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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 (Administra-
tion) Bill 2008**

FRIDAY, 12 SEPTEMBER 2008

SYDNEY

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**SENATE STANDING COMMITTEE ON
COMMUNITY AFFAIRS**

Friday, 12 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, Humphries, Moore, Siewert 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:

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Committee met at 8.59 am

CHAIR (Senator Moore)—The Senate Community Affairs Committee is continuing its inquiry 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 referred the ATMs and Cash Facilities and Licensed Venues Bill 2008, introduced by Senator Xenophon, to our committee. We agreed that, the issues in the three bills being closely related, we would run the inquiry on that bill at the same time.

[8.59 am]

HEALEY, Mr William John, Chief Executive Officer, Australian Hotels Association

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

CHAIR—I welcome representatives from the Australian Hotels Association. I know you both have information on parliamentary privilege and the protection of witnesses has been given to you. We have received your very early response, Mr Healey. It is over to either or both of you to make opening comments and then we will go into questions.

Mr Healey—I would like to make some opening comments. We are here probably to answer questions more than provide statements of our policy position. John will add things when he thinks it is necessary. The first thing we would like to put on the record is that we are somewhat confused about this process because we are aware that both the government and the opposition are committed to waiting for a Productivity Commission report to update the community, us in the industry and government leaders on the current position of the impact of electronic gaming machines in our community. Much of this debate is based on evidence or information that was contained in the Productivity Commission report in 1999. We do not believe that we are comparing apples with apples; we do not believe that, when we sit in these sorts of forums, we have an objective evidence base from which to make decisions, and we were hoping that any change to the current state regulated environment would follow a robust review of the current situation and be based on sound evidence. We are comforted that the PM, notwithstanding his personal comments about gaming machines—

CHAIR—His public personal comment.

Mr Healey—I think one election comment, which he perhaps might regret. We are comforted by the fact that we need to establish what the problem is, what is going to fix that problem if there is one, and what the overall cost is to any initiative that is brought in to address a perceived or real problem in this area.

By way of explanation—and I do not really want to rehash what is in our submission—I just want to let you know that the Australian Hotels Association, AHA, represents four- and five-star hotels and pub-style hotels around the country. Or members operate poker machines in all jurisdictions except for Western Australia and the Australian Capital Territory. The number of machines we operate is capped in most states to under 40 or 30 machines. We have had those machines from the early part of the 1990s. Victoria is a little different in that, based on the system down there, which is now subject to change in a few years time, we can have up to 105 machines. The consequence of that is that, in most jurisdictions where machines are allowed, up to 80 per cent of our members have a small number of machines; whereas in Victoria only 10 or 12 per cent of our members have machines. It means that the climate, the environment, in Victoria is very different and the impact will be very different.

In terms of what has occurred, we have seen the introduction of gaming machines into the industry from the mid-1990s as changing the dynamics of our industry. We see it—as the Productivity Commission acknowledged—as one element of the entertainment offer we provide to members. It has provided us with an alternative revenue stream that has enabled us to reinvest in our businesses. Over the last 15 years we have seen the additional revenue from gaming as providing us with the confidence to provide very sound and, we think, attractive meeting places.

It has also led to a total re-evaluation of hotels. It has led to borrowings supported by a revenue stream that has been assumed to be a constant. So any change to that dynamic really has to be seen from an industry readjustment context, because the dynamics of our business are that we anticipate around 25 per cent to 30 per cent of our revenue will come from this service. I have likened it to someone suggesting to a retailer that they have to take a total department out of their department store. If that is going to happen, let's do it on the basis of sound facts and let's look at not only the consequences of the business but also whether it is going to achieve the outcome that is supposedly desired from that action.

Going back to the Prime Minister's three codes, the first thing to ask is: is there a problem? If you look at the statistics, and they are in our report, the level of problem gambling in our community across the country is less than one per cent. It is acknowledged that gaming machines are only an element of that variable percentage of the population, which ranges from 0.4 per cent to 0.8 per cent. The first thing we would argue is that, while any level of problem gambling is a concern, the level of problem gambling in our community is not that great and the overwhelming number of people who come into our venues and use gaming machines do so responsibly and as part of the enjoyment equation.

The second point is: if there is a problem, how do you fix it? We would add that we think the level of problem gambling has declined substantially since the Productivity Commission report of 1999. We know that we have introduced a number of harm minimisation initiatives over the last 10 years to deal with that small percentage of people that cannot use our machines in a responsible manner. We believe that the focus on these people in a structured way is probably the best way to address the problems that occur in this small number of cases. We know that, through our gaming care programs, intense counselling programs and self-exclusion programs, that is the best way to deal with this small percentage of people who are problem gamblers.

One of the things we have asked the Productivity Commission to do as part of the review is to look at the investment that we have made, and I think the last COAG ministerial council meeting said that over \$200 million has been spent on harm minimisation strategies for this small percentage of problem gamblers. We are asking the Productivity Commission to look at whether that money is being spent effectively and whether it could be spent more effectively.

The first point is that we think the number of people that are not using these machines in a proper way is small. We believe the best way to deal with these people is through harm minimisation strategies. On the final side of what it is going to cost—and I think this is the reality—you have to look at three dimensions here. First, what does it mean to the patron? Even the Productivity Commission in 1999 said that gambling is a legitimate form of entertainment for people; that the vast majority of people who gamble, go to the races or whatever do so responsibly and find it an enjoyable experience; and that it is just a competitor for the discretionary spending of consumers. I am glad Senator Nick Xenophon is here because my first dealings with Nick were many years ago when I worked for the retailers. We were very concerned in the 1990s about poker machines because they were taking money away from our shops. We woke up at the time that basically we were just scared of the competition. Anyway, that is the first thing.

The second thing is that we have an industry that employs a large amount of people; that has a large amount of capital investment, whether it is in hotels, casinos or clubs; and that has been built in an environment where the products we sell are seen as legally available to the public. It is an industry that is highly regulated. Any change to that—some of the proposals within these three bills would substantially change the revenue and the operating environment of our businesses—needs to be looked at in the context of what it will do to our industry.

These are one-off initiatives. These change the whole economic dynamics of the industry, just the same as taking water licences away from farmers or removing tariffs from the textile industry—that is the impact that this will have on our business. So if you are going to do that you will need to do it in a considered and factual way, and that is why we are urging this committee to wait until the findings of the Productivity Commission are known and to use them as a base, a reality check, to go forward. We are happy to work with the government and the community if there are identified problems to address, but what we want to do is start from the one point.

The final thing is that this is a state government regulated area. It does provide revenue to state governments around the country, although that revenue dependence is overstated. I think it is about two per cent or three per cent of state government revenue. But it is not insignificant. We do know that some states, most states at the moment, have some challenges with their budgets. We have also been through a substantial industry restructuring recently with the introduction of smoking bans in enclosed areas, which has had an impact on the viability of our businesses and on state revenues. The viability of our businesses is challenged because those businesses are valued today and have been purchased today on the basis of forward estimates of gaming revenue, which now shows modest growth, unlike the dramatic growth that occurred in the nineties. So any changes have to be looked at in the broad economic context.

Our submission here today is that we accept that there are concerns in the community about gaming, but there are no quick fixes to this. We believe that the bulk of the people in our community that use our machines do so responsibly, enjoyably and within their means. We believe that there have been substantial improvements in the industry since the 1990 Productivity Commission report to address and help the small number of people who have a gambling problem. We believe that any changes to the current system require a full view of the current position and need an industry adjustment approach rather than one or two specific initiatives that may have substantial unintended consequences for our businesses, state government revenues and the broader government revenue base of this country without any in any way helping the people it seeks to help. We believe that there are areas that are that can be beefed up, such as—and John will talk about a couple of those in a minute—strengthening harm minimisation strategies. The other thing is that, when you close one

door, you open another, and one of the other areas we are very concerned about is the growth of internet gambling and the fact that Australians, if they want to gamble, will find a way to gamble. What you have at the moment in our venues, clubs and casinos around the country is probably the most regulated and highest level of return to player of any form of gambling you can have.

I am quite sure that some people will challenge the observations I make, but all we are saying is: let's take a deep breath, wait until the Productivity Commission comes up with up-to-date facts and then sit down and work out, if there is a problem, how we as a group with the broader community can fix it. I do think that we have grown a lot since the Productivity Commission in 1990. If you talk to the industry—

Senator XENOPHON—1999.

Mr Healey—Yes, 1999. Sorry, Nick. I think that we failed to see the significance at that time. I think that the commitment we make now to things like responsible drinking and responsible gaming reflects a maturity in our industry that perhaps was not there 10 years ago and that any effective consultation will lead to outcomes without causing unintended damages. Through the course of our questioning I will ask John to provide a couple of examples of new harm minimisation strategies that we think would be far more effective than taking ATMs out of our venues. ATMs are used by about 95 per cent of our patrons who do not gamble, so that would cause problems for our general customers without having a benefit for problem gamblers. Those are my opening comments.

CHAIR—Mr Whelan, do you want to add anything at this stage?

Mr Whelan—No, I am happy to answer questions.

CHAIR—The reason the committee is here, Mr Healey, is that the members have raised private members bills. They have been referred to our committee by the Senate selection of bills process. That is why this process is going on. That may or may not help your confusion.

Senator FIELDING—We could debate quite a few of the statements you have just made. We already heard yesterday that in most of the research since 1999—I will just say that that is very close to 2000 so it does not look like it is back in the 1990s; research is basically pretty close to 2000 and it is now 2008—there has been very little evidence to say there has been a significant improvement in problem gambling, and the links between problem gamblers using poker machines is still quite significant. Putting that to one side, your submission states:

... the removal of EGMs—

pokies—

from hotels as proposed ... would have devastating consequences for the financial viability of hotels ...

I do not know whether you are aware of whether hotels in WA are financially viable.

Mr Healey—Yes, they are. Do you want me to respond to that?

Senator FIELDING—Yes.

Mr Healey—If you look at the value of WA hotels, what they are being bought at and their return, it is much lower than what you buy hotels for in the states with gaming. The other interesting thing for WA, which has not flowed through, is that up until recently the sale of takeaway liquor in WA on a Sunday was restricted to our hotels. Supermarkets were not allowed to sell alcohol. Over the last 25 years, the sale of alcohol in this country has moved, with about 30 per cent of liquor now consumed on premise and 70 per cent consumed off premise, in the form of packaged liquor. There is a tidal wave in WA. If you talk to our members over there, about 45 per cent of their takeaway liquor used to be sold a Sunday. So a lot of the pain in WA was minimised because of the fact that they had a monopoly on Sunday takeaway. Apart from the fact that the capital valuation of our hotels is nowhere near that of the hotels in the other states, I think that there are going to be problems over there.

The point we are making about the reality of the viability of our hotels, and it is similar with clubs, is that with our business it is a bit like a car that has been built around cheap petrol—if all of a sudden you put the petrol up and you change the financial dynamics, the viability of the use of that car changes. Whether from 1999 or 2000, the report was predominantly a decade ago. I am not trying to confuse anyone; a decade is a decade. It was a 1999 report which was based on evidence from 1997-98. The fact is that our businesses over the last 15 years have been built on a statutorily entitled revenue stream which some people wish to withdraw, and that will require—just as with taking tariffs away from the textile industry or a water licence away from a farmer—a substantial realignment of their business model. It has to be looked at in a strategic and evidence

based way. So my answer to that is, yes, they are viable, but they struggle. Let's wait and see what happens when their monopoly on the sale of alcohol on Sundays starts to erode because of the introduction of supermarkets.

Senator, without being provocative, do you accept that that is a reality over there, and were you aware of that reality?

Senator FIELDING—Absolutely. The second thing that I would say is that you have mentioned that basically it is the profitability or the finances of it, but, if you overlay that with the social consequences—and I do not think we have heard too much evidence to dispute the claims that still over 40 per cent of revenue from poker machines comes from problem gamblers—

Mr Healey—Could I add to that.

Senator FIELDING—Just let me keep going here for a sec. Surely that needs to be put alongside the issue of the cost of you keeping on providing this. We heard yesterday that even in the state of Victoria there is \$1.6 billion of revenue coming in and a \$2 billion cost in mopping up after the problems of poker machines. Quite seriously, there is a deficit facing the community from the havoc that poker machines are presenting to the community. That was obviously based on the 1999 commission review. There has been very little evidence to say that much has changed since then.

Mr Healey—Page 3 of our submission to your second bill shows that the Australian statistics of the problem incidence rates as a percentage of the population. We know that electronic gaming machines account for at least around 50 per cent of those problem gamblers. The statistics show that a very small percentage of the population has a gaming problem. That is the first thing. The second thing is that we challenge the 40 per cent—

Senator FIELDING—What is that in sheer numbers of Australians? Rather than just saying it in percentages, what is the sheer number?

Mr Healey—In terms of the number of people who play these machines and the number who have a problem, it is a very small—

Senator FIELDING—You said 'a small percentage'. But what is the actual number of Australians?

Mr Healey—I think in Queensland at the moment it is about 13,000.

Senator XENOPHON—Based on what index?

Mr Healey—The Canadian index.

Senator XENOPHON—So not the SOGS index?

Mr Healey—This is the other issue why we need the Productivity Commission. Most people—the regulators, the industry more broadly and most of the community—have accepted that the Canadian index is a fairer index. I am aware, Senator, that you do not accept that. I can understand that, because that index—

Senator XENOPHON—Mr Healey, don't put words in my mouth.

Mr Healey—Okay, I will not put words in your mouth. I understand that you are a supporter of the SOGS. But I think that one of the things the Productivity Commission will do is hopefully come up with a benchmark so that we can have an agreed position on what problem gambling is. I know you do not accept—or you do not appear to accept; I am not trying to put words in your mouth—that the Canadian index is the index by which we should measure it, but it is the index that is more broadly accepted now. And it shows a very small percentage of Australians are problem gamblers.

I come back to the percentage of money that is lost in our venues by problem gamblers. The Productivity Commission said that that was around 40 per cent. There is a lot of evidence to suggest—and I do not want to get into this detail here; I think you need an objective external party to consider this, because people will find facts to suit their case—that that figure was overstated. There is also evidence that that figure has declined as the level of problem gambling has declined and the level of expenditure on gambling has increased. But, more importantly, the issue is not the amount spent; the issue is the number of people who have a problem and how best you deal with that group. You deal with that group by intensive harm minimisation strategies—self-exclusion, counselling—because it is only a small percentage of the actual number of people who use our venues. To use that figure, as flawed as we believe it is—and we are hearing now of 50 per cent. I certainly do not want to put words in people's mouths. What we are saying to you is that there are people who have a problem with gambling. We have ways of helping those people. We believe those ways are working. We

believe that they can work better, but do not destroy an industry in the process by coming up with what appear to be politically expedient ways that will not have an impact.

Senator FIELDING—The concern is that you are already disputing the Productivity Commission's previous report—

Mr Healey—No, we are not.

Senator FIELDING—Let me keep on going, because you have—you have stated that they have overestimated the figure. They put it at 292,000 Australians having a gambling problem. That is nearly a third of a million Australians with a gambling problem. They also know that 85 per cent of problem gamblers use poker machines. Even if you took your wishful figures, and even drop that number by half, you are still talking about 145,000 Australians being severely impacted. And we know that poker machines are causing the havoc.

I want to go one step further if I can for a moment. On page 6 of your submission you state:

... the AHA is committed to working with Government and the broader community to implement strategies to further minimise the level of problem gambling in the community.

Would you not agree that measures outlined in Family First's two bills would fit that requirement? In other words, those bills are specifically designed to minimise the level of problem gambling in the community yet you refuse to support any of it. Doesn't it make your submission a little hollow and your statements of concern hypocritical when you will not support any of these measures that fit the criteria perfectly for what you are saying you are trying to do?

Mr Healey—Let's go back. We are disputing aspects of the Productivity Commission report because we believe that the SOGS measure has now been overtaken by a more robust measure of defining problem gambling. That is the first thing. The second thing is that we are not disputing what the Productivity Commission said in 1999 based on its research undertaken between 1997 and 1998. What we are saying is that the world has moved on, and to go back and make policy changes which will have the implications on our industry that I have suggested, without getting up-to-date information—just willy-nilly going off and agreeing to changes without doing a cost-benefit analysis—is unreasonable.

So it is not a case, Senator, of saying that we do or do not support your initiatives. We are saying that this is a critical matter for our industry. It requires much deeper research. We need to look at all the initiatives and we need to see whether the supposed benefits they will achieve will actually lead to a positive outcome. The first element of the Productivity Commission report was that it acknowledged that gambling is a legitimate and significant form of entertainment for Australians. We are saying to you that where there are problem gamblers we believe our harm minimisation strategies have worked. You keep quoting these figures but what adjustments have you made to take account of the significant regulatory changes and harm minimisation strategies that have occurred over the last decade? There seems to be no recognition that that has made a change in the figure.

Senator FIELDING—Just on that point, I would repeat that even if it has dropped by a half you are talking about 150,000 Australians. The other issue is that 42 per cent of your revenue at hotels is from problem gamblers. I do not know how you can sleep at night.

Mr Healey—With all due respect you continue—

Senator FIELDING—You say that you are doing something—

CHAIR—Gentlemen, it is very difficult to put this on record if you are both speaking at the same time.

Mr Healey—The senator and I can agree. You keep saying that 42 per cent of our revenue comes from problem gamblers. What I have said to you is that that is a figure that is a decade old. I have pointed out to this committee that there have been substantial changes. Some of my colleagues from the industry will point that out further. I am saying to you that I think there is a very strong case to argue that that figure has reduced over the last decade.

Senator SIEWERT—Could you tell us what you think the figure is now?

Mr Healey—I do not know what the figure is. Firstly, I think 42 per cent was substantially higher. Secondly, it has reduced substantially since that time. Thirdly, I think that is why we need a Productivity Commission to establish the figure. More importantly, what the figures do show is that that figure, while it might be high on a numbers basis, is coming from a small percentage of people who come into our venues and play poker machines. I think the evidence of that is quite strong.

Senator SIEWERT—Sorry, could you say that again?

Mr Healey—Whatever of the percentage of our revenue comes from problem gamblers—and I am concerned that the figure of 40 per cent is out there when it is a 10-year-old figure and we do not have any mechanism to come up with an up-to-date figure, and until we do that—

Senator SIEWERT—Surely you would think there was a problem even if that figure—42 per cent of your revenue is caused by problem gamblers—had dropped by half, because nearly a quarter of the revenue comes from one per cent of gamblers.

Mr Healey—There are two issues. The first issue is: what is that percentage? It is an issue we need to resolve. The more important issue is not the volume of that revenue; it is the number of people who have a problem as an overall percentage of people who come into our venues and use gaming machines. The things that you are proposing today will impact on everyone who goes into our venues whether they are gaming or not, because 60 per cent to 70 per cent of our sales are totally unrelated to gaming. So it will affect anyone who wants to buy a drink as well as all those old-age pensioners who go into our venues and take money out because it is more secure than an ATM. These things have an impact well beyond this small percentage of people who are problem gamblers.

We are focused on the figures. Let's focus on the number of problem gamblers. Secondly, and this is the more important issue, how do we help those people reduce the level of money they are putting into our business? Those are the things that we need to target, and it is about harm minimisation strategies. It is not the amount that they are putting in that is the problem but the number of people who are problem gamblers that is the problem. How can we help them to not be problem gamblers? You are throwing this number around, whether it is 40, 10 or 20, but five per cent of our revenue comes from problem gamblers. If there are problem gamblers we should have intensive assistance to stop those people being a problem gambler. An old-age pensioner that puts \$10 more in a machine than she can afford is far worse than a person who might have \$1,000 and can afford it.

Senator SIEWERT—What we heard in Victoria yesterday was that in fact the problem gamblers we are talking about are being specifically targeted by specific EGMs located in lower socioeconomic areas, and that is the bulk of the people that are losing money. We are arguing about not only numbers but also the people that can least afford to lose the money, and the gaming industry is specifically targeting those people. So you can see why people are being quite critical of the industry, when you are specifically targeting people who can afford to lose the least and also have specific gambling problems.

Mr Healey—If you look at the spread of gaming machines in hotels, most hotels around the country have a number of gaming machines, as I said.

Senator SIEWERT—Specific types of gaming machines in specific locations.

Mr Healey—One of the issues that are going to come out is the technical and manipulative nature of gaming machines. But to be honest I do not know much about gaming machines.

Senator SIEWERT—I am sure you listened to the evidence yesterday.

Mr Healey—Well, Victoria is unique in that only 12 per cent of our venues down there have gaming machines. They are large installations and where they are located there is a choice factor. Most of our venues, whether in Queensland, South Australia or New South Wales, see this as a complementary revenue source. In terms of gaming machines generally, all I can say is that the registration and development of gaming machines is highly regulated. There are different processes and technical standards in each state—and I know Ross Ferrar is here. As a community, there is one question we have to ask ourselves. If you look at most social indicators in lower socioeconomic groups—the level of obesity, the level of smoking, the level of domestic violence and the level of gambling—they are high. The question is: are they the cause or the symptom?

Senator SIEWERT—Can you answer me a question—

Senator FIELDING—Chair, can I finish on that point with one more question?

CHAIR—Senator Fielding, you have had a number of questions. You can have one more and then, Senator Siewert, we will move to Senator Xenophon.

Mr Healey—As I said, my view is that a hotel's decision about what gaming machines they put in would be based on their market.

Senator SIEWERT—So they are based on the market.

Mr Healey—No, based on the number of licenses that they have. One of the criticisms that the industry has of our members is that they do not change their gaming machines often enough. A large percentage of our gaming machines are 10 years old, so our members are not turning their machines around.

CHAIR—Mr Healey, we have limited time. A number of questions will need to be put on notice, so I am asking for your patience with that. Senator Fielding, you have one more question.

Senator FIELDING—We also heard yesterday about an area overseas where poker machines were removed and there was a 40 per cent drop in police reports of violence, robbery and those sorts of things. For you to put forward that the lower socioeconomic groups—

Mr Healey—Where was that?

Senator XENOPHON—South Carolina.

Senator FIELDING—There was a 40 per cent drop in robbery and violence, from police reports.

Mr Healey—So, is there a suggestion that poker machines are causing high levels of violence and crime?

CHAIR—That was the basis of the evidence.

Senator FIELDING—That was the basis, and for you to put forward—

Mr Healey—I am interested in what evidence we have that poker machines in Australia are causing high levels of violence.

CHAIR—Yesterday, Mr Healey, one of the people giving evidence quoted the South Carolina experience and indicated those figures.

Mr Healey—Yes, in South Carolina. What I am asking is: what evidence have we that, since gaming machines were introduced, violence and crime have increased.

Senator XENOPHON—I point you to the Australian Institute of Criminology: ‘Gambling is the second-largest cause of embezzlement in the country.’ Look at their research papers.

Mr Healey—Embezzlement? No, we are talking about violence. I have not seen too many violent deaths because of—

Senator XENOPHON—No, we are talking about crime.

Mr Healey—We can throw these things up—your point about where we put machines et cetera we can refute in the 45-minute argument that you will hear from people today. That is why you need an independent body to go back to the basics, to look at the realities and to challenge these things. Really, it is very difficult for us to challenge a comment made, which I have just proved. We will not accept that it goes on the record that 45 per cent of our revenue comes from problem gamblers. We do not believe that figure but we cannot put our hands on our hearts here today and say what the figure is, as you would like us to do. What we are saying is that this is a significant industry and that poker machines are a key element of it. If you are going to change the dynamics of the economics of our industry it must be done in a far more considered way, based on evidence and facts, and let us find solutions to real problems. I would like John to mention a couple of the harm minimisation strategies that we would like to explore because, if we have a dialogue before these bills are passed—and I would like to think that this is the beginning of our dialogue—we could perhaps work out where the problems are. There are a couple of initiatives that I would like John to mention that may be of interest to you.

CHAIR—Mr Whelan, I promise we will get to you. It is just that Senator Xenophon has a couple of questions. If we could put those into the discussion and then, before your time ends, we will certainly give time to Mr Whelan.

Senator XENOPHON—Mr Healey, aren’t you fundamentally misleading the committee when you say that problem gambling rates have gone down significantly? You are using a different index—that is, the Canadian index rather than the South Oaks index—and earlier this year the New South Wales gaming minister issued a statement to the effect that there was no significant difference in problem gambling rates, and corrected himself in relation to that.

Mr Whelan—May I pick you up on that. I heard you mention that at the gaming conference a week or two ago.

Senator XENOPHON—Yes.

Mr Whelan—I went to check with the gaming minister's office and they denied issuing a correction statement.

Senator XENOPHON—They did issue a statement that it is fundamentally the same: problem gambling rates are fundamentally the same and that it is statistically significant. You are using a different index. Do you acknowledge that you are using a different index?

Mr Healey—I accept that we are using a different index—

Senator XENOPHON—Right, so do not say that rates have halved—

Mr Healey—Hang on! Do you accept that that index is now recognised as the more accurate and robust assessment? Do you have a view on the index? Are you aware of the index?

Senator XENOPHON—I am here to ask you the questions, Mr Healey.

Mr Healey—I am sorry; I thought we were supposed to have a dialogue here.

Senator XENOPHON—Mr Healey, do you acknowledge that there is a different index in place now?

Mr Healey—I acknowledge that what has occurred since the Productivity Commission report is that the industry and the community have accepted a more robust and accurate assessment of problem gambling.

Senator XENOPHON—I put it to you that several years ago leaked documents from Tattersalls indicated that 57 per cent of their income came from a hard core of 15 per cent of gamblers who were spending at least \$100 per visit. So by definition 'problem gamblers' were the overwhelming majority. That is from the industry's own documents. Doesn't it concern you that over half of the revenue from poker machines comes off the backs of vulnerable, addicted people?

Mr Healey—Senator Xenophon, we have had this discussion before. Do you think that it is misleading this committee to assume that anyone who spends \$100 is a problem gambler? What we as a community have to do is define what a problem gambler is. If Kerry Packer went in and spent \$100 regularly he would be a problem gambler based on your definition. The problem here is that we are comparing apples with oranges. What we as an industry are offering, both in the hotel sector and in the broader industry, is that we will work with the government, the opposition and the crossbenchers and go through a robust process to establish the real situation since the 1999 Productivity Commission report and then work constructively together to find solutions for people who have a problem. We do not want to sit here and say, 'We're right and you are wrong.' We are saying that there is enough uncertainty from the discussion we have had today to warrant our waiting for the Productivity Commission to come up with more data. That is all we are asking for. My point is: let us have the debate about whether we use SOGS or the Canadian index, because it seems to me that you want people to concede things that in reality we cannot and will not concede because we do not agree with you.

Mr Whelan—There is a lot of research out there which says that the SOGS measure is now an unsatisfactory measure of the rate of problem gambling. I will give you a couple of quotes. One is from Wenzel, McMillan, Marshall and Ahmed in 2004 in their report *Validation of the Victorian gambling screen*. They said:

The results of our validation tests for SOGS indicate that it is an unsatisfactory instrument to measure the prevalence of problem gambling in the general population.

Delfabbro in 2007 in his Australasian gambling review said:

... SOGS was soon found to overdiagnose problem gambling.

This is not research that we commissioned; it is independent research on SOGS. We are not saying that CPGI and SOGS are the same thing—we are saying they are different measures—but what we are suggesting is—

Senator XENOPHON—You cannot suggest a drop in rates, though. You are not comparing it fairly, are you, because they are two different indexes.

Mr Whelan—They are definitely two different indexes, but what the research is saying is that the SOGS is not a satisfactory measure.

Mr Healey—More importantly, Senator, forget what we measured a decade ago; isn't it more important now for us to have an agreed position of what the current situation is, what is the best way of dealing with whatever that number is—you might recall that the last figures incorporated at-risk plus problem gamblers—and how we can help that percentage of people, whatever it is? If it is 10 per cent who are problem gamblers, it may be too high. How do we intervene to help those people reduce their problem? That is the question. What

we are saying is: let us set a floor, let us get the Productivity Commission to look at it and then let us have a dialogue.

CHAIR—Mr Healey, we have that point.

Mr Healey—Thank you.

Senator XENOPHON—Mr Healey, your industry has made billions and billions of dollars from poker machines over the years since the Productivity Commission inquiry. You have the resources to do whatever research you want. We have had varying reports that from 42 to 57 per cent of pokies losses come from problem gamblers. What percentage do you say come from problem gamblers? What percentage of the money that goes down machines do you say comes from problem gamblers, with all the resources that your organisation has?

Mr Whelan—The problem that we have is: if we commission research into this figure—and we are looking at it as well—will the general community actually believe it? It will be funded by the industry. What we would much prefer is an independent body such as the Productivity Commission having a look at it without any influence from us, and then we would have an up-to-date, robust, independent figure that we can all move on from.

Senator XENOPHON—But you have denied the 42 per cent figure.

Mr Healey—More importantly, Senator—I keep coming back to the point, and we can argue all day about it—the issue is not the volume of money; it is the number of people who have a problem and how we help those people. What we are saying is that the percentage of people is quite small by the number of players who play the machines. Secondly, we believe that those numbers of people have dropped, and we believe that we are spending a lot of money to try and intervene and help those people. We do not deny that we can do better. We are happy to work with the government and the community to do that. I think the quantum is irrelevant; the question is the number of people in this community who have a problem.

Senator XENOPHON—The quantum is irrelevant?

Mr Healey—It is irrelevant to the percentage of players. What you are endeavouring to do is to change the dynamics of an industry where the overwhelming majority of people who play these machines do so responsibly and for enjoyment. That is the point we are making. What we are saying is: let us assess whether we can do better for the small number of people who have a problem. That is the proposition.

CHAIR—Mr Healey, we need to get Mr Whelan's statement on the record. Mr Whelan, would you like to put what you want us to hear?

Mr Whelan—I will, acknowledging the time that we have.

CHAIR—You could table it if you have it written down.

Mr Whelan—I will make a few brief statements and then I will put in a submission.

CHAIR—That would be very good.

Mr Whelan—It is just in dot point form at the moment. An area that we certainly want to focus on and that we believe will have a significant impact is education. Various prevalence studies show that the 18-to-24-year-old age group is most at risk, and we certainly want to focus on and target those people who are at risk before they actually reach that stage. I have heard Senator Xenophon say a number of times—and I agree with his statement—that it is much better to have a fence at the top of a cliff than an ambulance at the bottom.

So we certainly are all in favour of prevention and we would like to see that start at school. Kids get taught about sex at school; they get taught about drugs at school; they get taught about alcohol at school; but there does not really seem to be a gambling program at school that can educate young people before they reach that at-risk age—before they begin gambling—so that they do not overestimate their chances of success, they know the facts, they know the statistics and they are essentially informed adults when they reach 18 years of age. That is certainly one area we want to focus on.

The second area is help. If people do slip through that prevention net, we want to focus on help. We have self-exclusion programs that have been very successful. We also have G-line, gambling line, programs. They do follow-up surveys and after three months or so 92 per cent of people that have been through the counselling acknowledge that they are better able to handle their gambling. The problem that we have is that we do not get every problem gambler into counselling, so I think we really need to target our efforts into reaching those people who do need help—if they slipped through the prevention net in the first place.

The last thing we are looking at now is some family protection legislation, similar to what was introduced in South Australia sometime ago. We certainly believe that the loved ones of a problem gambler should be able to intervene to help a gambler minimise any adverse impact on the problem gambler themselves or on the family. There is some South Australian legislation, the Problem Gambling Family Protection Orders scheme, where a spouse or partner who is affected would be able to make a complaint to the relevant authority and the authority would be given powers to make orders to address that person's gambling behaviour that might include barring them from venues or requirements about the payment of their wages or the attendance of counselling. They are some areas that we think are productive and positive that we would certainly like to focus on.

CHAIR—And you have details of what you propose—

Mr Whelan—I will submit some detail to you.

Mr Healey—On the other area, the ATM issue, I do not think people are aware that ATMs in our venues now can only access cheque or savings accounts. Removing ATMs will not prevent people from going down the street and accessing their credit accounts or sitting at home and gambling online.

Senator BOYCE—I just want to clarify: 95 per cent of people who come to hotels use the ATMs. Is that what you said?

Mr Healey—I picked that figure out of the air, but our evidence is that, because 60 to 65 per cent of our expenditure is on alcohol and food, between 80 and 90 per cent of people who use them actually go in and take money out for drinks—

Senator BOYCE—I am still not clear—80 to 90 per cent of the people who use—

Mr Healey—We are looking to do some research on that.

Senator SIEWERT—You do not have any research to base that on to present us?

Mr Healey—We do have some preliminary research that the ATM providers will tell you. The ATM I think got—

CHAIR—Mr Healey, Senator Xenophon has a question.

Senator XENOPHON—Mr Healey said 'our evidence'. Can you please table that evidence for the committee.

Mr Healey—All right. The other point I am making is that there is a view that perhaps the answer is not necessarily in terms of the ATM facility; it is really a cap on the actual person's account—because you might not be able to take money out of an ATM, but you can access it in other ways. There is the provision for a person to restrict the withdrawals they can make out of their bank account. We would think that the holders of those facilities, the banks, have a role to play here, because at the end of the day an ATM is just an entry into a person's account. But I am happy to table the research we have seen. In fact, I think our submission includes that.

CHAIR—You have the figures, but the backing research that there is no indication—

Mr Healey—I would think that is sufficient. If you require more I am happy to do that.

CHAIR—Mr Whelan, Mr Healey and senators, I do apologise that the time available is not long enough. Anyone who has questions can put them on notice. I have one question for the industry. Yesterday we heard considerable evidence, which no doubt you will read, about the lack of sharing of information and the difficulty of having effective independent research into this whole area, which leads to the kind of debate that has gone on today. Regarding the exchange of information in terms of what actually happens with machines and in industry and the basis on which these figures are made, is there the possibility of a commitment from industry that that can be openly shared?

Mr Healey—We have put to the government the establishment of an industry advisory group—

CHAIR—Yes, I saw that in your submission.

Mr Healey—similar to what exists in Queensland at the moment, which we understand is an effective forum in which the various parties can have discussion. After the Ministerial Council on Gambling meeting the other day, we are comfortable that there is a commitment to maintain Gambling Research Australia and we would like as an industry to be part of that equation. We think that our perspective of how we play a part in this area has changed over the last decade. Similar to other areas, if we are not part of the solution, we are part of the problem. So we are looking for that. We are keen to have an objective, up-to-date source of information

from which we can work. The problem I have found—as someone who has only been in this area for three years—is that the research tends to be very targeted and polarised. What tends to happen is that people have a view and the research reinforces that view.

CHAIR—It is not limited to this industry.

Mr Healey—No; I am aware of that, but it is probably more telling—

CHAIR—What we would like to have—and it could well be that we have to ask further—is some indication of what evidence will be exchanged. When you look at the evidence from yesterday, there were a number of statements about what was available for consideration—what evidence and analysis were shared—and there was a feeling that it was not adequate and that only parts of the picture were being given to the public. Some of that will come down to people looking at commercial entitlements but, if we are going to get to the bottom of the process with the figures, we have to know what is going on. So could you have a look at that and see what the response from your members would be to that. We will be asking similar questions of the clubs and also to the regulatory industries.

Mr Healey—As I said, we made a commitment to an evidence based policy. In relation to my comments on ATMs, there is a section in our submission on Senator Fielding's second bill on pages seven and eight which relates to an analysis of ATMs. If you would like more than that, I am happy to go back and find more evidence. If I cannot find it, I will have to correct the *Hansard*.

Senator XENOPHON—I would like to put a question on notice. In terms of the various intervention schemes that hotels have around the country, could you give us information as to how much money has gone into those schemes, the number of interventions, how you say it has been effective in terms of people being taken away or barred from venues as a result of that and the basis on which you say that problem-gambling rates have been reduced as a result of those programs. That is on notice.

Mr Healey—Can I just clarify a point. We have asked the Productivity Commission, as one of the terms of reference, to look at harm minimisation—the very things that you have mentioned. I wonder whether you would be happy to wait for the Productivity Commission to do that, given the resources at our disposal, or whether you need that now. It takes a lot of time to find that information.

Senator SIEWERT—The point here is that you are making statements, and we would like to know what evidence you have on which to base those statements.

Mr Healey—In terms of the investment—

Senator SIEWERT—You are making statements that your harm minimisation strategies have resulted in a decrease in problem gamblers. I appreciate what you are saying about the Productivity Commission proving that, but you are making very clear statements, and we would like to know on what basis you are making those.

Mr Healey—If we provided you with figures on the number of people that our interventions dealt with around the country and whether those people were no longer problem gamblers, would that satisfy your requirements?

CHAIR—We will take the information you can give us, we will review it, Senator Xenophon will see whether it meets his needs and we will get back to you.

Mr Healey—I can just give you a few statistics on that right now if you want—

CHAIR—Can we put that on notice, Mr Whelan. When we start reading out statistics, I cannot consume those figures. When they are coming through in front of me, at least we can debate.

Mr Whelan—Certainly.

Senator FURNER—In delivering that information—because we have heard a lot about this issue of identifying problem gamblers—could you please also provide information about how you define a problem gambler.

Mr Healey—Certainly.

CHAIR—It is a threshold question we are trying to identify: from your industry's perspective, when you are doing this research what do you deem to be the group that you are researching?

Mr Healey—Can I just finish the \$230 million figure—

CHAIR—You are coming close, Mr Healey.

Mr Healey—The \$230 million figure we are talking about in terms of responsible gambling and harm minimisation strategies comes out of the Ministerial Council on Gambling communique.

CHAIR—Right.

Mr Healey—So that is not our figure.

CHAIR—The statement from two weeks ago?

Mr Healey—Yes.

CHAIR—Thank you very much.

Mr Healey—Thank you for your time.

CHAIR—We know it will continue.

[9.55 am]

BALL, Mr Anthony, Executive Manager, Policy and Government, Clubs Australia

COSTELLO, Mr David, Executive Director, Clubs Australia

CHAIR—Welcome. I know you have information on parliamentary privilege and the protection of witnesses in evidence. We have received your submissions; thank you very much. If you would like to start with opening statements on the basis that the longer the opening statement goes the less time there is for questions. You can see the level of interest there is.

Mr Costello—Thank you for the opportunity to present to this committee. We have certainly provided two responses to this committee on Senator Fielding's bills, but we have not had the opportunity to provide a submission on Senator Xenophon's bills. We will do that in a very short period of time, but I will make a common as part of my opening address.

I would like to thank the committee for the opportunity to speak today about the impact of these three bills on the club movement in Australia. I am the Executive Director of Clubs Australia and the Chief Executive Officer of Clubs New South Wales. They are the industry associations representing some 4,000 licensed and registered clubs and some 10 million memberships in every state and territory of Australia.

I would like to begin by stating that the club movement is united in its total opposition to these bills. They are based on wrong information. The process for dealing with the issues is completely irresponsible and the impact would be disastrous. These bills ignore the successful work already done by state governments and the industry which have reduced problem gambling by around 50 per cent in the last 10 years, and I am happy to expand on that. The bills ignore the positive steps taken by the current federal government. These steps include the reformation of the Ministerial Council on Gambling and an updated study of all gambling by their Productivity Commission to be done later this year and in the early part of next year.

Clubs Australia congratulates the government on its initiative in this area. We are glad that the government and opposition do not expect the industry to adopt a suck-it-and-see approach which would wipe out the jobs of around 70,000 Australians, just one of the impacts of the bills tabled by Senators Fielding and Xenophon. It is a lot of families from all over Australia who would be without an income.

The bills before this committee are based on misrepresentation of the facts. Senator Fielding claimed in his second reading speech that around 52 per cent of problem gamblers had borrowed money and not paid it back. The 1999 Productivity Commission inquiry found the figure was 20 per cent, not 52 per cent. Senator Fielding also claimed that 36 per cent of problem gamblers had sold property to raise money to bet. The Productivity Commission found the figure was 10 per cent. Perhaps most misleading are Senator Fielding's and Senator Xenophon's claims at times, also often quoted by others, that one in seven, or two million Australians, are affected by the behaviour of a problem gambler. It is important to note that this figure was based on a survey which asked councillors how many people they estimated had some adverse effects from a problem gambler. The Productivity Commission also noted that it was an estimate. Clubs Australia unfortunately has to deal every day with this type of false and misleading use of statistics. That is why we support and evidence based approach.

Now I will respond to that rationale behind the bills that gambling is a social evil that is out of control. Clubs in some states have operated poker machines since 1956. They are a legitimate and an extremely popular form of entertainment for millions of Australians. We know this because clubs are community organisations build on membership. Around Australia, some 10 million memberships exist in clubs and that number is growing. Australians like to gamble. If it is not on poker machines it will be on other forms of gambling, including wagering, casino table games such as roulette and blackjack, sports betting or at home unsupervised on the internet, where substantial inducements are offered to people to entice them to gamble. We hear nothing of that.

State government studies over the past 10 years have found that the proportion of problem gambling has reduced by 50 per cent while revenue has increased. In other words, more people are gambling and a smaller proportion of the population are problem gamblers. Poker machine gambling is entertaining, it is popular and it is better managed by clubs now than ever before. Clubs Australia believe that the bills before this committee are about reducing poker machine gambling, not reducing problem gambling at all.

The Poker Machine Harm Reduction Tax (Administration) Bill would end the major source of revenue for thousands of clubs across the nation. The Poker Machine Harm Minimisation Bill would have a similar effect by making the operation of machines financially unviable and such poor entertainment that nobody would play them. All the evidence shows that prohibition does not work. Making poker machines financially unviable for clubs or removing the entertainment value from them will lead to an increase in less regulated forms of gambling, and that has to be considered. Internet gambling, where there are no staff with training in the responsible conduct of gambling, where there is no social interaction, no tax revenue and no community benefit, will be the ironic beneficiary of these bills.

Clubs are unique to Australia. They are not-for-profit organisations, built by people with common interests and open to the public to apply for membership. Clubs have 65,000 volunteers—people who believe in their club and freely give their time to that club. They are the meeting place for local communities, the home of the returned service men and women to remember their fallen comrades, and they provide a place of affordable entertainment and socialising for our ageing people. For nearly 60 years now, clubs have been earning revenue from poker machines and applying the proceeds to the public good. Unlike casinos or hotels, this revenue is invested back into local communities, providing services and facilities that private businesses will not, and in some cases governments cannot. We are unapologetic for wanting people to come into clubs, and if they choose to gamble, we would rather them spend their gambling money in clubs where the money does go back into the community than wind up in individuals' pockets as profits or dividends, which would be the outcome that would be produced if Senator Fielding's Poker Machine Harm Reduction Tax (Administration) Bill was passed.

Earlier this year, the New South Wales Independent Pricing and Regulatory Tribunal found that clubs in New South Wales make an annual social contribution of at least \$811 million a year. Nationally this figure would be at least \$1.2 billion a year. In New South Wales alone clubs provide a wide range of sporting amenities including but not limited to 1,547 bowling greens, 366 golf courses, 81 gymnasiums, 66 swimming pools and 165 sporting fields—that is at least \$2 billion in community infrastructure that is maintained each year. The clubs borrow against revenue to buy new land, build new facilities and maintain those existing sporting facilities. By legislating to ban poker machines and reducing the revenue that clubs earn from them, clubs will be unable to meet their liabilities, and these invaluable assets will be lost from the community forever. What does this mean for the people of the ACT; or Queensland, with their surf life saving clubs; our returned servicemen and women across Australia; the game of rugby league in New South Wales; AFL in Victoria and other places in Australia; and meeting places all over the nation? The bills before the committee will not work because they are based on misinformation and have nothing to do with reducing problem gambling.

I would like to turn very quickly to the issue of automatic teller machines, which are dealt with by both Senator Fielding's and Senator Xenophon's bills, but in different ways. Let's be clear where Senator Xenophon is coming from. He has commented publicly that he wants to shut down pubs and clubs for good. This is not the stance of someone—

Senator XENOPHON—That is not true.

CHAIR—Senator, you will have your chance to respond at the end of the statement.

Mr Costello—That is not the stance of someone who cares about what the latest evidence shows, who cares about the entertainment choices of millions of Australians or who cares about a not-for-profit club movement that for decades has provided a massive contribution to Australia's social fabric and its economy. Clubs are cash businesses. They sell drinks and they sell meals and people do like to gamble. If a member does not have cash, if they forget to bring money with them, under Senator Xenophon's plan they would have to do an EFTPOS transaction if they wanted a cup of coffee. If they wanted something else to eat, they would have to do another EFTPOS transaction.

A club like Penrith Panthers, one of the largest in the nation, has 40,000 members coming through that venue every single week—40,000 people. How are clubs supposed to provide EFTPOS facilities in a timely manner for that many people? There have been a number of studies specifically into this issue and all of them have found that the link between removing ATMs and reducing problem gambling is intangible. Problem gamblers will get money before they go to the club. This year's Tasmanian socio-economic impact study into gambling says, 'ATMs are not available in hotels or clubs in Tasmania so it appears that people may be using ATMs very close to venues before they begin gambling'—something that is quite often overlooked. 'Twenty-five cent of Australia's 25,000 ATMs are in a club or a hotel.'

Respondents to an ACT government study said club ATMs were safer than withdrawing money on the street, conveniently placed and did not require them to walk the street at night with cash in hand. Removing ATMs will not work to reduce problem gambling but will severely affect recreational gamblers and non-gamblers in clubs. In conclusion, Clubs Australia has provided a six-point plan to further reduce problem gambling, using evidence from around the world about what is effective and building upon more than a decade of collaborative efforts with state and territory governments. But we cannot accept the devastating impact on the club movement that is presented by these bills. I am happy to answer your questions.

Senator XENOPHON—Mr Costello, you say that a number of studies show that the results of not having ATMs in venues is intangible. Can you provide us with those studies, in due course?

Mr Costello—Yes, I can. There was a study done by the federal government a few years ago—by the department of community services. I will table extracts from it for you. I am sure you have seen it. There was research done by the ACT government a number of years ago. I will allow you to have a look at that as well. Also, most recently, as you would be aware, the Tasmanian socio-economic impact study made reference to the fact that people will get money from outside venues before they go there. I am yet to see—and I hope that you can provide it to me—research that shows that it will make a tangible difference.

Senator XENOPHON—The losses in Tasmania per machine and per capita seem to be significantly lower than other states, even allowing for demographic factors. Would you concede that the lack of ATM access has made a difference in terms of overall gambling losses in that state?

Mr Costello—The Tasmanian industry is relatively young, I would say, compared to other parts of Australia but the fact remains that the argument about simply removing ATMs from venues—be they pubs, clubs or casinos—does not stand up. People will still go and get their cash to play gaming with from other sources, be they ATMs outside of a venue or somewhere else before they go to the venue. You cannot dispute that fact.

Senator XENOPHON—Mr Costello, what do you make of the Productivity Commission's finding, back in 1999, that something like 58 per cent of those with SOGS 10+—in other words, at the severe end of the problem gambling spectrum—often or always would use an ATM when gambling, compared to non-problem gamblers, where it was a very small minority. There was almost an inverse relationship. Do you acknowledge that that is a reality?

Mr Costello—The figures stated by the Productivity Commission, as you said, are nearly 10 years old now. They still hold up today until such time as another Productivity Commission inquiry is undertaken. What has not been spoken about—and it is obviously not conceded here by some—is that there has been a major change in the area of problem gambling in Australia. There is some dispute about whether SOGS 5 or CPGI should be the preferred method of assessing the level of problem gambling, but I can assure you that right around Australia, including in your own state of South Australia, we have seen significant improvements in the incidence of problem gambling, at a time when revenue has increased significantly and there are more people gambling. The population has grown. It is time that there was proper recognition of the fact that problem gambling has decreased by nearly 50 per cent in some cases at a time when revenue is increasing.

Senator XENOPHON—There are researchers such as Dr Charles Livingstone and others who say that if you take into account the CPGI index—and there are various scales of that—and the old SOGS index, the differences are statistically insignificant in terms of the levels of problem gambling. Are you aware that there are a number of researchers who are saying that?

Mr Costello—I am aware that those two gentlemen have been saying that, quite regularly, but I think the facts stand up for themselves. Senator, can I go to your state of South Australia. In 1999 under SOGS 5 the issue of problem gambling in South Australia was 2.45 per cent of the adult population. In 2001 under SOGS 5 that had reduced to 1.9 per cent. That was under the same measurement tool. The most recent study, in 2005, showed 0.4 per cent under CPGI 8+, which is regarded even by GRA as the most suitable measure of problem gambling. I freely concede—

Senator XENOPHON—Is that—

Mr Costello—Can I finish my answer, please. I freely concede that there are different approaches in both SOGS 5 and CPGI. CPGI has been adopted almost around the world now as the most accurate measurement of problem gambling, more particularly at the extreme level, and even GRA have adopted it. In Queensland I may point out that in 1999 the incidence of problem gambling was 1.88 per cent under SOGS 5. In 2001, when they moved to CPGI, that figure showed 0.83 per cent. They did another study in 2003-04 that showed 0.55

per cent—so it had dropped considerably. And in 2006-07 another study showed 0.47 per cent, once again under CPGI 8+.

The Queensland study is significant compared with the Productivity Commission study for a couple of reasons. The Productivity Commission study was called for in 1997, the research was done in 1998 and the report was delivered in 1999—so it was based on 1997 figures, which are more than 10 years old now. The sample size for the Productivity Commission review was 1,000 people. The sample size of the Queensland study was 30,000 people and the sample size of the New South Wales study was 6,000 people. So those are very substantial studies, building on the good work of the Productivity Commission. So I freely recognise that CPGI is different. People who are much more experienced and intelligent than I am recognise that CPGI is the preferred method of assessing the level of people who have a gambling problem.

Senator XENOPHON—You would not have a problem, though, if this committee and indeed the Productivity Commission had a good, robust look at the differences between the two and how they can be compared?

Mr Costello—I would anticipate that the Productivity Commission, when they commenced their work, would agree that there needs to be a constant measurement across all states and that it should be done more regularly than it has been—in many cases states have left it three or four years between studies, and I think it needs to be done far more regularly than that—for everybody to be better informed about this issue. That is really one of the big issues here in Australia: there is so much misinformation, so much twisting of the facts and positions are taken by certain individual and industries. We need to have consistent information. We need to have information that is readily available to everybody in parliament and industry and an opportunity to move on with that. That is certainly one of the recommendations we have made to the Rudd government—better use of information. We have asked the federal government to take a leadership position on this particular issue. That way we will eliminate a lot of the he-said she-said discussions around these sorts of issues. We need to have consistent information.

Senator XENOPHON—The Productivity Commission made a finding that 42.3 per cent of gaming losses were derived from problem gamblers. There were the Tattersall's documents that fell off the back of a truck, which showed that 57 per cent of revenue came from 15 per cent of regular gamblers of \$100 or more. And there were other studies. So there are figures between 40 and 57 per cent. What figure do you say is derived from problem gamblers on pokers machines, even on the CPGI 3+ index?

Mr Costello—I do not have an accurate understanding of what the real figure is, but we do need to know. I will say this, though. I have done regular interviews with yourself and other people who have opinions on this particular issue and I have chased three separate figures over one week, with people speculating what the figure is. I recognise what the Productivity Commission said but I also recognise that back then we had smaller sample sizes. We will have much bigger sample sizes this time around. Revenue has increased, as I have already said. You cannot dispute that the incidence of problem gambling has significantly reduced. I would imagine that the 42c you are quoting that the Productivity Commission stated would face some downward pressure. But we all need to know that figure. I do not know that figure.

CHAIR—Senator Xenophon, do you wish to respond to the statement that you made that you were interacting with—

Senator XENOPHON—For the record, I have always said that I want to see poker machines removed. I did not say I want to see pubs and clubs close down, so I think it is unfair for you to say that, Mr Costello.

Mr Costello—Perhaps you should revisit the speech you made to the Australasian Gaming Expo.

CHAIR—We have that on record.

Senator FIELDING—Some of my issues were covered. At what point do you weigh up the social good versus the social cost? Obviously in your papers you are outlining from your perspective the social benefits that the machines have for the community. You have made it quite clear that pokies revenue is really, absolutely, totally pivotal to the survival of your clubs. Would that be right? It really is; you have put it forward from there.

Mr Costello—Yes, and we have put that in the submission as well.

Senator FIELDING—You are obviously quite happy to play up the social benefits to the hilt, but when do you actually weigh up the social cost?

Mr Costello—Sorry, what was that?

Senator FIELDING—I have just said that you have outlined quite clearly the social benefits that are provided by having those pokies revenues come through. When do you weigh up the social costs of that benefit? When do you say, basically, ‘We have all these benefits,’ and not focus too much on the social costs?

Proceedings suspended from 10.16 am to 10.18 am

CHAIR—We now have power returned. Senator Fielding, I ask you to start the question again just to make sure that we are right. If you could start your question again, that would be useful.

Senator FIELDING—Thank you, Chair. As I was caught halfway through, you have advance notice of the question there. Obviously, as I was saying before, the revenue from the poker machines is pivotal to supporting the clubs. The issue there is that you also go through the social good that these clubs are providing. I think they are providing some of those services, but when do you weigh up the cost to the community? We heard in the inquiry yesterday in Victoria about the revenue to the state government from pokies, which is enormous in itself—\$1.6 billion—and it was also presented that the social costs of mopping up after the problem gamblers and the issues that are flowing on from that are put at about \$2 billion. When do you look at the social good and not really worry about the negative impacts on society?

Mr Costello—Can I just correct your last statement: we do worry about the social implications. But, to fully answer your question: every day we enter the court of public opinion. The fact that we have some 10-odd million members of clubs in Australia is, I think, a pretty clear indication that people like clubs and they like what they stand for in the community.

There are, on the record, though, far more pronounced results showing the social good. You will recall that in the 1999 report of the Productivity Commission's inquiry into Australia's gambling industries, they made a reference to the balance of social harm versus social good—they had a pretty wide range in there as well. But, more recently, in June this year, the Independent Pricing and Regulatory Tribunal of New South Wales, in looking into the future of the club industry, went on the record as saying that there is a social contribution of some \$811 million per annum. The Allen Consulting Group estimated that, in New South Wales alone, just a year or so before that, there was some \$1.2 billion—using a slightly different method of calculating that. So it is critical that the Productivity Commission look at that. That is a starting point.

As to the industry: I have been in this industry for 42 years. I love what I do and I am proud of what clubs do—there is absolutely no doubt about that. But we have to acknowledge that the good work done by the Productivity Commission and the state and territory governments since that period has made a difference to the incidence of problem gambling. There is more to do; you cannot hide from that fact. This industry does not attempt to hide from that fact. And it is critical that senators and the whole of the parliament and the community, working together with the Productivity Commission, lay down a pretty clear understanding of what the state of gambling is in Australia, and make decisions about what is the best way to proceed. But I want to reiterate: we do weigh up the social harm versus the social good. We do not ignore the harm that can occur if people gamble to excess.

Senator FIELDING—What was your personal response back when the Productivity Commission came out last time and said that 42 per cent of the revenue was from problem gamblers. What did you feel or what did you sense with that figure?

Mr Costello—Way back then, I did not believe that figure. I had had long enough in this industry to form my opinions about a range of things. We certainly did not have the opportunity to research that particular issue. But it needs to be tested. Small samples can sometimes introduce biases into research work. I am sure the Productivity Commission will use a much bigger sample size this time around, and it will be interesting to match up that research with the fact that problem gambling has reduced and revenue has increased at the same time. Also, we have more forms of gambling in Australia now—sports betting and internet gambling in particular have made major advances since the Productivity Commission inquired back in 1997, 1998 and 1999.

Senator FIELDING—Is it not just generally the case that what someone believes works their way out in actions? Would it not be true to say that Clubs Australia believed that figure was not true and therefore was doing very little to even address the issues?

Mr Costello—No—not true, again. This industry, right around Australia, has done a lot of work with governments over that period of time. If you have a close look at what each state and territory has done in the period since the Productivity Commission, you will see that the governments have reacted to the Productivity Commission's recommendations, and you will find that the club industry has reacted very well and has worked with governments during that period. Here in New South Wales alone we have introduced the Club Safe responsible gambling program. There are over 1,050 clubs involved in that, providing training, counselling and a better understanding of these issues. There is more that can be done and more that will be done, but it

has to be done on a cooperative basis, based on accurate facts and a genuine attempt to try and help problem gamblers—not to change the course of life with gambling generally, but to work on a more targeted approach with problem gamblers. Simply trading on inaccurate figures and the emotion of this issue is going to solve nothing.

Senator FIELDING—If I can—

CHAIR—Is your question on that same issue?

Senator FIELDING—please, Chair, I want to pick up on a point you have just raised there, Mr Costello. In 1999, the Productivity Commission—the independent umpire—gave figures. You dispute their figures. Roll forward to 2008: the Productivity Commission gives figures; you dispute the figures again. Frankly, I find it really hard to understand how you can sit there and say, ‘We dispute that figure.’ No wonder you are not doing—

Mr Costello—I would love to answer that. The Productivity Commission in 1997, 1998 and 1999 took the first ever nationwide look at gambling, and many of the figures quoted there surprised the industry—there is no doubt about that. Many of those figures also surprised those that could be regarded as antigambling as well. It was the benchmark that we all learned from. If you look back over the last four or five months, well before COAG decided to recommend to the government that we have the Productivity Commission look at this, it was Clubs Australia that was recommending to the Rudd government that we have a Productivity Commission inquiry. We have followed every state and territory’s recommendations—there is no doubt about it. If we disagree, we will do that in a very objective way, but please bear in mind that we were actually calling for a Productivity Commission inquiry long before perhaps even some people in this room bared their views on it. I do not think you were too supportive of the Productivity Commission inquiry.

Senator FIELDING—How did you respond to—

CHAIR—Senator Fielding, we are going to give Mr Ball his chance to respond. Mr Ball, you were trying to make a comment.

Mr Ball—Thanks, Chair. To suggest that the industry and governments at the state level were not spurred into action by the Productivity Commission report is to misrepresent what has happened. In New South Wales and to differing degrees around the country you now have bans on advertising, you have machine caps—global and venue—and you have machine shutdowns. You have mandatory counselling services and you have mandatory provision of information and a whole range of things that we believe have seen the prevalence at least fall. So, Senator Fielding, I think that we are not resting on our laurels but certainly can look back and say, ‘Yes, we have actually done quite a bit and we have done our bit.’

Senator FIELDING—What was your reaction to the Prime Minister’s comments about poker machines? He knows he does not like them. I may not have the right quote here—I certainly do not want to verbal the Prime Minister—but basically the Prime Minister was saying he does not like poker machines. He knows the damage that they are doing to Australians, Australian families or maybe working families. What do you say to that?

Mr Costello—I think as the leader of our nation he is entitled to make those comments. Certainly I know that he is a person who will look at the facts, and that is what the Productivity Commission will deliver.

Senator SIEWERT—Before I ask my other question, I would like to clarify. You say the percentages of people with problem gambling have gone down—and I know we are arguing about which process you use to measure that—and you say the revenue has gone up. Has the number of people gambling gone up?

Mr Costello—I would suggest yes.

Senator SIEWERT—So, even though the percentage of problem gamblers, according to your statistics, has gone down, if the number of people has gone up we still have a large pool of people that are problem gambling. I am a bit fed up with gambling statistics, and I must admit I agree with Senator Fielding—I would like to know how many rather than percentages, because percentages can be confusing. But, for example, in South Australia we were told yesterday there are about 23,000 people with gambling problems or an issue with gambling.

Mr Costello—I agree with you that we all need to know the accurate numbers and regularly review those figures as well, not 10 years apart either. We should have Productivity Commission inquiries far more regularly than that. It would need to be done on an annual basis—or not an annual basis but a regular basis. Very simply, if revenue is increasing, there are more people gambling. There is no doubt about it, in many

different forms of gambling. I mentioned earlier sports gambling and internet gambling. But the incidence of problem gambling is going down. So there is more gambling, more revenue, but the incidence of problem gambling per head of adult population is going down. That is indisputable.

Senator SIEWERT—In hard numbers, how many people do you have statistics for that are actually problem gambling or are at risk? We heard yesterday that it is not as simple as ‘you are a problem gambler or you are not’. People go from being at risk into problem gambling and cycle. It is a bit of a cyclical process.

Mr Costello—The figures that I quoted to you this morning are those for serious problem gamblers. I agree that there are levels, but we need to have a starting point that we can all agree upon. So the figures I quoted are those with regard to serious gambling problems.

Mr Ball—But people do not necessarily cycle into problem gambling from being at risk. It is just a measure of the degree to which they gamble within their means, so it is not a natural progression from being at risk to being a problem gambler.

Senator SIEWERT—I appreciate that, but we were given evidence by academics yesterday about the way problem gamblers can be at risk and move into problem gambling—or they can move from being problem gamblers to being at risk et cetera.

Mr Costello—By some people’s definition, I am a problem gambler: I invest some money each week in Lotto. By some calculations that makes me a problem gambler.

Senator SIEWERT—With all due respect, I do not want to trivialise the issue—

Mr Costello—I am not trivialising the issue. I am—

Senator SIEWERT—There is still too high a number of people who are problem gamblers. If in South Australia the figures are 23,000, that is way too high.

Mr Costello—I agree.

Senator SIEWERT—The next issue that was brought up yesterday was the multiplier effect that has in the community in terms of the number of people, kids et cetera, that are affected. Do you do any work on that?

Mr Costello—No, we have not.

Senator SIEWERT—Okay. One of the bills, I think it is the harm minimisation bill—and we heard evidence about this yesterday—proposes the use of smartcard technology or UBS technology. What are your comments on using that form of technology so that people could have more control over their gambling by putting limits on what they can spend on the card? There are proposals that it would be across all clubs and all EGMs. What are your thoughts on that? You listed a number of concerns in your submission; could you articulate why you are concerned and what those concerns are?

Mr Costello—We are talking about a pre-commitment mechanism using a smartcard?

Senator SIEWERT—Yes.

Mr Costello—We have a number of concerns. The first one is that there has only been one study, which is still ongoing, and I understand that it is in Nova Scotia in Canada. Such a system has never been trialled in Australia before and to our knowledge it has not been trialled anywhere else in the world. The South Australian government looked at the Nova Scotia study through their working party and I do not think even they could agree on the benefits of such a tool. I think even the recommendations of that working party said that precommitment in South Australia should follow education, not provide an electronic mechanism to do that.

We have looked seriously at this particular issue. We certainly know that the cost is enormous. The cost per machine, to upgrade right cross Australia, is about \$25,000, as I understand it. That would impose a \$5 billion cost on the industry to upgrade the technology, and I am sure that others who follow me today will talk about that sort of issue as well.

I mentioned in my opening address that we do not agree with a suck it and see approach: ‘Let’s spend \$5 billion and see if it works.’ In the early days, following a Productivity Commission report, we saw some governments head down that path, saying, ‘Let’s introduce harm minimisation measures and see how they go.’ It is far different these days. Governments right across Australia use evidence to do that sort of thing. We are simply saying that there is no evidence to support the introduction of such an expensive tool. Five billion dollars for an industry—and in a very short period of time, I would imagine, to actually introduce it—is a substantial amount of money at a time when the industry generally, particularly in New South Wales, is in

significant decline. By all means, I think there are a number of research projects under way at this particular time—

Senator SIEWERT—Sorry, can I just ask: the industry is in decline in New South Wales? I thought you said gambling revenue was going up.

Mr Costello—Over the last 10 years, in New South Wales alone, some 260 clubs have either closed or amalgamated. In the last 12 months, some 26 have closed or amalgamated. We anticipate that, on the back of higher taxes—and I would just like to make a point in relation to Senator Fielding's tax bill. The New South Wales government, three years ago, increased our taxes by some 82 per cent on revenue. After negotiations, that went down to a 'paltry' 52 per cent increase. Our industry is still suffering on the back of that and, clearly, Senator Fielding's bill would decimate the industry in this state and all other states. So the industry in New South Wales is very much on the decline. Revenues in the last 12 months have dropped some 11 per cent; that is about a \$380 million reduction in revenue in New South Wales alone.

Senator SIEWERT—When you say 'industry'—

CHAIR—Just one more, Senator Siewert.

Senator SIEWERT—yes—are you talking about the gambling industry or clubs? You are here representing clubs, and, as I understand it, gambling is part of their revenue stream. So when you are talking about 'the industry', are you talking about the gambling industry or clubs?

Mr Costello—I am talking about the club industry.

Senator SIEWERT—When you say \$5 billion—this is a subset of the previous question, Chair—is that \$5 billion to Australian clubs or the whole of the gambling industry?

Mr Costello—If every gaming machine in Australia was forced to be updated or replaced to incorporate precommitment mechanisms, it would cost about \$2,500, and that would be \$5 billion for the whole of the gambling industry in Australia—for anybody with a poker machine. We have already an experience with that in New South Wales. We had a change in technology platforms a number of years ago, where the government introduced a more up-to-date and better piece of technology. It cost the industry about \$900 million to introduce the new technology. It took nearly seven years to introduce—such was the massive hit on the industry. So there are substantial costs in technology shifts—there is no doubt about it—and if anybody were to seriously consider such a technology move, then surely it has to be on the basis of a very comprehensive research project.

Senator XENOPHON—So it was \$5 billion. How did you get to that figure? Are there 200,000 machines?

Mr Costello—There are roughly 200,000 machines in Australia, and it costs about \$25,000 per unit.

Senator XENOPHON—So 200,000 by \$25,000 is \$5 billion—is that what you are saying?

Mr Costello—That is my understanding.

Senator ADAMS—I have a question on the South Sydney Rabbitohs. Are they members of Clubs Australia?

Mr Costello—Yes, they are. They are members of ClubsNSW.

Senator ADAMS—What has happened to the club's revenue since they removed their poker machines?

Mr Costello—Nothing, because that club has closed. It has been closed for more than 12 months. I recall that in Senator Fielding's first reading speech he offered praise to South Sydney, which had been operating without poker machines. The fact of the matter is the club has been closed. It had some problems. It is still not open. We anticipate it will open in the early part of next year. But only a matter of three weeks ago, the members of that club met to decide the future of operating gaming machines in that club and they decided, 101 to three, to continue to operate poker machines so that they can support their football side and do a lot of other things in the community as well. That club will open again early next year and it will open with some poker machines.

Mr Ball—It has never operated without poker machines.

Senator ADAMS—I am from Western Australia. On page 14 of your submission is a statement that you made about Western Australia:

... the experience of Western Australia, which does not have poker machines in clubs or hotels yet has a prevalence of problem gambling equivalent to other jurisdictions ...

Could you tell me where you got that evidence or could you supply it to the committee?

Mr Ball—The prevalence of problem gambling in Western Australia has, to our knowledge, only been measured by the Productivity Commission, and that was at 0.7 per cent. I guess the point is—

Senator ADAMS—In 1999.

Mr Ball—That is correct. But there is a level of problem gambling in Western Australia, where there are no machines outside the casino, and that is the point that we are making. In fact, IPART, in their New South Wales clubs report, recently said that, contrary to what the Productivity Commission found in 1999, accessibility to gambling and poker machines in particular does not actually lead to differentials in the rate of problem gambling. So the nexus between accessibility and problem gambling appears to have broken, if it ever existed.

Senator SIEWERT—Can you provide us with that information, because that is absolutely contrary to what we were told repeatedly yesterday.

Mr Ball—I will send you that.

Mr Costello—Could I also make the point that in New South Wales the incidence of problem gambling has gone down but, granted, it has changed from SOGS to CPGI at a time when the number of gaming machines in New South Wales was reduced by over 4,000. Under a government entitlement trading scheme, there are now 4,000 fewer machines in New South Wales than we had a number of years ago, but the incidence of problem gambling has declined.

Senator ADAMS—If we could have the evidence on Western Australia, that would be good.

Senator BOYCE—In your submission you talked a fair length about innovation in EGMs and what would happen without it. We have had a fair degree of evidence that suggests that innovation really is about improving the manipulation of gamblers rather than about perhaps putting in things that would be popular with the people who use the clubs. Could you talk a bit about the selection of EGMs and why the EGMs that are there are there?

Mr Costello—On the way in which gaming machines are developed, I note that you have Mr Ross Ferrar from GTA speaking a little later on this afternoon. It is probably better for him to answer that particular question.

Senator BOYCE—I guess what I am interested in is what input clubs have into the types of machines that they have.

Mr Costello—Very little. They have an opportunity to buy what the manufacturer has available at the moment for sale. Quite clearly, machines that people like to play are those machines that clubs will choose. On design, colours, sounds and those sorts of things, clubs have little if any influence in that area.

Senator FURNER—Mr Ball, you have been quoted in the press as saying that Clubs NSW has more than 100 pubs and clubs which already do not have poker machines.

Mr Ball—Yes.

Senator FURNER—If that is the case, how do they operate in comparison to the other clubs, which have a variety of machines and services to the community?

Mr Ball—I guess the first point to make is that clubs have what their members want. They are democratic institutions, and if their members say, 'We're not a club that wants to have poker machines', 'We want to sell beer at this price,' 'We want to be an exclusive gentlemen's club,' or 'We want to be a business club,' that is why that comes about. So there are clubs that have happily, for a long time, not had poker machines.

Senator FURNER—And they are surviving.

Mr Ball—They are surviving. That is what their members want. However, they are not the clubs that typically build and maintain our 1,500 or so bowling greens or our 330-odd golf courses. Those things are very expensive to run. Governments do not pay for it; clubs do. That is why we talk about gaming being so central to our operation there. So, Senator, you are right—there are clubs that do not have them and do not need them; their members do not want them.

CHAIR—What we are doing here is that the subcommittee is working out the maths, Mr Costello!

Senator XENOPHON—Mr Costello, help me out here. I am not a numbers man; that is why I am an independent!

CHAIR—That is why we are in Labor, though!

Senator XENOPHON—It costs \$2½ thousand per machine to fix it up and put the technology on. Multiply that by 200,000 machines. You reckon it is \$5 billion. Can you double check that. Help me out here.

Mr Ball—What do you think it is, Senator?

Senator XENOPHON—I thought it was \$500 million, but maybe I am totally wrong.

Mr Costello—It is in our submission as \$5 billion.

CHAIR—It is, yes. We are trying to work out the maths on the basis of the number of machines and the individual cost.

Mr Costello—I do not have a calculator with me. I am happy to check those numbers for you, Senator.

CHAIR—Can we get that checked, because it is an integral part. That number is really significant when it is in that process.

Mr Costello—Certainly.

CHAIR—Mr Costello and Mr Ball, thank you very much for your submissions and your evidence. I know that senators will have supplementary questions. The other thing, Mr Costello, is that I have just been reminded by Mr Humphries, the secretary, of something that I asked the Hotels Association and that I want to put on notice for you as well. In yesterday's hearing, we had evidence that researchers were finding it impossible to get open information from industry about exactly what was going on. We want to know what information your industry is prepared to provide to things like the ministerial advisory group. I know you will follow the evidence yesterday, but the researchers were saying exactly what they needed. If we could see whether that is available in open exchange, it would be very interesting. Thank you.

Proceedings suspended from 10.43 am to 10.59 am

BELL, Mr David Peter, Chief Executive Officer, Australian Bankers Association Inc.

TATE, Ms Diane, Director, Corporate and Consumer Policy, Australian Bankers Association Inc.

CHAIR—I welcome representatives from the Australian Bankers Association. I know you have been provided with information on parliamentary privilege and the protection of witnesses and evidence. You know that being the first witnesses after a break is often difficult, so I thank you for your patience. We have your submission, thank you very much for that. I now invite you to make some opening comments and then we will go to questions.

Mr Bell—Thank you. I would like to make some brief opening comments. Firstly, the ABA appreciates the opportunity to comment on the two bills and agree that it is sensible to consider them together. I will say upfront that we are not qualified to comment on the complex factors impacting problem gambling and will restrict our comments to the likely impact of the bills on the many customers of ATMs and EFTPOS facilities. By way of background, banks only have 57 ATMs in gaming venues across Australia, and that number is declining. Banks are, however, the main providers of the cards issued to customers to withdraw cash from ATMs and EFTPOS facilities. The vast majority of ATMs in gaming venues, some 6,000 or 99 per cent of the total, are operated by third-party ATM deployers.

Senator Fielding's bill proposes to impose regulation on banks and other financial institutions. Our interpretation of this is that it will mean that the proposed regulation would not apply to 99 per cent of ATMs in gambling venues. When we examined Senator Fielding's bill, it was not clear to us how cash restrictions will be implemented. Further, it must be understood it will take more than a simple flick of a switch to implement any changes to bank systems—for example, an intra-day limit that differs from the maximum daily withdrawal limit. With this in mind, we see that there are three potential outcomes being considered by the bills to restrict access to cash by problem gamblers: firstly, remove ATMs and restrict cash withdrawals from EFTPOS facilities, as proposed by Senator Xenophon's bill; secondly, impose a \$100 per day limit on cash facilities in gaming venues as proposed by the Senator Fielding by limiting withdrawal amounts on the customer's account; and thirdly, impose a \$100 per day limit on cash facilities in gaming venues, as also proposed by Senator Fielding's bill, by making the ATM deployer and the EFTPOS operator limit the withdrawal amount.

What will the impact be of these bills? Firstly, Senator Xenophon's bill will force banks to remove 57 ATMs. Bank customers will then have to find alternative ATMs. Secondly, Senator Fielding's bill, if implemented in a way that imposes further restrictions on the card issuers, will result in extensive system changes and technology compliance costs. This will lead to increases in foreign ATM fees, even under the new direct charging model, which commences in March of next year. It will also likely lead to the removal of EFTPOS facilities from gaming venues. Our cost estimate is as follows. For each of the estimated 200 domestic card issuers, the costs could be: firstly, \$2.2 million to \$2.9 million for initial software development; secondly, between \$600,000 and \$1.3 million for other technical developments, including network testing, bilateral testing, operational implementation, ATM and EFTPOS hardware and software upgrades, ongoing administration of new processing systems and ongoing support services; and thirdly, between \$1 million and \$6 million for communication costs to let customers and merchants know about the changes. This does not include the cost for a national campaign that the government would need to implement to make sure that people understand why these changes are being made and the implications for them to access their money. In total, the costs will range between \$3.8 million and \$10.2 million per card issuer, of which there are 200, which will mean costs of between \$760 million to \$2 billion across the banking and finance industry and other card issuers—costs which could of course potentially be passed on to customers. This does not include international card issuers.

The third outcome of Senator Fielding's bill, if it is implemented in a way that imposes the obligation on licensees of gaming venues and ATM deployers to limit withdrawals, is that it will result in technology compliance costs for ATM deployers. This is likely to lead to increases in ATM direct charges starting in March next year. The ABA does not believe any of these outcomes are desirable, so we recommend that the committee deal directly with problem gambling not indirectly through the banking industry and payment systems. We would also recommend that the committee gets evidence from the Reserve Bank and the Australian Payments Clearing Association—APCA. The Reserve Bank is the regulator of the payment systems and will presumably have strong views that these bills will impact on its ATM reforms, which come into effect

next year. APCA writes the rules of the operation of the payment system. We would also be interested in the affect of Senator Fielding's bill on the cost effectiveness and efficiency of the networks.

The ABA's broad concerns with further cash restrictions can be summarised as follows. Firstly, the imposition of further restrictions on access to cash in gaming venues will transfer costs from the sectors that benefit from gambling revenues to banks, other financial institutions and ultimately all their customers. Cash restrictions are a gambling industry and ATM deployer responsibility and not an issue for the banking industry and the payment system. The ABA understands that the ATM Industry Reference Group, appearing next, has provided submissions to the committee that state its members have technology available to develop a solution that will be implemented at the ATM level.

Secondly, the two bills have been proposed at the same time that COAG has firstly requested that the Productivity Commission update its 1999 research into gambling and secondly commenced investigation into identifying strategies to help individuals set their limits. We would recommend to the committee that COAG be allowed to finish its work and that consideration of these bills be suspended until this occurs. Further cash restrictions may do more harm, and other strategies would have a greater positive impact on stopping the instance of problem gambling. We are happy to take your questions.

CHAIR—Thank you, Mr Bell. Ms Tate, do you have anything to add?

Ms Tate—No.

Senator FIELDING—I would like to get a bit of background. Your statement says only a small and declining number of ATMs located in gambling venues are bank branded. Why is that? Why are they decreasing so much in those venues?

Mr Bell—I guess individual banks have taken a decision to gradually withdraw ATMs from those venues. They take individual decisions, weighing up a whole range of issues. But they are declining. It is 57, compared to the total of 6,000, and it is going down.

Senator FIELDING—Thank you for explaining that. You said that the banks have made the decisions. Do you know any reason why they have made those decisions?

Mr Bell—Again, I do not know particularly why they have made the decisions. They could be commercial decisions. Each ATM has to be a commercially viable entity, and it may be the case that those ATMs are not. Others may have taken the view that they do not want to put ATMs in gambling venues. I do not know why each bank has done what it has done.

Senator FIELDING—Are you able to find out, as you are the banking association? I am interested to know what has driven the decision not to put machines in gaming venues or to pull out of them.

Mr Bell—Sure; we will certainly ask that question.

CHAIR—To clarify: the difference is between the ones that are branded and belong to one of the major banks or institutions and those little, multiple-use ones? Is your evidence that, of those that are now in the facilities, the large majority are those multiple-use ATMs you see in a lot of shopping centres?

Mr Bell—Correct. I think there is a fleet of about 26,000 ATMs right across Australia, of which banks own half. A small number would be owned and operated by credit unions and building societies. The rest are owned by third-party ATM deployers, and they seem especially to be the ones who deploy ATMs into gaming venues.

Senator FIELDING—I highlighted that statement because I thought there might have been a social responsibility reason that they have all pulled out. I am not saying it is the case; I just—

Mr Bell—It may be the case. But each individual bank takes those decisions.

Senator FIELDING—Could you take that on notice?

Mr Bell—Yes, certainly.

Ms Tate—I can offer some anecdotal feedback. I have spoken to our members about some of their reasons, and it is a balancing act between commercial considerations, social and community considerations and the alternative services that are in the area.

Senator FIELDING—Are you aware that part of the Victorian government's decision—if I am correct—is to implement a maximum \$400 from ATMs within a 24-hour period?

Mr Bell—Yes.

Ms Tate—Yes, we are.

Senator FIELDING—Do you have the same comments about their restriction to \$400 as you have about \$100—as far as the costs?

Ms Tate—The legislation that was introduced by the Victorian government said that there was a clause where you remove it if you cannot restrict it. That means therefore that the deployer has an obligation to come up with a technological solution—or not.

Senator FIELDING—That could be a good amendment, actually. I wanted to tie that in, because the Victorian government has decided to put a limit. We can have the debate as to whether it is \$400 or \$100 till the cows come home, and I know the next witnesses have made that point.

Ms Tate—The ATM Industry Reference Group is right to say that the average transaction is around \$170. It is actually \$172, according to RBA data, as of June 2008. The average transaction has not been around \$100 for two decades. So the quantum is an issue.

Senator FIELDING—I have certainly taken on board—and I suppose the committee will—how the bill applies to non-bank or non-financial institutions. I have read the full paper, of course. You are basically against it, but if it were deemed important enough then you think the best solution would be at the ATM level—is that summary roughly right?

Mr Bell—Yes. We do not see that the best way to deal with this issue is through the banking industry and payment system. We think it should be dealt directly with the people who provide these gambling facilities—the machines. But if you had to pick a least worst option, it would be through the ATM deployers.

Senator FIELDING—Thank you.

Ms Tate—That actually deals with the ATM side of your bill; it does not deal with the EFTPOS side. EFTPOS is a far simpler network than the ATM network, and that is why we say that if there were regulations introduced that forced some technological solution on an EFTPOS machine, the machines would be withdrawn. So that is a significant impact on people's ability to be able to conduct payments in these venues. We talked about access to cash, but this would also include paying for restaurants and food and so forth. So we would say that the preferred of the least preferred is that you need to—

Senator SIEWERT—The least worst.

Ms Tate—be thinking about putting an obligation on the ATM deployer through the licensed venue for ATMs and introduce some protocol on the merchants, which in this case would be the licensee of the gaming venue, not to allow access to cash through EFTPOS. This is exactly what happens in other areas. There about 600,000 EFTPOS machines across Australia, so if you went and bought a pair of jeans from Just Jeans, they would not give you access to cash when you paid for it on your EFTPOS card. If you go to Woolworths and buy some groceries, they give you access to cash. So it is a merchant decision, and that is where that needs to lie. The third area is that we need to be very aware of the impact on remote, rural and regional Australia.

Senator XENOPHON—Ms Tate, it is not difficult to restrict cash withdrawals from EFTPOS facilities. That is commonly done now; it is a merchant by merchant decision.

Ms Tate—It cannot be done through technology as in, if you applied the obligation to the owners of the EFTPOS machine, probably about 80 per cent of which are banks, they would not be able to enable full access to EFTPOS to some machines and not others because the network is so simple. What you could do is provide a protocol to the operator of that EFTPOS machine, which is that the gaming industry is not allowed to allow access to cash in their venues.

Senator XENOPHON—It would be as simple as that really. It would be a protocol. It is not a technological solution as such.

Ms Tate—It is not a technological solution; you just introduce it on the operator.

Senator XENOPHON—Mr Bell, you said in your submission that third party ATM deployers are not supervised or regulated as banks and other financial institutions are. Do you think they ought to be?

Mr Bell—This has been a long-standing issue with the banking industry and it applies more broadly than just dealing with ATMs; it applies to a whole range of standards which apply to us as banks and that do not apply, for example, to other institutions which lend money. As a result of the fact that we are heavily and appropriately regulated by APRA, whereas other lenders may not be, we necessarily have higher standards, we think.

Senator XENOPHON—But there is no reason why they could not be regulated under Commonwealth law in terms of third party ATM operators. There is no legal impediment.

Ms Tate—At the moment the Banking Act applies to authorised deposit-taking institutions; it does not apply to companies that offer cash services or communication services to access cash. It is a facility to access cash, so the debate would be about whether you put that under regulation.

Mr Bell—ADIs, or authorised deposit-taking institutions, are banks, building societies and credit unions.

Senator XENOPHON—I understand. It is almost a loophole or a legislative gap at the moment.

Ms Tate—I would not categorise it necessarily as a loophole.

Senator XENOPHON—It is a gap.

Ms Tate—It needs to be characterised in the sense that it is a machine and they are providing access to your money.

Senator XENOPHON—Finally, in relation to the issue of ATMs not being at Tasmanian poker machine venues, do you have any feedback from your members about that?

Mr Bell—Did you say Tasmania?

Senator XENOPHON—In Tasmania ATMs are not available at poker machine venues in clubs and pubs; the casinos are an exception. Do you have any knowledge of how that is worked out or any feedback from your members?

Ms Tate—No.

Mr Bell—No.

Senator SIEWERT—Who applies the protocol? If you applied a protocol for not taking cash out with EFTPOS transactions, who would apply that protocol? Is it the industry?

Ms Tate—At the moment, allowing access to cash through the facility that you operate in your shop is the decision of the shop owner.

Senator SIEWERT—That is what I thought.

Ms Tate—Yes. So if you were to introduce a protocol then you would be asking the gaming industry and the licensees of the venues to ensure that they restricted access to cash—so, ‘We’re not going to allow our staff to allow access to cash through this EFTPOS facility.’

Senator SIEWERT—It is actually an industry decision rather than a government saying, ‘You shall do this.’ There is no legislative mechanism, is there?

Ms Tate—There is no existing legislative mechanism that means that merchants inside and outside the gaming industry are allowed to allow or not allow access to their cash.

Senator SIEWERT—Okay. So we would need—

CHAIR—Is there a cost to the merchant in offering that facility?

Ms Tate—There are costs that go between the providers and the operators of EFTPOS facilities, and we do not have those numbers.

Mr Bell—We can find out.

Ms Tate—But in terms of allowing access to cash it would seem pretty simple in that you say either yes or no.

Senator SIEWERT—Yes. So there could be a collective—

Mr Bell—There could be. If the merchant gets a service from the providing bank, yes, there would be a fee involved, and that would be in the bilateral arrangement between the merchant and the bank, or the provider.

Senator HUMPHRIES—You mentioned the costs associated with implementing the system in full and you mentioned a total figure of up to \$2 billion.

Mr Bell—Yes.

Senator HUMPHRIES—As you know, there are a number of measures that have been taken with respect to ATMs within clubs and licensed venues. What are the costs that have been associated with those developments? I understand, for example, that in New South Wales there is a \$100 per transaction limit

already on ATM withdrawals within licensed premises. What costs have been imposed on the industry by those measures, which are often on a state-by-state basis?

Mr Bell—I will let Diane answer that specifically, but, to be clear, those costs we gave you were for if you took a card-issuer solution—in other words, a solution as opposed to an ATM solution. A solution is the very, very expensive one.

Ms Tate—The reason why we have made a distinction between them is because the bill does not clarify how a restriction would be done. At the moment we have indicated that it cannot just be done by the flick of a switch. David has already provided comments around the substantial nature of the cost involved if you did it at the card-issuer level. The regulation that already exists in terms of access, which is a per-transaction limit, not per-day limit, can be done at the ATM level. The restriction on access to credit, which is a restriction, not actually a limit—there is no access to credit through credit cards from ATMs in gaming venues—has been done at the ATM level. I think it is best to speak to the ATM deployers about that.

Senator HUMPHRIES—Okay. The ATM deployers, which I assume are the group presented by the ATM Industry Reference Group, make reference to there being nearly 100 million transactions per annum. Your submission talks about there being 71 million ATM transactions per month. Are they talking about different things?

Ms Tate—It is quite possible. Our statistics are provided by the APCA, so those statistics would be across the entire network. That is APCA, the Australian Payments and Clearing Association.

Senator HUMPHRIES—Okay. Thank you.

CHAIR—Mr Bell, Ms Tate, thank you very much. If senators have further questions—we often find we have questions after we go back and read the *Hansard*—we will be in contact to clarify. Thank you for your time, your submission and your patience.

Ms Tate—Thank you.

Mr Bell—Thank you.

[11.19 am]

GLEN, Mr David Scott, Chair, ATM Industry Reference Group

STEWART, Mr Paul Anthony, Representative, ATM Industry Reference Group

CHAIR—I welcome our next witnesses, from the ATM Industry Reference Group. Thank you also for your patience; we are running slightly behind. I know that information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. We have your submission—thank you very much. As you would have heard, there are many issues that the senators are interested in. Would either or both of you like to make an opening statement? Then we will go to questions.

Mr Glen—If I may, I will just read an opening statement.

CHAIR—Certainly, Mr Glen.

Mr Glen—Firstly, on behalf of the ATM Industry Reference Group, I would like to express our appreciation for the opportunity to present to the committee today. The ATM Industry Reference Group is made up of the four largest independent ATM providers in Australia. I want to emphasise that we are not banks, nor are we part of the gaming industry; we are specialist ATM providers who own and operate nearly 99 per cent of ATMs in pubs and clubs. Our industry is made up of hardworking Australian families, including sales representatives, field service technicians, help desk operators, security guards, communications technicians and transport workers.

We do not want to see people destroyed by problem gambling, anymore than we want to lose our jobs. There is one reason and one reason alone why ATMs are located in Australian pubs and clubs: they are cash based businesses. This is because almost every transaction performed at these venues is relatively small and the most efficient method to settle small payments is cash, whether it is to buy a round of drinks or something to eat or to have a flutter on the TAB. EFTPOS is not an effective alternate payment channel or cash source in pubs and clubs. It is slow, labour intensive and requires exposing staff to larger volumes of cash, which adds to the risks in an industry which is already a key target of armed robbery.

This bill and Senator Xenophon's new bill directly affects us and our core business. Indeed, there can be no question that Senator Xenophon's bill has the real potential to not only substantially reduce our business but also devastate it. If successful Senator Xenophon's bill would require the removal of around 25 per cent of the nation's total ATM fleet. These ATMs account for nearly 100 million transactions annually. The heightened risk of violence is real. We believe that many card holders like using ATMs in hotels and clubs because they are safe. ATMs in pubs and clubs provide card holders with privacy, are well lit, have CCTV coverage and provide security staff to keep a watchful eye. Removing ATMs from pubs and clubs will not stop the need for cash; it will merely push tens of millions of card holders onto the streets to find another ATM.

Significant harm minimisation strategies have been introduced across most states relating to ATMs and access to accounts in pubs and clubs with gaming machines—many since the 1999 Productivity Commission report. Restrictions include no cash withdrawals from credit cards, maximum per transaction amounts and ATM placement away from gaming machines. Other strategies include on-screen warning messages about the risks of gaming. The ATM industry has been supportive of these measures.

Far from being part of the perceived problem, the ATM industry considers that we can assist in providing a much more targeted approach to deal with problem gambling without disadvantaging the vast majority of ATM users who simply want safe and convenient access to their funds. Members of the ATM Industry Reference Group have the technology available today to take an active role in helping limit access to funds in venues. We can establish daily withdrawal limits at each venue, as suggested by Senator Fielding's bill—although we consider the suggested daily limit of \$100 to be unreasonably low. We assume this area was researched by the Victorian government as part of their decision to implement a maximum \$400 withdrawal within a 24-hour period, which has been legislated for 2010. We would consider that to be a more reasonable limit. We can also use our technology to restrict problem gamblers who identify themselves and voluntarily decide to exclude themselves from a venue. These card numbers could be nominated and barred from operating at specific ATMs or in specified venues.

Again, we believe these options to be a more positive approach to dealing with the issue of problem gambling, without disadvantaging the vast majority of card holders who use ATMs in pubs and clubs for convenience and safety. Senators, the removal of ATMs may seem like a quick win but it is a simple response

to a very complex issue. We encourage you to better understand the key issues in order to develop sensible evidence based measures that will not disadvantage the vast majority of the community.

Senator FIELDING—I thought I would focus on Victoria just a bit further. I have mentioned it before. The Victorian government is also looking at banning ATMs within gaming venues from 2012. What are your thoughts on that?

Mr Glen—We originally had very long discussions with the government with a very consultative approach to look at the \$400 daily limits. Whether we could limit the amount of a withdrawal was a suggestion that they put to us—we did not put it to them—and we agreed we could. The idea of \$400 came from government and we agreed to that. I believe they actually put that into legislation, and then, with less consultation, they decided to then remove ATMs by 2012.

Mr Stewart—I think it is fair to say that the \$400 per day withdrawal cap was done in a very consultative manner via the hospitality industry and indirectly through them with the ATM industry. The decision to ban ATMs from 2012 or thereabouts was non-consultative.

Senator FIELDING—I am just trying to work out the arguments that you would or could, in the past or in the future, put forward to ban ATMs versus the imposition of a limit, whatever figure you set it at—we can go to that in a second. Can you describe to the committee your thoughts on the argument of banning ATMs versus setting a limit.

Mr Glen—We believe that an ATM in a pub or a club is used across that whole venue. We believe that, if there are certain issues with people using that ATM, let's deal with the people who have the issues using the ATM. Let's not inconvenience everyone. We believe that limits allow us to deal with those issues, whereas removal is not the best choice. In, I believe, 1999 Andre Haermeyer was the minister for police in Victoria. He criticised the banks for the fact that rolling out ATMs had been a great benefit to the banks but had put a large number of cardholders at risk. What we believe is that the government, by introducing their bill, will now push millions of people out onto the street as well to find an ATM or find cash at night to get a taxi home or simply be inconvenienced.

Senator FIELDING—The setting up of the \$400 within a 24-hour period obviously takes a bit of work to do, but you evidently looked at it and thought that it can be done without, pardon the pun, breaking the bank.

Mr Stewart—I think it was a business case type of decision that we worked our way through in conjunction with the industry in Victoria to determine that (a) it was achievable and (b) it was cost-effective within the time frames to enable that provision of ATM services to remain in pubs and clubs in Victoria. It is not an inexpensive process. We do not have a specific number that we have put on it at this point, but, as you have heard from the ABA, it is a cost that the banks at an issuer level were unable to bear. At an ATM deployer level, it is a solution that we can provide.

Senator FIELDING—Can I assume that you would be working on that \$400 limit now so that you can keep the machines there?

Mr Glen—We have to have it done to keep the machines in Victoria in 2010.

Senator FIELDING—But at this stage the plan is to actually meet that deadline so that you get the machines there.

Mr Glen—Absolutely, yes.

Senator FIELDING—So you are not just going to say, 'That's it, we're going to'—

Mr Glen—No.

Senator FIELDING—I thought I would just make sure of that.

Mr Stewart—The plan is to adhere to the Victorian legislation, which requires us to do that by January 2010.

Mr Glen—That has been the plan from the first opening discussions in Victoria about whether that was possible. We have done a lot of that research in the past. We are quite happy to do it.

Senator FIELDING—Once a limit of, say, \$400 was set up you could change that to \$300 or \$200? I am not saying you would want to change it, but you could?

Mr Glen—Yes.

Mr Stewart—There may be some added complexity in multiple limits across multiple jurisdictions, but we can certainly work towards that, yes.

Mr Glen—Whether it is \$400 or \$300—

Senator FIELDING—Having a national figure would save that problem, wouldn't it—from that point of view? Having different states on different—

Mr Stewart—Yes.

Senator XENOPHON—You said something earlier about it inconveniencing people if they did not have access to ATMs in pubs and clubs, that if they wanted to get a taxi—taxis take credit cards, don't they? You gave that as an example of the inconvenience.

Mr Glen—They take credit cards.

Senator XENOPHON—Yes. So I did not quite follow where you were going when you said that taxis—

Mr Glen—It is just a matter of choice. There is a surcharge when you use your credit card in a taxi.

Senator XENOPHON—I see.

Mr Glen—There are lots of reasons that I would rather not put my credit card through a machine in a taxi. One of them is the fact that—

Senator XENOPHON—I understand. I just wanted to clarify that. Can you just confirm for me that, in terms of your group and the ATMs that it controls, there is not any commercial relationship between you and those that have an interest in poker machines. In terms of ownership, you are quite stand-alone from the industry, aren't you?

Mr Glen—Absolutely.

Senator XENOPHON—From hotels?

Mr Glen—Yes.

Senator XENOPHON—So that is quite clear. I just wanted to confirm that; I was not suggesting that you were. You have raised issues about the removal of these machines from hotels and clubs. That is the position in Tasmania—you would agree with that as a matter of fact?

Mr Glen—I understand that.

Mr Stewart—Our understanding is that there has never been an option to provide that service in Tasmania.

Senator XENOPHON—That is right. It is prohibited. But, surely, if you removed them, you would put them into service stations, shopping centres and a whole range of other venues that would be open.

Mr Glen—It is an interesting thing. For example, newsagents would appear to be a good place to put ATMs, but ATMs in newsagents have an average withdrawal of \$170. I understand that the average spend in a newsagent is five dollars. So you have this mismatch. You cannot get enough cash into certain locations because they are not cash businesses, and the cost of funding that cash inside the ATM makes it too difficult.

Senator XENOPHON—But there would be other options, wouldn't there?

Mr Glen—There are always options. We do have machines in other places—cinemas, petrol stations.

Senator XENOPHON—This issue of safety is not a criticism of your industry, but are there protocols for ensuring that there is, say, adequate lighting, or about where you install ATMs, whether it is a bank or nonbank facility? What protocols are there to ensure that, for instance, minimum levels of lighting and security are there?

Mr Glen—The banks certainly have their own protocols. We generally get a security report done by one of the armoured car companies. I am not fully aware of what the banks do in that environment.

Senator XENOPHON—Your reference group has protocols as well? You do not put an ATM—

Mr Glen—We have our own internal protocols about siting a machine, from a security perspective, but in many cases it is up to the venue to do that.

Mr Stewart—There are a number of points on that. One is that in a significant number of instances the venue management controls the access to the cash for that machine. So they utilise that as a mechanism for banking cash on site rather than paying an armoured car company to collect the cash or sending staff down the road to the bank. So, in terms of security of the cash, a lot of that would be driven by the venue's internal

security requirements because they control the cash. The second point is that inside a hotel or a licensed club is inherently a safer environment than on a street, regardless of the level of lighting or if there are closed-circuit TV cameras or whatever the industry does as a protocol. My understanding is that it would generally be a self-regulated protocol. A hotel or a club will be an inherently safer place to place an ATM.

Senator XENOPHON—But there are protocols in terms of putting ATMs in a cinema, a shopping centre or a service station. There are alternatives open to your members.

Mr Stewart—There are alternatives, and we talked in a question to the ABA earlier about why banks are not in gaming venues. My understanding is that they never really were in any great volumes. We are talking about the Productivity Commission report in 1999. That was about the start of our industry. Since that time ATMs provided by independent deployers have grown to constitute some 50 per cent of the ATMs within the Australian community, of which about 25 per cent are in these cash-driven environments of pubs and clubs. So, yes, there are other places for ATMs. They are not as cash driven as a pub or a club, and therefore the level of convenience is not necessarily sought by patrons.

Senator XENOPHON—So, in terms of being lucrative, that is where most of your income would come from—those transactions in pubs and clubs.

Mr Stewart—As an ATM industry reference group, we say that a significant proportion of the machines are within hotels and clubs. A significant number of those are in hotels and clubs—in Western Australia, for argument's sake—that do not offer gaming facilities, but yes; the bigger the venue, the more it will tend to generate more foot traffic, more patrons and, therefore, a higher level of ATM transactions. I guess that, to that point, our industry generates revenue per transaction; we do not generate revenue per dollar.

Senator XENOPHON—What is an average? Two or three dollars per transaction?

Mr Stewart—No, under a dollar.

Senator XENOPHON—Even for foreign cards? They are all foreign cards, I guess.

Mr Stewart—They are all foreign cards, Senator.

Mr Glen—They are all foreign for us.

Mr Stewart—By the time we have paid the banks and some acquiring and processing fees, it is certainly under a dollar. It is not the \$2 fee that the cardholder may pay to their issuer.

Senator XENOPHON—That is a separate issue?

Mr Stewart—That is a separate issue, absolutely.

Senator SIEWERT—I will go back to this issue of protocols about where the machines are placed. If I understand what you have said correctly, it is up to the venue to decide where they are placed. Is that right?

Mr Stewart—That is largely correct, other than where there may be a third party involved in funding the cash for that machine, in which case they have a say in where it is placed and what security measures are involved in protecting the cash.

Senator SIEWERT—So it is possible that you in the industry or the reference group could develop a protocol that you could apply to say that they should not be within this many metres of the gaming venue or something like that?

Mr Glen—A number of those are actually dealt with—for example, under legislation. It is quite interesting, because we installed our first ATM in a pub on 5 August 1998. You can see—once again, from a Productivity Commission report—that at that stage the venue was allowed to put them in the gaming room, so it took some time before it was decided by legislation that they were not allowed to have the ATM in the premises. There are quite a number of protocols around that in terms of not being able to see the ATM from the gaming room, not being able to provide credit on an ATM and, certainly, the positioning of those machines.

Mr Stewart—In Queensland the regulator had to approve every specific position.

Mr Glen—Yes.

Senator SIEWERT—But it is different in each state, isn't it?

Mr Glen—Yes.

Mr Stewart—Yes.

Senator SIEWERT—So, if you wanted to set a benchmark, you could actually do that.

Mr Stewart—As an industry, we would be open to the concept of a voluntary code.

Senator SIEWERT—I note that you have said in your oral evidence and also in your submission that there are 100 million transactions. Have you done any work on looking at how many of those are directly related to gaming and how many are related to things like food and all those sorts of things that people also access those machines for?

Mr Stewart—No, we have not done any work around that. I would suggest that it would be a nigh-on impossible task.

Mr Glen—But I think a small guide, maybe, is that our transaction volumes in WA, where there are no poker machines, are not dissimilar to our transactions in the other states, where we have poker machines.

Mr Stewart—Or, for instance, in venues which may be largely food, beverage and entertainment venues as opposed to those that have large populations of gaming machines.

Senator SIEWERT—Would it be possible to provide us with those figures? I am particularly interested in the breakdown between the east coast and the west coast. Also, on the west coast they have, of course, the pub TAB thing, so I am interested in the comparison with venues that do not have pub TAB—or whatever it is called; you can tell I don't go there, can't you? I think it would be very useful for us to look at whether there is a statistically significant difference between the west and east coasts and those venues where they do not access ATMs for the pub TAB.

Mr Stewart—We will certainly provide those on notice. One of the key statistics, the average withdrawal value per transaction, is largely the same across all states whether they have gaming machines in their venues or they do not. ATMs in pubs and clubs are very different beasts than bank ATMs on the street. They have some controls; the average withdrawal value tends to be significantly lower than the \$170 or \$172 that Diane quoted from the ABA. Our average is more like \$110. They are very different beasts. The level of transactions on a monthly basis from an ATM in a pub or a club is generally much lower than the transactions from a bank ATM, which is another reason why banks do not operate machines in pubs or clubs because the transaction volumes are not what they require within their business models.

Senator SIEWERT—If it is not too much of an imposition could we also have the breakdown in the states with the different regulations because, as you have just said, there are different regulations in each state. That would be really useful as well.

Mr Stewart—Okay.

CHAIR—All regulations or just relating to pubs and clubs?

Senator SIEWERT—Relating to pubs and clubs.

Senator HUMPHRIES—I must confess that, until I had read your submission, I was not aware that people other than banks and financial institutions run ATMs. So that was a revelation for me. How does that work? You do not have access to the cardholder information, I assume. You simply operate as the supplier of the ATM and feed it with cash, but you do not actually know how much is in each person's account in order to dispense an amount of money?

Mr Stewart—A non-technical explanation is: we take a transaction electronically, we grab that transaction and send it up through what is called an acquirer which would be our host bank. The acquirer then sends it off electronically to the issuer of that card to gain authorisation against the value of the transaction and the PIN number. The authorisation is sent back from the issuer to the acquirer and from the acquirer to the ATM driver who then authorises that withdrawal. That is an electronic process over a matter of seconds.

Senator HUMPHRIES—Could your technicians interrogate the system to find out how much was in a person's bank account, for example, without withdrawing from it?

Mr Glen—We have recently gone through a security upgrade across the entire world of encryption to protect that data.

Senator HUMPHRIES—You said before that banks were not getting the volume of transactions or the size of withdrawals from ATMs in pubs and clubs and that is why they were pulling out. Is there any sense in which they have made a decision about the appropriateness of them being in those venues or is it purely based on the size of transactions?

Mr Glen—I think, as Diane Tate said, they have multiple reasons for doing those things and I am not necessarily aware of what they are.

Mr Stewart—The point of that is that, sure, there has been some machines withdrawn from pubs and clubs but they were never there in any great volume in comparison to our industry. It is the independent ATM industry that has enabled the growth of the ATM fleet within Australia to provide that level of convenience to cardholders.

Senator HUMPHRIES—So those hundred million transactions per annum that you referred to go through your operators' machines in pubs and clubs?

Mr Glen—Yes.

Senator HUMPHRIES—You make the point that there is Victorian legislation suggesting a \$100 limit to come from both debit or credit accounts. You say in your submission:

This would in effect be a loosening of existing laws as cash-out on credit is presently not allowed in venues offering gaming facilities.

I would have thought that you would read the provisions in this legislation as being consistent with Victorian legislation so both requirements would apply. The federal one would not override the Victorian legislation in that sense. But that is logistically possible isn't it?

Mr Glen—At this stage across the country you can not provide cash-out on credit in a gaming venue and that is why the feeling was that by allowing credit, that was loosening. That was the simple point.

Senator HUMPHRIES—The question of whether the effect of this legislation would undo what, say, the Victorian legislation is doing is perhaps an argument for another time.

Senator FURNER—You may have already answered this. It is about the data that you are able to access. Yesterday we heard evidence based on an example of a compulsive gambler, where the person had withdrawn from an ATM multiple withdrawals until they had reached the limit of their capacity. Are you able to get that data based on each site—the amount of withdrawals? I know it will not give us the amount of withdrawals of each person, but is it possible to get the information on the number of withdrawals per site?

Mr Glen—I think that the person's bank statement would tell you that, because that is the ultimate—

Senator FURNER—We cannot get that. I am wondering whether you have that data.

Mr Glen—No, we do not. We do keep that data.

Senator FURNER—How do you draw the conclusion that you have 100 million transactions per year?

Mr Stewart—We know the total number of transactions, we know the total value of transactions, but we are not the card issuer so we do not have access to card data. We could look at activity based data across the machine and across our network, but we are unable to provide any meaningful data on the activity that an individual may undertake.

Senator FURNER—I would not expect that you could get that, but certainly the activity on the machine and the number of withdrawals might be helpful.

Mr Stewart—You correctly point out that that is where that number of 100 million transactions comes from.

CHAIR—Mr Glen, do you have something to add?

Mr Glen—I might just make one more comment.

CHAIR—Certainly.

Mr Glen—Just in relation to EFTPOS as an alternative source of cash, one of the issues around EFTPOS is that you cannot get an account balance from an EFTPOS terminal. That means that if someone is in a venue and they are looking to find out how much money they have in their account, they cannot do it on an EFTPOS terminal. To me, that is a significant issue. People checking their account balances accounts for about 10 to 12 per cent of all ATM transactions.

CHAIR—Certainly in the evidence that we got yesterday—and it was very powerful—from people who had been through the experience of being caught up in the issue of gambling, they saw the removal of ATM facilities as something that they wanted. I wonder, as you are representatives of the industry, how you respond to that. I know it is a very hard question, but I know the case to which Senator Furner referred was very powerful in terms of that process.

Mr Glen—We do not believe that we live off problem gamblers. We would certainly not want to do that. Firstly, problem gamblers use our machines, but we genuinely believe that the vast majority of people using

our machines are not problem gamblers. We have technology available to us. Increasingly, the information you will learn through your investigations will guide you to the fact that removing one of the 20th century's greatest inventions is not necessarily the greatest way to go.

CHAIR—An unbiased statement, Mr Glen!

Mr Glen—There are 100 million people out there that you will inconvenience—

CHAIR—Sure.

Mr Glen—and we have believe that a much more targeted approach, in terms of identifying who the problem gambler is, stopping them doing multiple transactions at an ATM and stopping their card being used at those ATMs is a much more sensible and sophisticated way to proceed.

Senator SIEWERT—When you say 'stopping their card being used', we are also talking about predetermining their limit. If you knew you were a problem gambler, could you say, 'I don't want to be able to use my card at an ATM at one of these venues, at a club.' You could actually do that. As well as setting your limit, you could actually do that.

Mr Glen—Yes.

Mr Stewart—Under the deed of self-exclusion that operates through various programs in various states, if a cardholder voluntarily provided that card number information—in the same way that they voluntarily suggest they would like to be excluded from a particular hotel or club—that information could be loaded against that ATM to actually bar that card being used.

Senator SIEWERT—Could I stretch that? You mightn't be able to do this but, thinking of the South Australian rule, thinking about family protection legislation, if I have a family member or a partner who is a problem gambler, am I able to do that? Or is it only the actual person with the card who is able to do that?

Mr Stewart—It is based on card number and would be controlled under the relationship between the cardholder and their card issuer.

Senator SIEWERT—So if it were a joint account you probably could.

Mr Stewart—Oh—from a technical basis? Yes. From a privacy—

Mr Glen—In the right circumstances, if that card number were to be given to us we could stop it. And we would be happy to do that.

Senator SIEWERT—And then it would depend on the basis on which you got that card number?

Mr Stewart—Yes.

CHAIR—And who would give that to you? The bank or the person?

Mr Glen—It could come through various groups. It may come through—

CHAIR—Mr Glen, could you get us some information on the practical way that works: how a person would self-exclude or be excluded from using a card in particular places—the mechanics of it, how it works now. Just to have that written down would be very useful.

Mr Glen—Sure.

Mr Stewart—I would think it would be largely a matter of dealing with privacy-type issues.

CHAIR—That is what I was wondering.

Mr Stewart—If we were able to obtain that data through a legitimate source, whatever that may be: either directly from the person, through their issuer or through a—

CHAIR—And who is a legitimate source? We need that. I know that someone from the banking industry is still in the room: Ms Tate. We will put this to the banking industry association in writing as well but could we have the same information from the banking industry about how that process would operate—a specific way that you could self-exclude or that someone, on your behalf, could have you excluded, and how that would work from access to using machines at particular venues. If we could get just the data that would be useful. Yes, Ms Tate, you have a comment? We can take that in a moment.

Thank you, Mr Glen and Mr Stewart. We deeply appreciate your evidence and we look forward to seeing the information. Often information creates more questions, and if there are follow-up questions we will be in contact.

For the sake of the principle, and since we have a little time, we will now recall Ms Tate from the Australian Bankers Association.

[11.52 am]

TATE, Ms Diane, Director, Corporate and Consumer Policy, Australian Bankers Association Inc.

CHAIR—Ms Tate, what is your comment?

Ms Tate—It is just a brief comment in relation to what was said before. You have heard from the ATM industry on how they may be able to administer a self-exclusion program. Of course, we support pre-commitment technologies; that may be through ATMs or other technologies. From a card issuer's perspective, a card issuer could not instruct that an account be restricted in any certain way without having someone tell them to do that.

CHAIR—Right.

Ms Tate—That would be my only comment on that. And, of course, you would understand the privacy issues—

CHAIR—Surely.

Ms Tate—of being able to pass on information from the card issuer's perspective to other providers. So the only way to do something like that would be through self-exclusion, where the cardholder gives an instruction to the ATM provider to allow them to do that.

CHAIR—Ms Tate, could you also, on behalf of your organisation, give that to us in writing, about how it would work and what the interaction would be. For instance, would it be by letter? Please tell us how you could do that—for your organisation or for, say, Westpac or any of the banks to tell us that would be useful. It would be very useful to get a response in writing.

Ms Tate—So, just to clarify: how a bank would receive a self-exclusion?

CHAIR—Yes, and what the process would be.

Ms Tate—Okay. I have to reiterate: if it is done at the ATM level, the ATM deployer needs to do it.

CHAIR—Certainly; yes.

Ms Tate—If a bank were to receive such a request to reduce a maximum daily withdrawal limit, they could certainly do that. That would apply across all access.

CHAIR—All points.

Ms Tate—Yes. That would just reduce their card limit. They could, of course, have no card.

CHAIR—Of course. Thank you, Ms Tate. Oh, sorry—Senator Humphries?

Senator HUMPHRIES—Could I ask another question? I am sorry; it has occurred to me since you have put yourself in the chair again.

Ms Tate—I was unwise to invite myself back again!

Senator HUMPHRIES—That is right!

Senator SIEWERT—I was just thinking that!

Senator HUMPHRIES—It is just a quick question. This might be in your submission—I am not sure. Do we know how much money is withdrawn on credit or how much is purchased on credit in Australian pubs and clubs at the present time? Are you able to isolate that information for us?

Ms Tate—The collection of data on that sort of activity would be done by APRA or the RBA, or APCA, even—the three acronyms! We do not have that data. It would be a payments issue. I am assuming you are saying credit cards that are used over the counter in a pub, for example?

Senator HUMPHRIES—Yes.

Ms Tate—We would not have that data.

Senator HUMPHRIES—No? Okay. Thanks.

CHAIR—Senator Fielding, you may ask one more question.

Senator FIELDING—I was wondering whether your association is aware of some of the modelling that is done to try to identify problem gamblers. They must use banking information as well. Professor Hancock appeared before the committee yesterday. On page 13 of her submission she goes through some models that

identify high-risk and problem gamblers at the 90 per cent confidence level measured by the problem gambling severity index. Have any of the gambling bodies or any government bodies approached the Bankers Association about how to identify, through transactions, who could be problem gamblers?

Ms Tate—Not that I am aware of.

Senator FIELDING—Interesting. Thank you.

CHAIR—Thank you, Ms Tate, for your cooperation in coming back before the committee.

[11.55 am]

POOLE, Mr Lincoln Bradley, Counsellor, Central Coast Problem Gambling Service

DAVIDSON, Mr Christopher John, Manager, Central Coast Problem Gambling Service

CHAIR—Thank you for your submission. I know that you have received information on the protection of witnesses and the giving of your evidence. If either or both of you would care to make an opening statement, we will then go to questions.

Mr Poole—As you can see from our submission, we are in favour of the bill putting a tax on poker machines at a federal level. As stated in our submission, there are some issues that we are concerned about. When Senator Fielding gave his address in parliament he noted the effect on problem gamblers, but from our perspective it then started to look at the impact on sporting groups and community groups and that became the focus of the bill after that and the focus of the fund. From our perspective we feel that any type of legislation should first and foremost have the effect on problem gamblers as its main thrust, and that should be the main purpose of any fund that is established. We did not see any mechanisms within the bill that allowed that to happen or to be set up. Other than that we wholeheartedly support it and we think it is a great bill and it is about time something like this was done.

CHAIR—Mr Poole, had you considered the other two pieces of legislation? Your submission and your statement are focussed on that one. Had you given any thought to the other two?

Mr Poole—To be honest with you—and this is part of what we would like to talk about as well—we are problem gambling counsellors. We do not do this. This is the first time we have ever done anything like this. The reason we have done it is that we were approached by somebody who was doing a university degree in communications. They saw the bill and they asked if we would work with them to submit a submission as part of their assignment. We thought it was good, so we said yes.

Senator BOYCE—So that is the mysterious Mitchell Neems?

Mr Poole—Yes, and unfortunately he is completing his university degree and doing a placement out in the country, so he is unable to attend today. That also highlights a serious issue here. We noticed that also giving evidence today are the Australian Hotels Association, Clubs New South Wales and the Gaming Technology Association—which used to be AGMA—and the membership of those associations are in a position where they can afford to pay people who do this for a living and who understand the process and know what they are doing. The people most affected by gambling—the problem gamblers and their families—do not have the resources to join associations. We have also noted that the Gambling Impact Society is giving some evidence today as well. If you ask them, they are in the same boat. People are unable to fund them. They get no state or federal funding. People who are affected by poker machines are not able to join their associations. Even organisations like ours that receive minimal funding from the government—just enough to carry on with our services—are not able to afford to pay the membership for that association. So we also feel that part of legislation like this or part of a fund that is established should go towards setting up some type of advocacy service for people most affected.

CHAIR—We will go to questions. Mr Davidson, do you wish to add anything at this stage?

Mr Davidson—No, he has done good!

Senator FIELDING—I may start with general questions. Roughly how long has the Central Coast Problem Gambling Service been going for?

Mr Davidson—The Central Coast Problem Gambling Service has been going for about nine years. It is funded under the New South Wales state government.

Senator FIELDING—You would see quite a few people who are affected by gambling.

Mr Davidson—Our service in particular has seen about 1,700 people in that time.

Senator FIELDING—Have you seen it drop by half in the last nine years? I am just trying to think. There were some people here beforehand saying that since the 1999 Productivity Commission review problem gambling has halved. Have you seen that halving in your services?

Mr Davidson—No, that is not our experience.

Mr Poole—We have to put our data onto the CDS database for the state government. That is showing that those requiring our services are increasing in number.

Senator BOYCE—But the population would be increasing very substantially in the area as well, wouldn't it?

Mr Poole—That is the state wide figures, not just for our area.

Mr Davidson—It could be said that a couple of years ago the New South Wales state government had an advertising campaign to promote problem gambling awareness. We did go through a bit of a rise in that period, of I think about 26 per cent. It has been a while since that campaign finished. They have just started a new one, but when that campaign finished it dropped back down by that 26 per cent.

Senator FIELDING—The National Framework on Problem Gambling 2004-2008 has four key areas. You are obviously supportive of more work going into that area of providing counselling and those sorts of things. Do you want to make any comments about that at all?

Mr Poole—The big comment, which goes to what we were saying about the mechanism for funding services, is that, as most states and territories do run problem gambling counselling services, therapy and rehabilitation for problem gamblers, one of our concerns is that any fund that is established at a federal level does not duplicate services that already exist at a state level. The other issue we have is that, again, because of the funding levels a lot of our wages are very minimal so we are unable to attract qualified, experienced counsellors and keep them in the sector to help problem gamblers. Any type of fund that would boost state funding would allow organisations to go above that limit. Most counsellors receive little more than social caseworkers, and we are talking about psychologists, therapists et cetera. They are earning the same as someone who has a certificate IV in social welfare.

Senator SIEWERT—It is the same across the NGO sector.

Mr Poole—Pretty much, yes.

Mr Davidson—I think most therapists get paid a little bit more than the people behind the bar in the gambling venues. We are working with people's lives—family breakdown, suicide.

Senator ADAMS—Do your clients self-refer or are they referred?

Mr Poole—Self-referral is normally the only way, or through another NGO who may have been working on family issues, with youth or something like that. The client may highlight a gambling problem and the NGO may suggest they come and see one of us, but the client still needs to make contact and make the referral.

Mr Davidson—People self-refer, but often it has been suggested by their solicitor, wife, family member or doctor. With regard to funding I would like to mention that all New South Wales state services have been, for want of a better word, encouraged by the New South Wales Office of Liquor, Gaming and Racing to seek funding from clubs themselves and to supplement the meagre funding that we get. The Central Coast Problem Gambling Service has been doing that.

My concern is that with the loss of revenue from clubs not having the poker machines we will lose our funding. Some of that funding is now providing youth early intervention and education on problem gambling and responsible gambling—teaching kids the difference between problem gambling and having fun. It also funds a website which is now receiving 60,000 hits a year. These are programs which would go if we do not see some sort of support for organisations which will lose money because of poker machines being moved out of clubs. We will lose money.

Senator XENOPHON—To follow that up, if there is a substantial reduction in levels of problem gambling, there will not be a need for your services.

Mr Poole—The very fact that we are supporting the bill, with its main thrust of removing poker machines from clubs, means that, hopefully, within a 10-year period as outlined in the bill the need for us would be very low. I have no problems with supporting a bill that, in effect, could put me out of a job. You are absolutely right; the need for us would go down, and there is no problem with that. I see problem gamblers day in, day out, and to have a dramatic reduction in problem gambling so that people like me are not needed anymore would, I think, be a good thing.

Mr Davidson—The issue I see there is that we will be restricting people gradually over a period of time from their addiction. Poker machine addiction is not just about poker machines. A huge number of problem gamblers score highly on anxiety levels and depression levels in assessments. Ninety-nine per cent of the time there is something else going on in that person's life, whether it be around them or just emotional or psychological stuff happening for them. Escapism has been identified as probably one of the most common

themes behind problem gambling. If you simply just take the poker machines away, what support is in place for those who are already addicted? We are quite happy for the poker machines to be gradually taken away; that is a great idea. But there needs to be some mechanism in place for the people—and it has been estimated that around 30 to 40 per cent of the people in gaming venues are already addicted. If our services start to lose funding because of the poker machines being taken out of clubs and these people are no longer accessing their addiction, what behaviours, what psychological symptoms, will they have to face on their own?

Senator XENOPHON—You want there to be adequate transitional arrangements and support?

Mr Poole—Exactly, yes. From within the funding that is proposed in the legislation we want to have some more mechanisms that state clearly how that funding is going to be distributed between therapy and supporting and weaning off sporting and community groups for that very reason. What normally happens with people with addictions is that as soon as the thing that they are addicted to starts to lessen, whether they are trying to do it by themselves or they lose the ability to access it, they transfer that addiction to another form of addiction.

Senator XENOPHON—I have two related questions in terms of your experiences on the ground, at the coalface, dealing with problem gamblers. To what extent has it been reported to you that easy access to an ATM at the venue has been a driver in gambling addiction?

Mr Poole—That is what fuels it.

Senator XENOPHON—To what percentage?

Mr Poole—Most problem gamblers whom I see report regularly going back and forth to the ATM machine in the gaming venue. For a lot of them the symptoms whilst they are gambling are very similar to those of alcoholism: they go into blackouts, they lose time and they cannot remember their actions, but then when they go and check their ATM withdrawals or their bank account the next day they can see numerous withdrawals from ATM machines that were at the venue.

Senator XENOPHON—So if the ATM was outside the venue—for instance, 200 or 300 metres down the road—would that make a difference?

Mr Poole—Sorry, Madam Chair; I have actually read your bill as well, and we support that. I think that would be a wonderful thing. It would be a fantastic first step to get ATMs out of the gaming venues.

Senator XENOPHON—Even 200 metres down the road? Would that make a difference, in your view?

Mr Poole—I am not sure about 200 metres down the road but, as is the case with some alcoholics, a lot of people say—and I am not sure about the psychological reasons—that, when they actually have to leave the venue, that is when they normally come out of a blackout period. What happens is they disassociate themselves whilst in their addiction and the act of having to move away from the venue or from where they are participating in their addiction seems to bring that association back to their surroundings and where they are. So whether it is 200 metres, I am not too sure, but I think your bill says five kilometres, does it not?

Senator XENOPHON—That is in country towns. I have a question on pre-commitment cards, having smartcards so that you have to precommit and you can only gamble by USB or a smartcard, whether it has cash in it or whether you have to put in your own cash but you are limited to the precommitment. Do you have a view on that?

Mr Poole—Things like that work for people who know they have a problem. The thing is that most gamblers when they are in full-flight addiction do not know they have a problem and they become very manipulative when it comes to ways to get around.

Senator XENOPHON—But what if the only way you could gamble was to have one of these cards or the USBs, if that was the only way that you could play the machines? In other words, you could not start a machine up with out that. What do you think that would do?

Mr Poole—That is a great first step, along with removing ATMs. It is something along the way to working on this problem. If that was the only way they could gamble, if you took the cash facilities away from the machine, that would be a lot better. I have read some reports that, in Victoria, when they first came out with the smartcard, there was a lot of shame about going up and repeatedly topping up their cards and that seemed to work. The Victorian government, for whatever reason, changed it so that they could put cash into the machines. I think that, whether it is card or a USB, if that was the only way they could play the machines, it would hamper some gamblers.

Mr Davidson—Quite often the family members of a problem gambler only notice that the person has a problem when they get the bank statements. Generally the problem gambler tries to intercept bank statements before anyone else can get to them. Quite often they miss it and somebody in the family will pick up the bank statement and see all these withdrawals from a club and that is when things come to light.

Senator SIEWERT—I have a couple of questions that I want to ask, but I will go to the ATM issue first because we have been on that issue. I think you were here for part of the evidence that we just heard from the ATM Industry Reference Group. They said that there a lot of transactions go on and people use ATMs for other things than gambling, so maybe it is better to consider a limit on the amount of money you can take out per day from any ATM—say \$400. Would you consider that an option?

Mr Poole—No.

Senator SIEWERT—Could you explain why?

Mr Poole—As the witness said, it is a voluntary process. Even after people have acknowledged that they have a gambling problem and have gone down to the bank to minimise the amount of money they can withdraw, they can still go back to the bank the next day and change it if they want to.

Senator SIEWERT—But this is actually on the machine. There are two ways you can do it. One way is to do it on your own card and say, ‘Don’t give me any money.’ What the witnesses were saying, if I understood correctly, is that the machine would not give you more than the limit put on the card, which they as an industry decide—just say it is \$400, but it could be less. I would argue that it should be less. So no matter who you are, you cannot get more than that amount of money out of any ATM in a gaming venue.

Mr Poole—It may help. I do not know; I do not have a crystal ball. My only problem with that is that all of society is then being penalised for the issue of problem gamblers accessing cash. For me, the bigger thing would be moving the machines and making it difficult for people in gaming venues to access ATMs and that is what Senator Xenophon’s bill says.

Senator SIEWERT—I am playing devil’s advocate here because I want to see if this is actually going to work. The point is that these are just ATMs in gaming venues. The ATM industry is arguing that if you take ATMs out of the pubs and clubs, it penalises everybody. So the ATM mob are coming back and saying, ‘Well, to stop penalising everybody we will put a limit on everybody, and that means that at least people can get access to their money.’

Mr Poole—My understanding of the bill is that not everybody is going to be penalised because EFTPOS is still available in the clubs. I will still be able to pay for drinks and meals using my EFTPOS card. If I want cash before I go to the pub or club, I can get it on the way there. Not everybody is being penalised in the same way as they would be if we were to make a strict rule of \$200 across all of society. So, it is not quite the same argument as removing ATMs from the clubs altogether. The legislation does still leave scope for me to use to use electronic banking to pay for my meals and drinks. So I do not see the argument as exactly the same.

Senator SIEWERT—We heard very compelling evidence yesterday not only from people who had gambling addictions but also from some academics who were talking about the specific attractions of EGMs. Particularly, we heard that (a) particular games are configured for low socioeconomic areas and (b) the way they are, the lights and things like that are particularly attractive to women. So you have a new cohort of problem gamblers. Have you noticed that in your service, or is that something that is peculiar to Victoria?

Mr Poole—No. Again, the state government’s data suggests that, of the problem gamblers accessing counselling services in New South Wales, there is an even split of male and female, though the number of females developing problem gambling addictions has risen.

Senator SIEWERT—Did you say that it has?

Mr Poole—Yes. It has risen to the point where, of people who access our services, it is about a fifty-fifty split between male and female. So it is fairly non-discriminative, whereas, before the increase in New South Wales of EGMs, males far outnumbered females. The other thing that has happened since EGMs have been in place is that, while the number of people reporting poker machines specifically as their main source of gambling is 85 per cent, as noted in the speech by Senator Fielding, the CDS data from the state government has shown, I think, 95 per cent of females stating electronic gaming machines as their main source of gambling.

Senator SIEWERT—So you are saying that it reflects what is happening in Victoria, and that is a significant increase in people with problems with EGMs and an increasing number of women.

Mr Poole—If that is what is happening in Victoria, then yes.

Mr Davidson—My experience in our service, which supports that as well, is that those who do not have a poker machine addiction but who have rather, say, a horse-racing addiction, which on the Central Coast is only about five per cent of the population, are generally men.

Senator SIEWERT—The argument that the industry has been putting is that if you take out EGMs, people will just swap to something else.

Mr Poole—We can only speak for New South Wales, but before the introduction of access to EGMs in pubs and increasingly in clubs, the rate of problem gambling and people reporting problem gambling was not as high as it is now. So you could suggest that there is a direct correlation between the increase in problem gambling and the increase of electronic gaming machines.

Senator ADAMS—As far as people self-referring, what would be the percentage of people who already have a mental health problem before they come to see you?

Mr Poole—I am not sure. Again, I do not have those statistics. I could not give you any clear indication whatsoever.

Mr Davidson—I guess it depends on what you call a mental health problem—whether they have been diagnosed with bipolar or schizophrenia.

Senator ADAMS—Yes; their background, and that they actually have a background.

Mr Davidson—Generally speaking—and I am only speaking about my experience in our service—we would be the first port of call. We do get clients who have been diagnosed with other illnesses, such as schizo affective disorders and bipolar, but I would say by and large the majority will come in for problem gambling and then realise, ‘Oh, I am depressed; I have anxiety or I have these other issues as well,’ and some people are quite surprised when you draw their attention to that; they thought they were just going to come in and get a bunch of strategies to stop them from gambling. Often, problem gamblers will say, ‘I gamble because I am bored.’ My challenge to them is, ‘Well, you must be really, really bored to spend \$200,000 a year to get away from it, so what is going on with your boredom? When you sit with your boredom, what happens?’ They will often say, ‘I just get so angry.’ There is something else going on there and that is where you go. Then we will try assessments, and very often they come up high to very high on either anxiety or depression.

Senator ADAMS—What happens with a client that you really have to refer on because the gambling is part of it but they have the other problem? Do you have a referral through to rehabilitation into some area?

Mr Poole—Yes, in New South Wales, all funded services through the state government have to go through a quality assurance process and part of that is making sure we have referral networks in place. So each service has to have some sort of referral for external issues, such as mental health and stuff like that. Yes, we definitely refer on. It would be unethical for us to try to work with issues that we are not qualified to work with. A lot of time it is referral to a GP for a start so that they may be able to get a Medicare referral for their mental health issue.

Senator ADAMS—So they are not left to fall through the cracks.

Mr Poole—Definitely not; no.

Mr Davidson—And quite often, with some of the ones that I have had with schizo affective disorder, our work coincides with the mental health workers that they already have.

Senator ADAMS—Thank you.

Senator HUMPHRIES—When I read this submission last night, I had the impression that you were actually opposed to the bill. You said that the bill ignores the contingency plan that is needed, that there is not enough evidence in the bill to satisfy your agency that there has been expensive consultation with the industry and that this bill is not the most effective way to address the problem of gambling at the governmental level. But you are saying to us that you do support the bill. Is that the case?

Mr Poole—Again, that is our naivety; it is the first time we have done this. As we said, it was written by a university student. We are in support of the bill. We are in support of any mechanism that will eliminate poker machines as a viable gambling option. Our concerns are that there are some things in the bill, as we have highlighted, that we would like to see addressed to meet the needs of problem gamblers—the fund that is going to be established and stuff like that. On the first page it does say that we applaud the initiatives, and it was more the case that we just did not understand the process. That is why the language appears to look like

we are not supporting the bill. We do actually support it. But we would like to see more mechanisms in there for the things we have talked about: that treatment is the priority of the fund, that there are mechanisms ensuring we do not duplicate services that are already in place and that hopefully the fund may be able to establish something to represent those most affected by gambling who cannot afford to join associations to represent them in situations like this so you do not get stuff written by amateurs that is misleading and different from what we are actually trying to say.

Mr Davidson—I guess this is a good example of exactly what we are talking about. Because we are just a couple of counsellors, we are not up to the protocols and the right way of doing this sort of stuff, and it is only us and one other service who are the voice of problem gamblers. It would be good to have something in place so that problem gamblers are represented properly.

Senator HUMPHRIES—I understand what you are saying. From our point of view, a lot of those things that you referred to are decisions of government, and sometimes they would be decisions of government at the state level rather than the federal level. But, apart from clarifying the purposes of the fund that is referred to, you are not recommending any other changes or amendments to the legislation that we have the power to pass?

Mr Poole—We are saying that within the power you have, other than those things, yes, this bill should be passed. A lot of the other bills that we have talked about today, like the ATM bill and the smartcard bill that was brought up, have great strategies, but this bill is what I would call an early intervention bill. A lot of the stuff that is in place, even the funding that we have, is for after problem gambling has been diagnosed, after somebody has self-referred to us, after the harm has been done. A bill like this will actually do something about fixing and rectifying the problem created through electronic gaming machines. So we are saying that this bill should be passed, but maybe there should be some amendments in the areas we have talked about. That is what we are saying.

Senator FURNER—Yesterday we heard some evidence, and I think it was from the last witness, about the effects—I forget the state now—in the US where there was a reduction in crime. I am just wondering, as a result, whether you have noticed that with any of the clients that you have had dealings with. I do not know whether they would be forthcoming in providing that information to you, but in respect of your research or your involvement have you experienced any like examples?

Mr Poole—Yes. I have a client at the moment who had access to a friend's credit card and withdrew over \$7,000 over a period of time to support their gambling, the whole time knowing it was morally wrong. They are now facing legal charges and going through the legal process because of it. The fact is the state government in New South Wales has recognised that that is an issue, and one of the services it funds is a legal service for problem gamblers and those affected by gambling. It comes under the same funding body as we do. So even the state governments recognise that legal issues go hand in hand with problem gambling. I cannot say for sure whether this bill and the phasing out over time—making it untenable for clubs and pubs to have poker machines in there—will reduce crime, but what I can say is that there is evidence and the state government funds a legal service because crime and problem gambling do go hand in hand.

Senator FURNER—Your submissions indicate that, if this bill is successful in removing gaming machines from pubs and clubs, gamblers may move on to other types of gambling addictions. Would you suggest that would be online gambling or something other?

Mr Poole—No, other forms of addiction. With a lot of clients that I see, heavy drinking goes hand in hand with their gambling, so it would be fairly easy for their drinking to increase as their gambling decreased. As Senator Fielding brought up before, there are four sections in the framework. One of them is education, and that needs to be a part of any process of removing poker machines. We need to educate people about the process—why it is happening, the effects of gambling and that if they are starting to drink more because of their gambling then they may have had a problem with gambling as the machines were being moved out. So education needs to be a part of this bill to help people understand what is happening to them and that they may need to seek treatment.

Mr Davidson—Relating to your first question, there could be a chance, if people are denied access to poker machines, that for a short period at least crime may even go up, with people's anxiety levels higher. You could end up with domestic violence situations and things like that. That is a possibility.

Senator FURNER—That is an assumption, though, isn't it?

Mr Poole—It is an assumption, but with any type of untreated addiction we do not know what is going to happen. That is the problem. The state government, in their policy framework for 2000-2006, has already noted, I think in their introduction to it, that the effects on family and friends of problem gamblers is the same as on those who are directly affected by domestic violence. They are already saying that, through gambling, those people suffer the same as somebody who is suffering from domestic violence. Whether that actually crosses over to frustration, anger in the home and being unable to access poker machines, we assume that, and that is why part of this bill and part of the funding needs to be about education and letting people know what is happening, what they may be experiencing and where and how to seek therapy for it.

Mr Davidson—It relates back again to one of the primary themes with gambling addiction: escapism. Problem gamblers gamble to escape issues in their lives, whether they are internal—psychological—within their family dynamics or whatever. Without that escape, they will have to face whatever demons there are, and without professional help stuff happens. You would expect an acting out of behaviours.

CHAIR—Mr Poole, what is your organisation's definition of a problem gambler?

Mr Poole—A problem gambler is anybody whose gambling impacts their life in any form, whether it is financially, socially or professionally.

CHAIR—A negative impact?

Mr Poole—A negative impact—yes.

CHAIR—So it is the extent of that impact on that person and their family? The negativity is determined by that person?

Mr Poole—Definitely. As soon as gambling impacts on the person's life, there is a problem.

Mr Davidson—Each service will do an assessment. Our service uses DSM IV. If they meet the criteria for a problem gambler, then we call them one.

Senator XENOPHON—Could I just follow through on that, Mr Davidson. You said that if you got rid of the machines there could be a temporary spike in problems. Aren't the problems with respect to machines due to people losing money on them in the first place, not from some overwhelming desire to gamble? Could you consider that. Also, in South Carolina they actually removed about 30,000 video lottery terminals, or slots. Have you had an opportunity to look at, or would you look at, the research that indicates what the impact of the removal of the machines there has been?

Mr Poole—I have not seen the research.

Mr Davidson—I have not.

Mr Poole—I would love to see that. Again, one of the models I use with clients is the problem gambling cycle, which basically says that gambling is a coping mechanism. It is an unhealthy coping mechanism because not only does it not solve external issues that are happening but also it creates issues in itself through the gambling. So, in part, you are absolutely right, and I would definitely say that removing poker machines will, as you have said, lower crime, lower financial issues and all that sort of thing, but we cannot say with certainty that that will happen right from the word go, unless, like we said before, part of the funding goes to an education process. There is very little education about problem gambling out there. I know that some states have it as part of their curriculum in schools. Queensland has a really good package on that. Other states have not had to do that or they are finding it difficult to do that. There is very little education on the impact of gambling or even why people gamble or start a problem with gambling. That was the point: we cannot say with certainty that, in the short term, what you are saying about decreasing crime and decreasing issues associated with gambling will happen.

Mr Davidson—Of course, that does not speak against the bill. All we are saying is that there need to be mechanisms in place to cater for that.

Senator ADAMS—On women and their gambling, what would be the issues? You have said that there has been quite an increase in women gambling.

Mr Davidson—I think it gets back to escapism again. I think women have a lot more to escape from than men.

Mr Poole—The other issue is accessibility. Especially in New South Wales, with the amount of EGMs we have, it is not difficult to go down to the club and play the pokies for a couple of hours when you are at home

and the children are at school. People may be feeling isolated, especially in regional areas. So accessibility and escapism would be the two issues that I think would have contributed to the rise in female problem gamblers.

CHAIR—Thank you very much, Mr Poole and Mr Davidson. Now that you have started contributing you will be watching to see what you can get your voices into; it is so important.

Proceedings suspended from 12.35 pm to 1.45 pm

ROBERTS, Ms Kate, Chairperson, Gambling Impact Society (NSW) Inc.

WEBB, Mrs Dorothy Alison, Consumer; and Secretary, Gambling Impact Society (NSW) Inc.

CHAIR—Good afternoon, everyone. We will reconvene. We have before us, as our first witnesses this afternoon, representatives from the Gambling Impact Society. Welcome, Ms Roberts and Mrs Webb. I know you were watching earlier, so you know how the whole process operates. Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. We have your two submissions—thank you very much. Would either or both of you like to make an opening statement? Then we will go to questions.

Ms Roberts—Thank you for inviting us here today. We have agreed I will do an opening address, and Dorothy will chip in as appropriate. I did actually prepare a little something, so I would like to take few minutes of your time to read that so that I cover the main points that I think are the general thrust of where we sit.

We feel privileged to be consulted, as this is an important public health issue and we are conscious of trying to raise a voice for the many hidden and silent families negatively affected by electronic gaming machines in our state and country. We are aware that because of the stigma and shame many people who are suffering do not come forward to these sorts of public inquiries; nor do they feel empowered to contribute written submissions. The Gambling Impact Society of New South Wales has tried over several years to provide a community voice for those who are the biggest contributors to the tax and revenue profits from gambling yet the least considered group when it comes to policy and legislative reform. We have great hope that this is about to change.

As you have seen from our submissions with regard to these three proposed bills, we support the majority of the key recommendations within the bills and are happy to discuss the details when we answer questions. However, we wish to also make it abundantly clear that we believe that this needs to be considered as a starting point for the development of a new national framework on gambling, a framework which goes beyond its current research and educational focus and is committed to a population health approach to the issue of gambling harm similar to that which we already have for drugs, alcohol and tobacco.

In summary, we consider electronic gaming machines to be sophisticated gambling products provided en masse to the community whose operational risks are well beyond the ability of the average human being to fully comprehend whilst actually operating such a device. It is a product which is clearly wreaking community harm, not only harm to those who develop an addictive behaviour and the five to 10 others they each impact but also harm to those impoverished communities who have become major contributors to their own social and community services through this regressive form of taxation.

While we continue to focus our policies on pathologising the problem and trying to change the individual gambler through responsible gambling education, there have been minimal attempts to make the product safer. In the words of Livingstone and Woolley in 2007, it is ‘business as usual’ for industry and governments, the major financial beneficiaries, whilst maintaining an ethical blindness as they strive to develop more sophisticated gambling products to fill their coffers. This is unknown in any other area of product development and indeed warrants major consideration of our notion of fair trade. To use a Kiwi analogy, if you had a machine in a factory cutting off people’s arms, you would not stand around asking them why they have got their arm in the machine or examining their family origins or mental health issues; you would be looking at safeguards, technical changes and safe practices along with numerous risk assessments and OH&S training.

The gambling industry and electronic gaming machine manufacturers provide a legal product within existing technological parameters. They operate a legal business supported by often more favourable government conditions than many other industries. State governments obtain 12 per cent of their tax revenue from gambling products. There is little incentive for either state governments or the industry itself to bring about the kinds of changes that would truly address consumer protection and gambling harm. We welcome the federal legislative intervention on this important area of public health and social justice.

CHAIR—Thank you, Ms Roberts. Mrs Webb, do you want to add anything?

Mrs Webb—No, not at this point.

CHAIR—Okay. We will go to questions.

Senator FIELDING—I was interested in the opening remarks and the words ‘important public health issue’. It is an interesting way of putting it. Do you want to tease that out a bit further for us?

Ms Roberts—Yes. I would also like to say that, in addition to wearing the hat of chairperson of the Gambling Impact Society, I am a professional social worker. I have worked in the health service for many, many years and continue to do so in another hat. I am also a member of a family impacted by problem gambling. It has always rather astonished me that we have such good models in place around drugs, alcohol and tobacco and yet, for some reason, problem gambling has not come under that banner.

I think there has been a lot of hands-off from looking at that more comprehensive approach. So, whilst I certainly see that these are very good strategies and they are certainly warranted, I think there are a whole range of other things that need to be happening. We do not as yet have that comprehensive framework. Ironically, it was very clearly recommended in the 1999 Productivity Commission conference. At the New Zealand conference, Jan McMillen presented a review—which is also going to be part of my PhD. Basically, there is not a single state or territory in Australia that has taken that approach to date. But, just across the ditch, we have the 2003 Gambling Act, where that has been enshrined in legislation. They have a very clear collaborative arrangement between their health department and their regulatory bodies to work conscientiously on the problem.

We get very focused on the individual with an addictive behaviour, when we have a whole continuum of people out there who are potentially at risk of gambling—not only on electronic gaming machines, although we know that they are a major risk factor. Yet, in comparison with drugs, alcohol and tobacco, we have really minimal approaches to dealing with it. It begs the question: ‘Why?’

Senator FIELDING—This leads into the arguments put forward about the social good that flows from gaming and poker machines versus the social harm. How does that weigh up in your mind? Because this is an argument—

Ms Roberts—Korn and Shaffer have put forward an argument that perhaps we should be talking about what is healthy gambling and is there such a thing? Some people have talked about the possibility that, within certain parameters, there may be. We have very clear parameters, in alcohol, for instance, about what that might look like; we do not have that with gambling at this stage. In that vacuum, I do not think we can sit here and watch the level of harm that we know is being inflicted on our communities. More importantly, we know from our own New South Wales prevalence study that it is young males aged 18 to 24 who are particularly at risk. I think it is time for change.

Senator FIELDING—I want to look at the issue of the cost to the community. I do not want to draw any analogies other than to point out that only when we looked at the actual social cost of binge drinking and those sorts of things did we really start to get that on the map. It is different from gambling; I am not saying that it isn’t. I am just trying to draw the analogy that, until we weigh up all those costs as a broader community and have them sitting there, I am not so sure that we should keep on doing what we are doing—with the poker machines and having them around the way they currently are. Do you think we should?

Ms Roberts—No. Absolutely not. I think a very clear message is out there that we have a product in the community that is doing harm and we need to take a serious look at it. My country of origin has just done that and said that we are not going to have a bar of poker machines unless they are behind the walls of the casino. It is purported that it is a recreational activity, that it is a form of entertainment. But we know that for some people it goes well beyond that. In fact, we know that, for the majority of people, it is very normal to lose control. That is why we would fully support things like the smart technology, which is there to assist people make informed decisions. At the moment, the policy is aimed specifically at informing consumers and targeting those in the gambling venues; whereas a population health approach starts from day one, when we talk to young people about drugs and alcohol and making healthy choices. Gambling is never up there on the register. We want to see that change.

Senator FIELDING—We know the Prime Minister’s statements about poker machines and the damage that they are causing, and the Liberal Party as well have made some statements, which are quoted in your submission:

Much of the money that is going through poker machines comes out of pension cheques and the pay packets of hard working battlers (Liberal party of Australia, 2008). Poker machines are destroying families and the lives of far too many Australians (Liberal party of Australia, 2008).

You must be encouraged that both sides of politics are actually now facing this issue and making statements.

Ms Roberts—Absolutely, and we are particularly encouraged that the federal government is looking at it quite seriously. David Marshall came out in 2006 to say that really it is only the federal government that is in the position to take the leadership role, and there is a very great need for that leadership. Most definitely it is encouraging if it can be seen as bipartisan—just as we need to treat other forms of public health issues. The interesting thing is that, to date, we do not have many state health departments on board. In fact, the service that I used to work for as a problem gambling counsellor for eight years was the only service in New South Wales, amongst 60, for which, when all services were given an automatic rollover of 12 months funding, our department handed it back, saying, ‘Oh no, we don’t want to do problem gambling anymore; it’s not core health business.’ Well, it is. It is just we do not recognise it.

Senator XENOPHON—Ms Roberts, I have a two-pronged question in relation to your experience as a social worker and counsellor. Firstly, what do you think would be the impact of removing ATMs from venues so that, if somebody wants to keep playing, they physically have to walk out of the venue? That is the first part. The second part relates to the evidence the committee has heard about precommitment technology, so that you can only gamble by way of a USB or a smart card—you need to precommit and, once you have precommitted what your limit is, that is it and you cannot exceed that and you can cool off et cetera. Can you comment on both of those.

Ms Roberts—We fully support the complete removal of ATMs and cash facilities from gambling venues. I think the point was made earlier that people still can use cards for food and purchases. That is fine. In New South Wales, we already have the ability to stop withdrawal of funds on credit cards for gambling. But the ATM link to problem gambling is enormous. I think you have seen in that report—which was substantiated also by a Nielsen study and a KPMG study—that the major users of these ATMs are problem gamblers. So I guess we do not support the argument that it is going to inconvenience a whole load of other people, when the main users are in fact people with gambling problems.

We believe in the importance of the break caused by removing the machines and making people actually go out and away from the venue—do not ask me about distances. The fact is that you have to break the cycle. There is a big cycle going on when someone gets hooked into play. We can talk about trying to look at minimum amounts and restrictions to \$400, for example, but I can provide you with a bank statement of a family member who, over a period of five weeks, went through something along the lines of \$10,000 in ATM withdrawals of about \$200 a time. A cap of \$400 is not really going to make a major difference to someone who has got into that kind of cycle.

I think what people with gambling problems are saying and the families who are directly impacted are saying is that, if those ATMs are not sitting there, then the person has to leave the venue and, if they are absolutely intent on finding cash, yes, they will, but for the majority of people it is enough of a break of the cycle. It is the cycle of dissociation. That needs to be broken. So we would fully support the ATMs being removed. We believe that there are many other opportunities for people to get cash in other ways. We live in an area with 49 towns and villages. Every single one of them has some other form of getting cash out and you do not have to rely on the club or hotel.

Could you just remind me again what the other part of your question was.

Senator XENOPHON—If you could only play a poker machine, let us assume, with a smart card or a USB device, so that you set your limit. It might not have any cash stored on it so you would have to use your own cash or alternative methods, but the principle is the same—that you have to have precommitment.

Ms Roberts—Yes. The concept of precommitment—I guess following on from Mark Dickerson’s research in 2003—was that at the moment we have a focus on individuals supposedly able to make responsible gambling decisions, yet the studies that have actually looked at that experience in action for people would suggest that it is normal for people to lose control. This is not necessarily someone who has a major problem, but it is a normal experience that when you are in action with an electronic gaming machine the interaction of that technology with your psychology basically means that it is very hard to make what we would consider an informed decision. So the recommendation from that research is that decisions about time and money be made away from the machine. That follows through; if you can make precommitment technology available, at least you have some opportunity to have some level of control that you can put in beforehand.

My understanding is that where this has actually been trialled, in Nova Scotia, it has been very successful and very well accepted; 75 per cent of people found that it had a positive impact on their gambling behaviour. I have observed the products. I have come back recently from presenting at the European Conference on Gambling Studies and Policy Issues. You may have already seen this company which has developed the work

for Nova Scotia. Basically, 92 per cent of people said, 'The card system helps me play responsibly.' Ninety-five per cent said, 'With the card system, I am much more aware of how much I play.' Seventy-five per cent said, 'I am spending less money on the machine since using the card system.' Ninety-three per cent said that they felt that the card system helps anyone who wants to play to do so more responsibly, and 75 per cent said it makes them play more safely. Forty-two per cent said it made it more enjoyable. So I think there is clear evidence that would suggest that, from a consumer protection point of view, it is a good thing.

I would also like to say that there is quite a bit of work going on at the moment looking at host responsibility and supporting the gambling industry in the venues with their responsibilities in terms of creating safer environments and intervening at an earlier point with people who may be demonstrating some behavioural challenges with gambling. The kind of additional data that can come from smart technology in terms of player tracking, which is already available through the loyalty card system, means that that information becomes more available to those organisations. In Switzerland they have a very proactive role in intervening with and observing clients who may be demonstrating behavioural problems. I think that this supports that early intervention. Really we want to reach people a lot earlier, before they actually become heavily addicted.

Senator SIEWERT—We will pursue the ATM issue. I am still trying to work out the issue around what the difference in the impact will be between not having an ATM actually in a pub or club and putting a narrow restriction on the amount of money you can take out. People have suggested \$400. In your submission you were talking about \$100 a day maximum. Is it the argument that not having the ATM there at all means that you get that break to go outside and think about what you are doing—it gets you away from the machine and gives you time to think about what you are doing?

Ms Roberts—I think it is twofold. We need to educate the public about how, when you are going to play on an electronic gaming machine, it is gambling. It is not gaming; it is not entertainment. You might find it enjoyable, but it is actually gambling, and with it there are associated costs, and the community needs to know what those are.

In an ideal world people will make responsible choices when they have got all the information ahead of them, all the technology that supports them to do that and it is not pretended that it is something that it is not. I think the issue is that people then have to think, 'If I am going to gamble then I am going to take this amount of money to gamble with, and if I can only take that kind of money with me to gamble—because I can't just get it in a nice little stream around the corner from the booth where I happen to be—then I am making a responsible choice and a responsible decision: that is the amount of money that I want for my entertainment.' The challenge that happens for people who become out of control with their gambling—and then it becomes arbitrary about where you set the limit—is that, for you or for me, \$100 may be a reasonable limit; but, for someone who is just scraping through on their pension and that \$100 is what is going to feed them for the next week, that is a lot of money.

I have 71-year-old women ringing me up saying, 'All I want is for them to take that ATM machine away. If that ATM machine were not there I know I would not be spending all my pension. I would be able to get by.' This is from someone who has actually had major table history in casinos, who has been totally in control with her casino gambling, but who is totally out of control with this. Her message is: take it away.

Senator SIEWERT—We heard evidence—there was a bit today but more yesterday—about machines being specifically targeted at low-socioeconomic areas. It is people in those areas that are losing the most. Whereas some people would say \$100 is not a lot of money, for them it is a lot of money.

Ms Roberts—Yes. And even if you are not looking at problem gamblers, studies were done for South Australia and there was the cost-benefit stuff done in the study from the University of Adelaide, where Mike will tell you that it is not even about problem gamblers; it is actually about the positioning of those electronic machines in low-socioeconomic areas. That group of people, whether they have developed problems or not, are basically putting money through that is so heavily taxed that, in the end, they are just contributing to their own welfare provision at such a higher rate than we would normally expect to be doing that it is a regressive taxation on the poor. Even without problem gambling anywhere in it, we are still taxing our poor, which goes completely against the idea of what we stand for with our progressive Australian tax system.

Senator SIEWERT—The other issue that has come up today, as you are aware—because I know you have been sitting there for quite a while—is this whole issue around, 'Well, the problem is not as bad as everyone is saying, for a start'; and, secondly, it is actually going down. You heard me ask the previous witness about whether the number of their clients has gone up or down. What is your take on the increase or decrease?

Ms Roberts—I was not here for the early part of the hearing today, but I am assuming the stakeholder group would be saying that, because they have been well practised in the media in doing so—and I have been well practised in countering it. The statements come from the manipulation of statistical analysis around the difference between the New South Wales AC Nielsen study of 2006, which used the Canadian Problem Gambling Index as a prevalence tool, by direct comparison to the Productivity Commission, which used a scaling on the South Oaks Gambling Screen, SOGS, which is a clinical screen. It is like comparing apples and pears. When you come out looking at 2.6 on the Productivity Commission and suddenly say, ‘Oh, 0.8 on the CPG’ you cannot make that comparison. If you actually look at that study and at the rate of risk in the prevalence study for New South Wales, five per cent of people actually had some level of risk on the CPG scale, and that CPG scale is an adequate social prevalence study. Most people these days at an academic level are saying, ‘Forget prevalence studies.’ They give you a point in time. They gave us a point in time 10 years ago, and, yes, let’s look at it again. It does not record incident. It does not tell us what the career of the person with the gambling problem is. Most of all, what you do not hear about are the other two million-odd people who are actually impacted by that gambling problem. That is the minimisation as well. So whether it is 2.6, 0.8 fits really well, because Western Australia has only got 0.7 and we are only one digit above it. But, I am sorry, it is pulling the wool over our eyes once again and it is seemingly minimising. If you want to look at statistics, look at these: 15 per cent of regular gamblers are contributing over 44 per cent of the revenue and the profits. Now, that is a significant statistic.

CHAIR—Where is that figure from?

Ms Roberts—That has come from the Productivity Commission, which talked about 30 per cent. It has come from Richard Woolley and Charles Livingstone’s reports of 2007. Basically, it is between the two. And some studies will have it up to 50 per cent now. So what you have is a very small percentage, 15 per cent, of regular gamblers—someone who gambles once or twice a week is a regular gambler—contributing the major proportion of revenue and profits. That is from people who have gambling problems, and you really have to ask about the ethical lines there.

Senator SIEWERT—A question the chair has asked previously is: what definition do you use for a problem gambler?

Ms Roberts—There is a national definition in this country, and we certainly support that national definition, which is that problem gambling is basically when anyone is suffering negative consequences, and they can be individuals, families or the community at large.

Senator SIEWERT—Thank you.

Senator ADAMS—Have you noticed that the percentage of women with gambling problems has risen recently?

Ms Roberts—I would have to say as a problem-gambling counsellor, as my colleagues have previously said, we see a minimal number of people affected coming into us as treatment providers. Treatment providers only see somewhere between seven and 10 per cent of people who are affected, leaving a massive 90-odd per cent out there in the community struggling on their own. However, it is even-steven as far as their presentation now, and we know that in the last 10 or 12 years there has been a progressive change with regard to women. Women used to be represented at a rate of about 16 per cent; now they are 46 per cent of problem gamblers. So there has been a massive growth. If you talk to women, it is primarily around access issues. For example, in our own area there are 49 towns or villages and every single one of them has a club or a hotel. Women gamble in clubs—and clubs in our area put on great creches. It is an easy place for women to go. They feel like they are being sociable, they feel like it is a safe place; but, as my colleagues who have worked in women-only services said, it can be a very unsafe place. So, yes, there has been a significant increase in the number of women with gambling problems.

Senator ADAMS—Over what period of time?

Ms Roberts—Basically, it has been over the last 10 or 12 years. You can look at things like the *Queen of hearts* and other studies that look specifically at women. The research often talks about women gambling for different reasons: to escape boredom, depression and those sorts of things. In my clinical practice, 95 per cent of people who come in would have been struggling with an electronic gaming machine problem. I would say, once you start to actually get under the conditioning of men, men are dealing with the same issues.

Senator ADAMS—Okay. What about pensioners; have you noticed any increase there?

Ms Roberts—Yes. Our area is a big retirement area, so we have many pensioners who are affected, in terms of age pensioners—but of course people are on other forms of pensions. Also my colleagues in the problem gambling team and I, because we were employed through a health service, are aware that many people are dealing with pain issues—for example, oncology patients—and also, obviously, their carers, who are highly stressed. Gambling is a very efficient way of blocking out pain, whether that be physical or emotional pain. So some people develop a problem with gambling because it is a very good way of self-anaesthetising. The sorts of studies that are now going on with regard to treatment have also looked at things like the use of naltrexone et cetera to help people withdraw from gambling. So there is actually a neurological change that has developed because of a behavioural change that has occurred. So this is a very complex area of work.

Just to reiterate, what the Central Coast study was saying—and there was a question asked about comorbidity issues—is that roughly 20 to 30 per cent of people have comorbidities: either drugs or alcohol, or other mental health issues. Now, in some of those areas—and this was also borne out by the Productivity Commission—it is often purported by some stakeholders that it is only sick people who become sick with problem gambling. While we have that comorbidity, you also have a chicken and egg situation, because many people are dealing with depression and anxiety as a direct result of having developed a learnt behaviour.

Now you have to ask, in some of those areas—and I would have to say that this was also borne out by the Productivity Commission—why it is often purported by some stakeholders that it is only sick people who get sick with problem gambling. Whilst we can talk about comorbidity, you also have a chicken and egg situation. Many people are dealing with depression and anxiety as a direct result of having developed a learnt behaviour. In the Gambling Impact Society we do not subscribe to the medical model of pathologising individuals. We believe that people are very clearly conditioned through overuse—excessive use—of a product that is very sophisticated in creating operant conditioning for the customer.

Mrs Webb—May I just comment here on the pensioner's plight. In so many cases, they lose their partner and they are grief stricken, particularly in isolated regions, which we are speaking about at the moment. The only place for them to go to meet anyone—ostensibly to meet someone—is the club. Of course, the music of the poker machines is bright, they are drawn to it and they become very lonely just sitting at that machine and playing it. So in this case, the beginning would be their grief, the loneliness is exacerbated, the depression steps in and they do not recover from the grief. It is eventually all merged into the addiction.

Senator HUMPHRIES—I will just summarise what I understand your position to be. You are certainly in favour of the Poker Machine Harm Reduction Tax (Administration) Bill and the Poker Machine Harm Minimisation Bill, but are you ambivalent or not in favour of the third bill in this package, the gaming machine bill?

Ms Roberts—Perhaps we are confused. There is the removal of ATMs bill. There are two bills from Senator Fielding: one is the Poker Machine Harm Reduction Tax (Administration) Bill, which is to establish a federal fund and which we are very happy to be potential people who would apply to that fund for early intervention, health promotion and prevention; and there is the phasing out of the machines. Yes, we support both of those things. The other bill from Senator Fielding concerns technological changes and smartcard technology. We do not support the limits on ATMs; we support the removal of ATMs.

Senator HUMPHRIES—I see.

Ms Roberts—But we support all the other strategies within that bill.

Senator HUMPHRIES—The philosophical question which this gives rise to is how we weigh the benefits, which are alleged to exist for those who use this form of gambling at responsible levels, against the disbenefits, which come to those who abuse access to those machines and who spend beyond their means. Do you have a suggested model as to how we measure either of those things, given that there are parallels with other products in society which, again, have wide use but have certain cases of excessive use by some individuals?

Ms Roberts—I personally do not have any models, but there are obviously studies that have been done—for instance, through Adelaide university—that were commissioned by the government with regard to the Independent Gambling Commission down there looking at the social costs versus the benefits. It quite clearly came out that the costs far outweighed the benefits, not only for the individual recreational gambler, but in terms of employment and a whole range of social costs. So I think you have some models there to draw upon already. If we were in an ideal situation where we have an extremely well informed community with a piece of

equipment that was operating at a truly recreational level—I do not think that the community understands, nor do we necessarily need, a product that will take a thousand dollars an hour from you. Why do we need a recreational product in the community that does that? That is why I am saying that with the gambling reforms that are taking place in Britain as we speak, they have quite clearly said that they are not prepared to do that. They are not going to expose their community to that level of product. They will still have a product in the community and look at what kind of mechanisms are needed to make that safer, but they will only put something along those lines alongside the tables in the casino, et cetera.

I had a 21-page letter sent to me earlier this year from a woman who is basically tracking the development of poker machines in New South Wales since the 1950s, which is before I came to this country. She said that they were brought in with legislation and were specifically to support the clubs, which was to say, 'This is not going to do harm because not many people are going to use them.' Of course, at that stage, we were dealing with pretty unsophisticated equipment compared to what we have now. I think the technology has just moved so fast and, like every reasonable business out there legally operating, the operators are going to get their maximum from it, and they are refining their product. We have a technology now that is beyond the comprehension of the average person on the street. In other hats I teach young people who open their wallets to me and show me the big sticker that their boyfriend stuck on the front of their wallet to remind them that when they get their \$700 or \$800 this week, it is not a good day to throw it straight down the neck of the machine. These are young people who do behave irresponsibly, who do not understand the complexities and who are not getting those messages. So, unless you can show me that we have an informed community, that we have products that are operating at safe levels and that we also have good supports for people to make informed choices, I do not think we are at that stage. We have introduced a technology that is running faster than we can, and I think it is time that that changes.

Senator HUMPHRIES—We acknowledge that alcohol experiences much the same phenomenon. It is mostly used responsibly, and used irresponsibly by a significant minority. How would you distinguish the case of poker machines from, for example, alcohol, and why would you therefore not say that we should restrict the purchase of alcohol to very limited places in the community rather than have it generally available?

Ms Roberts—We have learnt a lot about alcohol use over many years as well. I can turn on the television tonight and there will be some kind of health message on it—something about alcohol use. From the day they turn up in primary school, my children receive life education programs that are telling them about substance abuse and alcohol use on their bodies. There is a lot of public education and information out there by comparison. We also have some very good knowledge about what is safe drinking. It does not mean that we all necessarily adhere to it, but we do have knowledge about that and that knowledge is then sent to the community. We basically put back into the community a lot of education and programs. I think what we have done with gambling has been minimal.

Senator HUMPHRIES—But some of the opponents to this legislation say that that is precisely what we should do here: we should focus on public education—getting information out of people—and not go through the process of, effectively, bans.

Ms Roberts—We need to do both. We do need to change the product. In an ideal world, I would like to see them removed into facilities where, quite clearly, you are making a choice before you go in there whether to play on a product that we know works in a very sophisticated way. We do that with roulette tables and blackjack and other forms. It is proposed to put these into racecourses and casinos, not on every street corner. We now have them and we have to turn some of that clock back. We had a lot more information about alcohol than we ever did when these were developed.

The bottom line with alcohol is that it is not that sophisticated. You cannot change the technology around alcohol a lot. You can with these products—a lot. We have internet gambling and things that are not part of these bills and there is the capacity to change the product in a far greater way than we have ever seen today, so I think we have to seriously look at that. Industry has the right to do that within the parameters that they operate in now—that is, to develop more and more sophisticated products to target bigger and bigger groups, and as they saturate one market they look for new markets.

We call drinking 'drinking', alcohol 'alcohol' and we call gambling 'games'. Right now games are being developed that are directly taken from PlayStation games that youngsters are using. My young men, aged eight and nine, use these sorts of things that they will find on poker machines, their mobile phone and their home computer. It is a form of grooming. That is happening already as we speak. Nothing is being done to teach those children about it. We are doing nothing but we certainly do it with alcohol, and I take your point about

that. I think that there is a lot more manipulation going on in this field than we have ever seen in the use of alcohol, and tobacco is the other example. We are paying those costs now. I would rather that we do not increase those costs further down the track.

Senator XENOPHON—In terms of what Senator Humphries is asking you, is one of the distinctions between drug and alcohol addiction and poker machines that it is in the nature of the addiction, in a sense—that poker machines can be a hidden addiction. You can drink so much and there is often a physical manifestation or there is a limit to your consumption before you pass out. But, with gambling, as long as you have access to the cash, you can keep going. Is that one of the distinctions?

Ms Roberts—Yes. Financial advisers have said to me that they would rather someone be addicted to alcohol than gambling, if they had to choose their addiction, because it takes an awful long time to be able to drink your house away. It can take you masses of days to get through your superannuation, to get through your house and to deplete your mortgage. The difficulty with this is—and I heard comments earlier in this discussion about self-exclusion—people do not rush to self-exclude. That is a last resort that people use. In New South Wales we do not have third-party self-exclusions and third-party involvement. Families find this out after the damage has been done.

We have had people approach us who wanted things like the guardianship arrangements under the Mental Health Act because once people have walked, a lot of people are then stuck for a long time and the families are really being damaged as a result of that. But it lies hidden for an awfully long time. We know through coroners' reports that 400 people commit suicide every year—and we know that is the tip of the iceberg.

You may be aware that we had a major case in our area some seven or eight years ago. That particular individual—a member of the Navy living in Nowra—developed a gambling problem over a 17-month period. During that time he ran up bills of about \$230,000, and the day he died his wife ended up with those bills. She thought he was having an affair in the end. But there is not enough knowledge in the community about some of the signs, and this is an extremely hidden behaviour. It is very easily hidden.

Even the industry says, 'How are we supposed to know who comes through our doors with a gambling problem?' People in villages know them because they see them there. It is harder in Sydney, where you have a much larger number of people coming through venues. It is insidious. One of the difficulties is that there is a lot of stigma and shame around it. This is the other reason to open up public discussion about it and offer better information, because people do not come forward early enough. That is the complexity of the framework—as I get back to where I started.

Mrs Webb—On your point about an alcoholic, a drinker can pass out; a gambler does not. The significant thing here is that, if there is an alcoholic who has passed out, an ambulance is called immediately, he goes to hospital and he is assessed. He may have other problems which exacerbate the alcohol, or vice versa. He comes under medical treatment straightaway and he can be referred to other medical practitioners. This is not available for gamblers who suffer from depression, loss of sleep, loss of appetite, social dislocation and eventually contemplation of suicide. The gambler is too ashamed to take the step to see a counsellor who, as with NGO councillors, is not medically qualified to assess depression or prescribe medication, so the situation goes on to a complete disaster for the gambler and their family. There is discrimination between treatment for problem gamblers and treatment for those suffering from drug and alcohol problems.

CHAIR—Mrs Webb and Ms Roberts, thank you very much for your evidence, your stories as well as your submissions.

[2.31 pm]

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

GIBSON, Mr Garrie David, Government Relations Consultant, Gaming Technologies Association

CHAIR—Information on parliamentary privilege and the protection of witnesses and evidence has been provided to you. I should state that Mr Gibson and I are old friends from Queensland. I say that so people have that on record. I now invite either or both of you to make an opening statement and then we will go to questions. You know the system.

Mr Ferrar—Thank you, Madam Chair and senators. Firstly, may I express my appreciation to the committee for giving our association the opportunity to present our views to you today. Our view is that by working together we can achieve some good policy outcomes. Secondly, I would like to reiterate that our association has recently changed its name so as to better reflect our members' activities. We are now the Gaming Technologies Association, or GTA, instead of AGMMA, as we were known when we made submissions to the committee for this review. Time precludes my repeating all of the points made in our two submissions. However, I would like to highlight a couple of key points and add to areas of discussion raised by other submissions and presentations over the last couple of days. Mr Gibson has a couple of comments to basically do the same thing.

Much has been made about the gaming machine industry. I would like to discuss with you the different ways that governments ensure that the industry meets the highest of standards. We are one of the most highly regulated industries in the country and, anecdotally, in the world. The companies which manufacture gaming machines work in a highly regulated and strenuously audited total-compliance environment. They undergo rigorous examination and control of their products. It is perhaps not widely known that the top people in these companies are also subject to intense regulatory scrutiny. Australia's gaming jurisdictions are widely regarded as the most regulated in the world, and rightly so. No gaming machine products enter the marketplace in Australia without undergoing comprehensive testing and technical review. Manufacturers deliver every aspect of design, development, manufacture and operation in comprehensive submissions to both independently licensed testing laboratories and state government regulatory authorities before any gaming machine product is approved for use. Once installed, every gaming machine is electronically monitored to ensure that it operates in accordance with its approvals.

Gaming machine manufacturers' executives, as I said, are licensed and all aspects of their business lives are made available to licensing authorities in each jurisdiction. They are required to provide complete access to their personal, financial and tax records. The companies themselves are licensed and their premises, processes and equipment are approved in each of the more than 250 jurisdictions around the world to which they supply products. These are global businesses which choose to operate only in jurisdictions where proper legal and regulatory structures are in place.

We have no complaint about the level of government scrutiny to which our members are subjected. On the contrary, we believe that these high standards are important and that we can very confidently state that this industry operates with great probity and integrity. So, contrary to the tenor perhaps of some of the submissions before you, the companies which manufacture gaming machines are completely open and transparent about their products, processes and approach to providing gaming equipment.

My second point is that we believe government legislative and regulatory policies and procedures should be based upon real evidence. Real evidence is timely. It is only provided by independent, objective, peer reviewed, published research. For too long government policies in the gaming area have been largely quick fixes designed, we believe, to provide an appearance of action. It has seemingly been more important to be seen to be doing something on problem gambling rather than actually doing something to help those people who find it difficult to gamble responsibly.

Much of what is described as harm minimisation strategy in the various Australian jurisdictions has not actually achieved anything much. Many of the measures introduced around Australia in the late 1990s and early this century were not based on real evidence and as a result have subsequently been proven to be useless. Australians deserve better than this. They deserve policy which will provide help, if and when it is needed, and leave the rest of the Australian public to enjoy a legitimate legal form of entertainment.

A number of submissions to this committee have come from self-proclaimed problem-gambling researchers. We find that much of that work is questionable. It has not been independently peer reviewed and has not been

conducted in an objective and comprehensive manner. We believe that the committee should be very wary of the claims of people masquerading as researchers when, upon examination, their claims often cannot be substantiated. Our concern is that ill-conceived policy or measures are likely to do nothing to provide help, if and when it is needed, but will restrict the rights and options available to the responsible majority. I refer you in particular to the appendix attached to our second submission entitled 'Potentially sobering consequences of problem gambling policy'. It contains many examples where government policy, apparently aimed at reducing problem gambling, has had significant unintended consequences on the rights and options available to the responsible majority.

The GTA is pleased that the government has announced that the Productivity Commission is being asked to review its 1999 report into Australia's gambling industry. We believe that this evidence based approach is the appropriate way to assess the current environment and what measures might be worthy of consideration. We believe that this review will reinforce the various analyses that have been conducted by state and territory governments in the years since 1999, which have shown a decline in problem gambling in the community. We hope that this will result in the use of current data on the incidence of problem gambling instead of 10-year-old statistics. We eagerly anticipate providing quality input to the Productivity Commission in its review; in particular we look forward to correcting erroneous statistics, such as the proportion of the world's gaming machines located in Australia. However, we believe that the Ministerial Council on Gambling should go further than a one-off review.

Since 2003, the ministerial council has funded research into specific issues around problem gambling. It is the view of the GTA that a new, national, ongoing research body should be established and funded by federal, state and territory governments. It should have a broader mandate to conduct a more comprehensive and objective research program. It should invite participation from operators, manufacturers and related private sector businesses, from community and counselling sectors and from regulatory authorities. It should examine all aspects of gaming in Australia, including the effectiveness of current regulatory regimes, harm minimisation strategies, the efficacy of counselling and support services, and possible future features of gaming machines. There should be evidence based research on the economic and social impact of gambling in Australia, both positive and negative. And all research should be required to be conducted transparently and objectively.

The result would be a body of knowledge in which all stakeholders could have confidence and on which all governments could build policy and regulation which would protect and promote the interests of the whole community. We would all be protected from the false opinions and claims of self-interested individuals, whose motivations appear to us to lie in seizing a greater share of government expenditure on research for their own financial benefit.

Independent, multi-party research would provide an ongoing source of information for government and the community so that we do not have to wait another 10 years for a third Productivity Commission review. Our view is that better information is the key to better management of issues—better information for players, so that they understand how machines work, as well as better information on gambling for governments through a more comprehensive research structure that examines all aspects of gambling.

So, in summary, I make two key points: that Australia's gambling machines are designed, developed, tested, assessed, approved, installed and operated in one of the world's most demanding compliance environments; and, secondly, that real evidence is required to guide policy development in this enlightened 21st century society. I will now hand over to Mr Gibson for some introductory comments.

Mr Gibson—With the indulgence of senators, I would like to comment on some of the evidence that was provided, particularly yesterday, at the hearings in Melbourne—my apologies to Senator Humphries, because he was not there to hear it. The first point I want to talk about is the term 'reinforcement schedules', which was introduced yesterday. Dr Livingstone, in particular, claimed that machine manufacturers have these schedules but do not pass them on to the regulatory authorities or researchers. I would like to talk about what a reinforcement schedule is. It is alleged that the manufacturers have a schedule that predetermines the rate of a machine granting small wins during play that is designed to keep the player hooked onto the machine. Part of the proposition put forward by Livingstone and others is that manufacturers use behavioural psychologists to deliberately design machines with addictive features such as this classical conditioning process. This is a nonsense.

Firstly, Dr Livingstone has never made a request to any manufacturer for this data. We checked yesterday with every one of the members of the GTA as to whether they had received a request from Dr Livingstone, and

they never had. Secondly, reinforcement schedules do not exist. They are a figment of Dr Livingstone's imagination. The electronic gaming machines are computers running random number generators and operate on the basis of returning to the player over a period of time a set rate for that machine, which is somewhere between 87 per cent and 94 per cent return to player. There is no human calculation of a schedule designed to hook the player or to control their behaviour.

Dr Livingstone made a number of claims and assertions yesterday about his research, particularly a report prepared either late last year or early this year for the South Australian Independent Gambling Authority. I wish to table for the committee's consideration an analysis of Dr Livingstone's report, which was done by Professor Alex Blaszczyński and Dr Leah Nower, which refutes the findings of Dr Livingstone.

Drs Blaszczyński and Nower are recognised as two of the best gambling researchers in the world. I quote from the concluding paragraph of their review of Dr Livingstone's study: 'Both the quantitative and qualitative studies referenced in this report suffer from a number of serious methodological limitations and faulty assumptions that render the findings unpersuasive.' And further: 'The report fails to adequately address or answer any of the research questions that were the subject of this inquiry.' As stated by Mr Ferrar in his opening statement, all aspects of a gaming machine's operation and construction are thoroughly examined by regulatory authorities. It can take up to five years to get a new game approved in Australian jurisdictions because the authorities take every element of it apart and consider all aspects.

This brings me to my second point. Yesterday, the consistent theme from a number of presenters was the impression that government regulatory authorities ignore consumer protection responsibilities in their consideration of new games and their supervision of the operation of venues and gaming activities. The view presented was that their only concern was to maximise taxation revenues from gaming activities. This is such a false position and is an absolutely untrue attack on thousands of government personnel who take their responsibilities to protect the interests of gaming players very seriously. In fact, consumer protection is a statutory requirement of all state gaming laws. The impact of game design on players is a central aspect of their examination of game design and manufacture. Protecting the welfare of the public is the central responsibility of the gaming authorities. We recommend that the committee seek evidence from one or more of these authorities to give you a clear understanding of the work that they do.

Thirdly, there was an accusation made by Linda Hancock that venues change the denomination of machines from 1c up to 5c on pension days and public holidays to try and rip more money out of players. This is an absolute untruth. It is just not done and it is just not possible to be done without the regulatory authorities immediately knowing about it. Every machine in a state is centrally monitored 24 hours a day by government. Any attempt to alter the features of a game would be known, and in fact it would take about a week for it to happen.

Fourthly, it was claimed that machine characteristics are changed when free spins are awarded. This is also untrue and would not be allowed by regulatory authorities. Finally, gaming machine manufacturers completely reject the assertions made by Mr Falkiner in both his submission and yesterday's presentation. They are a complete nonsense. We wish to table for the committee's consideration the gaming machine national standard that Mr Falkiner claimed was the foundation of his cheating claims. This standard comprises 119 pages of detailed requirements. Further, each state and territory jurisdiction has appendices attached setting out their specific jurisdictional requirements and these total several hundred additional pages. Thank you.

Senator FIELDING—We will have to look at the material you have put forward. Some of it I have seen, I think, but we will have a look.

Mr Ferrar—If I may just enlarge on the national standard document for a second, I ran out of time to print out 400 more pages. So I have the document here, if this is an adequate substitute.

CHAIR—Obviously people will need to look at that. As we said yesterday on a number of occasions, there could well be questions on notice so that if senators do have supplementary questions arising from this afternoon and from these documents we would expect that we will put them to you and get information back.

Mr Ferrar—We will welcome those questions. Incidentally, the document that has been tabled is also on the memory stick.

Senator FIELDING—Chair, I am wondering whether we could ask on behalf of Dr Livingstone for some of these things that he has been after—these schedules and how the machines work.

Mr Ferrar—We would welcome any questions.

Mr Gibson—But the reinforcement schedules do not exist. There is no such thing.

Senator FIELDING—Okay. I do not want to get into a debate. I hear what you are saying; I just need to—

Mr Ferrar—As Garrie mentioned, Dr Livingstone has not made any requests of any of our members for anything. However, our members are very willing and comfortable to provide any information to any bona fide stakeholder, which, certainly as far as I am concerned, includes any formally appointed researcher, with the only caveat being that, where the information involved is commercial-in-confidence, there be some sort of confidentiality deed.

CHAIR—The way the system operates is as you brought questions to us about the evidence that was given yesterday. Even though I know people will be looking at the evidence, we would draw to the attention of both Dr Livingstone and Professor Hancock what was said and then give them the chance to come back. That is the standard practice. We will be contacting them and giving them the issues that you have raised and then, as Senator Fielding has said, we will give back to you any questions they may have.

Mr Ferrar—Understood.

Senator XENOPHON—So that means that the report of Professor Blaszczyński will be put to Dr Livingstone for his comment?

CHAIR—It has been tabled in this committee. As it has been referred to, we will draw it to his attention.

Senator XENOPHON—And he has an opportunity to comment on it?

CHAIR—Absolutely. It keeps going backwards and forwards like that.

Senator FIELDING—In your submission you have two per cent problem gamblers down to one per cent. How many Australians is that, do you think, at two per cent or at one per cent?

Mr Ferrar—We included this information because we thought it might be relevant for the committee's discussion. We note that other submitters have provided very similar information. My personal position that I have articulated in very public places—in Senator Nick Xenophon's presence back in April, as I recall—is that one problem gambler is too many. I do not resile from that position. I never have. I have worked in the gaming industry since 1979. For the first 15 years I worked on the gaming floor. In 1993 and 1994 I was assistant casino manager at one of the larger casinos in Australia and I personally dealt with self-exclusions and related matters. I repeat my view that one problem gambler is too many.

Senator FIELDING—So I assume that 292 is pretty bad and that 292,000—a third of a million Australians—seems like a huge problem for Australia. If one is too many, then if there are 292,000—a third of a million Australians—and given that the Productivity Commission showed that it impacts on quite a few others, don't you think it is a significant issue? I want to go one step further here if I can. I have looked through your submission and I see the benefits of recreational gambling and the contribution to Australia's gross domestic product. You say one problem gambler is too many, but I do not see anything about the social harm of pokies and the cost to the Australian domestic product—that pokies are causing this financial drain on society and the community. You are portraying that you have a balanced review and response. I do not find that balanced at all.

Mr Ferrar—We have called for some time now for an update of the Productivity Commission's 1999 review report. The reason we did not call for another full review is that we understand that this is an issue that we need to discuss, that there needs to be proper assessment of this and that there needs to be appropriate evidence based actions taken. We want to participate in that process and we want it to happen in a timely way. As I said in my introductory comments, real evidence is timely. If we were not wanting to get this show on the road, if you like, and get measures which address this issue happening, we would have called for another full Productivity Commission review—1997, 1998 and 1999 have been said a few times today—and that would have meant that we would be years away today from another set of data that we all know and trust.

We want to see this addressed. I do not go back from my position that one problem gambler is too many. As far as I am concerned, that has always been the case. We want to see action is taken. We have taken a number of actions which I can outline later on this afternoon or now, if you prefer.

Senator FIELDING—Do you have a good understanding of the social harm poker machines are causing in Australia? I did not see it in your report. In all the pages you have provided, I did not see anything about the social harm coming from poker machines and the significance of it.

Mr Ferrar—We want to see this information and we want to see it as a result of the Productivity Commission review.

Senator FIELDING—But do you have a handle on the size of the social harm?

Mr Ferrar—I understood the Productivity Commission review report of 1999. David Costello quoted some statistics this morning about the net benefit of the industry—statistics, unfortunately, only for clubs in New South Wales—which was, as I recall, \$811 million annually. That is the net social benefit taking into account costs on both sides of the equation. I find that heartening. I find that to be a positive. I participated in the process of that review. We provided submissions. I attended hearings et cetera. I have some faith in that outcome and I trust that outcome, and it is timely.

Senator FIELDING—Do you have a good handle on the social harm coming from poker machines in Australia?

Mr Ferrar—I would have to say no, I do not have a good handle on that. I do not think I am qualified to say that I have a good handle on it.

Senator FIELDING—I think the rest of the submission and the detail backs up your position that the social good far outweighs the social harm from poker machines.

Mr Ferrar—I absolutely believe that is the case, yes.

Senator XENOPHON—You have said that there is no such thing as a reinforcement schedule—is that correct?

Mr Gibson—Yes.

Senator XENOPHON—Are you familiar with a class action in Canada against the Atlantic Lottery Corporation? It is in the Supreme Court of Newfoundland and Labrador.

Mr Gibson—No.

Senator XENOPHON—There is an affidavit there from an Associate Professor Harrigan, whose main area of research is the design and programming of games on EGMs. He refers in his affidavit to probability accounting reports, commonly known as PAR sheets. Are you familiar with PAR sheets?

Mr Gibson—I am familiar with the term, yes.

Senator XENOPHON—He defines PAR sheets as, ‘Technical design documents created by slot machine manufacturers and video lottery manufacturers for each game. PAR sheets provide information related to the underlying computer algorithms, math and statistics of how the games work.’ Is that your understanding of what a PAR sheet is?

Mr Gibson—Yes.

Senator XENOPHON—Just as there are PAR sheets for the Canadian machines, there would be PAR sheets from Australian machines?

Mr Gibson—Yes.

Senator XENOPHON—Was that information provided to Dr Livingstone and Dr Woolley, who prepared the report of the Independent Gambling Authority?

Mr Ferrar—As we said, no request was made of gaming machine manufacturers by Dr Livingstone or Dr Woolley.

Mr Gibson—But that information is provided to every regulator in the country—

Mr Ferrar—For every submission.

Mr Gibson—Every regulator uses that information to analyse the whole operation of a gaming machine.

Mr Ferrar—We characterise a PAR sheet as a mathematical summary of the detailed submission that follows. Every line of software, every line of code, is submitted. There has to be something for the benefit of the regulator to be able to summarise that.

Senator XENOPHON—Doctors Livingstone and Woolley in their report to the IGA on machine design and machine features earlier this year—and you were at the hearing—specifically said that they requested this information and it was not provided. You are saying that you would provide it to them now, if they requested it again?

Mr Ferrar—Absolutely. The only caveat is the commercial-in-confidence issue. This is the way that gaming machine manufacturers differentiate themselves from each other in the marketplace. So, they may consider it to be commercial-in-confidence. I have checked with them in the last 24 hours, and they are very happy to provide any information under a commercial-in-confidence deed to any valid stakeholder.

Senator XENOPHON—If, for instance, this committee decided to request that information to be looked at by Doctors Livingstone and Woolley, or the Independent Gambling Authority in South Australia, you would provide that information?

Mr Ferrar—We would not, but our members would.

Senator XENOPHON—Your members would?

Mr Ferrar—And I have checked with them in the last 24 hours.

CHAIR—Senator, who would be asked? Would it be Mr Ferrar's organisation or would it be individual manufacturers? I think that is an important point to make.

Senator XENOPHON—I presume it would be the manufacturers.

CHAIR—So, every individual manufacturer—

Mr Ferrar—We do not possess that information; we are an association.

CHAIR—What you are saying, Mr Ferrar, is that you are confident that each of those manufacturers would respond to that request?

Mr Ferrar—I am 100 per cent confident.

Senator XENOPHON—I want to be clear on the terminology. 'Reinforcement schedules', as you put them, do not exist, but the probability accounting reports, the PAR sheets, listing all those things—

Mr Gibson—That is the mathematical equation which works out the randomness of the game.

Senator XENOPHON—And how it pays out, the extent of the payouts and all that sort of thing.

Mr Ferrar—I am sorry to interrupt. This information is already provided to regulators and testing laboratories, who themselves are licensed. So it is just not an issue for our members.

Senator XENOPHON—I am glad we have cleared that up. In relation to machine volatility, there is a fallacy amongst many players—I think even those who work in venues—that, if there is a payout of, say, 87 per cent on a machine, that is the rate of return. But the rate of return is not over an average playing session; it can be over the entire venue or it can be over the life of the machine. Is that your understanding?

Mr Ferrar—It will vary according to a whole range of factors. But, as a very broad description, I accept and agree with what you have just said.

Senator XENOPHON—So, let us say, it is over the life of a machine, which might be three or four or five years?

Mr Ferrar—Longer, typically, in Australia. We are getting up towards 10 years. In South Australia it is longer than that.

Senator XENOPHON—Like our car fleet. If the 87 per cent return was something that a player could get over the course of a one- or two-hour playing session—in other words: if they play for two hours, if they press buttons for two hours, they would get their 87 per cent return—what would be wrong with that from your point of view?

Mr Ferrar—I briefly touched on the differentiation that manufacturers must have in their marketplace. If you make a machine where there are only one or two outcomes, you might as well issue a ticket and say: 'I have won. I haven't won. I have won. I haven't won.' It would be completely entertainmentless—if that is a word.

Senator XENOPHON—You would still get 87 per cent.

Mr Gibson—But you would also be interfering with the randomness, the whole random process of the computer. You cannot just fix those limited time periods and say you must deliver that in each set time period, because that is not the way the random number generation happens.

Mr Ferrar—Do you mind if I step back from this and talk around it? Is that okay with you?

Senator XENOPHON—It is up to the committee, I guess.

Mr Ferrar—Sorry.

CHAIR—This degree of technical thingy is beyond me. So that is fine; go right ahead.

Mr Ferrar—Senator Xenophon, I am not sure if you are referring to what is known as ‘the gambler’s fallacy’?

CHAIR—Is there only one, Mr Ferrar?

Mr Ferrar—I am not sure who to ask if I should answer that.

CHAIR—There is such a term, ‘the gambler’s fallacy’? What does it mean?

Mr Ferrar—I will put it in terms that even I understand. ‘The gambler’s fallacy’ is that, if a machine—and let us reflect on machines—has not paid out for a while, it is more likely to pay out next spin.

CHAIR—So people hang around one machine?

Mr Ferrar—Or the reverse.

CHAIR—And that is the fallacy?

Mr Ferrar—That, by my estimation, is a reasonable description of what is termed ‘the gambler’s fallacy’.

CHAIR—And that is actually a fallacy?

Mr Ferrar—The reality of a gaming machine is that, when you plug it in and power it up, it starts generating millions and millions of random numbers. While there is power to the machine, it will keep generating millions and millions of random numbers.

When you press ‘play’—and I do not want to be too simplistic—

CHAIR—I do not think you can be.

Mr Ferrar—the software reaches into this torrent of random numbers, grabs a few and applies those under the document that we have given you to a very strict depiction of the outcome of the bet. That process is instantaneous and completely independent of every subsequent event and every previous event. That is the reality of a gaming machine. When we talk about random number generation, we are talking about instantaneous generation of a number by reaching into a gigantic pool, if you like, of random numbers.

Senator FIELDING—Does the machine need to have a memory, though, so it knows how much it pays out because there is a requirement under law as to how much it pays out?

Mr Ferrar—No.

Senator FIELDING—On a percentage basis?

Mr Ferrar—No. That information is essentially one of the reasons for existence of monitoring systems. Indeed, there was some discussion yesterday—I have forgotten which senator raised it—about who is responsible for approving and monitoring the machines—

Senator ADAMS—That was me.

CHAIR—Senator Adams asked the particular question.

Mr Ferrar—I reflect on a recent event that we operated. Monday, 25 August was the day in question. The Commissioner of the New South Wales Office of Liquor, Gaming and Racing gave a presentation in a conference which was the best summary I have seen of how the machines are monitored. Mr Foggo showed graphs, and that file is on that memory stick, so I have inadvertently submitted it. It shows the actual performance of the machine in relation to what is expected under its approvals. It even shows where machines as a result of, in one case, a software bug have not performed according to expectation and there has been remedial work required to correct the situation. It is a graphic demonstration of how the monitoring process takes place. But, as Garrie said in his opening statement, probably the best source of information for the committee is not us; it is the Office of Liquor, Gaming and Racing in New South Wales—or any other state’s regulatory authority.

Mr Gibson—The process of the randomness and the way in which it meets the return to player requirements are all set out in the national standards that we have tabled. They are all in there.

Senator XENOPHON—I think we will have to wait for the par sheets or go through that process. You have said that machine manufacturers do not employ the services of psychologists in the work they do. They do employ psychologists, though. Aristocrat, if you seen them—

Mr Ferrar—No. I have never met a psychologist employed by a gaming machine manufacturer in 30 years. The last seven of those years have been spent working directly with the people who work in gaming machine manufacturing companies.

Senator XENOPHON—Even people with psychology majors? I have seen on sites that they have a rewarding career with Aristocrat and they happen to have a psychology degree.

Mr Ferrar—I have not seen that.

Senator XENOPHON—Last year Aristocrat spent \$104,158,000 on R&D, up \$9 million from the year before. You may want to take this notice; I am conscious of the time. Can we get an idea from one of your key members as to what sorts of things they would have spent that \$104 million on in terms of R&D?

Mr Ferrar—I think it is highly appropriate for me to take that question on notice and seek that company's advice.

Senator XENOPHON—I appreciate that.

Mr Ferrar—But I would reflect on the standards document we have provided to you. That is just one standard of well over 100 standards that gaming machines in Australia are required to comply with. I am referring when I say that to electrical safety and a whole range of associated standards. Each jurisdiction has its own set of standards that gaming machines supplied into that jurisdiction must comply with.

Senator XENOPHON—If you could take that on notice, that would be great.

Mr Ferrar—I am certain that that will enter into our response.

Senator SIEWERT—I am interested in your comment that the government is monitoring these machines 24 hours a day. How does that happen?

Mr Gibson—In each state they have a central monitoring system. Every machine is linked to that central monitoring system the whole time. So, if they turn a machine off, within a couple of minutes they will get a phone call from that central monitoring system, asking: 'Why has machine 45 on your floor been switched off?' They know everything that is happening. If any changes are made to a machine, the monitoring service knows immediately because they are all centrally linked.

Senator SIEWERT—Do they actually get the data from that machine?

Mr Ferrar—Yes. To me, there are two purposes to the monitoring system. The first, as Mr Gibson was indicating, are security events. If there is, let us call it, an attack on the machine, there are sensors in the machine that will pick that up and immediately a transmission will take place to the central monitoring system. The second, and some might argue more important, reason for a monitoring system is to determine in real time what the accurate numbers associated with that machine are in terms of turnover, revenue et cetera.

Senator SIEWERT—So each state government has access to all that information straight away?

Mr Ferrar—Yes. Oh—

Senator SIEWERT—So they could do their own analysis.

Mr Ferrar—It is certainly the case in New South Wales—

Mr Gibson—The platforms vary from state to state, but whether or not it is within a minute varies—with some the data is collected each 24 hours at the end of each day or something.

Senator SIEWERT—So all the data about each machine in each state the government has and can analyse and see how often somebody wins—

Mr Gibson—It is what the machine is paying out over that period.

Senator SIEWERT—Yes.

Mr Gibson—It is not on individual play but what revenue has come in and what it has been paying out.

Mr Ferrar—We all wish for more data from machines, if I may just go off on a tangent, and recent developments in the world of standards around gaming machines have revolved around an organisation called the Gaming Standards Association, ironically, in the USA. They have focused very heavily on this so that better data can be delivered to the appropriate agencies for analysis. We fully subscribe to and support those efforts. Our members are also members of that association. So there is a lot taking place in preparation for better delivery of things like data around gaming machines.

Senator SIEWERT—You would have heard the comment yesterday about specific machines going to specific localities?

Mr Ferrar—Yes.

Senator SIEWERT—What is your comment on that?

Mr Gibson—All the machines go through the same assessment procedure, and venue operators select the machines based on their performance in other venues and what machines are popular with the players. They use the normal operation of the market to determine which machines they will play. There has also been an emphasis in the presentations that there is some sort of deliberate placement of machines in low socioeconomic areas. Our experience is that machines are placed where the demand occurs—where the population in that local area seeks to use those machines. To me, there is an element of elitism in this whole debate about machines, where they are placed, the people who play them and the choices that they make. I think it tends to ignore, in the vast majority of cases, the lifestyle choices that people make and that people in certain locations choose to entertain themselves on gaming machines and expend their disposable incomes in that way rather than in other ways. In other locations they may have other choices, such as expensive meals, expensive clothes, expensive cars and expensive houses. That element of the debate is never stated but I think there has been a very clear element of that in some of the presentations that have been made over the last couple of days.

Senator SIEWERT—So I presume that you are denying that the argument that there are now more women with gambling problems specifically related to EGMs is an issue?

Mr Gibson—I am not denying anything about the evidence of people who are presenting themselves to gambling counselling services. We are aware that that happens and, as Mr Ferrar said, we do not want to see people having problems with gambling. But we do not believe that the process should be to remove access to gambling for everyone because some people are not able to manage their gambling play. We believe you need to develop an informed process so that they are better informed about the risks of gambling, what happens with gambling and what the likelihood of them winning is. The GTA is more than happy to cooperate on all of those areas and in fact has willingly introduced and offered to all governments the capacity to put information displays on the machine to explain to people what the odds are, how the machine works et cetera. In one jurisdiction—I think it is Victoria—that is happening and in a couple of others it is about to happen.

We believe in informing people and making sure that they are able to make informed choices. I support the presentation that was made earlier concerning educating young people. Fourteen- to 17-year-olds should absolutely, definitely, be educated about the risks of gambling, what the odds are and all of those types of things. I believe that we need to make sure that, wherever we can, we run this industry with harm minimisation as a principle and central goal.

Measures such as preventing the advertising of gaming in New South Wales is a fair and reasonable outcome and should occur, and it should be applied in other states. But I do not believe that the vast majority of citizens should be denied the opportunity or the choice to use gaming as a form of recreation because some are unable to control it. We need to make sure that we educate everybody and provide the necessary support for those people who have problems with gaming, but I do not believe we should deny everyone the opportunity because some cannot manage it; we need to help those people.

Senator SIEWERT—You were talking about not employing psychologists. Is it not a form of psychology to pick particular machines that appeal to a particular type of person and locate them where that particular type of person lives? Do you call that marketing rather than psychology?

Mr Ferrar—I do not know if that takes place or not. Gaming machine manufacturers do not have any say in that decision. They have a range of products available to—

Senator SIEWERT—So you are saying the manufacturers do not do it and the people that are putting them in their clubs and pubs are doing it.

Mr Ferrar—Manufacturers sell machines to clubs, to hotels, to casinos and, in two cases for the moment, Victoria and Tasmania, to the people that own the machines.

Senator SIEWERT—But you are not denying there are particular types of games that appeal to particular types of people.

Mr Ferrar—I think it is a discussion that needs to be had. I think there needs to be some sensible and sustainable research about it.

Senator SIEWERT—Having said that, we were presented with some research yesterday, which seemed to me pretty compelling, that shows that is in fact what is happening. You seem to be disputing that.

Mr Ferrar—We have tabled a report today that thoroughly discredited that same research.

Mr Gibson—Gaming machines all go through the same process—

Senator SIEWERT—You say, ‘Show us the research,’ so they do and then you make an attempt to discredit it. It seemed pretty compelling.

Mr Ferrar—What we want to have is independent multiparty research where everyone who is interested has the opportunity to participate in the development of the research agenda, the terms of reference, the configuration of the project and such.

Senator SIEWERT—Do you not think it should be independent rather than multiparty?

Mr Ferrar—I think it should be multiparty. If it is multiparty—

Senator SIEWERT—So the people that are manufacturing machines and that are making heaps of money from the machines should be involved in that research?

Mr Gibson—If you want research to be thorough and if you want research to achieve the very things that Senator Xenophon said—that is, getting access to all the information, all the data, all the players, all the venues and the way they operate—in short, every aspect of gaming in Australia, then you need to involve all the parties in it. The problem at the moment is that various interest groups conduct their own particular research and come out with findings that are based on very selective use of data, so of course the machine manufacturers and venue operators have doubts about it.

Senator SIEWERT—The problem I am having with this is that two per cent—or whatever percentage it is, and we are all arguing about that—of problem gamblers are contributing between, say, 25 to 50 per cent of the profits that are being made. That is where I have some problems with not having independent research. How can you say that it is independent when, yes, you want to deal with problem gamblers but anywhere between 25 and 50 per cent of the profit that you make is coming from that two per cent of people?

Mr Ferrar—First can I address a perception that I am picking up. There seems to be a perception among some interested groups that gaming machine manufacturers participate in the revenue of gaming. That is not true.

Senator SIEWERT—Sorry, I am talking about the industry—the industry in general wants to have a say. I am not trying to be overly aggressive here, but you also make money from this. The more people gamble, the more machines you sell. So the manufacturers also make money from this.

Mr Ferrar—Gaming machine manufacturers have one opportunity to generate revenue. In all states of Australia legal title to the equipment must pass to, typically, the club or hotel or casino. There is no further participation in the operation of that equipment where gaming machine manufacturers derive revenue.

Senator SIEWERT—Sorry, I was not suggesting that there is, but you do have a stake in the industry given that you sell the machines that they then use.

Mr Ferrar—Sure.

Senator SIEWERT—So the more people who game the better, presumably, it is for the industry.

Mr Ferrar—It is a very complex discussion. During the 1990s the number of gaming machines in Australia roughly, for the sake of our discussion, doubled. They were mostly new machines, so gaming machine manufacturers were selling lots of machines in the 1990s. Since the 1990s the number of machines has actually fallen so we are not, very broadly speaking, talking any new machine locations. We are only talking replacement machines. There is no growth in the market in Australia for gaming machine manufacturers. I just wanted to stress that point.

Senator SIEWERT—You are obviously still making money out of it though, otherwise you would not be here would you?

Mr Ferrar—From a commercial perspective my observation is, ‘Thank goodness for international markets,’ because the revenue that our members generate from international markets significantly exceeds the revenue that is generated domestically. I am sorry if I have not been as helpful as I could have been.

Senator SIEWERT—I think we have an issue around what is independent research and what is not independent research.

Senator ADAMS—I am looking at the question of modifications. Yesterday we had a number of witnesses who were talking about machines being modified in different ways, one with the note acceptors—whether they should be back to coins to prevent people gambling more heavily than they were. There was also the smartcard, of course. Would you comment on that? I am looking at the manufacturer's point of view and the add-ons that you would have to do. What is the cost of that to the industry and how would it work? I mean, it is modifications on modifications.

Mr Ferrar—This answer is going to be very complex. I will do my best not to consume the committee's time. Yes, there were a number of presentations in relation to modifications to machines. Shall we deal with bolt-on devices first?

Senator ADAMS—Yes.

Mr Ferrar—One of the primary issues that is covered in the standards document that we have delivered today is the integrity of the equipment. Gaming machine manufacturers regard the integrity of the equipment as paramount. They are, after all, devices that are dealing with cash transactions frequently. The idea of bolting on a device is somewhat going in the wrong direction as far as gaming machine manufacturers are concerned. Suddenly this device will have some sort of unknown connection into a gaming machine which might or might not compromise the integrity of the operation of the equipment. We cannot know because manufacturers must pass title to the equipment.

Secondly, can I just address the USB device? I am not reflecting on your comments at the start with the USB device we delivered. One of the presenters yesterday did present a USB device with a thumbprint scanner and in the submissions indicated that the Gaming Standards Association, that I mentioned earlier, and in the submission AGMMA—our former name—had supported USB communication so that meant that it was okay. We dispute that. Both the Gaming Standards Association and the Gaming Technologies Association do not find the idea of a USB port on the front of a machine to be satisfactory.

In fact I contacted by e-mail the President of the Gaming Standards Association, Peter De Raedt, with a broad question about this. Peter is a very direct gentleman, and if I may quote him: 'Allowing someone to plug in a USB device from the outside of a gaming cabinet is total nonsense. Imagine a bit of suntan lotion on your fingers or grease from fish and chips and the device will simply not be able to detect the individual. But, more importantly, you are delivering access into the machine to anyone who has a USB device of any form.' The essence of the standards that gaming machines are built to is to ensure that the operation of the gaming machine proceeds with integrity.

Mr Gibson—And that it cannot be tampered with.

Mr Ferrar—The idea of facilitating an attack into the software of the machine is also anathema to gaming machine manufacturers.

Senator SIEWERT—What if it were a smart card?

Mr Ferrar—If it is a bolt on device we go back to the same argument: we are concerned about the integrity of the equipment. We are concerned about all of the standards that this equipment must comply with when it leaves the factory. The moment that somebody bolts on a box or interferes with the equipment in any way, those compliances are void. Who takes responsibility if the electrical safety is compromised or if the operation of the equipment is compromised? Everyone will say that it should be the original manufacturer, won't they.

Senator FURNER—What if it were not a bolt-on unit? What if it were new technology introduced?

Senator ADAMS—Yes, introduced when you do the new machines.

Mr Ferrar—Right, let's have the discussion. Our members and we would be very pleased to have that discussion.

Senator SIEWERT—You would get to make new machines.

CHAIR—Mr Ferrar, I am sorry, I have to call an end to this discussion. Senator Xenophon, do you have a question?

Senator XENOPHON—Yes, I have a question on notice. Can you tell us whether Professor Blaszczyński's critique of the Woolley-Livingston report to the Independent Gambling Authority was paid for by the industry and how much the report cost?

Mr Ferrar—Certainly. The answer to the first question is yes it was paid for by our association. There were lots of reasons for that. I am not an academic and I found it quite daunting to read a several hundred page research report. I think we had six weeks in which to respond so yes of course I sought assistance.

Senator XENOPHON—Thank you.

CHAIR—The committee is now going to visit the Gaming Technologies Association headquarters to have a look at their machines.

Mr Ferrar—I am sorry to interrupt but it is the premises of one of our members as opposed to our headquarters, which is a small office with one chair in it.

CHAIR—People now know that that is where we are going. There will be other questions and I do apologise to senators for having to call the hearing to an end but, on a Friday afternoon in Sydney, we cannot be lurking. Thank you, Mr Ferrar and Mr Gibson, for your evidence and submissions. I feel certain this discussion will continue. I thank all those who came to our hearing and gave their time and knowledge today. The committee is not suspended because the meeting is actually part of our deliberations. We will reconvene in Canberra next week for further consideration.

Committee adjourned at 3.28 pm