having some sort of other control on access to credit from major credit providers?

Mr Longmuir—That is right. The smart card can be seen as part only of the response. There needs to be an integrated response. There needs to be some reform in the banking industry about how they hand out credit to people who cannot afford it.

Senator SIEWERT—The committee has come across that in other aspects of our work. One of the other issues that came up this morning was raised by Professor Hancock. In her submission she talked about targeting particular machines into particular areas, for example lower socioeconomic areas. Is that something you have come across?

Mr Longmuir—That would be our experience. I could not present any evidence about how that occurs. But certainly our observation is that poker machines are concentrated in lower socioeconomic areas where the population base of those areas is in inherently more vulnerable to a whole range of issues and concerns.

Rev. Reynolds—We have found that there are particular games on EGMs in large numbers in particular areas, such as Black Rhino and Blue Nile. They seem to be machines that draw people in to play them. So you will notice if you go into a venue that there is more of those machines than others. They are the popular machines.

Senator SIEWERT—That is what Professor Hancock was saying this morning—particular types of machines and games are targeted at certain areas. They are targeted at particular customer behaviour.

Rev. Reynolds—They are a bit like good fishing bait and that is how they are used.

Senator ADAMS—Reverend Reynolds, your data is dated 2001 and you state that \$2.4 billion of what was lost on poker machines in Victoria came from people in lower income groups and regional areas. Do you have access to any more recent data? This is from 2001. I think things have changed slightly in the seven years.

Rev. Reynolds—Yes, it has got worse.

Senator ADAMS—That was really what I asking. Is there any way you can get more—

Rev. Reynolds—Current quantifiable data is different. Research in the area, as I said before, is not funded by the state government very readily. It is just a matter of what organisations can do. Our experience or our anecdotal evidence is that it is certainly on the increase. There has not been a reduction by any means.

Senator ADAMS—We have evidence that internet gambling is certainly on the increase, too. Have either of you had experience with that in your counselling services?

Mr Longmuir—No, it is not something that seems to be coming through as a major issue at the moment, although it is still very early days yet and there is a time lag. There could be issues about access to personal technology for people who have problem gambling issues. They may not be able to afford a computer in their home. I am not sure how that product will go with a lot of the people we see because, as Reverend Reynolds has pointed out, problem gambling comes as a bit of a package. Part of it is the social aspect of getting out of the home and into a venue with the bright lights, the people, and that sort of thing. I am not sure how attractive a product Internet gambling would be to a lot of problem gamblers. That is yet to be determined.

Senator ADAMS—I asked the question because of some of the solutions you mentioned. If the machines and the ATMs are limited and other issues come into it, these sporting clubs will not have facilities any longer. Do you think that will influence people going onto the internet and gambling there instead?

Mr Longmuir—There is the capacity for Internet gaming to backfill any attempts you have outlined there. Again, it is easy and simple, and it can empty your credit card fairly quickly. There is definitely a danger there.

Senator ADAMS—I refer to the use of these venues by pensioners. This committee has looked at the cost of living for older Australians. I wonder whether you are experiencing any increase in older people coming to you with problems?

Mr Longmuir—We are probably not seeing an increase. They are a significant group—probably 10 per cent to 15 per cent of the client population—but I would not say we are seeing any massive increases in older people coming through the doors.

Senator SIEWERT—Did you say that they are 10 to 15 per cent of problem gamblers coming through?

Mr Longmuir—That we see.

Senator SIEWERT—Yes, not 10 to 15 per cent of pensioners or other people seeking financial counselling and help?

Mr Longmuir—That is right.

Senator SIEWERT—Specifically problem gamblers?

Mr Longmuir—Yes.

Senator BOYCE—You mentioned earlier, Mr Longmuir, that it was an offence to become bankrupt as a result of chronic gambling. Are you aware of anyone in Victoria being charged as a result of that? I presume you would know only Victoria.

Mr Longmuir—No, not specifically. Most creditors tend to cut their losses. The banks are very wary about bringing that particular issue into the courts because there is a danger that they may themselves be exposed to unconscionable conduct.

Senator BOYCE—I presume you are saying it is a criminal offence, so it would be a matter of the creditor asking police to charge the person?

Mr Longmuir—That is correct.

Senator BOYCE—But you are not aware of that ever having happened?

Mr Longmuir—No, not in my experience.

Senator BOYCE—One of the issues I struggle with here is that we already have had evidence that the majority of poker machine venues are in lower socioeconomic areas where there are more limited entertainment, social and recreational venues. In fact, one example you give is the woman with very little English. Social isolation would seem to be the initial driver of the problem in that case. We have had evidence that some of the football clubs are looking at setting up new clubs in lower socioeconomic areas. This obviously would not happen if the take from these clubs became such that there was through profit or far less profit available from doing so. What proposals have you thought of in terms of how you substitute social and entertainment areas? Some of these areas already have a serious lack of facilities anyway. What do we do?

Mr Longmuir—I am not sure I have the answer to that. I would just reinforce the view that the social costs of having the money available to build facilities and fund the local football team are set against the social impact of problem gambling. It is too high. The costs are too high.

Senator BOYCE—I am not suggesting that is an either/or, I am suggesting it is an and/and. If we reduce harm, we should not be introducing a new harm at the same time.

Mr Longmuir—Yes.

Rev. Reynolds—I live in the eastern suburbs, which is the better off part of Melbourne. Within five kilometres of my house there are at least four aquatic centres that have a variety of pools, basketball courts, et cetera, cafés—the whole kit and caboodle for family entertainment for a full day, which you can do relatively cheaply. The western suburbs, the poor areas, do not have any of those. It is about community funding of appropriate recreational facilities so that people have somewhere decent to go.

If you put some of these aquatic centres with all the bells and whistles, which they have in the better off suburbs, into the lower socioeconomic suburbs, there are alternatives for people. Unfortunately, the only

venues that provide a nice playground while you have your meal is the pub or the club with poker machines. It is about the community as a whole providing the facilities which allow people to have decent recreational opportunities without having to choose gambling with it, or being enticed into gambling. Rather, any gambling should be a conscious decision that this person wants to gamble as part of their recreation.

Senator BOYCE—But, of course, the higher the socioeconomic status of an area is, the more rates the councils have to put into that infrastructure.

Rev. Reynolds—One would hope that governments would put money into poor areas so that they can have some equality of life.

Senator BOYCE—That is right. You are allowing me to segue straight into my next question. You have said that state and territory government reliance on high government taxes, and therefore in your view their reluctance to do anything, could be described as immoral. Everyone here is aware of the many reviews and inquiries. Presumably your experience is with a state government. Can you talk about their reluctance to act?

Rev. Reynolds—My experience is in Victoria. When groups like the InterChurch Gambling Taskforce and welfare agencies raise issues about gambling with the government, it is very difficult to have any conversation about it at all. The gatekeepers of the departments, or whatever, keep the gates well shut. The state government seems to have convinced itself that gambling venues are an appropriate form of recreation for the citizens of the state and that the tax revenue they get from that is a legitimate form of taxation. That is where they want to begin and end it, hence the reluctance particularly to fund any research into problem gambling and the effects of gambling on the economy and those sorts of the things. They just avoid all of that.

Senator BOYCE—So there is no real data collection or real research.

Rev. Reynolds—The state minister's committee for responsible gambling is over-represented by industry rather than welfare groups or others who have another voice. It is very difficult for our sector to get a decent voice in government areas to raise concerns.

Senator BOYCE—Am I not overstating it by suggesting that perhaps the only real reforms can come from the federal government forcing reform on the states?

Rev. Reynolds—I have publicly stated it, so I am happy to state it here that I believe that the state government is a problem gambler itself because of its addiction to that revenue.

Senator SIEWERT—Nicely put.

CHAIR—Who is on that state ministers' advisory group?

Rev. Reynolds—It was set up by the minister. Groups like the Hotels Association and the Australian Clubs Association are on it. I do not have the exact membership. I have been away from part of the sector for 12 months or so. Dr Mark Zirnsak, who is appearing this afternoon, will be able to tell you exactly who is on it because he is a member.

CHAIR—We will follow up on that because the statement has been made about the make-up of the group, so we need to verify that.

Senator FURNER—Senator Siewert raised the point I going to raise. Out of all those four case studies, the major offender in my view was the banks. I still do not know how we are going to rectify that because, as Reverend Reynolds indicated, they keep sending you letters offering to extend credit. Do you have any suggestions about how we might curtail those sorts of approaches to people who are vulnerable, and people who are gambling addicts?

Rev. Reynolds—The very first move would be reasonable checks by the financial sector that the person has capacity to pay. The Freddie Mac and Fannie Mae situation shows that banks do not really exercise very good financial care over what they do. That is why we have the credit mess we have. If anybody wants to increase the credit limit on their card, they should have to apply for it. That would be a very simple start.

My credit card limit is \$3,500. If I want to up it, I need to go to the bank and make an application. Theoretically, when you apply for a credit card you have to fill in a form stating your income, assets, and all of those sorts of the things. You have to go through a couple of hoops to get it, rather than having something sent to you, signing it, and getting it. To actually apply for it would be a good first step.

Senator FURNER—The proposal is that the Victorian government will remove ATMs from gaming venues by 2012. Given that people will have access money to at EFTPOS machines or by using other means on the way to those venues, do you honestly believe that that will curtail a lot of the gambling?

Mr Longmuir—It will reduce the spontaneity of wanting to get more cash. If you have just gone through \$200 or \$300—and that might be half of your pay, pension or whatever—and you can just sneak around the corner and get more out, you will do that. If you actually have to go outside in the cold, as it were, and go down the street 50 yards to the hole in the wall at the bank, it gives you time to pause and think about what you are doing. You think: ‘Blow this, I’m not going back. I’ve lost enough now.’ Of course, some people still get it and go back, but it will certainly reduce the spontaneous continued gambling.

I am sure, as others have said, there is a great hypnotic effect with poker machines and gaming machines that draws people in. If they can get the money almost without having to take their eyes off the machine, they will do that. But if they have to get away from it, even for five minutes, it can be enough to give them pause for thought and to make a more rational decision than they would otherwise make.

Senator FURNER—There are boundaries on ATMs now generally, subject to the owner’s usage, relating to how much they can withdraw in one day. Do you think that should be less, or should ATMs be removed altogether?

Rev. Reynolds—I think we are better to remove ATMs from gambling venues altogether. If they are going to be there, there should be a limit of, say, \$200 a day or something like that. It means that a person cannot lose the lot.

Mr Longmuir—In response to that, can I give you an example. When smoking bans were introduced for venues across Victoria, there was a marked decline in gambling losses. Again, we are not sure of the causal factor, but we think that people having to go outside to have a smoke and have a think probably meant that people were making decisions to stop. The venues promptly then started to build in-house smoking venues so that people could smoke without having to go outside. But we did see a marked reduction in gambling revenue because of that particular strategy. Again, removing ATMs will not solve the whole problem, but we think it will have a big impact.

Senator ADAMS—Reverend Reynolds, you spoke about the eastern suburbs and the western suburbs. People from different countries tend to reside with people from their own culture. Do you think that there is an influence there on gambling? Gambling is very important in some countries—it is part of their culture—and in other countries it is not. Is that an influence?

Rev. Reynolds—I can say something only from my own experience rather than from any research I have read. I live at Box Hill, which has a large Chinese community, and the Chinese are great gamblers and that sort of thing. I also have a large southern Sudanese community attached to my parish and I do a lot of work with them in the eastern suburbs. Gambling is just not part of their culture at all. Gambling is part and parcel of life for some ethnic groups and for others it is not. For the average Aussie—white, Protestant, male, Anglo-Saxon, or whatever—gambling is part and parcel of the traditional two flies up the wall sort of thing. It is part of cultures.

Senator ADAMS—Have either of you noticed any problems coming from certain populations?

Mr Longmuir—No, although a lot of the areas we cover do not have particularly ethnically diverse populations. We have high Koori populations, but we do not see too many Indigenous people coming through the door. I think part of that is about traditional forms of counselling and that sort of thing. We do a lot of outreach to Indigenous communities, such as the Lake Tyers Trust and that sort of thing. We tend to work one-on-one there, in a community development way rather than in a counselling way. But the answer to your question is no.

CHAIR—Thank you very much.

Proceedings suspended from 12.31 pm to 1.43 pm

BYRNE, Mrs Gabriela, Consultant, Victorian InterChurch Gambling Taskforce

FITZGERALD, Mr Denis, Executive Director, Catholic Social Services; and Member, Victorian InterChurch Gambling Taskforce

ZIRNSAK, Dr Mark Andrew, Chair, Victorian InterChurch Gambling Taskforce

CHAIR—Welcome. I know at least Dr Zirnsak and Mr Fitzgerald have been in this situation before. I do not know about Mrs Byrne—have you given evidence to one of these hearings?

Mrs Byrne—Yes.

CHAIR—So you know all about parliamentary hearings, protection of witnesses and all those things?

Mrs Byrne—Yes.

CHAIR—Good. We have the task force's submission. Thank you very much. I invite any or all of you to make some opening comments, and then we will go to questions.

Dr Zirnsak—I happy to make some opening comments. The Victorian InterChurch Gambling Taskforce welcomes this opportunity to appear before the Senate Community Affairs Committee on the Poker Machine Harm Reduction Tax (Administration) Bill, the Poker Machine Harm Minimisation Bill and the ATM and Cash Facilities in Licensed Venues Bill.

The task force welcomes the general thrust of the Poker Machine Harm Reduction Tax (Administration) Bill with its key focus on increasing the tax on the electronic gaming machine industry to increase benefits back to the community for allowing electronic gaming machines into the community, and on reducing accessibility to electronic gaming machines by reducing their accessibility, as a geographic factor, in determining the level of problem gambling in the community.

The task force supports much of the Poker Machine Harm Minimisation bill 2008, and would support its adoption in legislation with amendment. Specifically, the task force supports a limit on multiple line betting, a ban on free spins, bet limits of \$1 per button press, a limit on bank note acceptors except on electronic gaming machines, preferably with a \$5 limit, and the introduction a precommitment smart card, but in amended form as distinct from what is proposed in the bill.

The task force does not support ATMs within electronic gaming machine venues being limited to withdrawals of \$100 a day as it supports ATMs being removed from electronic gaming machine venues altogether. Consistent with this position, the task force supports the ATMs and Cash Facilities in Licensed Venues Bill 2008 to the extent that it would remove ATMs from venues. The task force in its submission on the Poker Machine Harm Minimisation Bill quotes five studies that have linked problem gambling behaviour to the provision of ATMs in electronic gaming machine venues. We believe the evidence is overwhelming that ATMs in gaming venues facilitate problem gambling and therefore should be removed from venues, which the Victorian government has already committed to do by 2012.

The task force notes the submission by the ATM Industry Reference Group that in their opinion people with gambling problems are likely to have multiple ATM cards, which defeats a measure that limits the daily withdrawal on ATMs as a harm minimisation measure. Therefore, that again points to the need to remove ATMs from gaming venues as the most effective harm minimisation strategy with regard to limiting easy access to cash within the venue. The task force is not aware of a similar level of evidence at this stage that EFTPOS would present a similar level of facilitation for problem gambling. The anecdotal evidence we have from people who have had gambling problems and from former venue staff is that interaction between a gambler and a staff member in the venue for a withdrawal from EFTPOS results in deterring people with gambling problems from making multiple withdrawals simply to keep gambling.

Our understanding from research literature is that people when gambling typically use an ATM to make multiple smaller withdrawals up to their daily limit rather than withdraw an entire daily limit in one transaction. We are supportive of gaming venues not being eligible for exemption from the ban on having an ATM if it is within 5 kilometres of another cash facility. The bill could be improved by listing further conditions under which the minister may grant an exemption on the ban on ATMs being in the venue, if the venue is not within 5 kilometres of another cash facility.

We would like to comment on the submissions made by a number of industry bodies to this inquiry because we are concerned with the lack of the use of evidence to back their claims and the selective use of available

research literature to make their case. For example, the Tabcorp submission to the Poker Machine Harm Minimisation Bill makes the claim that in its view the bill alters the gaming machine product to such an extent that it would cease to be enjoyable for the vast majority of players who are responsible gamblers. However, the submission makes no attempt to justify this view and presents no market research data to show what gamblers find enjoyable about electronic gaming machines.

The task force notes that the ATM Industry Reference Group's submission does not cite a single research paper that links the use of ATMs with problem gambling, despite numerous credible research reports demonstrating such a link. It is suggestive of wilful ignorance of the literature by the ATM Industry Reference Group.

The task force notes the Australasian Gaming Machine Manufacturers Association submission on the Poker Machine Harm Minimisation Bill selectively quotes from Professor Alex Blaszczynski's 2001 report commissioned by the Gaming Industry Operators Group to deter the New South Wales government from introducing certain harm minimisation measures. In his report, Professor Blaszczynski recommended that a \$1 bet limit be introduced as a harm minimisation measure—a step which the industry has yet to introduce and which is not mentioned at all in the use of that research in their submission. Further, the AGMMA submission fails to acknowledge the research that has been conducted in Queensland suggesting that limiting note acceptors to \$20 notes, with a maximum credit of \$100, curbed problem gambling behaviour shortly after it was introduced.

CHAIR—Thank you. Mr Fitzgerald and Mrs Byrne, do you want to make any comments?

Mr Fitzgerald—I will speak to some of the specific measures in the Poker Machine Harm Minimisation Bill. I draw the committee's attention, as Dr Zirnsak did, to our submission on that bill. That submission goes through each of the six recommendations in quite some detail. On note acceptors, our position is that ideally they would be removed from EGMs. That would slow down the intensity for people with gambling problems. Data from the various states indicates that problem gambling is lower in the states without note acceptors. That is from the Gambling Research Association's submission to this committee.

The Blaszczynski study, which Dr Zirnsak mentioned, found that limiting the notes that acceptors would take would reduce expenditure among EGM gamblers and would not impact on the enjoyment of people who do not have gambling problems. That is one of the principles applied in our examination of each of these measures. There is harm coming from the industry.

The second reading speeches about these bills outline that there are 250,000 problem gamblers and seven other associated people adversely affected by each problem gambler in Australia, with a concentration in poorer areas of Australia of that harm. On the other hand, a significant number of people enjoy gambling on a recreational basis. Because of the harm, it is incumbent upon government to take steps to minimise the harm and to ameliorate the added burden on poorer areas.

In applying that principle to these measures, we have seen that obligation on government, but being applied in such a way as to minimise the adverse impact on those who enjoy gambling without harming themselves. Removing note acceptors would ameliorate problem gambling, but would have minimum effect on those who gamble for recreational purposes without causing harm to themselves and others. The proposal that bets be limited \$1 a spin would similarly seem to benefit both people with gambling problems and the seven associated people who suffer from each of those people with a problem, without significantly disadvantaging the majority of people who gamble.

The research commissioned by the industry—Blaszczynski again—found that of people without gambling problems, only 2.3 per cent bet over \$1 a button push. But of those with gambling problems, 7.5 per cent, more than three times the incidence, bet with more than \$1 a push. That report concluded that a bet limit of \$1 per push would be a potentially effective harm minimisation strategy for a small proportion of players. To quantify 'small', he indicated that 7.5 per cent of those with gambling problems bet at over \$1 a push. So 7.5 per cent of the 250,000 plus the seven affected by each of them totals 2 million, and that is quite a significant number of people.

With regard to the recommendation that payout prizes be limited to \$1,000, it is our understanding that large prizes can encourage an increase in gambling expenditure, as gamblers chase the possibility of a large win or look to recover their losses, setting an upper limit of \$1,000 would remove the incentive for gamblers to gamble more than they otherwise would in pursuit of that large payout or the recuperation of losses. Therefore,

we reason that it would be likely to reduce harm from gambling—again, with minimal adverse impact on social gamblers.

There are a number of variations to the precommitment smart card proposal. Our preference would be that the same restrictions apply to all ATMs. To have a multitiered approach as proposed seems to be excessively complicated and would face more difficulties in implementation. A system that allows the gambler to preset a limit in terms of money lost and time spent gambling would seem to disadvantage no-one. People would voluntarily set their limit, and non-problem gamblers would do that. The USB card, the smart card, or whatever mechanism is on the machine, would then enable them to keep to the decision that they had made up front. That purpose would be obviated if the card or the key were to be a replacement for cash. We would advocate that the smart card or USB key be required to enable the EGM to commence gaming, but that it not generate a cash equivalent to enable the gambling to continue. We see that being better regulated separately from this precommitment card.

A \$1,000 limit again seems a reasonable safeguard. There does not seem to be very much science around that, but it is a limit that is very high for people in the poorer areas, where the preponderance of problem gamblers live. I understand you heard from Dr Livingstone this morning. His name is on the sheet that we have seen. He would have pointed out to you, I guess, that the prevalence in greater Dandenong of problem gambling is 2.8 per cent and in Boroondara in Melbourne it is 0.3 per cent. That is a staggering differential.

It is staggering when you layer that on top of the research from Professor Tony Vinson last year entitled *Dropping off the Edge*, in which he chronicled the multiple dimensions of disadvantage and the geographical confluence of those dimensions: lack of education, incarceration rates, family breakdown and family violence seem to coalesce around particular geographical areas. Dr Livingstone has shown that this is another dimension, and it is this multiple dimension of disadvantage that can needs to be addressed on a locational basis, on a regional basis, through education primarily, but through a number of interventions on a regional basis as well as at a macro level through education, health and employment.

So \$1,000 is lot of money if you are on an average income in Brookland or Dandenong in Melbourne—the areas where the prevalence of problem gambling is very high and where incomes are very low. Thank you.

Mrs Byrne—I do not want to elaborate on what we have already written in the submission, but I want to offer you the views of someone who can, from very real experience, give you some answers to questions about how these measures would affect a problem gambler because I was a problem gambler. I do not know if you know this. For four years I lost almost everything and my marriage was on the rocks. I know what it feels like; I know the product; I know what it does. I consider myself an intelligent person. So if there are any questions you have in regard to these measures and how they would have affected me on a personal level, please feel free to ask. That is why I support all the things that task force has written and what Senators Fielding and Xenophon are trying to achieve by introducing the bills.

CHAIR—Thank you, Mrs Byrne. I think we have the *Hansard* record of evidence that you gave to a Victorian commission, so we understand your background. We probably do have questions.

Senator XENOPHON—I refer to smart card technology—player tracking. What potential does it have to reduce problem gambling? Mrs Byrne, if using a card that forced you to determine how much you wanted to spend and you could not spend more than that were introduced would that have helped you when you were having a problem?

Mrs Byrne—I think that it would have made a difference in the amount of money I would have spent if I had the opportunity to preset the limit. However, I believe that the only way it would be possible to have an effect is if every venue or ATM was somehow linked. This is my personal opinion. If I can take a smart card from one venue and then go to another one, and then have another smart card, that would not work.

Senator XENOPHON—Assume the only way you could gamble was with one smart card, it is one card that would apply to all venues, and you could not put coins in the machines. Given your experiences, do you think that would have made a difference?

Mrs Byrne—It would have, definitely. It would also have given my husband an opportunity actively to participate in setting a limit, if we had had that early enough. It is also the third party that should get involved in my opinion in the smart card use.

Senator XENOPHON—Dr Zirnsak, Dr Livingstone gave evidence this morning that there is a lack of information about the architecture of the machines, the random reinforcement schedules and also the volatility

of machines as to over what life they pay out—the presumed payout rate. Do you have any comments on the importance of that information being made public?

Dr Zirnsak—At this stage, the task force’s understanding would go back to the Productivity Commission that suggested that perhaps the payout tables did not deliver back much back in terms of gamblers understanding or modifying their behaviour as a result. My recollection of that research is that the main response was people were wondering why they were not getting the regulated return to player as the outcome, but it did not actually impact on problem gambling behaviour. My understanding would be that research has subsequently shown that it needs to be more along the lines of putting the understanding of a payout into simple terms. That is, the chance of you winning the major prize on this particular machine is the same as being struck by lightning or whatever the analogy might be so that people have a realistic idea of what the outcome is likely to be rather than a payout table.

Senator XENOPHON—Perhaps I did not put the question very well. I refer to the maths of the machines and how they work their reimbursement schedules as to when they drip feed wins and the like. Dr Livingstone says he cannot access that information, despite attempts to do so from the industry and manufacturers. Do you see that as an important building block in understanding why some machines appear to be more problematic than others in terms of player behaviour?

Dr Zirnsak—It is probably not a crucial piece of information from our perspective at this point in time. More transparency from the industry and across the gambling industry would be very helpful, but our understanding from discussions with the regulator and from the industry is that the same machine can perform very well in one area and badly in another. So there certainly appears to be a connection between machines being located in certain communities and how that responds. The industry has at least been relatively open at a general level about that kind of information.

But certainly transparency has been a major issue. Here in Victoria Tabcorp and Tattersall’s have the online, real-time collection of data, which they use for their own marketing purposes. The regulator only takes a small subset of that information for regulatory purposes. The industry has a wealth of information by which to market and target their product, whereas the regulator is highly restricted in the information they take and in terms of that then flowing on to policy development. They have very limited information. The industry is playing with a full deck and the government only plays with part of the deck to try to come up with policies to reduce harm.

Senator SIEWERT—I would just like explore the smart card issue. If I understand you correctly, you said that you wanted the precommitment smart cards amended. Can we talk about that a little more? Can you articulate how you would prefer to see it?

CHAIR—Dr Zirnsak, can you go through exactly how from your perspective it would work? I think a few of us are struggling. We have heard a lot about smart cards. We did discuss going to the casino for lunch just to see how they work, but we did not. We would like to hear about it from your perspective and with your knowledge.

Dr Zirnsak—From our perspective, our preferred model is all machines being card enabled. The idea is that you would have a card that you need to insert, or another piece of technology—it could be a USB key. We know there are other providers that have alternative technologies or there might be something else in addition to that. For the sake of this discussion, so I do not have to keep repeating all those technologies, I will talk about a card.

You would insert the card into a slot in the machine that would enable the machine. You would have preset a limit both in terms of time and loss. When you hit your limit, whether it is time or loss, then you are locked out of the system and you cannot play any machine. You could still feed cash in at the same time. We are not supportive of a cashless system, which is an industry preference.

CHAIR—It is a little bit different from what Senate Xenophon is discussing, where you cannot keep feeding in coins. You have mentioned that a couple of times.

Dr Zirnsak—Once you have hit the limit, you cannot. That is the idea. Once you hit your limit, you are locked out of the system for the time period you have specified.

CHAIR—You cannot put cash in at any time after that?

Dr Zirnsak—That is correct. We support the notion of an upper limit, and I think we have said that \$1,000 a fortnight was a reasonable limit. But we might suggest that people could set themselves a weekly limit, a

daily limit or a monthly limit, and if you hit any of those limits you are locked out of the system, preferably for a reasonable period of time. Our view is that a reasonable period of time would be something like at least a couple of weeks. The system is undermined if you hit your limit and then 15 minutes later you can plug it in and change your limit again. That does not seem to give you enough of a break between when you have hit your limit to control your gambling and make informed decisions about that.

We understand that the technology can get more sophisticated than that. You can say, 'I am prepared to set a velocity limit or the rate at which I lose.' You might say, 'If I exceed \$100 an hour as my loss, I want to be locked out of the system for the rest of that hour.' You are also limiting your velocity of loss. As I said, there would be time. There is the potential, given that a smart card has the ability to track information, to facilitate active statements. You would get a statement about how much you have gambled sent to whatever address you want. That is another benefit.

Having them all card enabled also means that self-exclusion becomes easier. In other words, if I say I no longer want to play because I have a problem, I get my card cut up and then I cannot access the system anymore. From our point of view, that is a benefit. Talking about the Victorian experience, the industry is quite clear in the current self-exclusion program it runs that it does not take any responsibility for enforcing the self-exclusion. It sees it as a measure that gamblers impose on themselves. They sign a deed to say they are self-excluded, but beyond that it is entirely up to them not to enter the venues they are excluded from. It is not the industry's responsibility to detect them and remove them. They will do that if it is obvious the person has self-excluded and they are picked up. But they do not say that that is their duty of care or responsibility in the contract. In fact, in signing the contract they actually sign away any responsibility the industry has to enforce the self-exclusion.

A smart card has the potential for people to send themselves warning messages. It could be pre programmed so that when they lose \$500 in a week, a warning message will pop up and tell them that is the case. It is our understanding that a level of sophistication can be brought in with smart cards to help people to make informed choices and manage their limits.

I stress that we do not see smart cards as a whole solution. Our understanding of the research would be that they provide one tool. We must remember that people with gambling problems are a population. There is not one standard, typical person with a gambling problem; not every problem gambler is exactly the same. They are a population and therefore some measures will benefit some sections and other measures will benefit other groups within that population of people with problems.

Senator SIEWERT—I presume there is an issue of privacy regarding activity statement and things like that. We heard this morning about the selling of information between companies, et cetera. You would want some pretty strict privacy around smart cards and the information collected.

Dr Zirnsak—Indeed. In this case we are suggesting facilitating a person having an activity statement, should they want one, sent to an address that they choose. I do not think we would be mandating that it be sent to the family home, for example, as a necessary measure. The research done by Gambling Research Australia at this stage suggests a voluntary system. However, we see the need for some further safeguards around that. Simply being required to have a card, if you make the card easy, should not be that big a deal. Most of us do not kick up a fuss about having to have a card to go to the video library. We see this as analogous to that.

CHAIR—Mrs Byrne, what do you think about the statement aspect? You said earlier that you thought that the smart card as a general process would have been helpful. From your perspective, would a statement that came to your home have been any help? Or would that have been actually something that was—

Mrs Byrne—Whilst I was still a problem gambler, I think I would have made sure I got to the letterbox before my husband.

CHAIR—Yes, I would have thought that.

Mrs Byrne—To some degree. But just the knowledge that it would arrive would have deterred me at some stage from spending too much because maybe my husband would have found it or picked it up. I think a statement is also something that is real. You get it on paper and you look at it and say, 'I didn't do that.' I think that is the advantage of having something printed or given to you that states what you have done. As a problem gambler you have a very fuzzy idea about the extent of what you are doing and you justify continuously: 'But I won \$400 yesterday.' But, sorry, you have lost \$1,000 in the last three days. I think it would be an advantage to have it.

Dr Zirnsak—The other point we would make is that we also see smart cards as a much more significant advantage to at-risk gamblers—those who are identified on the problem gambling scales as having at-risk behaviour. Where you have not quite developed a gambling problem yet, it does allow people to keep greater track of their expenditure. Again, the 2006 Gambling Research Australia report showed that electronic gaming machine gamblers had great trouble in keeping track of their expenditure, particularly over longer periods of time and sticking to limits. If they set themselves a monthly limit, they had great trouble keeping track of whether they were sticking within that limit or not.

Senator SIEWERT—The other issue we have been talking about is destination gambling rather than spontaneous gambling. We do not have that in Western Australia in clubs and pubs. What are your thoughts about destination gambling?

Dr Zirnsak—The task force has taken a position that we are supportive of the concept of destination gambling, but we recognise that it would depend on how it was implemented as to whether it would be effective. Clearly, accessibility is a factor in generating gambling problems. Going back to the Productivity Commission, geographical distribution appears to be a strong factor in that accessibility question. In Victoria, for example, if the state government were still free to have 2,750 machines outside Crown Casino and had destination gambling imposed, and we shut down all the pubs and clubs and as a result we ended up with 10 casinos each with 2,750 machines, we would want to know what kind of regulation there would be over those casinos before we could make up our mind as to whether that was going to be a better outcome than the current 526 venues. You would hope it might have some benefits, but again, it would depend. If the state government then starts running bus services going to each of those casinos to facilitate people getting there to keep the expenditure up, it might defeat the purpose.

Senator SIEWERT—Mrs Byrne, would it have helped you if you were living in a state that had destination gambling?

Mrs Byrne—I always make the point that accessibility is one of the major issues. One point that might not have been raised before is that we are talking a lot about these being harm minimisation methods. Destination gambling could be called a harm prevention measure. Our kids who use clubs, pubs and hotels at the moment are exposed to the product. If the machines were in casinos and hotels as they used to be—social gathering places—then maybe we would prevent a lot more people from becoming problem gamblers. To some degree I believe strongly that destination gambling could be an answer.

Senator SIEWERT—I asked Professor Hancock about the cost of gambling to the community. We know how much revenue the states get. My question was how much it costs the community. She said that not a lot of information is available. Are you aware of any information that is available? Have you done any costing yourselves or tried to pull together the cost of gambling to the community?

Dr Zirnsak—Professor Hancock is correct—there is limited information. To our knowledge, the last thorough study of the matter is the Productivity Commission study, which made some fairly strong findings in terms of the cost to the community. In terms of total cost to the community, to our knowledge no thorough study has pulled that together. Our knowledge of that is that the costs tend to be borne by the individual, their family or their immediate community and are often hidden. To some degree the state governments escape having to pick up the costs—the costs are actually transferred back to the individual, their family and the community, and are not borne by the state.

That has probably been a disadvantage in getting good regulation. It would have been different if it had been more like the smoking situation. The health costs come directly back to bite the government through the health system and therefore incur direct costs. That provides a greater incentive for the states to act. If the harm can be out there and you get to collect the revenue and the cost is borne by someone else, it does not provide you with much incentive to minimise the harm from an economic point of view.

Mrs Byrne—But there was also the study done that compared Western Australia—

Dr Zirnsak—It was the Michael O'Neil study in South Australia. He looked at five local government areas.

Mrs Byrne—The figure about clients presenting to GPs with a gambling problem was 10 times or more greater than in Western Australia where gaming machines are only in casinos. To some degree there are some indications. It is probably very hard to put a dollar figure on a suicide or a broken marriage. That is the cost that we probably just cannot put a figure on.

Senator ADAMS—Mrs Byrne, I have just gone back to the transcript from the committee hearing in February. I note a question I asked about product safety. You have said here that new machines are not tested

for consumer safety by the government and there is no regulation that prevents a new generation of machines entering the market to extract more money in shorter periods of time. Can you elaborate on those statements?

Mrs Byrne—I know that new model machines that come in get tested for functionality and that the return to player is adequate. But new features are not tested to see whether they negatively impact on the problem gambler. The industry was always a step ahead of us with multiple lines. No research was done when all of a sudden the lines increased from five to 25 because that would be beneficial to the recreational player. All of a sudden there was an increase lines that people could bet on.

It did not matter if you played a 1c machine, a 2c machine, or a 5c machine; the maximum that you can push through every 2.4 seconds is \$10. I had a young lady who actually lost \$7,000 in 45 minutes on a 1c machine. That should not be possible; that should be something that is evaluated before a machine is put in the marketplace. If a new model of machine is introduced, it should be checked by a test, and that testing should be paid for by the industry to demonstrate that they are not causing harm to the consumer. That is what every other product must do.

When Panadol was tampered with in Queensland a long time ago, no-one died, but someone got sick by consuming a tablet. As a result the product was taken off the shelves and the manufacturer had to prove that the product was safe before it was sold again. We know that people die because of this product, so I believe it is fair enough to require checking to see that it is safe. I do not believe it is.

Senator ADAMS—You say that you are helping a number of problem gamblers at the moment. How do they find you, and in what age group are they?

Mrs Byrne—I am not a counsellor; I am a facilitator of hands-on strategies that helped me. I share my story openly. I do a lot of public speaking, so people pick it up from there. I have a website. I run a not-for-profit group that organises social events to look at recreational alternatives. Word of mouth is my marketing. That is how people find me.

I mainly counsel women. They are probably similar to me because my story attracts people who feel the same way as I felt, I guess. I have seen young men and older men and young women and older women. There is no real profile of a problem gambler, if that is what you were aiming for. I see a lot of middle-aged women between 35 and 60.

Senator ADAMS—I asked a question earlier about the age bracket and pensioners being attracted to gambling, especially the 1c and 5c machines. When you were wherever you were, did you find that older people because of the meals offered by clubs—

Mrs Byrne—Meals were the issue. I think social isolation among our pensioners is a big issue. I am a German. We have a completely different pub culture. For example, when I was living in Germany for the first 30 years of my life, I was able to go to my local pub where there was a regulars table, and I could talk to the barman and tell him how stupid my husband was if I tried to escape home.

A lot of pensioners are living in socially isolated areas and the gaming venue is a safe place to go. They are not alone and they do not feel threatened. The staff know their name after they go there two or three times. The staff are well trained. It is that community that a lot of older people are longing for and the gaming venues provide it while it takes their pension.

Senator ADAMS—If that were removed, once again they would have that isolation. What would you suggest should be put in its place?

Mrs Byrne—Hotels and clubs that provide activities and that are socially inclusive. That could mean holding trivia nights that people can go to, if they are on their own, so they are not alone. They could have bigger tables. A lot of cafés and bars already try to pick up on the trend that people like to go out, even if they are on their own. I think maybe more support and more activities around existing hotels and clubs that do not have poker machines and supporting them in that endeavour to run recreational activities that have nothing to do with poker would be a good way to go.

Senator ADAMS—We have to look at it from the hotels' point of view. Of course, their revenue is going to be down, so are they going to encourage that sort of activity and not get same sort of revenue?

Mrs Byrne—They lived without poker machines for a long time and made money. I do not know why all of a sudden it is their only source of income.

Mr Fitzgerald—That puts pressure on us as a whole community, too. If it is identified, as it is, that these venues attract people because they are a social hub, as Mrs Byrne said, the staff know your name the second or

third time you come in. Promulgating that information back to communities in general puts pressure on those communities to come up with alternatives and to arrange other venues and other social functions, especially for older people. I think an increase of awareness in the general community of that problem does lead to a greater response.

Senator ADAMS—Being from Western Australia and a rural area, I am trying to put that scenario into context.

Senator FURNER—This morning the committee heard evidence from a witness that 35 per cent of people now are already Internet gambling. There was a view expressed that it would increase as a result of the implementation of this bill. Mrs Byrne, what is your position on that?

Mrs Byrne—I have a good knowledge of the computer. Like a lot of people, I get bombarded with invitations to go to the casino online and get \$200 to play with, but it never attracted me. I think I was attracted, and a lot of problem gamblers are to start off, by the venue. It is a place that is attractive. It has people, fun written all over it, and winning. That is something that the Internet would have never provided for me, so switching would never be a possibility. But I see a danger in the fact that our young generations who are already consistently exposed to artificial stimulation with computer games will be targeted specifically by Internet gambling. While I say I do not think it would be an issue for my generation of problem gamblers, for the young ones it definitely will be.

Senator FURNER—Do you think that it is pitched at youths and not necessarily—

Mrs Byrne—Not at the older people.

Senator FURNER—I would not class you as old.

Mrs Byrne—Thank you. I will come here more often.

Dr Zirnsak—Does the question relate to the implementation of the tax bill and destination gambling? You said ‘the bill’, and we are looking at three bills. I am just trying to clarify that.

Senator FURNER—I was referring to the harm minimisation bill. I think that is where the evidence was derived from.

Dr Zirnsak—I understand that the harm minimisation bill modifies only electronic gaming machines as a product. I am not sure why that would drive people to substitute another form of gambling. I am unaware of any research that suggests that kind of link taking place. From the evidence we have seen we would argue that generally, as a new product emerges, it tends to attract a new population. The level of swapping between different forms of gambling as the favourite form of gambling does not appear to be that strong.

The Productivity Commission made that point very strongly because, with electronic machines, there was an argument from industry that it was just people with horseracing gambling problems who were going over to electronic gaming machines. The Productivity Commission made the point that that would have meant that an awful lot of people must have had sex changes because the number of women who were suddenly turning up with gambling problems that they had never had before was not consistent with the view that they were all horseracing gamblers, who are overwhelmingly men. I think the evidence is that a new gambling product tends to attract new populations rather than there being much substitution. I am not aware of any decent research or evidence that would suggest modifying the machines to reduce harm is going to cause—

Senator FURNER—It was not substantiated evidence, but it was certainly oral evidence provided here today.

Dr Zirnsak—That is fine.

Senator FURNER—There was no source indicating that that was the case. I just want to know your view on internet gambling. No doubt it is available and accessible.

Mrs Byrne—There are people who gamble—and specifically women—not because they want to win money or because of the money that they are chasing. I think there are a lot of women out there, like me, who experience a high from the activity. It is like a shopaholic. The high consists of the stimulation or distraction of the senses—the noise, the light flickering, and the touch of the machine. The total sense distraction gave me a high that could only be increased by increasing the risk over a period of time. That is why you call it an addiction. I think we are different from some men who gamble because of wanting to win money. So the swap to another product that could enable them to make more money in a shorter period is different from personality to personality, if that makes sense to you. It would not have been for me, but for other people it might be.

Senator FURNER—Yes.

Senator BOYCE—You are members, are you not, of a Victorian government responsible gambling task force?

Dr Zirnsak—It is the Responsible Gambling Ministerial Advisory Council.

Senator BOYCE—We heard a little bit about that this morning. Who are the members, or can you give us that information at some stage?

Dr Zirnsak—Yes. The body is constituted by the Minister for Gaming. It is made up of eight members of the community and eight members of industry. It is a body where government can test out views and allow all those bodies to present evidence. The committee has the ability to provide advice, if we can agree on things, or at least the government can hear the discussion between the different bodies and make its own conclusions about how it moves forward. It is an advisory body.

It currently has five working groups, in addition to that, which draw in additional people on the basis of expertise to advise the government in different areas. It simply provides advice. Each of the bodies is still free to lobby in its own right outside of that process. We are not gagged by the Responsible Gambling Ministerial Advisory Council. I would suggest it has been a useful body, and certainly far more useful than the previous body.

The government previously had a problem gambling advisory council that worked by consensus. Effectively, from our perspective, it granted the most recalcitrant industry body a right of veto over any measure that might be discussed. The new body has been far more effective because it simply allows discussion and government can make its own conclusions. That has provided for more robust, meaningful discussion and has allowed government to push things and say, ‘Simply because you do not agree does not mean we are not going to keep discussing this or putting it up for contribution, or we will make a decision on it.’ It has forced more engagement from industry bodies.

Two members of the task force are on the Responsible Gambling Ministerial Advisory Council—myself and Major Brad Halse from the Salvation Army. It does put out an annual report, which is publicly available. If you like, we can send the committee a copy of the last annual report, which lists the 16 members of the advisory council at that time.

Senator BOYCE—Thank you, that would be good. It was put to us this morning that there was too much industry influence on that advisory council. Would you like to comment on that?

Dr Zirnsak—It did feel as though in the construction of the council the government looked at how many industry bodies it needed to have and that set the number on one side, so it then matched the community groups on the other side. At the time, we put the case that it should have been determined more on the basis of expertise or on those who had something to contribute meaningfully in the push towards harm minimisation. That said, I do not know that I would concur that industry has had undue influence. Government is free to make its own decisions out of this; it is not bound by any advice or comments made within that group. I would not let the government off the hook if it chooses not to act or not to introduce measures to reduce harm and maximise community benefit. That lies squarely with the government making those decisions as to who it chooses to be influenced by.

Senator BOYCE—We have talked about that issue a little bit. I would like to be really clear in my own mind. You are suggesting very strongly that people who use poker machines are not gambling because of a need to gamble but because of the opportunistic availability of a poker machine leading them into gambling.

Dr Zirnsak—No, I think we would put it much more broadly than that. There would be a great diversity of reasons why people will access electronic gaming machines.

Senator BOYCE—What I am trying to get at is that 99.9 per cent of these people would not go and find another way to gamble if an electronic gaming machine were not available.

Dr Zirnsak—The evidence was that when electronic gaming machines were introduced, they did bring on a new population of people who gambled, but I could not give you the exact figure. Our understanding would be it is the majority. The last research done here in Victoria from 2003 suggested that for 84 per cent of people with gambling problems, their main form of gambling was electronic gaming machines. It does appear to predominate in terms of problem gambling levels.

Mrs Byrne—I believe that. I can play blackjack at a casino and when I go to the masters games in Alice Springs that is where most of our social activities happen. I have no issues with any other form of gambling. I believe that there is a specific thing about this product that appeals to—

Senator BOYCE—You are talking psychologically.

Mrs Byrne—Yes.

Senator BOYCE—And it is not necessarily about the gambling; it is about process of using that machine.

Mrs Byrne—Yes, correct.

Dr Zirnsak—The evidence would suggest that continuous forms of gambling contain that greater risk of problem gambling. In the sense that this is it is not a discrete event, you are actually able to keep playing one after another rather than having a gambling event and having a break and then another gamble event. That is probably why buying a lottery ticket does not contain the same level of risk as playing electronic gaming machine.

Senator BOYCE—Which, of course, raises the issues Senator Furner was talking about of Internet gambling, where you could gamble 24 hours a day if you chose. But that brings us to my other area of concern, which is the social, recreational, entertainment aspect of the clubs and what we might inadvertently achieve if we were to decrease the number of clubs or the sort of the facilities offered by clubs by changing what is happening there at the moment. Mr Fitzgerald, you mentioned the idea of putting pressure on the community. I am not quite sure who ‘community’ is in these terms. Are we saying that state governments or local governments should be providing alternative recreation and social venues?

Mr Fitzgerald—I think government has a leadership role. It is only relatively recently that Victoria has had gambling machines in clubs. It was pretty standard some decades ago to have bus trips to Albury, Moama and so on, as some of you would be aware. RSL clubs thrived then. They have now changed and congregated around the larger venues that have licences. The small ones have tended to atrophy, partly because of demographic change, but also in part of the reinvestment of the gambling revenue into those clubs.

Senator BOYCE—That might be the issue I am talking about.

Mr Fitzgerald—Yes. That has been to some extent to the detriment of the development of the other RSL clubs within the community. Pressure has been taken off the community as a whole. It has been taken off churches to some extent and councils because you have glittery venues and places that attract people. They can provide cheap meals and they have money to reinvest.

Senator BOYCE—A lot of these venues are community-based clubs, irrespective of what sort of business they are now running. They are still based on a community of interest, whether that is returned servicemen or—

Mr Fitzgerald—Quite loosely, of course, in the case of the RSL. The proportion of returned servicemen in the clubs is decreasing. Increasingly they have marketed themselves to the broader community.

Senator BOYCE—Bowling clubs, et cetera, are also community.

Mr Fitzgerald—And they are decreasing in number—the ones without licences. Bowling clubs are a very good example. It is not just because bowls has become unpopular; it is because people have been drawn into these other loci where this industry as enabled them to reinvest. The rather narrow point I think I am making is the fact that these clubs have a lot of money to spend and spend it in part to attract more people. That puts adverse pressure on the other clubs around and takes pressure off the community as a whole to provide alternative ways of addressing the social needs of their members.

Senator SIEWERT—I would like to point out in Western Australia we still have a functioning society and community without these sorts of clubs.

Dr Zirnsak—The other point we would make in the Victorian context is that it appears that many of the new venues that are emerging are tied to AFL football clubs. The particular concern is that these venues are being targeted in new and growing areas primarily, as far as we can tell, for the purpose of raising revenue for the club, not so much for the benefit of the community. For example, the Collingwood Football Club has Bruce Mathieson running their machines on their behalf. That is our understanding. The club owns the venue, but it is operated by the Mathiesons, who are major hotel owners. That draws in their expertise and they would therefore run them in a way that is similar to the way they would run their hotel venues with regard to machines. So the community benefit is diminished.

In previous submissions to the state government, the task force indicated a preference that more machines should be shifted across into the club sector rather than into the hotel sector in Victoria. If these are genuine not-for-profit clubs, that is of greater community benefit than is allowing them in full-profit hotels. That has been an ongoing view of the task force. But our position has been that, from a harm minimisation point of view, a move towards destinational gambling is worthy of consideration as a potential mechanism to reduce harm in the community. The community benefits you mentioned that clubs potentially have through gaming revenue needs to be balanced against the harm caused by allowing that readily accessible gaming, particularly given the high level of harm caused because of the current design and configuration of machines.

Senator BOYCE—I do not think I was talking about community benefits at all. What I am talking about is the fact that there will be in the future presumably fewer clubs, if there is lower revenue to clubs, and that will leave gaps, particularly in areas where we are saying there is often not much else apart from clubs. I was referring to thoughts on how the community might go about addressing that.

Dr Zirnsak—Therefore, your comment about clubs disappearing being a detriment to the community suggests that the club continuing is a community benefit. So it is a factor from a beneficial—

Senator BOYCE—I was talking about a secure social and recreational venue in a community being a good thing, yes.

Senator FIELDING—I acknowledge your individual work on this topic for many years, and the good work the task force is doing. A comment was made that Western Australia seems to have pretty good clubs and pubs without pokies, so we know the model works. Obviously to try to change that situation overnight would be ridiculous because you would cause a lot of upheaval. The whole idea of what is being proposed is to do it over a longer period of time and then the revenue raised would help local communities to ensure those facilities remained in some way over the longer term.

Putting that to one side, I was reflecting on your report—and it has been referred to a number of times—which states that 42.3 per cent of revenue from pokies comes from people with gambling problems. How can pub and club owners sleep at night knowing that 42.3 per cent of their revenue comes from problem gamblers? I know we turn it around and say that we are worried about local communities missing out on a community hub, but we can turn that around and say, ‘How can these local club and pub owners sleep at night knowing that they allow at least 42 per cent of their revenue to come from problem gamblers?’

Dr Zirnsak—It has been a frustration for us that the electronic gaming machine industry has not voluntarily been willing to take all reasonable measures to reduce harm. So to that degree, we have been concerned about their business practice. I mentioned the Alex Blaszczyński study, which an industry body commissioned, and which, in effect, recommended a \$1 bet limit. That is included in your bill, Senator. Yet the industry did not voluntarily choose to implement that across the board. Concurring with your point, it suggests that there is concern about the degree to which they are accepting a duty of care or a responsibility to their customers to do all they can to reduce harm.

Senator FIELDING—You mentioned the harm reduction tax bill, which relates more to destination issue rather than to the actual machines and gaming venues themselves. You note that the average distance people travelled to a pokies venue was 2.5 kilometres. Can you unpack that a bit? Obviously there is something about proximity.

Dr Zirnsak—That was a previous research study. Subsequent to making the submission, we became aware that there have been subsequent studies suggesting slightly larger distances. But certainly our understanding would be that the majority of people would travel relatively short distances, so geographical accessibility is certainly a key factor in the decision to gamble and, from our point of view, also in terms of harm. That is part of what attracts us to a notion of moving to a more destinational gambling model where people are making deliberate choices to travel, rather than through the convenience of a venue simply being on their daily route and people gambling as a result of impulse gambling.

Senator FIELDING—Also you go on to state that a smaller number of venues with high numbers of EGMs is likely to reduce problem gambling compared to a larger number of geographically dispersed venues. Is there anything else you want to say about that?

Dr Zirnsak—Simply that was our understanding from the Productivity Commission work. That was certainly the inference they drew from their understanding of what was likely to increase accessibility.

Senator FIELDING—I do not know whether it came up before about the Victorian government having funded some gambling research panel and the statistics of what the broader population thought about poker

machines or gambling. There were 85 per cent of Victorians said that gambling is a serious social problem. That is quite a high proportion. Are there any other comments you want to make about that research?

Dr Zirnsak—Among the research, there were a number of longitudinal studies done in terms of attitudes to gambling across the Victorian Casino and Gaming Authority previously, leading into the Independent Gambling Research Panel later, all of which have consistently indicated that people believe electronic gaming machines do more harm than good in the community, that we have too many of them, and that there should be greater restriction on them. That has been the consistent finding in Victoria and has always been up at the 80 and 90 per cent levels.

In the last study, what was drawn out was that slightly over 62 per cent of people believe that local government should have the right to decide whether electronic gaming machines were in their area. That was quite an important finding in terms of the community having a say over whether electronic gaming machines were placed in their locality.

Senator FIELDING—On page 5 you also go through the link between parents and their kids and problem gamblers. Do you want to unpack that a bit? This is obviously a whole new generation that could come through.

Mrs Byrne—When I gambled, that was 1992, and there were electronic gambling machines in the pub itself. It moved over to isolated rooms, but what a lot of hotels do now is advertise themselves as family venues because they put a playground right next to the poker machine venue where they conveniently have games that attract the young ones who can watch their parents through a glass wall playing the pokies. In terms of a role model, I would move towards maybe looking at the possibility of not allowing children into a poker machine venue because kids will look at it and say, 'Mummy is going in that room. One day when I'm old enough, that's where I can go too.'

I am very strongly opposed to exposing kids to that. Now I am; I mean, I took my children, and they will tell you that I actually sat them in a pub at a table and gave them chips and something to drink, so that I could have 10 minutes by myself to feed the machine. I know what problem gamblers are addicted to and that they forget their responsibility as a parent. There is some merit in taking kids out of gaming venues.

Senator FIELDING—In your second submission on the Poker Machine Harm Minimisation Bill, I picked the issue of banning the free spins. You made a number of supporting statements on a couple of these things about multiple line betting and free spins. Is there anything else you wish to add? Is it that much of a problem?

Mrs Byrne—I know from personal experience that it is very irrational when you know you have to get five symbols, say, to get three free spins. The odds are really stacked against you, but because you want to beat the system and you are thinking, 'God, if I just get to the three spins, then I have three games when I don't have to push a button and I can run out and have a quick cigarette or something', it is kind of relaxing. The free spins give you a breather, even though it makes you stay at the machine to start again the process of accumulating the symbols to get the next free spins. It is a feature that is designed to get people to stay there longer, just to get this feature. It would make a difference if you take it away, if that is what you are asking.

Senator FIELDING—One of the last ones I wanted to go through is the note accepters. There are some differences in different states. Is there anything we can learn from that? Does anyone want to take that on board?

CHAIR—She mentioned that earlier.

Mrs Byrne—No, Denis did.

Senator FIELDING—Thank you.

CHAIR—You did mention that earlier.

Mr Fitzgerald—The submission is quite thorough on that point.

CHAIR—Did you want to mention anything on that? I just know it was mentioned earlier.

Mrs Byrne—No, that is fine. I was just thinking that I pushed \$40,000 in coins through a slot. There are techniques that you can develop to get a lot of money through a slot. But, in general, I think if I had had note accepters, I probably would have lost a lot more than \$40,000. I personally think they should go.

Senator XENOPHON—Concern has been expressed that if you severely limit poker machines or largely get rid of them there will be a shift to online gambling. Again, you could take this on notice. In WA, they do not have poker machines, apart from at Burswood Casino. What is your understanding of the level of online

gambling? Secondly, in jurisdictions where they got rid of machines, such as South Carolina where they got rid of 30,000 machines back in 2000, do we know from research whether there was spike in online gambling in that jurisdiction, or indeed in other jurisdiction? I think Denmark has had a restriction on machines. Is that something you could take on notice and get back to us on?

Dr Zirnsak—As I mentioned earlier, I am not aware of any research being out there to suggest there is this shift; that, if you got rid of electronic gaming machines, people are going to move to online interactive gambling. I do not think there is any evidence. To my knowledge, I think we would be searching for something that is not out there.

Certainly in the UK, where they had fruit machines and interactive gambling online, fruit machines were further down the list. According to GamCare, lotteries in the UK at that time caused the greatest level of problems. It does not appear to be the case that if you somehow remove electronic gaming machines, there will be a shift to online gambling. I do not think there is evidence to substantiate that. We will have a look, and if we find anything, we will be happy to share it with the committee. But I suspect we will be searching for something that is not there.

CHAIR—If there is anything you wish to add at a later time that you might have thought of, please be in contact with us. We do appreciate your time and your evidence.

Dr Zirnsak—In terms of sending through the annual report from the Responsible Gambling Ministerial Advisory Council, do we just send that to the committee's secretariat?

CHAIR—Yes, thank you.

Dr Zirnsak—Sure, no problem.

CHAIR—The committee will suspend for a short break.

Proceedings suspended from 2.53 pm to 3.10 pm

[3.10 pm]

RYAN, Mr Phillip James, Chief Executive Officer, Responsible Gaming Networks

CHAIR—Welcome, Mr Ryan. I know you have information on parliamentary privilege and the protection of witnesses. I know that you have been with us most of the day, so you have seen how the whole process operates. I now invite you to make a short opening statement and then we will move on to questions.

Mr Ryan—Thank you, Madam Chair. I thank the committee for the invitation to attend today and add further commentary and insights leading on from our submission to the committee. By way of background, I have a technology degree. My early career was in market research and modelling of consumer behaviours, which is relevant to this discussion. I was involved in corporate affairs in media and government relations, and in both the banking and the gambling industries for the last 15 years, which also is relevant to the discussions today.

CHAIR—Very relevant.

Mr Ryan—I was also executive general manager of corporate affairs for Tattersalls in 2001 and 2002 from where I gained an invaluable insight into the inner sanctums of a gambling operator and the dominance of shareholder returns over the welfare interests of gamblers. Tattersalls operate half of the 27,500 poker machines in the state of Victoria with other licences for poker machines in other countries, and they also have lottery licences both within Australian and overseas jurisdictions.

I would like to comment on the bills. Academics have long argued that poker machine players will make more rational purchasing decisions if they can establish purchase limits prior to gambling in front of addictive poker machines. Player precommitment, as it is referred to, is the only rational means by which players can protect themselves from all the collective aggressive marketing of venues, the exploitative behaviours of operators, and the razzamatazz of new poker machines, once they enter a venue. The great advantage of player precommitment as a public policy solution is that once it is implemented, it does not matter what the operators, the venues, the banks or the machine manufacturers subsequently attempt to do to entice more money from you, they cannot make you change your mind about your purchasing behaviour once you enter their gambling venue.

That is why player precommitment will have long-lasting public policy impact in protecting players from the glitzy newer machines with their tailored downloadable games that are on the way, the sparkly new venues, and the multitude of new ways to access cash at venues in coming years that we have not even contemplated. Player precommitment is the combined seatbelt and airbag to protect all player-machine players from a potential financial crash. Thus in the Poker Machine Harm Minimisation Bill, we have the start of a federal movement towards precommitment, which is absolutely correct and is to be commended. However, the current proposed pathway to this solution has some significant dangers which need to be addressed in this bill.

We would argue that the government should not mandate a spend limit; players should be provided with a mechanism to establish their own loss limits, which they will hold in greater regard and respect than those mandated by third parties. The current spend limit in the current bill encourages players to spend twice as much as problem gamblers identified in the Productivity Commission report. The very use of smart cards is problematic, both from a digital cash and card sharing perspective. A two-tiered network is counterproductive to reducing problem gambling, as players will migrate to the second network once they have reached their gambling limits in their original network.

Of the points I have made, perhaps the most significant failing of the current bill is that player cards can be easily shared among players. Thus a precommitment limit of \$1,000 per fortnight will be usurped by problem gamblers. We know this from a multitude of sources. Research in Canada in the last 18 months identified that when players were required to use cards to operate poker machines with concurrent financial limits being available to be set by the player, 37 per cent of all players shared their allocated cards on multiple occasions for periods of up to one week at a time across multiple venues. Let me pause for a moment because I think the committee is a little confused by the terminology of cards and smart cards. [3.15 pm]

I am showing the committee a plastic magnetic card, like an ATM card. It is used by casinos in loyalty programs. The more you gamble, the more you lose, the more points you get. The Crown Casino put a precommitment capability on this and said, 'You can set a limit, if you like, because you have these cards and if you are using them, we will let you set a limit.' Madam Chair earlier referred to going down to the casino and observing their system. The problem with the Crown precommitment system is that once you reach your

limit, in a true precommitment system, your gambling must stop. In the Crown system, a bell goes off, but you can still keep playing. You just will not get any loyalty points for any activity beyond your limit. That is a mickey mouse precommitment system.

There is an argument that plastic cards with a microchip on them, which is a smart card, are better. I will come to that in a moment. Interestingly in Canada where they had this system, the plastic card, you had to put the card in to start a poker machine. You could not start a poker machine without a card. You could set a limit if you wanted to on this plastic card, or you could choose not to.

Senator XENOPHON—Was that just one jurisdiction, Nova Scotia?

Mr Ryan—That was in two parts of the province of Nova Scotia where they trialled it. They are now rolling it out across the whole of Nova Scotia. You had to put the card in to start the machine and you could set a limit if you wanted to, but they found this card-sharing problem because people wanted the cards. Card sharing was highest among problem gamblers. What will happen is that problem gamblers start purchasing and sharing cards out on the streets, and you create a market for transferable cards. This point has not been lost on the opponents of card-based precommitment solutions, even here in Australia. The *Fairfield Advance* newspaper on 19 February this year quoted Mr Anthony Sobb, CEO of Fairfield RSL Club, who was commenting on the introduction of smart cards:

Problem gamblers are highly intelligent. They will find a way to get two or three smart cards.

Problem gamblers learn how to fool people. They are highly intelligent in shuffling accounts.

In Canada, the researchers and academics have recommended that a better system is required that relies upon players not being able to share their identities. They have recommended the use of biometric devices as reported by the International Gambling Institute of the University of Nevada in Las Vegas. I have a copy of that report, if the committee is interested.

Our company has developed such a biometric precommitment solution, a USB player protection key. It is discussed in detail in our submission so I will not refer in any more detail to it here. Smart cards, which are the next level of sophistication and have the microchips on them, contain cash in that microchip. They are problematic in a gambling context as well. I refer in our report to the Australian government research from 2002, which is this 150-page report. The Australian government stated in recommendation No. 5, as referenced in our submission:

Digital cash should not be stored or used on any card system in a gambling environment due to increased risks of compounding problem gambling.

Effectively you are letting gamblers, particularly problem gamblers, play with digital cash. You are not forcing them to use real cash. They are loading their cards with digital cash. If they have a better sense of how much they are spending in notes and coins, by forcing them to use notes and coins, you have a better chance of them controlling their behaviours.

From a technological perspective, smart cards also use different proprietary applications that are unique to individual suppliers. Thus you end up with governments captured with proprietary-unproven smart card solutions that they end up being contractually bound to that never work as promised, such as the recent smart card debacles in both Victoria and New South Wales in the last six months. On the other hand, our device, as I have said, uses the ubiquitous universal serial bus protocol on any computing device, whether it is an Apple Mac, a PC, a laptop, a poker machine, a TAB terminal, a keno terminal, or a lottery terminal. It also does not require any additional costly card reader, whereas both these devices do. That becomes an issue when you want to use technology that can be used on the Internet. Who at home has a card reader? Everyone at home has a USB connection on their computer.

The great advantage of our biometric solution is that players will not be able to share their identities once they have established their loss limits. More importantly, once players have established a loss limit for a day, that single limit that they want to set can apply to all their gambling in that day, such as at a poker machine, a TAB terminal, a lottery terminal and even on the Internet, because our device connects directly into all Internet PCs.

In relation to the Poker Machine Harm Minimisation Bill, my other comments would be that we already know from the Productivity Commission that problem gamblers lose \$12,000 per annum, as assessed in 1999. That would be equivalent to \$24,000 a year in today's figures. This bill lets gamblers lose \$24,000 a year, or \$1,000 a fortnight. Why are we introducing a system in this bill with digital cash smart cards whereby gamblers can spend as much as the Productivity Commission has defined as the level of a problem gambler?

AGMMA has raised a valid point when they say there is a fault in the bill in having a two-tiered system. That means that under the current bill, once players' smart cards are exhausted problem gamblers can simply move to another machine that does not require the use of cards. That is what is proposed in the bill. Thus a uniform single operating regime is in reality the best mechanism to deliver responsible gaming programs, not a two-tiered system.

With respect to other submissions on this bill, I note the poor quality of the submissions from this state's two major gambling companies—in one case, just a single page submission from a company that accumulates \$4 billion a year from gambling across Australia. Disgraceful! The argument that problem gambling impacts only 2 per cent of the population is fallacious—you heard some evidence of that this morning—and it does not reflect the high volume of turnover on the machines by problem gamblers or highly at-risk gamblers; nor does it reflect the true lifetime rate of problem gambling, which is usually five times the level of the instantaneous rate as measured in a survey at any one point in time and that the lifetime rate is typically 10 per cent if the instantaneous rate is 2 per cent; nor does it acknowledge the significant number of people impacted upon by problem gamblers.

The Tatts Group in its submission argues that Singapore and Canada have equivalent low 2 percentage incidence levels of problem gambling. They do; I accept that. But what Tatts have not told you is that the governments of Singapore and Canada are so concerned that they recently introduced player precommitment regimes. Our government needs to be equally concerned. The AHA submission ignores the fact that 80 per cent of problem gamblers presenting themselves for counselling are generated from poker machines.

Finally, I will make some brief comments on the other two bills. My comments on the Poker Machine Harm Reduction Tax (Administration) Bill are that recent Victorian research does not support the proposition that large destination venues deliver less harm. This issue came up during the government's review of the gaming industry in Victoria. Some submissions said we should focus these machines into large single venues rather than a multitude of 550 pubs and clubs. The Department of Justice did a review and produced a 100-page report with an additional 100-page literature review, which I am happy to pass on to the committee, about destination-style gaming. The conclusions of that review were:

Given the uncertainty of the potential benefits in reduced problem gambling and the probability of associated economic and community costs from a reduction in existing gaming opportunities, it is not possible to form a view that destination gaming would result in a net community benefit for Victoria. It is recommended that destination gaming not be pursued further in Victoria at this time.

I do not hold a view one way or the other whether it is better or worse. There is limited research on the issue. This is probably the most extensive research that is of a contemporary nature of which I am aware. In addition, the recent Racing Victoria review by Judge Gordon Lewis indicates that racing is corrupted by individuals with undue influence and therefore there would be significant risks of providing such criminal elements with even more influence over poker machine gambling in this state as proposed by this bill. Let us not forget that poker machines are the largest generators of both gambling revenues and problem gambling in every state of Australia, except Western Australia. In relation to the ATMs and Cash Facilities in Licensed Venues Bill 2008, my view would be that any restrictions on cash would be helpful, but that precommitment would be even more helpful.

There were some questions raised this morning that I would like to offer some commentary on, given my travels around the world on this issue in the last six to nine months. Senator Xenophon expressed some interest in software intelligence applied to identifying problem gamblers.

Senator XENOPHON—Yes.

Mr Ryan—This is built around jurisdictions such as Saskatchewan and Nova Scotia and more recently in Sweden with Svenska Spel, which is a government-run gambling operator. In most jurisdictions they have tracked players who have ultimately become problem gamblers and worked back over all their tracking data. They created some mathematical equations to see what similarities and consistencies there were. Once they created the mathematical equations, they were able to apply them to people who are gambling now to observe if they are exhibiting characteristics and behaviours which would potentially create a problem gambler of that person.

In the banking industry, we use such algorithms to monitor people's transactions, deposits and withdrawals. You can build up a profile of the next potential activity of a person based upon their history of activity and the history of other people at the same time. Potentially, by using software called Neural Networks, which is software that is constantly learning and constantly changing the equations and is getting better and better at

firing a good shot at a person to identify them in a way you want them to be identified. Banks typically now use Neural Networks and large databases to identify someone who is about to take out a home loan and market that.

Senator XENOPHON—Or do an unusual transaction.

Mr Ryan—Yes. What would you do in a gambling context? You would track the frequency of visits by a player, you would track the duration of their visits, you would track the volume of the dollars gambled, you would track the games played, their gender, their age, where they resided, and you would put all that into a machine. As you are identifying problem gamblers, you are learning about the characteristics of problem gambling behaviour. You could use that for a community benefit, not from a marketing perspective, as it is typically used by industry at the moment. The deputy chair expressed an interest in understanding the revenue and costs of problem gambling.

Senator SIEWERT—That is right. I am still coming to terms with the fact that I am deputy chair.

Mr Ryan—Our analysis of the Productivity Commission figures in 1999 for the state of Victoria show that the social and economic costs in that year of poker machines alone, including all the costs of courts and police, were up to \$1 billion per annum. In today's dollars, that would be up to \$2 billion, 10 years later. How much does the government of Victoria get from poker machines in taxation and its take from the 27,500 machines in 550 hotels in clubs? At the moment it gets \$1 billion and another \$500 million from other taxes on that wide area network and from casino taxes. So there is a social and economic cost in Victoria of up to \$2 billion, and there is government revenue of \$1.5 billion, so there is a net loss to the community. Clearly the Productivity Commission will update that data.

What are the best three solutions? Player precommitment is the best solution because it is focusing on the player. Up to this point in time over the last decade, what governments have focused on first of all were the venues—the hours of operation, the lighting, the clocks, the environment—but that did not really solve the problem. Then they focused on the machines—the spin rate, the bank note accepters, maximum bets. Where they have played around with it, there have been some minor variations, but it really has not solved the problem. The problem will never be solved until you focus on the player, and until you allow the player to make a rational binding decision away from the influence of these addictive devices.

I mention Senator Judith Adams of Perth and the day out that the electors had on the bus when they go once as an occasion and take some money with them is an example of precommitment. It is a simple example but it is setting a frequency and a limit while knowing that they will get some benefit and some entertainment, but knowing that that will not cause a problem. The senator wanted to know about evidence on Internet gambling, and that came up more recently this afternoon. I am sorry, Madam Chair, if I am deviating.

CHAIR—That is fine. We appreciate what you are telling us.

Mr Ryan—Last month I had a meeting with the chief executive officer and the 2IC of GamCare in London. GamCare is the overarching organisation that manages problem gambling counselling in the United Kingdom. They shared with me that they are becoming increasingly concerned about Internet gambling and that the profile of the person they are seeing who presents is young, female, educated and a person who never perceived that they would become addicted to gambling. When you augment that information and what they are physically observing with data that was released at the European Conference on Gambling in Slovenia in the same month, where the United Kingdom Gambling Commission reported, for the first time, from its latest prevalence survey that they are now picking up the incidence of problem gambling on the Internet in the United Kingdom, that is 10 times the land-based problem gambling.

Senator ADAMS—That is harder to fix.

Mr Ryan—I noted some concern, Senator Boyce, about biometrics and irises. I would be uncomfortable about using irises as well because I would be fearful of my eyes being burnt out.

Senator BOYCE—I am just concerned about ID, full stop.

Mr Ryan—At the end of the day, what we have is a dangerous product in a dangerous industry with dangerous devices, and we need to let players take control of their spending behaviours. We know that there are some people who will exploit the system, so we need identity devices so that people will not trade their identity. The best academics in the world looking at the best research from Las Vegas say that we need a biometrics system. Fingerprints have been around since the 1930s. The advantage of this device is that you produce your identity to 100 points, you are given this device for free, you scan your fingerprint into the

device, and that fingerprint is burnt into the device. It is not stored in any central computer. It is not stored by us, by the government or anyone else. You carry the device with you. You carry your own identity with you.

This device will not work or will not talk to anything until it is put into the poker machine to try to turn the poker machine on when it says, 'Are you the owner of this device that has set these limits? Please scan in your finger and we will check that it is consistent with what is stored inside.' It is a reasonable price to pay for the industry we are in.

The Alberta government in Canada looked at the issue of fingerprinting and central storage in central computers of information on consumers and came to the view that the benefits outweighed the privacy concerns. That is going far beyond where we are at, which is not to say that what the Alberta government in Canada views as a reasonable level of privacy should be what the Australian government should view. Obviously each government should make its own judgement based around its own cultures.

You also made the comment about what there is to stop someone changing their limit in a smart card, just like a credit card. That is an issue, but if you have a cooling-off period, people who gamble will be able to make rational purchasing decisions. If it is a card that does not have digital cash, we are far better off. That marks the conclusion of my commentary, thank you. [3.35 pm]

CHAIR—If you think of anything else, Mr Ryan, you can always let us know later.

Senator FIELDING—I understand the comments made about the machine limits and venue limits. You have made it clear that the precommitment is the way to go from there. I do not know whether you are conclusively proving that machines, limits and destinations limits will not reduce harm, but you are saying that you think basically the best way of proceeding to reduce harm is through player precommitment.

Mr Ryan—Yes.

Senator FIELDING—I will stay there because otherwise we will be all over the place with the other issues. You are saying that with the player precommitment the individual player sets their own limits. I appreciate your comment that the limits set in the current bills are high. I am happy for those to be looked at, by the way, so again we will not go there: I am happy for someone to suggest better limits. What evidence do you have that player precommitment works? Can you go through again how player precommitment works? I am not against it but I just want to make sure we are on the same wave length as you are.

Mr Ryan—That goes back to the explanation that I gave earlier. Player precommitment, in its ideal sense, is that every player needs a device to start a machine. The device can be a card or a key. It is compulsory to have a device to start the machine. They are given the opportunity to set a limit, if they wish to, in a phase one roll-out. It is found that lots of players avail themselves of that capability. Indeed, a number self-exclude when that capability exists. When you reach your limit, the machine stops; all machines stop in the network.

Senator FIELDING—You are also saying that if you are doing Internet gambling, the same thing could be true if it was used with the USB. Right?

Mr Ryan—Yes.

Senator FIELDING—If a problem gambler wants to set the limit at a very high limit already, how does that work, to start with? If I am applying for my first thumbprint card and I am going to set it at \$20,000 or \$50,000, how does that work?

Mr Ryan—There are many ways that you can operate limits. It is up to the governments in individual jurisdictions as to how they want to handle this. I will give you various examples of how it is handled around the world. Rather than give you what I believe should be mandated in this country, it is up to the legislators to decide what should be mandated. In its most basic form, you have to have a device to start the machine. You give players an opportunity to set their limits. Hopefully, you will get rational behaviour, you will not get any increases in problem gambling, and you will get reductions in problem gambling. If as a government you find that that is not working, in phase two you mandate that every player has to set a limit—every player.

If you find that that is not working, you roll into phase three where the government or regulator says, 'We're still not getting the reductions, so we, the government, now are going to mandate a limit. We know from the Productivity Commission that problem gamblers on poker machines lose so much a year, so that is our limit.' I would have thought phase three was 10 years away, but at the conference in Slovenia this year, Norway just did it. Norway said, 'These machines are dangerous. We're taking them out.' With a lot of community pressure, they brought them back—with player precommitment, but with government precommitment as well. It does not matter what you set if it is above the government's legislated limit.

There are many ways to handle this issue. The question that is always asked is: What about someone who wants to change their limit? Anyone should be able to reduce their limit at any point in time. You should give them instant capability of reducing their limit. What if someone wants to increase their limit? The best advice that we get from counsellors that we talk to is that there should be a cooling-off period. You have heard that referenced here, both among the problem gambler and among the InterChurch Gambling Taskforce and the academics. There needs to be a reasonable cooling-off period.

Senator FIELDING—The other thing you and Professor Hancock mentioned were the models that identify high risk in problem gamblers. In her submission, she went through that with the iCare Responsible Gaming Program that has been developed by iView. The other benefit of this precommitment system is that you would be able to track every person and profile them from that point of view.

Mr Ryan—Yes, because now you have a system. Everyone is unique and everyone is trackable from what they are doing. Svenska Spel do it on the Internet. They have an algorithm that is monitoring what is going on with their Internet gambling out of Sweden. If they see behaviours, certain flags start popping up. When there is a certain number of flags, they contact the gambler and have an intense dialogue with them because they have come to realise that that is not in their interests. Because you now have precommitment that is mandated for every player, you now have a perfect player tracking system, which not only allows you to do algorithm work but also allows the academics who were the first witnesses this morning to do fantastic analysis of what is going on here and what is driving this activity. They cannot get access to that at the moment. By the way, what are academics getting access to? They are getting access to, 'Here is unique player No. 16439 and this is their gambling activity.' They are not getting the names and addresses of players.

Does the government in Australia want to be able to intervene and contact a player who is exhibiting problem gambling activity? That is for you to decide. Or do you just want people to be uniquely identified and you do not want to be able to go back to them and have dialogue with them. You need to make that decision.

Senator XENOPHON—In South Australia we have problem gambling protection orders, which are rarely used, but enable members of the family, if they provide evidence to the Independent Gambling Authority, can have the problem gambler barred. It is third party barring. Could your system operate in those terms if there were safeguards in place?

Mr Ryan—Yes, indeed. We are in dialogue with the Singapore government at the moment about that. In Singapore, they have just agreed to have two casinos. The first-ever casinos in Singapore will be open in three years time. The government of Singapore has said, 'You two operators that are now building these \$5 billion casinos need to have player precommitment, and this player precommitment needs to apply not just to poker machines but to every gambling activity in this casino.' What I also learnt that I had not realised is that this precommitment will apply not just to residents of Singapore but to the tourists, if they want it, as well. And, in Singapore, they have decided that not only will the players have player precommitment but the government will decide who can go in.

If you are a bankrupt and your financial characteristics are such that the government does not believe you should go anywhere near this casino, you will be identified. They have already identified 15,000 people in Singapore who will not be allowed into these casinos and they have said to the casinos, 'You need to exclude these people.'

Senator XENOPHON—How do you exclude 15,000 people?

Mr Ryan—By making sure you know the identity of everyone who is going into the casino. This is the challenge for the casinos. They could end up with 50,000 people in Singapore who are not allowed to enter the casino by government mandate. In Singapore, family members can go to the National Council of Problem Gambling and say, 'I do not believe my family member should come to your casino.' The National Council of Problem Gambling will do an assessment based on counsellors, financial advisers and all the available evidence and that person might be barred because your family members can produce evidence that you should not be there. That is similar to where South Australia is at. Presumably they have adopted a lot of the South Australian model in Singapore.

The casinos now are looking at biometric solutions because it is the fastest way to identify people as they are entering. We had the situation in Toronto three months ago where the casino in Toronto, which is operated by OLG, the government operator over there, now has a class action in front of it in the courts by players who wanted to be self-excluded from that casino and who did all the right things to be self-excluded and signed all the right papers, but just got tempted and went in. The casino let them go in. Now that casino is up for a

\$3.5 billion class action from all the self-excluded people who were let in. That casino is saying, 'We need biometric solutions here now because we have to better manage this.' In that particular casino, they have 55,000 photographs of self-excluded people. In reality, how can a casino stop with photographic means, even with the best available technology and know whether you are one of those 55,000? I am sorry, Senator Fielding, I have deviated from your question.

Senator FIELDING—That is all right. I am happy to open questioning up to others.

CHAIR—You have probably answered many questions already, Mr Ryan.

Senator XENOPHON—I wish to recap what your system does. Do you still play with cash or coins? You do not have any stored cash, and I understand that as far as poker machines and venues go. But when it comes to online gambling, if you have your credit card and you want to play in the Cayman Islands or the Bahamas online casinos, you can circumvent this, can you not, if you are using your PC at home, unless you make the transaction illegal and voidable by strengthening the current legislation. How do we deal with that?

Mr Ryan—This is what we have done in America by saying to Americans, specifically to MasterCard and Visa, 'If you let any of our citizens do any transactions on their cards involving a gambling institution anywhere in the world, we will deregister you.' MasterCard and Visa were beside themselves, and they are very thorough in ensuring that no American citizens do transactions on the internet with any gambling facility that is based offshore.

Senator XENOPHON—How would your system work in the context of online gambling? Is there a way of making it more comprehensive for online gambling?

Mr Ryan—There is, and we have commenced some dialogue with the governments about that. At the end of the day, what it requires is the government to mandate that there is a black list of websites and they are blocked. No-one can gamble with them. I understand that is what they are heading towards in relation to pornography. Governments around the world do that already. Singapore does it and China does it; we saw that during the Olympics.

Senator XENOPHON—Not just the gambling sites.

Mr Ryan—Lots of sites. The capability is there.

Senator SIEWERT—I have two questions, and one is around internet gambling. If people are really desperate, will they not try to get around the restrictions? You are suggesting that the filters block out gambling sites. Is that correct?

Mr Ryan—Yes.

Senator SIEWERT—But if you are a problem gambler and you are really a problem gambler on the internet, will you not try to circumvent that filtering process?

Mr Ryan—Yes. It depends on how technologically sophisticated you are and how sophisticated the sites are. They keep changing their URLs and keep moving around. You need a good government department that is tracking this. Will it ever be 100 per cent? No, it might be 98 per cent. Is that going to be better than what we have at the moment? Definitely! Here in Australia at the moment, let us not kid ourselves, any of you can gamble with any casino anywhere in the world on the internet, other than with Australian-based casinos providing the service in Australia. That means that you do not whether the casino you are gambling with is credible.

You do not know if the numbers are rigged so that you are never going to win. You do not know that the credit card transactions that you are going to have are not going to be used elsewhere on other activities. You have no consumer protection. You have no financial transaction protection. That is what you can do now. Any system that is more restrictive than that is a better system. The reality is there is a poker machine in everyone's home now in Australia.

Senator XENOPHON—Further to what Senator Siewert is saying, it is a voidable transaction. There is an argument that the Interactive Gambling Act, as imperfect as it is, provides that that transaction by credit card is a voidable transaction. You have a legal argument there that you can void that transaction. Is that your understanding?

Mr Ryan—I am not a lawyer and I cannot comment on that. I just do not have the knowledge to be able to comment on that.

Senator SIEWERT—I want to go now to the device. As I understand the conversation we had previously with the task force, there was a feeling that one device should be used across venues to stop people venue hopping, basically.

Mr Ryan—Yes.

Senator SIEWERT—Presumably, if that is going to be accepted, you will need one device across all the venues.

Mr Ryan—What you do not want is a precommitment system that is machine based because, as soon as you reach your limit on that machine, you go to the next machine. What you also do not want is a precommitment system which is venue based because once you have reached your limit at that venue, you go to the next venue. What you need is a system-wide statewide solution. Ultimately what you need is a national solution; a system whereby players can set a limit and, no matter where they go into the system, they have to use a device to start the poker machine. By the way, this stops under-age gambling on poker machines instantly because you would have had to produce 100 points of ID to prove you are over 18 to get one of these devices, and having one of these devices is the only way you are going to start the poker machines.

Senator SIEWERT—But what I am getting to is that therefore the government will set regulations through this bill or some other bill to say, ‘You shall have a precommitment device’, and then either government says, ‘This will be it’, or industry comes together and agrees that there will be one device across all venues. Is that how it has to happen? Am I correct?

Mr Ryan—The best way of answering that is to say what is happening in Victoria. The government of Victoria has decided that there will be precommitment system on poker machines for all new machines brought in after 2010. They will issue a tender for that. They have not said at this stage whether it will be a machine-based, venue-based or statewide-based solution. One would hope that it would be a statewide-based solution because they now have the capability to pay for it. They have taken two of the players out of the industry value chain and are now taking the extra revenue that those people used to get and are giving it to themselves. That gives them a buffer as they turn off the tap, but it also giving them so much extra buffer that they can pay for a good system, one would hope.

Victoria has the opportunity to lead the world and go past Nova Scotia and the rest of the world in setting a very water tight valuable precommitment system. I am not sure whether they would value the help and support of the national government, but that is obviously something the government in Canberra could have dialogue with them on.

Senator ADAMS—Once again we go back to Internet gambling and the statistics you gave us there about gambling by young women and educated people that has increased so dramatically. What rehabilitation or any sort of help do those people have? What did the conference decide? Was there any way of trying to reduce that incidence? Do you have any comment on that?

Mr Ryan—That is something that the legislators are now having to come to grips with in the United Kingdom. What the government in the UK has done is said, ‘Look, we’re going to allow companies that operate from certain countries or jurisdictions to operate Internet gambling, and we will accredit those countries.’ Malta is accredited. Tasmania is accredited, and is the only place in Australia that is accredited. If you are operating out of Tasmania you can service UK clients. The legislators are now trying to understand what has driven this increase and what more we need to do to manage this issue.

How is GamCare addressing it? It has online capabilities. You can go online, which is how these people are interacting with the businesses they are dealing with—online on the Internet—and you can now have dialogue with a counsellor in situ over the Internet and say, ‘I need some help.’ I cannot predict what the UK will do to address the issue, other than that it is now clearly a major issue for them.

Senator BOYCE—I need some clarification around this. If I play a poker machine twice a year or six times a year, I will need to have obtained 100 points of ID, put some sort of ID into a USB system, and made a precommitment as to what I intending to do. I will need to do that twice a year, will I?

Mr Ryan—It is the price you pay for wanting to gamble by using these dangerous products.

Senator BOYCE—Okay. Do I also understand from what you are saying is that whatever technology is chosen to put the player precommitment into place, by necessity it would have to be a monopoly?

Mr Ryan—It would have to be a single system that operated across the whole of the state.

Senator BOYCE—A single technology.

Mr Ryan—The problem would be if you had multiple technologies and multiple systems that could not talk to each other. Problem gamblers would circumvent it.

Senator BOYCE—So it would be a monopoly.

Mr Ryan—It should be a single system. Does that need to be privately owned? Does that need to be government owned? That is a decision for governments.

Senator BOYCE—Numerically, problem gamblers are what proportion of people who use EGMs?

Mr Ryan—We know that only one in three of the adult population play EGMs. The figures are that regular players of EGMs are about half of that.

Senator BOYCE—But we are not saying that all regular players are problem players or problem gamblers, are we?

Mr Ryan—Indeed, two-thirds of the population do not use EGMs. Two-thirds of the population have no addictive characteristics. They do not go anywhere near these machines. Indeed, they want the governments of Australia to take some action to address what they are observing taking place in the community.

Senator SIEWERT—I am sorry to interrupt, but the point here is that I think you said half are regular players. Senator Boyce's question was that those half who are regular players are not necessarily problem players. That is the point you were making, is it not?

Senator BOYCE—Yes. We have problem gamblers. Numerically, the proportion of problem gamblers among people who play EGMs is reasonably small.

Mr Ryan—What we found in Nova Scotia from the research is that the number of problem gamblers is small, but what is happening is that there is a whole circle of at-risk gamblers circling. People are going on to become problem gamblers. They are becoming problem gamblers and are going back out to be at risk. There is a whole lot of movement. This is not a static environment. This is a very dynamic environment.

Senator SIEWERT—What percentage of the half, the regular players, are what you have just spoken about?

Mr Ryan—Who would be at risk?

Senator SIEWERT—Yes.

Mr Ryan—I would have to check the figures on that. I am happy to get back to the committee on that.

Senator SIEWERT—I would be interested to know that.

Mr Ryan—The Productivity Commission has the most definitive composition.

Senator SIEWERT—I am sorry to interrupt you, but as I understand it, the problem has become worse. The Productivity Commission figures, if I understand you correctly, will be out of date because the problem has become worse. Am I understanding that correctly?

Mr Ryan—By people saying the problem has become worse, they say the prevalence rate has increased. The composition of that prevalence rate might still be the same though. I have seen fairly stable data, from my recollection, about the percentage that are at risk versus the percentage who are not at risk versus the percentage of problem gamblers. While the pie may get bigger, how the pie is made up usually tends to remain fairly static.

Senator SIEWERT—Okay.

Senator BOYCE—You have raised one issue that I did not have the opportunity to raise with our academic witnesses this morning, and that was the point of people moving from being at risk to problem and from problem to at risk, cycling in and out. In fact, not all problem gamblers remain problem gamblers or go bankrupt. Is that the case?

Mr Ryan—That would be the case, yes. It depends how quickly they can get help and support, and the environment around them.

Senator BOYCE—None of them would do it by themselves, so to speak. The evidence would be that all problem gamblers would remain problem gamblers unless they get assistance.

Mr Ryan—The academics would best answer that question rather than me expressing a view around that. I am sorry; I am not wishing to evade the question though.

Senator BOYCE—I imagine the Singapore government did not have too many issues with civil liberties groups protesting about how they might go about putting ID systems around casinos, or anything else, but have there been objections elsewhere?

Mr Ryan—It is interesting that when I was in Singapore it was clear from speaking to the taxi drivers and members of the community that they were a little bit concerned about casinos coming into their community. They had not had them before, but the government had mandated it, which the government of Singapore can do, of course.

Senator BOYCE—What about in Australia? Have you had any discussions with civil liberties groups around mandatory player precommitment technologies and processes?

Mr Ryan—I have presented our documentation to Privacy Victoria and others and there is no-one jumping up and down. Most people are aware of it and no-one is saying, ‘We should stop this because it is a major disregard of civil liberty.’ Most people understand we are dealing with a dangerous product in a dangerous industry. Therefore there needs to be some way of better managing this.

The interesting thing about the Singapore situation is that, as the current government has mandated the rules, I can set a precommitment limit at Sentosa Island at \$300 a day. I can go to the Las Vegas Sands Casino and set \$300 a day because all I want to lose is \$300 a day. What will happen? As we know from experience, someone will reach their limit on Sentosa and they will go straight over to the other casino. They will end up doing \$600. That is why you need a system-wide solution. That is what we are encouraging the Singapore government to do. You might refer to it as a monopoly; we would much prefer to refer to it as a single solution that will be an effective solution.

Senator BOYCE—Responsible Gaming Networks is a proprietary limited company, or what is it?

Mr Ryan—We are a private business and that has intellectual property owned by Australians. We have American and European technology providers. We will be tendering for the Victorian precommitment solution.

Senator BOYCE—Are you an Australian company?

Mr Ryan—An Australian business, yes.

Senator BOYCE—A private company?

Mr Ryan—Private, yes.

Senator BOYCE—A stand alone company, or a subsidiary?

Mr Ryan—We are not a subsidiary of anything. We are not a subsidiary of a multinational or a conglomerate.

Senator BOYCE—It is Australian owned.

Mr Ryan—Yes.

Senator BOYCE—The Australian IP you are talking about is the player protection key, or is it something else?

Mr Ryan—The IP we have is the application of the technology to problem gambling. We have deployed that and it is in the national phase of a number of countries that are getting our IP around that.

Senator BOYCE—Is it Australian IP?

Mr Ryan—Yes.

Senator BOYCE—It is, okay. When you talk about the US—

Mr Ryan—To date, it has been a four-year journey by us. Having worked in the gambling industry, I recognised that it was a major issue that was not going to go away. Governments were looking for a solution. There needed to be a technology solution but there also needed to be a solution that would allow governments to manage the taxation revenue issues. We encouraged the Victorian government to restructure the value chain in the industry to give it extra money to make the tough decisions. We are pleased that they have done that.

Senator BOYCE—You spoke about US and European technologies. How does that fit in? What has happened?

Mr Ryan—We did not want to reinvent player-tracking royalty software. We went around the world and looked for the best software system. We have them locked in to supplying us with that. We also did not want to worry too much about the machine monitoring capability, so we have a technology supplier. There are

manufacturers of the keys that we have locked in to supplying keys for us. Do you realise that in Victoria we need 1 million of these?

Senator BOYCE—I imagined that it was going to be quite lucrative, yes.

Mr Ryan—Not necessarily lucrative. It is about mass production. You need a large system to manage this.

Senator BOYCE—Yes. Do you have licensing agreements with the US and European companies you are talking about?

Mr Ryan—Yes.

Senator BOYCE—How many licensing agreements would you have?

Mr Ryan—We have an agreement with the Americans, the Europeans and with the Singaporeans.

Senator BOYCE—When you say ‘with the Americans, the Europeans and with the Singaporeans’, do you mean with a company in those countries?

Mr Ryan—Yes, three different companies. I am happy to be more open with the committee, if you want that, but I would rather do that in private rather than give away our competitive advantage. I have Aristocrat sitting over here and I have alternative technologies suppliers sitting behind me.

Senator BOYCE—That was going to be my last question on that particular area, Mr Ryan. The only reason I raised it was that, when I first looked at your submission, the title ‘Responsible Gaming Networks’ and the fact that we had a lot of community organisations here today, it was a minute or two before I realised I was reading a company’s submission.

Mr Ryan—A commercial company.

Senator BOYCE—And a commercial submission.

Mr Ryan—We have always been quite open about that.

Senator XENOPHON—Without breaching any commercial confidentiality, what is the ball park figure? If there is a roll-out on every machine on these things, what are we looking at in terms of how expensive it will be to retrofit 20,000 poker machines?

Mr Ryan—At the end of the day, the great advantage of this device is that this will talk ultimately to all the new machines that have been created in the last two years. These require player interface boxes to be connected to every machine. We will have to connect player interface boxes to some machines, not all poker machines, because of the greater directory.

Senator XENOPHON—Is that the old machines?

Mr Ryan—Yes. What is the cost? At the end of the day, you are looking at about an extra \$2,500 per machine to put a player interface box on that is networked and connected.

Senator XENOPHON—And for new machines?

Mr Ryan—It would cost less—significantly less.

Senator XENOPHON—How much do you think?

Mr Ryan—For the new machines, you could do it for about a fifth of that.

CHAIR—Thank you very much, Mr Ryan. If there is anything else you want to add to your evidence, just send it into the secretariat.

Mr Ryan—Thank you for the opportunity.

CHAIR—Thank you for your patience.

[4.06 pm]

MITCHELL, Ms Libby, Vice-President, Duty of Care Inc.

PINKERTON, Ms Susan Barbara, President, Duty of Care Inc.

CHAIR—Welcome. I know you have information on parliamentary privilege and the protection of witnesses and evidence. We have your submission, for which we thank you. If you care to make an opening statement and some comments we will then go to questions from the committee.

Mrs Pinkerton—I have an opening statement that I would like to read. Then I have a quick comment on some of the questions that already have been asked.

CHAIR—That is the advantage of being the last witness.

Mrs Pinkerton—I also get to sum up a lot of things, if I wish to. I have been listening to all the submissions and I am getting the impression that many of the people on the Standing Committee on Community Affairs are a little bit behind the eight ball. Some of us have nine years of experience in looking into the issue of poker machines and the harms that they cause. We are a bit further ahead in our knowledge, so I want to go back over the development of poker machines and the way in which they have become increasingly harmful to people who use them on a regular basis.

The problem with poker machines is that once, many years ago, they were rather simple machines that people could gamble on for relatively little cost. They had three or five mechanical reels and only one pay line. To win, at least two symbols on a single pay line had to match. The number of symbols on each reel could be counted by just following the symbols around, and generally the number of symbols on each reel and the number of each symbol on each reel were equal. You would have 32 symbols on that reel, that reel, and that reel. You would also have five queens on that reel, five queens on this one, and five on that one.

However, all that changed in the late eighties when computers were added and each position on the mechanical reels was mapped to virtual reels that ensured that some symbols appeared on the pay line more often than did others. Some symbols were mapped so that they never appeared on a pay line, but above it or below it. Machines could be linked and a portion of the money each machine took could be added to a jackpot. These changes allowed larger payouts and yet added more volatility and risk to the mix.

Computer technology improved at a rapid rate in the late eighties. By the mid-nineties, when I started gambling, most poker machines had evolved yet again. The handle that players once had to pull disappeared. It was replaced with an array of buttons that significantly reduced the time in which players had to think between one spin and the next. They also allowed for multiple credits to be bet on each line. I think you get the idea from my demonstration.

Random number generators and computer generated images—Windows for Poker Machines, if you like—replaced mechanical reels, and most machines evolved so that they had either five or nine pay lines instead of just one. Instead of being restricted to 32 symbols per reel, the advances in computer programming and computer graphics meant that each reel could have hundreds of symbols on them; and, worse yet for the consumer, the exact make-up of each reel was unable to be determined by the user. The new machines might have 200 symbols on each reel, or just 25, significantly affecting the odds of the various symbols coming up.

The number of symbols on a particular reel could alter, according to how many credits were bet. There might be 10 symbols on reel 1 betting at one credit per line, but there might be 50 on reel 1, if you were betting 10 credits per line. The number of symbols per reel could alter between reel 1 and 2, between reels 3 and 4 and 5, so you may have 10 symbols on reel 1, one on reel 2, 15 on reel 3, 20 or 30 on the remaining reels. Suddenly it was possible to manipulate the number of symbols and calculate, with mathematical certainty, how often each symbol would appear on individual lines over a vast number of spins.

Hapless players were not informed of the changes, so they continued playing the machines, trusting that all was above board and that all was the same as the mechanical reels. Massive profits began to be generated by the new computer machines and state governments, struggling with an economic downturn, looked to taxing poker machine profits to increase their incomes. By the late nineties, most states in Australia had legalised and introduced poker machines, not realising how voracious and entrapping the machines had become.

Being desperate to solve their financial woes by any means possible, state governments saw poker machines as a harmless cash cow—a safe, fun-filled form of entertainment they could tax and grow rich on. Their opinions were also manipulated by the idea that of course poker machines and casinos would draw the tourists.

I am yet to see any figures showing that the number of tourists has increased since casinos have been introduced. Problems started appearing in states that previously had low levels of problem gambling. In South Australia, the number of problem gamblers increased tenfold from 2,500 problem gamblers to 23,000 problem gamblers in just five years with the introduction of just one more gambling product out of the 14 that were already legally available.

With many people spending hours at a time sitting at machines, hoping for that one big win that would set them up for life—machines programmed to ensure that players always lost—poker machine profits rose rapidly and filled government coffers. Within the first 12 months after poker machines were introduced to the states other than New South Wales, community concerns began being heard. Small businesses in South Australia suffered a 15 per cent downturn in profit in the first year. We now have 17 times more money going into poker machines. How much must that be affecting small business profits? Donations to charities and sporting groups dropped significantly. Charity organisations struggled under an ever-increasing number of individuals and families needing help.

Individuals who had gambled responsibly for years on horses, dogs, Lotto and bingo quickly developed an addiction to the latest gambling product—a product so cleverly and perniciously designed that it addicted 5 per cent of all people who put even \$1 once a year into the machine. They caused untold misery and hardship for the gambler, their friends, their family and their work colleagues. Gambling industry funded research continued unabated, and more ways were found to attract and entrap poker machine users. Five, 10, 15 and 25 free games were added to computer programs that operated the machines. Wins during free games were doubled, tripled, and even multiplied by a factor of eight, making them the holy grail sought by poker machine users.

Machines with 20, 25, 50 and now 100 pay lines have become the order of the day. The proportion of 1c, 2c, 10c and \$1 machines in gambling rooms have been carefully arranged for maximum profit. Market research by hotels and clubs, using player loyalty data, quickly worked out which machines were the most successful—read ‘profitable’. Market research by providers of poker machines carefully worked out which environmental attributes increased machine use. I have spoken with a GP friend of mine who operated a venue in South Australia. He managed it for his family. He was visited by Aristocrat and told which machines to put in to attract which customers, which ones they needed to hide in quiet corners, and which ones should be left to attract new customers into the room.

Venue layout and design were precisely and carefully assessed by comparing changes in profits generated. Gaming rooms became places where players were equally stimulated and comfortable. Seat design ensured gamblers remained comfortable for hours at a time. In comparison, McDonald’s have seats that you sit on for just 20 minutes and then start to get sore because they want fast turnover of their customers. Baby powder scented cleaning products were found to ensure that women perceived venues as safe and relaxing, non-threatening. Oxygen piped into the air ensured that gamblers yawned less, stayed longer, and, therefore, spent more money. Machine placement within a venue has become a precise science that ensures each machine generates maximum profits for its owner.

The hapless poker machine users, now hopelessly entrapped in their gambling addiction, were studied by industry funded psychological researchers. Associations between excessive gambling, loss of control, depression, impulsivity and smoking were widely reported. The issue of which came first, the excessive gambling or the depression, et cetera, was carefully side-stepped in the studies. All forms of gambling were deemed equally harmful to the hapless gambler, despite as many as 14 different forms of gambling being legalised and widely available prior to the introduction of poker machines and the 10-fold increase in problem gambling that occurred within five years after those machines were introduced.

Questions about which form of gambling caused the most problems were conveniently ignored. According to the researchers, more money was needed for further research into cause and effect, and the industry funded research only into the psychology of individuals who gambled excessively. Of course, research that explored which machine features were most favoured or most problematic to gamblers was useful to the industry. Shortly after, research showed that gamblers preferred small frequent wins over larger, less frequent wins. Machines that paid out little and often started appearing in venues in greater number. That research was done by Paul Delfabbro.

Despite research showing that machine gamblers did not take up gambling excessively on horses, dogs, roulette, cards, or lottery when gambling machines were banned in South Carolina and more recently in Norway and that numbers of people seeking help declined significantly—in fact, by 85 per cent following the

banning of gaming machines alone—research today continues to treat all gambling products as equally destructive to gambling ends. The gambling industry continues to push the notion that banning will not work because gamblers will move to other forms of gambling. I need not remind you that it suits their purpose to do so.

Despite research showing that only 30 per cent of adults every put a dollar into a poker machine and that up to 90 per cent of problem gamblers report problems only with poker machines, the gambling industry continues to declare that problem gambling is an insignificant problem whose cause lies with individuals who develop a problem in controlling their gambling. Kind of interesting, that! The careful, well researched and carefully thought out impact that machines have on hapless users is not to be questioned by industry funded research. Despite the fact that gaming machine manufacturers spend hundreds of millions each year on research and development to make their product even more attractive and entertaining—for example, Aristocrat spent \$65 million in Australia alone on research and development last year—and despite research that shows that 280,000 individuals in Australia out of the 300,000-plus gamblers have a problem with just one gambling product, poker machines are declared by politicians and industry alike as a safe product for all but a few sick people.

Despite the inherently deceptive nature of poker machine programming and the failure of state and federal governments to ensure that poker machine consumers are given the tools that enable them to make informed decisions about the risks they face and where a machine is found to be defective, people who have been harmed by poker machines and who seek to prove losses and claim money back continue to be blamed and shamed for doing precisely as the poker machine designers and manufacturers intended. It is time poker machine designers and manufacturers were made accountable for the consequences of their actions. They have continued to push the boundaries of trade practices law. They have deliberately and carefully changed a relatively harmless gambling product into a voracious, highly entrapping and harm-causing product that addicts 10 per cent of regular users—and by ‘regular’, I mean once a month or more. They have done so with the complicity of state governments and politicians who continue to spruik the gambling industry message: ‘Poker machines aren’t harmful. The industry is highly regulated. Only 1 per cent of the population has a problem.’ That is harm minimisation, gambling-industry style.

It is time that state and federal governments stepped in and changed the way the machines operate. To this end, thank you, Senator Fielding, for introducing the bill you have introduced. That 280,000 people being addicted to just one product is unacceptable. That 1.4 million more people are harmed as a consequence of that addiction, making a total of 1,680,000 Australians, is simply too many. I also have some concerns or comments to make on questions that have been raised regarding the privacy concerns with smart cards. I note that no such privacy issue is raised when details are required for loyalty card data. In fact, nobody says, ‘Who’s going to get this information? Who’s going to have access to it? How will it be used?’ We find it very interesting that concerns are not raised when private business gathers information, but are raised when governments are about to gather such information.

Senator SIEWERT—Some of us are digging into that matter.

Ms Pinkerton—I think it is something to be worried about. With biometric identification used on smart cards, it is possible for the system to delete all identifiers, which include the person’s name, their address and their phone number, once the biometric measure is encrypted and put onto the smart technology device. If my thumbprint is on, a series of numbers will come out, and then my name, my address, my phone number, my Medicare card number and my driver’s licence number. All of that can be removed off the system. The only time an individual’s name need appear on the system is when those same people ask to be self-excluded. If I ask to be self-excluded, they say, ‘Okay, we’ll need your name. We will need your thumbprint or your fingerprint. We will then match one to the other.’ Any time any other individual inserts the card into a machine, it then only has to say, ‘Is this person a self-excluded gambler, or not?’ That will prevent people from applying for multiple cards, even after they have been excluded under assumed names. [4.25 pm]

My final little bit, and I realise that I have been speaking longer than for my five minutes, is that Duty of Care Inc. wishes to go on record as supporters of all three bills being discussed today. We wish to let the committee know that we have some concerns with some aspects of all three bills that we would like to raise. In brief, under the Poker Machine Harm Reduction Tax (Administration) Bill, in part 3, section 9, we question whether racetracks should be exempt from paying the suggested tax. Most racetracks are located in country areas where few other provided entertainments exist. Given that the poker machines in country areas generate

high levels of income per head of population, we would prefer that racetracks not be exempt from paying the tax. In my view there is absolutely nothing wrong with gaming machines in casinos only.

In part 3, section 11, we strongly recommend that the initial rate of tax of 1 per cent be increased to 5 per cent of poker machines profits and that increments of 5 per cent per annum replace the 1 and 2 per cent increments. The most recent available figures from Queensland show that pokies profits grow at an annual rate of between 5 and 10 per cent per annum. To tax at 1 per cent is only going to mean, 'Gee whiz, I'm only getting 9 per cent increase on my profit this year.' The imposed tax must exceed annual profits that the industry receives to make pokies in hotels and clubs unsustainable.

Under part 4, section 15, Duty of Care recommends that a subsection be added to allow community and sporting groups, which previously were reliant on poker machine venues provided by poker machine profits, to enable those groups to apply for funding to explore other ways of generating revenue for their groups. It is not just about, 'Gee whiz, we need extra money to buy new uniforms for our soccer club', but about whether we can send our soccer club executives off to learn how to generate revenue as not-for-profit organisations.

Under part 4, section 16, we strongly suggest that tax moneys derived from various states and territories be awarded only to community and sporting groups in the states or territories where the money is collected. Money emanating from New South Wales poker machines should not be funding sporting groups in South Australia, or vice versa. It is essential that the state-derived revenue remains within the state. Under part 4, section 18, Duty of Care recommends that provisions be made in section 18 whereby people appointed to the fund management board must not have been involved with any gambling venue in the three years prior to their appointment to the board. We hope this provision will prevent conflict of interest situations.

With regard to the Poker Machine Harm Minimisation Bill, we have concerns regarding part 2, section 13, which allows for a maximum bet of \$1. Charles Livingstone's research into gaming machine features found that average bet size of problem gamblers is just 70c. With this in mind, we ask that the committee recommend that all machines permitted have a maximum bet of 50c. Even this allows for a potential hourly spend of \$360, making poker machines one of the most expensive entertainments available in Australia today. At \$360 an hour, that makes \$720 to see a show, if you are working on the equivalent. Not many people would go.

In part 2, section 14 of this bill, we disagree with the provision for some machines, the ones with smart card technologies, to be permitted and that people using smart technology fitted machines be permitted to spend \$5 per spin. Nothing in this bill prevents poker machine addicts, who have spent most of their money on machines without technologies, then moving to machines with them, or vice versa. It is our committed position that all poker machines be fitted with smart technologies and a precommit system, and that only machines in high roller rooms be permitted to have a maximum bet greater than 50c per spin.

In part 2, sections 15 and 16, again Duty of Care believes that no differing jackpot sizes for machines, with or without smart technologies added, should be permitted. We believe the maximum stand alone or link jackpot permitted should be \$500. People spend hundreds of dollars trying to trigger a jackpot when it gets close to that \$1,000 limit. Secondly, for pensioners, the unemployed and the working poor, a \$1,000 payout represents around five weeks income, making it a very attractive proposition that is worth taking the risk for.

In part 4, section 22, our concern with this section is that it is unclear how gamblers are to redeem tickets valued at \$100 or over. If, for example, I insert \$90 into a machine, gamble for a while, then win \$300 and press 'collect', how am I to redeem my \$300? Is that only to be at a human teller, or must I then take that money in cheque form? Our preferred option of course would be for amounts greater than \$100 to be redeemable in cheque form. However, we will leave it up to the committee to look at that.

With regards to the ATM and Cash Facilities in Licensed Venues Bill, Duty of Care are concerned about use of the title 'licensed venue' throughout the bill. We already know that the gambling industry is very good at discovering loopholes and objections to legislation. We would just prefer the wording to be 'licensed gambling venue' at all stages throughout rather than sometimes 'licensed venue' because a licensed venue is a restaurant that does not have poker machines. To have their ATM removed might not be reasonable.

We have concern with the lack of provision for future building expansion. For example, where a shopping centre, complete with ATMs, is built next door to a gambling venue, as permitted by the bill because they are more than five kilometres from the next ATM, does the venue have to have its exemption revoked, or will the shopping centre be forced to remove its ATM so that the venue still complies? There is the possibility for amendments to look at what might happen in future situations where, as I say, ATMs are permitted in this venue because it is five kilometres to the next, then a shopping centre is built or a bank, so what happens then?

Finally, we foresee a move by some hotel and club owners to encourage next door businesses to install an ATM. I believe this occurred at least once in Tasmania. The effect of this would be the negation of the impact that the removal of ATMs from venues is intended to achieve. We ask that the bill be amended so that no new ATMs can be installed within any other business or venue that is within one kilometre of an existing venue. In other words, no new ATMs can be installed in a fish and chip shop or a service station, if they are within one kilometre of an existing gambling venue. That completes our remarks.

CHAIR—I think you have covered many of the issues. We will now go to questions.

Senator FIELDING—Ms Pinkerton, thank you for your work and for your detailed suggestions of amendments to those three bills. I appreciate the time you have taken to go through those. Some of your comments rate merit; with others, we will have to look at. I really appreciate your effort from the perspective of your going through the bills in detail and working out to improve them. To begin generally, it was quite an interesting statement that:

In all states and countries throughout the world where EGMs have been legalised, introduced and widely distributed, within five years a sudden and dramatic rise in numbers of problem gamblers occurs.

Ms Pinkerton—It is a very interesting thing, is it not? It is a very interesting statistic. This has only happened since the machines were computerised and since they became video reels and virtual reels rather than mechanical. To me it points to the addictive nature of the product itself. This is the equivalent of pethidine being marketed as a vitamin pill or a vitamin tonic—'Here, have your little tonic! It's okay. It's quite safe for you, unless you're allergic to it, of course.' But the person who is handing out the pethidine knows darned well it is addictive, and in my view that is a bit unconscionable. It has certainly happened in most of the provinces in Canada where the machines have been widely distributed. It has certainly happened in South Australia, Victoria, Queensland that I know of, New Zealand and various states in the US.

Senator FIELDING—You also referred previously in this inquiry to South Carolina's experience. Do you want to go through that for us?

Ms Pinkerton—South Carolina had video poker machines distributed throughout their communities. They were in drug stores, they were in supermarkets, they were in service stations and they were in little cubicles inside shopping centres. They were a massive problem. The government did not tax or regulate them because there was no law that said they were illegal. Therefore they were deemed to be kind of grey area machines. There was a massive number of people who were experiencing significant harm from the machines. Then there was a challenge to the legality of the machines and the suggestion that there be a referendum on whether these machines should be permitted to stay.

What ended up happening is that somebody challenged the legality of the referendum. The judge eventually decided that, no, they could not have the machines unless there was a referendum; but, yes, holding the referendum once the machines were there was really rather illegal. The effect of that was that the machines had to go. They were all taken out of service and off line in—

Senator XENOPHON—June 2000.

Ms Pinkerton—June 2000, yes. Within three months of that happening, the number of problem gamblers seeking help dropped by 85 per cent. That is a massive drop. There were no other changes to the gambling products that were legally available. The number of gamblers anonymous groups dropped from 40-odd meetings that were held on a regular basis, with up to about 40 members in each of those meetings, down to 11, and currently there are just nine. There has been no return. Even after all this time, there has been no increase in the number of problem gamblers. That was South Carolina's experience. I found an article that came from one of the County Sheriff's offices which showed that there was a 40 per cent drop in robbery with violence in South Carolina in the first year that the machines were banned.

Senator FIELDING—Really?

Ms Pinkerton—That is phenomenal. Why the change? A 40 per cent drop. No longer were service stations and fast-food outlets being held up by people desperate for money. There was also a drop in the number of venues that had these machines being held up for the money that was there. More recently there has been work done in Norway. The machines in Norway were privately owned and the Norwegian government became quite concerned about that and the fact that they were not making any money out of it, so it effectively set out to ban private ownership of the machines. They did that. The government just recently decided that it would reintroduce them as government ownership, but putting them back into the same areas, of course.

But what happened is that research was done. It was conducted by two gentlemen whose names are Gyllstrom and Engebo. I am not very good at Norwegian pronunciation. They presented the results of their research at the recent problem gambling conference held in New Zealand in February. The impact showed. They looked at the revenue derived from horseracing, Lotto lotteries and bingo, and, of course, gaming machines in the lead-up to the banning of the machines and in the six months following it. I believe bingo increased marginally in the profit that they took. The increase was approximately two or three per cent. All the others remained static. It was most interesting. Again the number of people seeking help over their problematic gambling declined significantly.

Over several years, despite having note accepters banned, machines closed between midnight and 7 am, there really was not much alteration in the amount of revenue the machines drew. But again there were no indications that slot machine gamblers on a large scale have moved to other forms of gambling now that the machines have been banned. That suggests that there is something addictive about gambling machines that is not found in other forms of gambling. When I quit nicotine, I do not take up smoking cocaine because the addictiveness is different. When I quit smoking cocaine, I do not take up nicotine as a replacement.

Equally, when I stopped using poker machines, I still did not have a problem with betting on occasion on Lotto, going to the races where my girlfriend works, and sitting, watching, enjoying the atmosphere and placing a bet on only one race because I happened to know the jockey on that one. There was no problem with controlling my gambling. A lot of pokie addicts describe exactly the same thing. They do not have a problem gambling; they have a problem controlling what they do once they start putting money into a poker machine and pressing the spin button. All control is eroded.

Senator FIELDING—Thank you for that, by the way. You mentioned that in your report, but I do not know whether you mentioned the Bridwell and Quinn comments from their study from South Carolina. They said they did not think there was any ongoing transfer to other gambling.

Ms Pinkerton—Yes. They suggested that there did not appear to be any crossover.

Senator FIELDING—With the issue of smart cards or some device—

Ms Pinkerton—Smart technologies.

Senator FIELDING—Thank you. I am trying to ensure I do not get anyone upset by mixing up different devices or mechanisms. An idea has been put forward which I think you also mentioned relating to responsible gamblers, gambling and gambling machines. In your notes, you reference that:

Responsible gamblers gamble on gambling machines;

- less than once per month,
- spend less than 3% of their weekly income, and
- gamble for less than two hours in any one session.

You go on to suggest that, although not that per se, we should have some inbuilt parameters to incorporate a duty of care of some sort.

Ms Pinkerton—The safe limits of gambling, as I call it. When we have posters up in hotels that say, ‘These are the safe limits of drinking: X number of beers, X number of wines, X shots of spirits.’ These are known measures. If you drink these—for women the limits are slightly lower and us women can get drunk much more easily—the safe limits are known, but there is nothing that is done in the public health promotion area that suggests what a responsible limit is. We have riders on advertisements in South Australia, ‘Gamble responsibly’, but there is no idea is given, through information or education of the public, of what that looks like.

Senator XENOPHON—It is a token.

Ms Pinkerton—It is a token gesture. I cannot stress too strongly the need for some sort of set, safe gambling limits that should be out there in the community so that people know when they are exceeding what is a safe limit, when they are perhaps saying, ‘Gee, I’m going every week, but I’m still spending under three per cent of my income. But, oh gee, I’m spending up to four hours now. Perhaps I need to cut back because I have exceeded two of those three limits.’ If I am only exceeding it once, I am only going once a year. I am not spending three per cent of my income. But since I am only going once a year, I am there for 12 hours. That is probably still considered safe under the system that we would like to see promoted.

Senator XENOPHON—In relation to ATMs, can you tell the committee, when you had a problem with poker machines, and to what extent easy access to cash was a factor in your experience and with the problem gamblers you have assisted and worked with over the years?

Ms Pinkerton—Like most people who develop an addiction to pokies, access to cash is tantamount. I did not go just once with the money that I could afford to spend; I would keep on going back. When I was gambling in South Australia they already had in force the \$200 per transaction rule. I would make anything up to five or six visits to the ATM in a session to get another \$200. Even at my worst, when I was driving to the venue, I would be telling myself, 'I will spend only \$50 and I will stay only an hour. That is it. Once my \$50 is gone, that is it. I will go home and go to bed. If I get to the end of an hour I will go home and go to bed.' I used to work night duty.

The last time I did that I ended up spending \$600 in six hours. Control was difficult. I just kept going back to the ATM. Nobody checked me. A gambler turned up at my door at 9.30 am. She finished work at 7.00 am and she was at a venue by 7.30 am. By 9.30 am she was at my door. She had a fan of ATM receipts. She was one of only three people in the venue at that hour—two of them being staff. She had visited the ATM 10 times. She had withdrawn \$1,900—\$200 at a time and on one occasion she could get only \$100 because the account was empty. She looked at me in tears and she said, 'I do not understand. How do I keep doing this to myself? How do I keep doing it? Why can I not stop?'

Please take ATMs out. Get them out of there. They make gambling devastatingly easy. If I had to walk out of the venue, down the road—even if I had to walk only 200 metres—by the time I did that, got the money and got back, the machine into which I had put \$600 would be out of reserve and somebody else would be on it and winning my money. I chased the money that I put into that machine, which is what this woman did. She was going back to the ATM because she had put \$1,800 into that machine. She did not want anybody else to get it. In that hour and a half that she had spent in that venue she did not get the free spins once. She said, 'They have to come up; they have to come up. They have to give me spins on spins because it has been an hour and a half. I have put so much in.'

She did not understand, as most people do not, how those machines work. It was devastating for her. She spent \$1,900 in an hour and a half. This woman works as a carer in a nursing home. She works seven days a week. She is 64 years of age. She has lost well over \$200,000 to these machines. Today she has debts of over \$70,000. All of it has been taken out of an ATM somewhere along the line. It is essential for you to get ATMs out of these venues. That is the reason why we push the idea of the smart card. The pre-commitment system is essential. The intent of a problem gambler at his or her worst is only to spend X amount of dollars and to stay for so long.

If gamblers have to set that limit before they go and the machine shuts down they cannot play any other machine. Better yet, the person who gambles only once or twice a year will not overspend. That person will not say, 'I have \$20. I will put that in and then I will go.' When the \$20 goes in 10 minutes that person says, 'I will stay. I will just put in another \$10.' People put in another \$10. Their friends might have had a win and they are standing around like a stale bottle of grog saying, 'Oh my God, this is boring. I will just put in another \$10.' Before they know it they have spent \$50, and they say, 'I put \$50 into this machine. I cannot believe it.' That is the way in which they think. They say, 'I cannot believe that I did that. I had better put in another \$10 because the spins will come up soon.'

A smart card will stop that. Beginning gamblers will never get past the \$20. They will never go more than once a week because the card will not let them. With any conditioning process you need repetition. You will never toilet train a child by rewarding it and praising it for peeing in the potty once a year; it needs constant repetition in the first stages and random reinforcement scheduled thereafter. The same must apply to poker machines. You need to have enough money to go on a regular basis over a short period. If you do that—if you go every day or every second day over a two-week to three-week period—you will become hooked.

I have challenged some gambling researchers to come with me. I have offered to put up \$10,000 and I have said to them, 'Come with me every day for two hours a day. Come down to the pokies with me. I will put up the money. You can keep anything you win. Come down with me for a month in one stretch.' They will not go. When I ask them why they will not go they say, 'I do not know. I might end up with a problem.' Put in the smart cards. Let us make this product safe. Let us ensure that there is a voluntary pre-commitment. People can set their own limits—I do not care. Let us have it there so that when your intentions are strong you will do it. When your ability to think rationally is gone because you have been asked to make 360 different betting decisions in half an hour, the machine will stop and act as a roadblock for you.

Senator ADAMS—I refer to page 5 of your submission, in which you state:

It is widely believed that Western Australia has no gambling machines. That is wrong. Western Australia has gambling machines but not the highly entrapping multi-lined machines that people in other states call the pokies.

Could you explain that statement? As I have not really frequented the casino, other than walking through it to get an idea of what it was all about after this bill was introduced, I wondered what that meant.

Ms Pinkerton—In about 1994 the casino in Western Australia put in 1,500 video poker, video blackjack, electronic bingo and Keno-type machines. They do not have the multiple lines. You need to decide which cards you will hold and which cards you will throw away. You need to choose which numbers you want to put your money on and how many numbers to put your money on. Those machines require conscious decision making, as the user is at the machine. You are required to press a button on the poker machine. You sit there and you think, ‘As soon as it gets down to \$100, I will stop and pull it out’, but your finger moves faster than your brain can think and it makes a decision.

In the past 12 months people have become aware that Western Australia has machines. Prior to that it was a case of, ‘Western Australia does not have machines.’ As a result the level of problem gambling in Western Australia is significantly lower and the spend is significantly lower. I discovered that those statistics went from 3,000 to 7,000 problem gamblers as a result of those machines being introduced in Western Australia. So the number of problem gamblers doubled. In South Australia they put in 15,000 machines and the number of problem gamblers went up tenfold. The machines in Western Australia are deemed to be less likely to send players into the zone because they have to make a conscious decision about which card to hold and which number to pick.

CHAIR—If there is anything else you want to submit, as you have been working so closely in the field, we do not report for a month or so. If there is a report or any information you want to put before us, please send it to the secretariat.

Ms Pinkerton—If it comes up, I certainly will.

CHAIR—Thank you very much. That brings us to the end of today’s evidence from witnesses.

Committee adjourned at 4.57 pm