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PRODUCTIVITY COMMISSION

INQUIRY INTO GAMBLING

**MS L. SYLVAN, Commissioner
DR R. LATTIMORE, Assistant Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT BRISBANE ON MONDAY, 14 DECEMBER 2009, AT 9 AM

Continued from 8/12/09 in Adelaide

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MS SYLVAN: Good morning, ladies and gentlemen, and welcome to the sixth day of public hearings to receive feedback on the Productivity Commission's discussion draft on the national inquiry into gambling in Australia. My name is Louise Sylvan and I'm a full-time commissioner of the Productivity Commission. On this inquiry are also the chairman, Gary Banks, who's presiding commissioner for this inquiry, and Commissioner Robert Fitzgerald. Unfortunately, neither is able to be here today. I have with me Ralph Lattimore, the head of the staff team on the gambling inquiry.

As you're aware, the draft has received a lot of attention and it's engendering considerable debate and we welcome feedback. I emphasise that this is only the draft discussion report and the commission is completely open to the views of participants and to making changes where we think that is important and appropriate in light of the feedback that we receive and the further research that we will do.

The commission encourages those who have views about the draft recommendations and their likely effects to put these on the public record and they can do that, of course, through submissions, but also through appearing at the public hearings, as people are doing today in Brisbane. Indeed, it's the purpose of these public hearings to give participants an opportunity to put their views on the public record and for us to have a discussion with them. That helps the commission identify the key issues warranting further thought and the various considerations that we will need to take into account in the production of our final report.

After these hearings today, we'll be holding a further hearing in Canberra tomorrow on the 15th and we will then proceed to do further work needed to refine our analysis and finalise the bottom lines for our report, which is due to government on 26 February 2010.

I'd remind participants that, while the hearings are conducted as informally as possible, a transcript is made to provide a public record of discussions. There is no formal oath-taking, but the Productivity Commission Act does require participants to be truthful in their remarks. Transcripts of the hearings and the submissions themselves are public documents and can be obtained from the commission's web site or people can purchase copies, and order forms are here today, or people can contact the Productivity Commission directly.

I should add for the record that participants need not feel constrained to making a single submission. For example, participants may wish to make submissions in response to the submissions of other people, and we will continue to accept submissions after these public hearings, though the time line is getting a little tight. They're due by 18 December.

To comply with the requirements of the Commonwealth occupational health and safety legislation, I need to advise you that in the unlikely event of an emergency

requiring evacuation of the building, exits are located in that direction and staff will be here to assist you if necessary, and indeed on any other matter.

With those formalities out of the way, I'd like to welcome Maxgaming and Tatts Group, who are the first participants in today's public hearings on the discussion draft. Welcome to the hearings, and if I could ask you, please, to give your names and your positions.

MR MARTSCHINKE (TG): Declan Martschinke, divisional manager for product and marketing for Maxgaming.

MR McCARTHY (TG): And Shaun McCarthy, divisional sales manager for Maxgaming.

MS SYLVAN: Thank you. Please proceed.

MR MARTSCHINKE (TG): Thank you for the opportunity to come and give you our submission today. We're here on behalf of the Tatts Group, primarily in the capacity of Maxgaming, but the submission that we're putting forward today covers things to do with the whole of the Tatts Group entity. We've made a submission on online gaming and the Interactive Gambling Act. We've made a submission on wagering. We have also made a submission in terms of jackpots, but primarily today we're here to give a submission and some further detail and clarification on precommitment.

Maxgaming is a wholly owned subsidiary of the Tatts Group and a licensed monitoring operator. We're the largest monitoring operator of game machines in the world, with over 135,000 game machines across our networks, including 34,000 in Queensland and, through exclusive licences, all the machines in New South Wales and exclusively in the Northern Territory also.

As an LMO, Maxgaming has no vested interests in hotels, clubs, other gaming operators or game machine manufacturers. We provide basic monitoring and ancillary services, such as loyalty schemes, precommitment schemes, wide-area jackpots and reporting to hotels and clubs in each of these entities.

Our submission today, as I said, is dealing primarily with precommitment and with section 7 of the commission's draft report dealing with precommitment. We watch with interest the commentary on the precommitment. There seem to be dramatic and different views on the possible effectiveness of the implementation of precommitment and we make comment as a system provider, based on our experience from the system we provide into Queensland hotels and clubs.

We currently provide a card based gaming system that includes a

precommitment facility to over 3800 machines at 40 venues in Queensland. The system has been in operation for over 12 months but it's only been available for six months, following a six-month field trial at RSL Redcliffe. So with some of the things we've found in that, we'd like to make comment on a number of the points raised in the draft report.

One of the things that we did for ease of use is that on the second page of the submission - I hope you've got a copy of that - we've got a little table there. That looks at the four different scenarios that you go with in terms of precommitment, and that is that you would have a voluntary to fit to the machines, or mandatory to fit to machines, or a voluntary for the players to use, or mandatory for players to use. We make comment that in no case in any jurisdiction is there a mandatory to fit and mandatory to use, so what we can give comment on is our situation in Queensland, where it's a voluntary to fit and voluntary to use.

We support any initiative that allows problem gamblers to limit the amount of money that they can spend in any one session or any one day. We also recognise that the amount of patrons with a gambling problem is a small proportion of those that play gaming machines and, with that in mind, we can say that over the last six months, even though it's only been in operation for six months after gaming approval, the Simplay card based gaming system has been installed in almost 10 per cent of all machines in Queensland on a voluntary basis. So it shows that the Queensland jurisdiction does take problem gambling seriously and is putting in place measures to limit the amount of play that can be spent for people with a gambling problem.

In the segment with the voluntary to use, it's encouraging to see that 8.6 per cent of the people have taken up the facility, so if we look at the fact that, from the report - if we agree that 15 per cent are problem gamblers and a further 15 per cent are at risk, to have almost a 10 per cent take-up rate shows that almost a third of the people that would be at risk have taken up the system. You would imagine that those people that are taking up the facility to put a spend limit are those types of people.

MS SYLVAN: Can we stop on that?

MR MARTSCHINKE (TG): Yes.

MS SYLVAN: I think if we ask questions through and so on, it - - -

MR MARTSCHINKE (TG): Yes, that would be great.

MS SYLVAN: And I would actually like to pick up both online and wagering if we have time, as well, and your positions there.

MR MARTSCHINKE (TG): Okay.

MS SYLVAN: But what determines for you any evidence that suggests that it is gamblers with a problem who are actually using the precommitment system in the voluntary setting in which you're providing it? 10 per cent of machines have a voluntary capacity to take a precommitment of some sort, so 90 per cent of them don't.

MR MARTSCHINKE (TG): Yes.

MS SYLVAN: And then you've got about 9 per cent of people precommitting. When you say 9 per cent of people, I guess the question there is: do you know the spend? Do you know the amount of time these people play, et cetera? Is the data there that actually suggests the characteristics of people with problem gambling?

MR MARTSCHINKE (TG): Yes. If you look at the report that was done by the Schottler Consulting Group, in their estimation - that hasn't been published yet.

MS SYLVAN: We haven't actually seen it.

MR MARTSCHINKE (TG): You haven't seen that, yes, so I've been privy to some information there, and in some of the findings of the Schottler report from the field trials, there was an overwhelming thought that the people that are taking up the facility are those people that are most likely to have a problem. If you don't have a gambling problem, there is no need for you to put a limit on the amount of money that you're going to spend. The types of spend limits that people are putting on themselves are anything from a dollar - where people may be just testing the system to see how it goes - up to, say, \$10,000.

MS SYLVAN: Is that per month or per year?

MR MARTSCHINKE (TG): On a per-day basis.

MS SYLVAN: Per-day basis.

MR MARTSCHINKE (TG): Yes, on a per-day basis. The system we've got in Simplay is on a daily basis from machine to machine, not on a single session, but in any one day if you hit your spend limit then your account is locked for that day. You can't use that card to play machines any longer.

DR LATTIMORE: Can I clarify the 8.6 per cent. Is that 8.6 per cent of the estimated number of Queensland players of EGMs?

MR MARTSCHINKE (TG): No. Because the Simplay system is a voluntary to use system, you may have, say, 1000 people that play gaming machines in your venue, and say 10 per cent of them take up the facility to use a card based gaming system, it's 10 per cent of those people.

DR LATTIMORE: Right.

MR MARTSCHINKE (TG): So those would be your regular users that would have the most advantage in either putting a spend limit on themselves or in having the convenience of using a cashless gaming system.

DR LATTIMORE: Do you know the proportion of revenue accounted by the 8.6 per cent in a venue?

MR MARTSCHINKE (TG): It varies. The more aggressive clubs who really do promote the system get up anywhere to - well, there are two venues that have gone totally hopper-less, so they use cards. You must use the card to use the system. In those venues they're getting 85 per cent of their revenue. Other clubs and hotels that are a little less aggressive in pushing the system are getting anywhere from 10 per cent up to 35 per cent of their total turnover or revenue from people using the system.

DR LATTIMORE: Okay. Have there been marked effects on the takings of the enterprises which have taken up the precommitment system?

MR MARTSCHINKE (TG): In the current environment of gaming where you've got so many different influences, it's very hard to say what the net effect is. What we've found with the hopper-less sites is - even when they've gone totally cashless - there's been no dramatic reduction in the amount of revenue. In the other venues, again, there are no massive changes in the amount of revenue that's going through the machines.

MS SYLVAN: Are there changes in the player behaviour?

MR MARTSCHINKE (TG): We haven't done any analysis on that.

MS SYLVAN: In other words, is it possible that people play for longer?

MR MARTSCHINKE (TG): Sorry. Having said that, we run reports and we have a look at how many people have hit their spend limit. So, yes, there are many occasions where people have hit their spend limit so there are instances where people have been stopped from spending more money than they wanted to spend - definitely, yes.

MS SYLVAN: Is there a capacity in your system to set a time limit as well, or is it strictly spending?

MR MARTSCHINKE (TG): There is, yes. No, there is a time limit. Of the 16,000 people that are now using the system, not one person has taken up the time limit. People don't see that there is a problem with spending too much time on a machine; it's all based around the spend limit. That could be an education thing. Maybe as the system evolves and as it's more widely accepted, then people may think about spending time away from - spending time at machines could also be a bad thing.

MS SYLVAN: The study that you mentioned, or the report that you mentioned which remains confidential, is there a possibility of getting hold of that on a confidential basis?

MR MARTSCHINKE (TG): I think you'd have to contact the LGR, who commissioned the report in Queensland.

MS SYLVAN: That's LGR. Okay. No, that's fine.

MR MARTSCHINKE (TG): I think they were looking at doing a consolidated report from the two field trials.

MS SYLVAN: Yes, okay.

DR LATTIMORE: Do you want to continue?

MR MARTSCHINKE (TG): We talked about a 10 per cent take-up. If we look at 10 per cent of what we consider would be 30 per cent, then it's very encouraging that only in six months, without wide exposure to precommitment, people are recognising that there's a facility in place if they'd like to take it up. The other thing that we would like to talk about is the costs associated.

MS SYLVAN: Just before you move to costs, if we can just finish on the revenue side. Your best estimation and knowledge about what's happening is it hasn't dramatically, at least, affected the revenue side.

MR MARTSCHINKE (TG): Not at all.

MS SYLVAN: Do you have any sense of why that would be? One of the strong messages that we've been hearing in other discussions with industry players is that a precommitment system - mandatory or voluntary - would, by definition, affect the bottom line simply because of the amount of revenue that derives from people who may be problem gamblers. They're the more intense gamblers. Do you have a view

about that?

MR MARTSCHINKE (TG): I don't have a view because we haven't done any research in that regard, other than to say that perhaps some of the assumptions that are made about the proliferation of problem gamblers may not be accurate. It's only by putting in systems and looking at the amount of money that's spent - - -

MS SYLVAN: That you know, yes.

MR MARTSCHINKE (TG): - - - where you can make a determination as to the capacity for somebody to spend some money. It's one of those things: you can take a small sample and propagate that to a wide spread and come up with a big number, but until you actually go through the experience and get everybody to play with a card, you don't know what the rate is. With only six months into a field trial - sorry. With only 12 months in - or systems six months to be spread out - there's no way that we can make any determination as to what the impact would be.

One of the main areas for concern from other industry groups is the costs associated. There are different theories as to the way that precommitment could be implemented. You could talk about a progressive implementation with new technologies which would mean buying new machines, and you can look at retrofitting existing machines. But what we've done is, we've had a look at the - being the licensed monitoring operator of over 135,000 machines, we look at the current protocols that are in place throughout Australia. We know Queensland with QCOM is a very easy system to work with to be able to set precommitment mechanisms, stop people's play on machines.

We look at other protocols such as the VLC protocol that is used primarily in Victoria. Primarily we look at the state with the greatest number of machines - 97,000 machines in New South Wales. Knowing what we know about the X series protocol, while it might be a little bit clumsy, we believe that there could be a low-cost implementation where you could use a standard card-reader on a machine. Instead of having this idea of the precommitment mechanism talking directly to the machine, you would use the precommitment mechanism talking to the monitoring system, because the monitoring system ultimately has control over the machine.

So you could come up with a methodology where utilising the licence monitoring operator's network and infrastructure with a low-cost alternative where the precommitment system is in fact the monitoring system, and you use that mechanism with the card talking back to the monitoring system to send commands to the machine to suspend the machine or possibly to display messages.

DR LATTIMORE: So that could occur across all venues and all machines because the monitoring system applies to all machines?

MR MARTSCHINKE (TG): That's exactly right, yes.

DR LATTIMORE: Would also that allow - I know you're actually recommending a voluntary system at the moment.

MR MARTSCHINKE (TG): That's exactly right, yes.

DR LATTIMORE: But were it to be mandatory, would it be technically possible, using the existing monitoring systems, for somebody to have a card, exceed a limit on a particular machine, and then be unable to use it to gamble in any machine at any venue?

MR MARTSCHINKE (TG): Yes.

DR LATTIMORE: It would be technically possible?

MR MARTSCHINKE (TG): Technically possible, yes. The monitoring system is the best vehicle to do that because it is installed in every single venue.

DR LATTIMORE: That would be true in all jurisdictions in Australia?

MR MARTSCHINKE (TG): In all the jurisdictions? I can only talk about the jurisdictions that we operate in - - -

DR LATTIMORE: Which is New South Wales, Queensland, Victoria - - -

MR MARTSCHINKE (TG): - - - Queensland, New South Wales, Northern Territory - - -

DR LATTIMORE: Okay.

MR MARTSCHINKE (TG): We are 100 per cent of Northern Territory; and in Victoria, half of the state in the Tatts Group. We know how the systems work and because of the wide area and nature of our operation, we could in some fashion, shut down a machine at the request of the monitoring or the precommitment mechanism.

DR LATTIMORE: Each of them has a different monitoring system. The solution you'd have to adopt for each jurisdiction would have to be to some extent specific involving some non-shared fixed costs; or would you be able to have a common software solution?

MR MARTSCHINKE (TG): Yes, exactly. The other advantage that we have - we're building a new monitoring system, but in the interim we have a system that

could go across jurisdictions. The beauty of having a cross-jurisdictional system is that, as people move from jurisdiction to jurisdiction, the interface on the machine looks exactly the same, so it's not a big learning curve for people to know how the system might work. But again, we would say that it would not be in the best interests of the industry to impose a mandatory system for the good of a small proportion of people who have a gambling problem.

DR LATTIMORE: We understand that. We've discussed a time line for precommitment, and there are alternative technical ways of achieving that and it may marry to various commercial opportunities. But from a technical perspective, how quickly could you use the existing technologies that you have to actually go towards a precommitment system?

MR MARTSCHINKE (TG): We've had a look at some of the - and in the body of the submission we've got some more details. We look at each of the jurisdictions. Queensland, obviously, where we've got a system already running, would be very quick. We would imagine that we could put something in place within 12 to 18 months across all machines.

MS SYLVAN: Is this an alteration of the software or it's also an addition of a capacity to read a card?

MR MARTSCHINKE (TG): Yes. So what you would do is, we'd use the existing software we have. We would need to put an ancillary piece of hardware inside every machine and that hardware would then be the same in all jurisdictions. So you've then got this mass production and efficiencies, cost efficiencies of scale.

DR LATTIMORE: The gaming machine industry is a high-tech industry.

MR MARTSCHINKE (TG): It is.

DR LATTIMORE: And there are certain technological directions in which it's going. I don't want to interrupt your basic submission, but can you talk about the technological direction you believe that gaming machines and networks are going in and how that might fit with the sort of monitoring systems and precommitment options that you're discussing? In particular, there's an apparent prospect of server based gaming, which has some attractive properties. Could that fit?

MR MARTSCHINKE (TG): It could fit. The problem with server based gaming, and the problem with any new technology is that, while you have a large number of machines in every jurisdiction from 28,000 in Victoria up to almost 100,000 in New South Wales, what you find is that the early adopters of the new technology will come in first because they will see all sorts of advantages in it. However, you've got this other tail, a very long tail, that won't adopt that technology because they're just

not commercially viable to do it.

For example, in Queensland in 1998 the QCOM protocol was put in place with a sunset of, say, three years that every machine would be voluntarily changed over to the new QCOM protocol. Well, we're 13 years down the track now and we've still got almost 1000 machines which are at the bottom end of the market which have still not been changed to that protocol. So if you hitch your wagon to a new technology as a way of introducing change, unless it becomes mandatory, you will find that it will take a very long time to be introduced. But you run the risk, if you do make it mandatory, of cutting out a very large segment of the market who would not be able to afford to make those sorts of changes.

DR LATTIMORE: When you say a "large segment of the market", 1000 machines presumably wouldn't, given their probable load utilisation, comprise a large share of the revenue.

MR MARTSCHINKE (TG): That's after 13 years, and I could go and have a look and come back to you with some more numbers - how long it took to get to that point.

DR LATTIMORE: Right, we'd be interested in that.

MR MARTSCHINKE (TG): If you talk about New South Wales, you're talking about a lot of machines at a lot of different venues. A technology refresh, you would envisage, would take at least 10 to 13 years.

MS SYLVAN: What was your estimate per machine in terms of cost of a system which is not server based but has the additional hardware and of course a software backing?

MR MARTSCHINKE (TG): The Maxgaming model is a nothing-up-front cost as we do it in Queensland. We would adopt the same sort of idea where you could put a loyalty unit or a card reader into a machine and the software and the network would be the cost of the LMO. In Queensland, that runs at less than \$2 a day.

DR LATTIMORE: So a particular enterprise would have to have a low revenue per machine not to be able to bear that commercially?

MR MARTSCHINKE (TG): Yes. There are other ways of looking at the way that you could implement it, where there was an up-front cost and then a recurring cost for the software, but our business model is about having technology quickly to the field at a low up-front cost - zero up-front cost.

DR LATTIMORE: You spoke about slow adopters with the QCOM system. Do

you know the sort of venues that are slow adopters?

MR MARTSCHINKE (TG): Usually two-machine bowls clubs at the back of Bourke are pretty slow at adopting those sorts of things.

MS SYLVAN: Rural?

DR LATTIMORE: But where else?

MR MARTSCHINKE (TG): It's all very much on a regional basis.

MS SYLVAN: Similar to other states.

MR MARTSCHINKE (TG): Anywhere near the Brisbane metro and then in your hub areas will be quick adopters. Larger venues, obviously, with bigger capacity to support that technology will be the best advantaged to take use of it.

MS SYLVAN: You were moving, I think, to the advantages for the venues of both cashless - and presumably these cards, if it's card technology, will be linked to loyalty programs as well?

MR MARTSCHINKE (TG): Yes. To introduce just a precommitment mechanism would be commercial suicide for anybody, I think, if you didn't have some other advantages. So the advantage to the venue is to ultimately move to a cashless sort of technology where you can remove the hoppers from your machines so you're not physically counting all those coins. You can then get your players around the gaming floor quicker without having to do hand-pays. We look at players who come for a playing session, will usually go anywhere between eight and 12 different machines in their gaming session, so to get them around the gaming floor with some expedience without making them wait for either a hand-pay or a hopper payout is just giving a better level of customer service.

DR LATTIMORE: Can you take us through a situation: I'm a new consumer, I walk into a venue and it's a cashless venue. What's my experience going to be?

MR MARTSCHINKE (TG): If you are a casual person, does it on the card, you walk in and you'll put some money into a machine and you'll play that machine. If you don't win on that machine, you won't notice anything different. You'll just play like you normally play. The only change is where you are looking for a payout from the machine. When you hit the collect button, the machine won't automatically vend any coins for you. In Queensland, if the amount was above \$50 you would be waiting for a hand-pay, someone to come over and physically give you more than \$50. In that interaction, it's not that different, where someone will come over and attend to you.

They can give you a card. You then acknowledge that you've received the card and give as much detail as you feel comfortable giving. In some cases there's no detail at all. Then you get explained how to use that card throughout the venue for the rest of your session. You can then use that anonymous card for anywhere up to 30 days. Once you've finished and you want to redeem the money that's on that card, you go to the cashier and redeem the cash value that's on that card and give the card back.

DR LATTIMORE: If I didn't misunderstand you, you can, in other words, still play with cash then?

MR MARTSCHINKE (TG): Yes. We've been mindful not to create a barrier for entry. For people who aren't regular players, the last thing that you want to do is to say, "If you want to come and play \$5 in a machine, you've got to go over to this place over here and you've got to register a 100-point check and then you've got to wait around," because people just won't do that. So we've been mindful to make sure that the machines still will take cash, so that people get that enjoyment factor. The cashless part of it only kicks in when you are going to collect.

We've got another mechanism there for small amounts of money, if the amount was one or two dollars, where you didn't necessarily want to take the card because you were just - you know, "I'm about to go and I'm going to miss my train" or my bus or whatever. We've got a little cash bumbag or cash purse that the attendants will wear. They can then take an attendant card and put the money from the machine onto their attendant card, physically pay the patron their two or three dollars. They get their money and they're happily out the door and you can then settle up your attendant card with the cashier to reimburse your float.

DR LATTIMORE: Can you transfer the card between connected venues?

MR MARTSCHINKE (TG): The system we have is a wide-area solution, so at any time we can turn on the cash purse sharing between venues. At the moment we limit it to groups where, say, the Brothers Leagues Club in Cairns has got a sister site that they also own, and you can move between those two venues and use your cash purse in between those two venues. Your precommitment or your spend limit also moves between those two venues because you're considered to be the same entity in each of those venues; and loyalty points as well.

DR LATTIMORE: Say I drop my - I mean, how much can I put on a card?

MR MARTSCHINKE (TG): Depends. There are three different types of cards. There's an anonymous or a visitor card where you can store up to \$100. The reason we picked this \$100 is because it's like a \$100 note. You treat this card as cash.

Because there are no identifying features on the card, if you lose that card, you're basically losing up to \$100 in cash.

DR LATTIMORE: That was where I was heading, so that's fine.

MR MARTSCHINKE (TG): Then you've got a standard card: in line with AUSTRAC requirements, a standard card with a name, address, date of birth; you can have \$1000; and then up to a registered card with 100 points of ID - up to \$10,000 on that card.

MS SYLVAN: The proportion of these various cards that get used? To collect loyalty points, you need to be in the standard card?

MR MARTSCHINKE (TG): You do.

MS SYLVAN: Or in the 100-point card.

MR MARTSCHINKE (TG): That's exactly right. Your visitor card, there are no loyalty points. It really does depend on the venue. Someone that's just got the transitional mode, where only members can enrol in the Simplay, are all standard. There are very few visitors. When you go to a hopper-less site, the proliferation of visitor cards becomes a lot higher, and that number diminishes over time. As people see the advantages of moving to a cashless system, they are more likely to become club members and enrol in the system that way.

MS SYLVAN: And do the various venues have complaints from people about having to give information about themselves in order to have their loyalty card?

MR MARTSCHINKE (TG): The majority of the venues at the moment are clubs, so every time you go into a club you're either a member, where they've got your details, or you have to sign the sign-in register.

MS SYLVAN: So you have to have ID?

MR MARTSCHINKE (TG): You have to have ID. So for a club the loss of anonymity is no big deal. However, there is also this visitor card for those people that are happy to give the club the details to say, "I'm here," but don't necessarily want anybody to know what they're spending. So we've got a situation for both cases.

DR LATTIMORE: The cost is \$1 to \$2 per machine regardless of the number of people who adopt the card. That's right?

MR MARTSCHINKE (TG): That's right, yes.

DR LATTIMORE: So in effect the cost, if nearly 100 per cent of patrons sign up for a venue, is no more than if 10 per cent sign up.

MR MARTSCHINKE (TG): That's right.

DR LATTIMORE: I was just wondering: you talk about the high cost of a mandatory precommitment system. How are those two consistent with each other?

MR MARTSCHINKE (TG): I didn't talk about the high cost of mandatory. I talked about the high cost of different types of systems. For example, one of the things I was going to talk about was a smart card. If you went to a smart card type technology where you had a stored value on the card and you also had a stored spend limit on the card, to issue a smart card to every person is a very high cost because smart cards range anywhere from \$6 up to \$10. What we talk about is using wide-area technology and having the smarts of the system based not on the card but back in the system, which allows you to give a card away, which is 20 cents or 30 cents even, and the replacement cost of those cards for a big number of users is then a lot smaller.

DR LATTIMORE: So the functionality that you might want with a smart card can be replicated with the card system that you're referring to?

MR MARTSCHINKE (TG): Definitely, yes.

DR LATTIMORE: Can I lend my card to someone else?

MR MARTSCHINKE (TG): Yes. It's exactly the same as your current credit card. If you trust somebody enough to give them your credit card and your PIN number - - -

DR LATTIMORE: Cash is on it, however.

MR McCARTHY (TG): It is PIN protected.

DR LATTIMORE: So you enter your PIN when you play?

MR MARTSCHINKE (TG): That's exactly right.

DR LATTIMORE: Okay.

MR MARTSCHINKE (TG): So if you think of this card as being similar to an EFTPOS card, where there's a certain amount of information stored in some sort of central host that is accessed by the identity of the card, then it is possible for you to

give your card. However, we are putting in measures where, with wide-area technology and the speed of data being moved around a lot quicker now, we're storing photos of people and reconciling that with the card so that as you go to withdraw money - we haven't got this in place yet but it's something we're working towards - the photo of the person that owns the card will pop up so you can quickly check that that's the same person. So we're looking at those sorts of things. That gives another level of security as well as the PIN number.

DR LATTIMORE: Right.

MR MARTSCHINKE (TG): Some of the other things that we looked at in more detail were some of the questions it was called to provide input on. We talked about appropriate transitions and some different ways. Also, we've talked about measures to avoid identity fraud and I suppose one of the main measures to avoid identity fraud is to ensure that the company that's providing the system is reputable, so you want to look at the type of entity, what internal controls they have in place, what level of competency they have to run a system that stores people's identities and make sure that is robust.

DR LATTIMORE: On that point, you're not the unique monitoring system in Queensland.

MR MARTSCHINKE (TG): No.

DR LATTIMORE: I think it's Odyssey who's the other provider. Were you to have a system that covered all of Queensland, can you talk with each other?

MR MARTSCHINKE (TG): There could be some capacity to do that. Obviously there would be some technical hurdles that we would have to overcome, but if we were to offer the facility on a wide-area basis, then yes, there would be some sort of way that we could interface. But there has to be some repository that is the main database that holds the spend limits and those sorts of things.

One of the other things that we wanted to talk about was requirements for people who, if there was a mandatory - not that we advocate it, but if there was a mandatory requirement for people to opt in or opt out, if you did opt out of the precommitment or if you didn't set a precommitment spend limit on yourself then there could be a monthly reminder that says, "You don't have a precommitment level set."

MS SYLVAN: Or any timing; weekly or whatever.

MR MARTSCHINKE (TG): Any sort of time. It would just pop up and say, "Look, just another refresher. We realise you haven't got a precommitment set."

Would you like to set one now? Yes or no," and then you've kept fresh in their mind that, "There are things in place to help you if you do have a problem."

We talk about the capacity to configure machines to play in a low-intensity mode. This one is really about the technology that's in each jurisdiction. For example, in a QCOM system it's a two-way protocol, so the monitoring operator can send messages to the machine. That sets a jurisdictional flag. For example, when a machine is approved in Queensland, it's approved for both hotels and clubs and also for casinos and then it's up to the provider of the monitoring body - in our case it's us; in the casino's case they do their own monitoring - to turn on certain flags in the machine. So, depending on what flags you set, you can make the machine a \$50 bet or a \$10 bet or a \$5 bet, the maximum number of lines, or the return to player.

Using that type of technology, I put an example in there where, if the maximum bet was normally \$10 or if it was normally \$5, you could put a situation in place where I insert my precommitment card, and because I have a spend limit set on myself there is no danger that I'm going to spend any more than I want to, so you could increase the maximum bet to, say, \$10 to allow that person, who knows how much they want to spend, the enjoyment of being able to spend the amount of money that they want to spend. So, using that technology, you could do that.

The problem comes about in other jurisdictions where you don't have this two-way protocol, where there is no message of configuration in the machine; rather, the configuration is set when the machine is first commissioned. But over time, as technology improves, we talk about different protocols, we talk about two-way protocols in technology. Those sorts of things are definitely there for the future.

DR LATTIMORE: What is the transition to that, in your view, towards the widespread availability of two-way systems?

MR MARTSCHINKE (TG): It's available now in Queensland, in Northern Territory, in New Zealand. Tasmania uses QCOM. Victoria uses QCOM. That technology is there now. If you look at a low-cost model, if you were to introduce QCOM into New South Wales, for a small cost - you'd have to ask the manufacturers what the small cost would be - to move a machine from an X series to a QCOM, you could introduce that type of technology quite quickly rather than having to buy a whole new box.

MS SYLVAN: So in a sense, if I can follow through the kind of set-up that you're talking about in a venue, and knowing that people are moving towards cashless - particularly the bigger venues have an interest in that from a cost point of view - you could have some machines, or in fact all of the machines, configured so that an occasional gambler who walks in who wants to have some fun with the pokies for whatever it is, \$20 or \$50, can play a lower-intensity machine - because they're not

putting in a card.

MR MARTSCHINKE (TG): Potentially, yes.

MS SYLVAN: Whereas anybody who's putting in a card can simply play a different set of intense games, as compared.

MR MARTSCHINKE (TG): That's right.

MS SYLVAN: So nothing in your system would be difficult to enable that to occur - - -

MR MARTSCHINKE (TG): No, not at all.

MS SYLVAN: - - - in a very short time period, in the places where your systems exist currently?

MR MARTSCHINKE (TG): That's correct, yes, depending on the protocol of the machines themselves.

MS SYLVAN: And when you say a short period of time, in this case it's already there.

MR MARTSCHINKE (TG): Yes.

MS SYLVAN: In a sense, with a transition notice of six months to a year, you can effectively deliver something like that. Is that correct?

MR MARTSCHINKE (TG): That's correct, yes. A lot of it is determined by the regulator in each jurisdiction, who would allow those types of things to happen.

DR LATTIMORE: You did qualify it by saying "depending on the protocol of the machines". Do you want to just expand on that briefly?

MR MARTSCHINKE (TG): At the moment it would be only QCOM machines.

DR LATTIMORE: Oh, okay. I thought you meant some other feature of the machines. That's fine.

MR MARTSCHINKE (TG): No, it's just the protocol.

DR LATTIMORE: Yes, okay.

MR MARTSCHINKE (TG): That was the highlights of the precommitment that

we wanted to address today and I suppose in summary we wanted just to say that we're learning a lot from the rollout of our system in Queensland. It's a new product that is growing, and as we add more features to it we'll learn a whole lot more. But based on that six months' experience, with the level of take-up on a voluntary basis we would definitely advocate that no decision is made on any mandatory use until there is a whole lot more data collected to see what it looks like, and 2016 may be a good time to look at those sorts of things.

MS SYLVAN: On your wagering side, if I might - - -

MR MARTSCHINKE (TG): The wagering side?

MS SYLVAN: You indicate support - are you comfortable - - -

MR MARTSCHINKE (TG): I'm not 100 per cent comfortable, no. It's outside my area of expertise.

MS SYLVAN: You're primarily from Maxgaming, okay.

DR LATTIMORE: You've raised the online one and there is an interesting parallel between the precommitment options that you discuss at the machine level on physical machines and the options for precommitment in online gaming.

MR MARTSCHINKE (TG): Yes.

DR LATTIMORE: When online gaming was actually illegal in a number of jurisdictions in Australia a decade ago they had a full suite of precommitment options. What's your view about the potential adoption of precommitment options in online supply in Australia?

MR MARTSCHINKE (TG): One of the beauties of when you're leaving your home to actually go and gamble is that at any time you've got a physical point of contact. Someone can physically grab your card or whatever you're using to identify yourselves and make sure that you are the person you are. Once you look at gambling inside your home, you can be anybody you want to be, and the effectiveness of having any sort of precommitment mechanism could be easily circumvented where there is nobody checking that you are who you say you are.

DR LATTIMORE: So the prime concern you have is the issue of the identity of the player?

MR MARTSCHINKE (TG): I would think so, yes.

DR LATTIMORE: Okay. Thank you.

MR MARTSCHINKE (TG): The only other part of the submission that I will give any further comment on is in terms of jackpots. Maxgaming operates a number of different jackpot systems throughout our monitoring operation. In Queensland we offer statewide linked jackpots, in-house proprietary jackpots and also random jackpots. In New South Wales we have two exclusive licences for statewide linked jackpots, both in clubs and hotels. We run the largest jackpot in the hotel and club market. Aside from the casinos, who run a million-dollar jackpot, our maximum jackpot amount is \$125,000.

We had a desktop research paper done in 2007 and basically the results were that there is no conclusive evidence or correlation between the size of a jackpot and the excessive gambling for somebody chasing that jackpot. In light of no evidence, we would just say that there's probably no need to look at the question of jackpots in terms of harm minimisation or in terms of problem gambling at this time until there is further research done.

MS SYLVAN: It's not simply the size, is it, that's a factor; it's getting to the point where the jackpot should happen, in a sense?

MR MARTSCHINKE (TG): That's it.

MS SYLVAN: So it encourages, potentially, people to stay on a machine because they think the jackpot is getting near, irrespective of the size. Did you have a view about that?

MR MARTSCHINKE (TG): Depending on the jurisdiction. You look at different jackpot sizes, and in some jurisdictions the jackpot may go over the maximum amount. In many different machines there is no maximum jackpot amount. So it's only where the jackpot amount is known and you know that it must go off beforehand, where there could be any sort of way that there could be this frenzied play. Again, we need to get some more information and research on how much that does happen before we could make any sort of comment on it further.

MS SYLVAN: Just one other thing. You don't talk about it - and that may be because you don't have a view and you're primarily a neighbourhood services company as opposed to casino services.

MR MARTSCHINKE (TG): That's correct.

MS SYLVAN: We make distinctions between high roller rooms and so on. Did you have a view about that at all?

MR MARTSCHINKE (TG): No, we have no view on it.

MS SYLVAN: Not at all. Okay, that's fine. Thank you very much and thank you for your additional submission to us. We really appreciate it and that was very enlightening.

MR MARTSCHINKE (TG): Thank you.

MS SYLVAN: I don't know if you were here for the introductory remarks, but we do this reasonably informally. I welcome you. Give the name of your organisations and if you could then give your names and positions. We have the Leagues Club Australia, the National Rugby League and - - -

MR MURPHY (LCA): And Redcliffe Leagues Club.

MS SYLVAN: Thank you, if you could give your names and positions.

MR TURNBULL (LCA): Yes, commissioner. My name is Peter Turnbull. I'm the chief executive officer of Leagues Clubs Australia.

MR BENEDET (NRL): My name is Gerard Benedet and I'm the manager of government strategy for the National Rugby League.

MR MURPHY (LCA): My name is Tony Murphy. I'm a director of Leagues Clubs Australia and also the general manager of Redcliffe Leagues Club and general manager of Redcliffe District Rugby League Football Club.

MS SYLVAN: Thank you. Please proceed.

MR TURNBULL (LCA): Thank you, commissioner, for the opportunity to present here today, along with my colleagues from the NRL and Redcliffe Dolphins. As I mentioned, I hold the position of CEO of Leagues Clubs Australia, which is an association representing some 82 leagues and sporting clubs and occupying 114 premises by way of amalgamations that provide significant financial and in-kind support for the sport of Rugby League in New South Wales and Queensland. It's a sport that's played at a number of levels, embracing NRL, senior and junior Rugby League competitions. It's the most popular sport along the east coast of Australia, a sport that proudly boasts massive television ratings, especially during State of Origin and finals series. Across the nation there are approximately 450,000 participants and 75,000 volunteers.

Today, Gerard Benedet from the NRL will provide an overview of the significance of the financial contribution from NRL-licensed leagues clubs in supporting the game's elite competition, as well as how the NRL and individual clubs engage in the community. Our member clubs also provide substantial support for a wide range of other sporting activities: cricket, hockey, netball, swimming, athletics, cycling, tennis, ice-skating and more. This financial support and the provision of facilities gives everyday Australians - whether they are senior citizens, adults or children - affordable and accessible sporting options, thereby contributing significantly to the overall fitness, wellbeing and good health of our nation.

The first licensed leagues clubs in New South Wales commenced operations in

the mid-1950s, with a charter to propagate the game of Rugby League at senior and junior levels and to support the community. On that basis leagues clubs were granted licences to operate gaming machines and sell liquor by the Licensing Court. Of the 264 original submissions to the Productivity Commission, 14 were from our association and our member clubs, which equates to over 5 per cent of total submissions.

It's the belief of those member clubs in our wider association that the draft report largely ignored the content of their submissions in relation to the following: firstly, the content of their submissions relating to term 3 and term 5 of the terms of reference; secondly, there was no clear recognition of the community gaming model versus the for-profit gaming model; finally, there was no clear recognition of the club gaming environment, where there has been strong commitment to a policy of responsible gambling.

Our case study presentation by the Redcliffe Dolphins Club will reinforce the typical economic impact of one of our member clubs in their community and the contribution of gambling revenue on community development, employment and the sport of Rugby League, especially at the grassroots level. It will also outline the benefits of a community gaming model and detail their proactive approach in providing a safe, secure and responsible gaming environment.

The economic and community benefits flowing from the club industry were embraced in the 2008 Independent Pricing and Regulatory Tribunal review of the New South Wales registered clubs industry. IPART concluded that the registered club industry's "net social contribution is positive". On this basis IPART, considers it appropriate for the New South Wales government to provide support to the industry to help ensure the industry's financial viability so that clubs can continue to contribute to positive social outcomes in the state. The report went on to say:

IPART's view is that, on balance, clubs make a positive contribution to the community that is sufficient to justify the level of support the industry receives from government.

IPART's estimate of the value of clubs' direct social contributions in 2007 in New South Wales was \$811 million. It was disappointing that this draft report did not attempt to provide a similar evaluation of the club industry. Time does not allow me to fully canvass our complete response to the draft report and to the 41 recommendations. Leagues Clubs Australia will provide that detailed response in writing by this Friday, 18 December.

However, in summary we have concluded that, should all of the recommendations in the draft report be implemented, the club industry as we know it today will be decimated and the impact will reverberate through the whole

community. Jobs would be lost, sporting and social amenities would be diminished, direct community funding would be severely affected and, in terms of Rugby League, both senior and junior Rugby League competitions would be impacted. At the NRL level, only five or six privately owned teams would survive - all of these impacts, with no real guarantee that there will be a reduction in the prevalence of problem gambling.

The extent of some of the recommendations surprised many because the draft report conceded a number of positives which I'll now quote. The first quote:

The spectacular growth of gambling in the 1990s - associated with the sudden liberalisation of gaming machines - has subsided, and there is reduced participation across the industry as a whole. Gambling is now a mature industry, growing at a rate similar to most others.

Again:

Gambling made up a smaller percentage of household consumption and expenditure in 2006-07 than in 1998-99.

Draft finding 4.6:

While far from certain, problem gambling prevalence rates appear to have fallen somewhat. It is unclear how much this reflects natural adaptation or the impact of government policy, though both are likely to have contributed.

Another quote:

Help services for problem gamblers are well funded and largely successful in resolving people's difficulties (though there is still room for improvement).

Another:

The majority of problem gamblers satisfactorily manage their gambling following counselling and treatment.

And finally:

Mostly, problem gamblers do not need prolonged treatment.

Such positive traction since the 1999 Productivity Commission report indicates that the industry stakeholders and governments are moving in the right direction. A

further indication is the latest results from the Queensland Household Gambling Survey just released for 2008-2009, which found the problem gambling rate had dropped to 0.3 per cent of the adult population.

Leagues Clubs Australia endorses recommendations which improve the quality and availability of counselling and treatment support services for problem gamblers. There should be a commitment for those measures to be expedited. As well, our association sees as a priority the establishment of the National Gambling Research Centre. The role of this centre should be to commission credible, evidence based research which will provide accurate data and information covering the 10 terms of reference of this Productivity Commission report. As your report states, "Evidence is essential to good public policy."

May I suggest that a large number of the commission's findings may have been concluded off the back of research data that has no industry-wide stakeholder confidence. The use of words in the findings such as "assumptions", "estimated", "may", "could", "around", "appear" and so on clearly does not imply accurate and well-founded conclusions. From a scientific point of view, recommendations being formulated off the back of such imprecise findings surely does not create the justification for their implementation. On that basis, we respectfully request the suspension of recommendations relating to the operation of gaming machines and ATMs until appropriate research is conducted to evaluate their true effectiveness in reducing problem gambling.

In closing, I would like to briefly raise our concerns with other aspects of the draft report and, being cognisant of the time, we will elaborate on these in our written response. Firstly, we are concerned that the draft report focuses predominantly on gaming machines and largely ignores other forms of gambling that would, according to quoted figures in the report, contribute to 20 to 25 per cent of problem gamblers. Secondly, the fact that the far greater majority of gamblers enjoy gambling responsibly and the notion of personal responsibility have both been ignored. Why should this greater majority have their rights and freedom of choice compromised as a result of the actions of a small minority?

Thirdly, we question why casinos be exempted from the implementation of a number of recommendations, especially with casinos opening 24 hours a day, seven days a week in predominantly highly populated parts of the country. Access to high roller and VIP areas, which as far as we can ascertain are not regulated in terms of percentage of total casino floor space, would not necessarily be for the exclusive use of overseas patrons. As well, the recommendation for the liberalisation of online gaming, which the draft report acknowledges "has grown significantly in the 2000s and could be worth 4 per cent of gambling expenditure", coupled with the use of credit card betting flies in the face of a commonsense approach to this potentially damaging form of gambling. Again, this issue needs to be referred to the National

Gambling Research Centre before any sound decisions can be formulated.

Finally, we also question the commission's reluctance to pursue school based gaming educational programs. This issue needs to be reviewed as a matter of urgency, especially given the reliance of today's youth on the Internet and their potential exposure to overseas gaming sites. Even just a Google search can sometimes provide links to sites such as Play Pokies for Free and overseas gaming sites. These school based educational programs should be based on the successful drug and alcohol awareness programs currently being conducted in Australian schools. Let me finish by again thanking you for the opportunity to present today. We request that you consider a balanced, commonsense approach for the government and industry stakeholders to continue the reduction in the prevalence of problem gambling and at the same time still allow our mature and responsible club industry to maintain its vital contribution to the community. I would now like to hand over to Gerard Benedet from the NRL.

MR BENEDET (NRL): Firstly, again thank you for the opportunity to present in conjunction with the Leagues Clubs Association in light of the draft report. The National Rugby League is the premier Rugby League competition throughout the world, surpassed by no other. The National Rugby League is the showcase of Rugby League at its very highest level. Most importantly, it's the culmination of various levels of amateur Rugby League seeking to attain skill, discipline and success at an elite level.

As Peter correctly pointed out, in the late 1950s gaming machines were introduced in the leagues clubs as a way to fund community sporting activities, particularly Rugby League. That's an ethos that is still very much ingrained in the leagues club culture today. I think it would be best to demonstrate the scope and scale of Rugby League and the National Rugby League itself, thus allowing a proper depth perspective. In 2009, over 3,081,000 people enjoyed the weekly excitement of the NRL Telstra premiership. That is the highest attendance in the game's history to date. 2008 was the game's centenary year. Rugby League on the Nine Network now reaches more than 2.7 million viewers each week across the three free-to-air matches. We're now looking at club membership of over 100,000 - and that is a full season ticket - as opposed to Leagues Club membership that complements our existing membership bases. That's up 27 per cent from 2008.

The game, as Peter rightly pointed out, has over 450,000 registered participants involved in regular Rugby League competitions - that means a competition more than six weeks in duration. More volunteers than ever before - more than 75,000 - are involved in the game as coaches, referees and administrators. We have over 3000 women playing in the Harvey Norman Girls Rugby League competition in 2009. Development officers throughout Australia - Northern Territory, WA, Victoria, South Australia, New South Wales, Queensland and the ACT - visited more

than one million schoolchildren in 2009, conducting skill clinics, gala days, part of the Small Step programs, community programs, and the federal government's Active After-School program. The game at the NRL level generated, in the 2009 financial year, \$1.8 million for charities. The State of Origin matches were sold out in Melbourne and Sydney with more than 6.3 million fans tuning in across five capital cities, and a further 3.3 million in regional Australia.

One of our greatest successes at the National Rugby League, which has a flow-on effect through all the state leagues, has been the involvement of Rugby League's One Community. Just three years ago, One Community was formed as a comprehensive community relations program, based on activities around Rugby League that could increase the level of positive difference in people's lives. Our ability to fund One Community from our revenues and its associated activities would not be possible if the NRL had to increase its current level of financial support for clubs.

Rugby League's One Community has a vision to use the public profile of the game to make a positive difference in people's lives. 2009 saw the introduction of the Eat Well, Play Well, Stay Well campaign, a three-pronged approach based on evidence, launched to use the profile of Rugby League stars to promote positive health messages for children and families so as to reduce the incidence of childhood obesity and to increase parental education. The program has the support of the Australian Children's Hospital Foundation. The creation of teaching resources mapped to curriculum outcomes, an instructional DVD and various other teaching materials for teachers in New South Wales, Queensland, Victoria and the ACT have been heralded as a first for a national sporting organisation.

Rugby League became the first Australian sport to support the Close The Gap campaign in 2009, which aims to close the life expectancy gap of more than 10 years between Indigenous and non-Indigenous Australians. The amount of time an NRL player spends in the community is limited. In 2009 that time in the community equated to 22,000 hours. This time in the community has recently been measured by the West Sydney Division of General Practice through a program with the West Tigers Rugby League Club, which has seen a 25 per cent increase in the after-school activity of children who attended mentoring sessions and encouragement and were role-modelled by players.

As I said before, the time that players have is limited and divided between various commitments at a Rugby League club at the elite level. The impact they have is greatly determined by their ability to touch the grassroots. It would be of great detriment if the players had to spend more time chasing corporate dollars if the game's revenue from gaming or leagues clubs was to decrease. In 2009 leagues clubs provided just over \$27 million in direct funding to New South Wales and ACT based National Rugby League clubs. Without this funding the viability of nine of the

current 16 teams would be in question.

Whilst our NRL clubs are looking at ways to reduce their reliance on leagues clubs, leagues clubs are and will remain an important part of our game. However, it is important to note that not all leagues clubs' revenues are derived from gaming, but a sizeable proportion is. This sizeable proportion towards the financial viability of the National Rugby League club is often not just for the operation of the elite squad, but the lower-grade amateur and semi-amateur sides that constitute the player pathway that is the most successful in Australian sport. On that note, I'd like to hand over to the case study.

MR MURPHY (LCA): Thank you for the opportunity to submit a written response to the draft report and for the opportunity to present at today's public hearing. My name is Tony Murphy and I am the general manager of Redcliffe Leagues Club and Redcliffe District Rugby League Football Club. I am also a director of Leagues Clubs Australia. I am joined by Peter Turnbull, CEO of Leagues Clubs Australia, and Gerard Benedet from the NRL.

I would like to commence with saying that Redcliffe Leagues Club Ltd and Redcliffe District Rugby League Football Club Inc are a successful model for a community based sporting club. We feel we are representative of sporting clubs which can be found in every community in Queensland and I would like to make the commission aware of the work that sporting clubs do in the community. I believe we are in a good position to respond to the draft report.

After initial submission to the Productivity Commission prior to the release of the draft report and after considering its recommendations, we'd like to offer the following as a response: a case study of the Redcliffe Leagues Club looking at present-day KPIs against the 1992 scenario prior to electronic gaming machines; information pertaining to our commitment to achieving best practice in the responsible service of gaming products; and the significance of the Queensland Household Gambling Survey.

In doing so, we would firstly like to offer a snapshot of our business in order for the commission to put our response into perspective. At Redcliffe Leagues Club we have 280 - the maximum - electronic gaming machines. We have 28,000 active financial members, 65,000 visitations each month, which excludes the community based Dolphins Aquatic Centre which we built with the state government and local council. We have \$25-plus million in annual sales. We have 200 staff, we have 100 senior players, we have 800 junior players, six fields are playing standard, and 80-plus recipients each year of grants, sponsorships and donations.

In providing the following case study of the Redcliffe Leagues Club, our intention is to paint a picture of our leagues club and football club now, as opposed

to 1992, prior to the arrival of gaming machines in Queensland. I would like to preface the following statistics by pointing out the population of Redcliffe has grown approximately by 22 per cent from its 44,933 residents in 1991 to 54,888 residents today. Running through some of the growth areas of our business that deliver both direct and indirect benefits to our community, you will notice that the growth is substantially more than that of the population.

In 1992 the Redcliffe Leagues Club was very close to closing its doors. I can say that without hesitation the introduction of gaming machines allowed not only our club to survive, but to thrive, which places us in a wonderful position today of being part of the very fabric of our peninsular community. The club had approximately 1500 members in 1992. Today the figure stands at 28,000. Employment has risen from 10 in 1992 to 200 people during this time. Entertainment commissions of paid shows in 1992 - and our investment was approximately \$10,000 per annum. Today we invest half a million dollars in providing 11 free shows each week. This comes with significant and tangible benefits I will outline later.

The most significant change over this period is undoubtedly participation rates. We had 200 juniors in our Rugby League club; we now have over 800 in Redcliffe, making us the largest junior club in Queensland. We formed the Narangba Rangers and this growth corridor has grown to 350 juniors in four short years. Of course, community gaming has also covered the extraordinary administration and ground maintenance expenses associated with this level of Rugby League. We are concerned the untested recommendations in the draft report will steer our club back to the 1992 scenario.

We would like the commission to consider these points: there will be some direct job losses. 97 per cent of our current employees live locally, injecting \$6 million per annum back into the local economy in payroll alone. Approximately 75 per cent of our employees could face redundancy under the new draft measures. We offer flexible employment, as it is attractive to students and busy mums juggling families. We consider there will be indirect job loss through the entertainment providers and the building industry, architects, sales representatives, transport and logistics, our Dolphins Aquatic Centre, cleaners, food and beverage providers, security providers, printers, and a range more.

Our community commitment at the Redcliffe Leagues Club consistently assists over 80 worthwhile community groups, causes and sporting teams. This figure was in excess of \$1.7 million last financial year. Our highlights include the Peninsula Power Soccer Club, Redcliffe Netball Club, Redcliffe Baseball Club, Redcliffe Softball Club, Redcliffe Hospital Foundation, Redcliffe Volunteer Coast Guard, Redcliffe Little Athletics, Peninsula Disabled Riding School, the PCYC, State Emergency Service, the Tennis Association, the Touch Association, the Hockey Association and the Redcliffe Leagues Lawnton Swimming Club, the Redcliffe City

Junior Cricket Club, Deception Bay Junior Rugby League, Burpengary Junior Rugby League, Narangba Junior Rugby League, Dayboro Junior Rugby League, Caboolture Junior Rugby League, Bribie Island Junior Rugby League and Brighton Junior Rugby League.

Potentially the leagues club will not be able to assist its own football club, let alone the aforementioned groups within its current community commitment. The Queensland state government recently acknowledged it simply could not provide the sporting infrastructure we currently enjoy without the significant contribution of community clubs. Rugby League is a working-class game, with participants most likely to come from low socioeconomic backgrounds.

The equation is simple: we had 200 kids playing before EGMs. We put them in, subsidised the cost, making it affordable for the working class and below, and we now have over 800 Redcliffe juniors. What happens to those 600 kids if the \$45 registration fee becomes \$400? This is just one of the intangible values of community gaming I referred to. If your son - your child - misses out on that team environment, a potential father figure and a coach, discipline and teamwork, does he turn to crime? What does this bring with it? Juvenile delinquency and childhood obesity are just two possible outcomes.

We engage our seniors. What are the intangible values in engaging our seniors through social interaction and exercise through dancing? We hold aqua classes aimed at our seniors. We keep our seniors out of hospital beds. How much stress do we ease off our crippled health system?

Can we ask people who have been saved by the Volunteer Coast Guard after a search and rescue effort on board the Redcliffe Leagues II, the primary weapon in saving lives, if they appreciate the Redcliffe Leagues Club's \$11,000 per annum sponsorship? What value, beyond the \$25,000 it costs for the Redcliffe Leagues Club, to put on a popular community event like Carols By Candlelight? What benefits does this have in terms of binding your community and what is the real dollar value benefit to a community of a four-year \$100,000 commitment to cancer research?

MS SYLVAN: Mr Murphy, I'm conscious that you have four more pages left.

MR MURPHY (LCA): Yes.

MS SYLVAN: And we've going to have no time for discussion.

MR MURPHY (LCA): Okay.

MS SYLVAN: I think the point you're making is quite clear to us. You support a

range of community activities.

MR MURPHY (LCA): Yes.

MS SYLVAN: I think the second point, if I can summarise between the three of you, is that there is no distinction that the commission is making between community gaming versus entrepreneurial or for-profit gaming. Am I - - -

MR MURPHY (LCA): That's correct, yes.

MS SYLVAN: Please correct me, because I don't mean to put words in your mouth at all. The third point that I think you are making is that you have a structure for responsible gambling.

MR MURPHY (LCA): That was my next - - -

MS SYLVAN: Yes, okay.

MR MURPHY (LCA): To just say that we're very responsible in the way that we do it.

MS SYLVAN: Okay, we'll come to that. And the last point, which I think you haven't made, which is your final point, is the Queensland survey.

MR MURPHY (LCA): That's right.

MS SYLVAN: And we explore some of the issues about methodology and so on.

MR MURPHY (LCA): Yes.

MS SYLVAN: In fact, I think we say some quite complimentary things as well about the Queensland survey, but just some questions in relation to that. Does that capture - - -

MR MURPHY (LCA): That's pretty much it.

MS SYLVAN: I don't mean to stop you, but - - -

MR MURPHY (LCA): I'd like to just finish off with best practice. We've been in the community for - what is it? - 18 years with gaming machines now. We could continue to be in that community, and we've got to trade very responsibly, which we do. Community clubs are very responsible in the way that we present our community gaming, and it's repeated all over Queensland, because if we didn't do it responsibly we'd cop the ire of all the community leaders in our area, which we don't.

MS SYLVAN: Okay. Thank you. I think we want to come to that community gambling issue, because it has come up a number of times and obviously we have made exemptions for casinos because of the nature of their business model, which you object to. But can we come to the revenue issue, which I think is at the heart of the comment that the clubs might be decimated, or some of the clubs might be decimated, or your sport might be, if the recommendations were implemented.

You have quite lucrative admissions to league games at least, some quite substantial income presumably from the television rights, and I could list a number of other sources of revenue. So, looking at the NRL as a totality, what proportion of all income actually comes from gambling machines?

MR TURNBULL (LCA): I'll start. Gerard will probably add to my comments. The basic grants that are given by the NRL to licensed leagues clubs in some cases do not even make up for the shortfall in the operations of a football club. Sure, I acknowledge that there are revenue streams through attendance at the game, marketing and grants from the NRL itself to the individual clubs, but as an ex-club manager - and I had two of those occasions with two NRL-licensed clubs - at the back end of the equation, once all the expenditure for the operations of the NRL clubs are concerned, they might derive a loss regardless of all of that funding coming in. There's still an obligation of the leagues club to pick up that shortfall in that trading situation with NRL clubs.

DR LATTIMORE: But if you looked at the total costs of running NRL, how much of the revenue would flow from gambling?

MR BENEDET (NRL): Just to clarify, the \$27 million that I spoke of earlier is a figure whereby grants are given by individual leagues clubs to the NRL-licensed - we actually at NRL do not see any of that \$27 million. That is direct payment to the club which the licensed venue is associated with or a part of, so it doesn't come into our general revenue. That goes into the club's operating budget. A club could spend in a financial year anywhere between probably about eight and a half and 25 and a half million, depending on the size of their operation. Obviously the viability of their operation is dictated to by a strength in some part of their leagues club. If not, it's their sponsorship base, their membership base, and a whole range of other factors.

DR LATTIMORE: On the side of the community participation in sport, I think you've indicated there's a considerable community value from supporting participation in sport by the community. Is that mostly in Rugby? You've spoken about a number of other sports, but is it mainly Rugby?

MR TURNBULL (LCA): Every club varies in terms of percentage. From our leagues club sector, obviously the priority is Rugby League but, as Tony canvassed,

there's a wide range of other sports that do benefit from funding directly from leagues clubs.

MR MURPHY (LCA): Can I just say that the Dolphins aren't part of the NRL. The NRL is 16 clubs. They're the elite level and we're a community club that exists in the community for sporting reasons. We produce the players that may go on and play for the NRL.

DR LATTIMORE: So has sporting participation risen significantly since 1992 in Queensland?

MR MURPHY (LCA): Certainly.

DR LATTIMORE: So the population of children participating in sport has actually risen?

MR MURPHY (LCA): In our area it has.

DR LATTIMORE: Across - I mean, NRL is involved here. Across Queensland?

MR BENEDET (NRL): We've certainly introduced another team to Queensland, because the pathways and the number of players can sustain that - so if that's by way of an indication. I would say that your participation per population statistics would range between locations. I can tell you that the registration numbers for the Australian Rugby League have never been higher, so that is juniors all the way through to seniors. That is broken up into a whole range of different segments, so that is school competitions, that's weekend competitions, that's junior league, that's senior league, it's masters, seniors. It's a whole range.

DR LATTIMORE: Okay, in per capita terms.

MR BENEDET (NRL): I don't have the figures in front of me, per capita terms, but it would be on par if not slightly above the national average.

MS SYLVAN: If we can come to the club level then, which is I think the focus in particular, and the effect of gaming machines on the revenues and the work that can be done. We've just heard from our last participants in their trial of precommitment - slightly different than some of the models that we have been discussing, but still very much on the table - that they detect no effect on revenue at this stage in relation to a precommitment model. What is it specifically that you think will be the impact? Which recommendation is it that you think will have such a profound impact on revenue as to make half of the clubs non-viable?

MR TURNBULL (LCA): It would be a combined effect of a number of the

recommendations across the board, if we look at the potential impacts of imposing a \$1 bet limit; the \$20 note insertion and no further notes until it went below the \$20 credit; extended shutdown provisions. The requirement for all venues to provide a cheque for payments in excess of \$250, the logistics of that alone: the club industry, in particular the larger clubs, would have to have a dedicated staff to accommodate that and probably could not keep up to speed with that.

DR LATTIMORE: There are various costs associated, depending on the prize limit. Obviously we've put in a number. It would be interesting to hear what the costs would be if you chose different numbers for that.

MR TURNBULL (LCA): I wouldn't have that information to hand.

DR LATTIMORE: It's not about extended shutdowns. We understood that in Queensland there was already actually a significant shutdown period.

MR MURPHY (LCA): As the Leagues Club Association, Peter is from New South Wales and I'm from Queensland, so - - -

DR LATTIMORE: Yes. What has your experience been with the Queensland situation?

MR MURPHY (LCA): We used to open at 9 o'clock; now we operate at 10.00. We find the only people that took away from was the elderly population. In our area, we've got a very high percentage of older people. They'll come down - they get dropped off by their daughters, or whatever, at 9 am. They'll go home about 2.00. They'll go and play the machines for an hour. They'll enjoy the entertainment and might play the machines for an hour at the end of the day, and then go home.

DR LATTIMORE: But in your context, given your neighbourhood, the shutdown period that you have in Queensland has not actually had any significant effect. Is that right?

MR MURPHY (LCA): It's only taken away from those people, it's only their leisure time, those guys that come in at 9.00.

DR LATTIMORE: Okay.

MR MURPHY (LCA): The elderly population are pretty much creatures of habit and they don't like to be out after a certain time. They go home and lock themselves in their house. They come to our venue because it's a very safe venue. They see it as a safe meeting place with their friends, and we usually see them out of there by about 3 o'clock.

MS SYLVAN: One of the things that is done in the report is the machine changes, in particular which I think you were talking about - leaving to one side the shutdown, where I think we don't actually recommend a time: we actually ask for feedback on what would be a reasonable shutdown. But we've got two parts in a sense of the recommendations: one is the changes to the machine to essentially lower the intensity of playing, so the bet limits and so on; and over here is the precommitment system which some people have said is like a loyalty system. It is not dissimilar to that. There is a card or something and people, the consumer, the gambler, says, "I don't want to spend more than, whatever, \$250 today," and they put that on their card. So you didn't mention the precommitment as potentially problematical.

MR TURNBULL (LCA): I was going to include that.

MS SYLVAN: Okay.

MR TURNBULL (LCA): The fact that the precommitment process obviously needs a lot of costs analysis. The previous speaker spoke in general terms about how much it would cost and I think we need to look at the big picture. From where we sit, as far as the precommitment technology, it's likely to cause a barrier for the recreational gambler. It's going to be a process where they're going to have to go through a process to register for that and, in terms of some recreational gamblers, they may see that as not worth pursuing, and obviously the venue is going to suffer as a result.

MS SYLVAN: Do people have to register to enter your clubs?

MR MURPHY (LCA): Most definitely.

MR TURNBULL (LCA): That's one of the effective harm minimisation measures in creating their own environment, and we have control mechanisms from the point of entry into the venue and also the skills of the staff in the gaming area.

MS SYLVAN: So what would be the additional impost on the individual?

MR TURNBULL (LCA): Registering actually to get - if it was a mandatory precommitment process, the person would have to, seemingly - and I'm unaware of the total logistics of the precommitment system, but they would have to register and that might just be a barrier for someone who is just out having a few social drinks or out for entertainment, but they wouldn't necessarily have thought, "Well, I'm not going to go through that process," so that might create that block; as well as the privacy issue. We've got a situation with people's rights. People are very cautious about having their data collected; how they behave, et cetera.

MS SYLVAN: This is a very important issue, so whichever of you would be

pleased to answer this. I'm going to one of your clubs, I want to go in and play a poker machine and I'm going to spend \$20, let's say. So at the moment if I go to the club, in order to enter I need to either be a member - is there a membership card or something of this sort?

MR TURNBULL (LCA): Yes, there is.

MS SYLVAN: And you hold data on the name and address of the individual primarily.

MR TURNBULL (LCA): Basically it does, yes.

DR LATTIMORE: And loyalty card data often as well?

MR TURNBULL (LCA): Yes.

MS SYLVAN: Are there loyalty cards as well?

MR TURNBULL (LCA): There are some - - -

MS SYLVAN: So there's a database, okay.

MR MURPHY (LCA): If they opt to choose that. It's up to them They don't have to.

MS SYLVAN: The loyalty card is up to them.

MR MURPHY (LCA): Yes.

MS SYLVAN: Okay. So the chief difference, as I understand it, at the moment I would need to give you my name and address, and I understand the rationale for this: it's a club and there are also a lot of venues that hold a lot of data on people because of violence, the nightclubs and things like that. So there are a number of systems in place already. So the difference in relation to the card potentially - let's say, for example, if we go back to the previous participants, and there were a set of machines which could be played and then there are a set of machines, in a sense, that are there that can be played with the card which are much higher intensity and so on, does that get rid of your problem with that, because essentially I'm still giving you my name, my address. You're simply giving me a card to play a machine. Is that right?

MR MURPHY (LCA): Just with those trials, I think - and you guys might have gone out to Redcliffe RSL Club.

DR LATTIMORE: We did.

MR MURPHY (LCA): Their participation rates weren't very high. Out of the 12,000 members - I'm not too sure - only a few hundred people took up - I'm just not too sure how many people took up the option to do it. But people just don't like being followed while they're playing the machines. They just like to come in and play the machines and go home. For them to put the card in is probably a little - is a barrier to them, to go and put a card in.

MS SYLVAN: So your concern, if I understand it, isn't a decrease in revenue that may derive from high-intensity potentially problem gambler players but from the occasional player?

MR TURNBULL (LCA): The figures show that, in terms of the recreational gamblers and low-risk players, you're talking a far greater percentage.

MS SYLVAN: Proportion. Yes, indeed.

MR TURNBULL (LCA): So those are the people that are going to suffer through this process.

DR LATTIMORE: So how much of the revenue would be at stake? I mean presumably not all of the people who are recreational gamblers would resist a card or whatever mechanism was used? Do you have an idea of the amount of decrease that would occur as a result of some of those people deciding not to enter?

MR TURNBULL (LCA): I think it's a matter of speculation. I think that's something that the National Gambling Research Centre would need to quantify. We would only be, as I say, speculating in terms of what the ramifications or effect would be.

DR LATTIMORE: Can I just turn to also the - I mean, there have been other changes, some of which you noted. I mean, there has been a reduced participation rate in gaming machines in particular. Gambling was very novel a decade ago, 15 years ago.

MR TURNBULL (LCA): Yes.

DR LATTIMORE: And it's less so now. There has also been the introduction in Queensland, and in most jurisdictions, of smoking bans.

MR MURPHY (LCA): Yes.

DR LATTIMORE: And each of these have been pressure points for clubs and other venues. How have they affected your revenue and capacity to provide revenue

for community groups and so on?

MR MURPHY (LCA): When we had non-smoking first come in - in Queensland they did it a little bit different to other jurisdictions. They did a third, a third, a third, over around about an 18-month to two-year period.

DR LATTIMORE: Yes.

MR MURPHY (LCA): We had a significant effect the first third, a little bit more the second and not so much the third because they were pretty well trained up. We have outdoor smoking areas where people can go and enjoy a cigarette and come back to the machine if they like. So the revenue went down significantly straight after; came back and it's now - we're below where we were last year. For the last three months we're below where we were last year, so we haven't had growth.

DR LATTIMORE: Obviously there's a trade-off between the health benefits potentially of smoking bans but, on the other hand, the support of the community groups which would have got that revenue. What's your feeling about that trade-off?

MR MURPHY (LCA): It's probably a personal theory but I think we've kept our community commitment up as best we can. We haven't dropped that or lowered that at any of the times that our revenue has gone down; we've kept our community commitment up, because that's what clubs do. That's what we do. But I think we had that \$20 note come back in - and I'm not too sure of the year, but I think Doug Flockhart is on this morning and I'm sure Doug can let you know when. But it certainly was a detriment. I think it got reversed after about three or four days because people didn't enjoy playing the machines. We were to blame for interfering with their machines.

MR TURNBULL (LCA): If I can just mention then New South Wales: the full smoking bans came into effect as of 2 July 2007. We have not restored parity with the gaming revenue at that particular point in time. So here we are almost two and a half years down the track and we still haven't regained the revenue. Certainly that put a lot of pressure on the club industry in New South Wales in terms of providing support for NRL clubs because the impact in some regions was up to 15, 20 per cent.

MR BENEDET (NRL): I can give you one example - I can't obviously name the club. A club grant was around \$2.5 million two and a half years ago and it's now less than one.

DR LATTIMORE: So was your view that perhaps the smoking ban was inappropriate given the effects?

MR BENEDET (NRL): No, it's not our view that it was all the case. Our view

was that the impact on gaming meant that the overall operations of that club had to decrease and we had to take an equal share, if not a larger proportion.

MS SYLVAN: I'm not sure if it's allowed in other states and territories, but New South Wales, I gather, now permits gaming machines in an outside venue which is essentially four walls with an open roof. Have your clubs put those back into place in New South Wales?

MR TURNBULL (LCA): Yes, alfresco gaming has been approved in New South Wales, subject to health department regulations.

MS SYLVAN: In terms of the correlation with smoking, is it these particular machines where the revenues have come back in relation to the smokers? I assume it is, but I'm just - - -

MR TURNBULL (LCA): To a degree, but as I say, across the board we haven't gained parity back to July 2007 in spite of that provision.

DR LATTIMORE: I was going to quickly ask a question about school based education. You said some fairly favourable things about it. We expressed some concerns from the literature that some of these very well-intentioned education programs in parallel areas in alcohol and drugs and so on - driver motor vehicle safety - had had the unexpected outcome of increasing risk-taking behaviour. Do you express some concern, given those findings, about gambling and school based education?

MR TURNBULL (LCA): I read that report with interest. My take on it, and that of the association is: is no education better than some other education? Again, proper analysis needs to be done. I've got two teenage children in their late teens, one of whom has just finished his HSC. I just know from his behaviour, in terms of his obsession with the Internet, whether it be scholastically or recreationally, that there are all these pop-ups that come up. Even as I mentioned in my presentation, if you do a Google search on the responses provided by Google, there's some advertising relating to gaming sites and they do come up. He had a little dabble at it. He did gain some access to a card and we had to treat that at the particular time. I saw that as a precursor for warning bells.

In fact, our association ran a session at our gaming conference in May last year in Canberra on online gaming. We had Sally Monaghan, who has submitted a couple of submissions to the Productivity Commission. It's like a sleeping giant. I've tried to delve into that research but it's very hard to quantify. She even acknowledged that in her presentation. I think we've got to be very guarded in regard to the liberalisation of online gaming because the kids are in a cocoon sort of situation with their computers. I didn't know what he was doing on his computer. There's not that

family guidance just in a computer room. People are busy doing other things. Adults are doing other things, so children are vulnerable. I don't like that.

DR LATTIMORE: What form of payment would he have used to gamble? I mean, poker is often offered free, but what would his payment mechanism have been in your case for gambling on a commercial online gaming site?

MR TURNBULL (LCA): He somehow registered and didn't register one of our cards, but we had to pick up the bill. Sally Monaghan mentioned in her presentation, there are about 64 different way in which you can get payment of participation in gaming on the Internet. It's just not credit cards; there's a whole variety that obviously the online gaming operators have implemented to increase the exposure to individuals, whether they be in America or in Australia or wherever in the world.

DR LATTIMORE: These are what you might call irresponsible online gaming sites?

MR TURNBULL (LCA): Yes. I think there are plenty of those.

MS SYLVAN: Just a final question from me. We have certainly had some evidence put to us by former problem gamblers that gambling on EGMs at a large club is really no different than gambling in a casino; that they are no more watched by the staff; that there is no sort of limit on them in a way that you might expect from a community venue, as opposed to something like a casino, whose purpose is of course to gamble. I just wondered whether you would comment about that.

MR MURPHY (LCA): I'd dispute that because if you think about a place like Redcliffe - and I was going to go through that - we are a very tight-knit community. We've got about 50,000 people, but it's still a tight-knit - - -

MS SYLVAN: It's a quite small club.

MR MURPHY (LCA): Yes, it's quite small.

MS SYLVAN: This was a comment in relation to the big clubs.

MR MURPHY (LCA): We find that on our front door we have long-term staff. It's usually older people who are semi-retired who work on our front door and they stay there quite a bit. They know everybody that comes through that door. They see them daily; you know, once a week, twice a week they'll come through that door and they'll say hello to those people. We put our best staff - like, nobody starts in our gaming room. Our best staff come from different areas and they'll get promoted and put into the gaming area. They are our best staff. They're trained in responsible service of gaming, responsible service of alcohol, and we've put them through an

anti-money-laundering, anti-terrorism financing course that the federal government has put to us.

You've got to understand Redcliffe, because they don't like to go across the bridge into the city and they like to stay in the community; a lot of people like to work in their community. We do know who's in our venue and we do know who's playing in our venue. We're considered a large venue for Queensland with 280 machines. I believe it's the other way around. We are very conscious of who's in our room and who's playing and we try to find a bit of background about those people if we think they've got an issue. We do some of the previous - - -

DR LATTIMORE: There may be a difference between a particular venue, as you say, of a relatively small size, and large venues. I mean, there's a lot of heterogeneity, presumably, across clubs in Australia.

MR MURPHY (LCA): I can only speak on my venue, but we are very mindful. It's not in our best interests for people to lose their houses or do anything else in that manner in our community, as I said before, and it's like that all over Queensland. If a club in that area is doing the wrong thing then it certainly will be detrimental to your business and detrimental to your reputation and your brand in that area.

DR LATTIMORE: But in New South Wales where there are large NRL based clubs which are almost casino-sized with some of the difficulties casinos face themselves in building an intimate understanding of each client; I presume the dilemmas there are a little different from a smaller Queensland club.

MR TURNBULL (LCA): If I could just qualify that again. I mentioned previously that I had 30 years' experience as a club manager prior to this role. One was as operations manager at St George Leagues Club, which is a very large licensed club, and also chief executive officer at Cronulla Sharks. I can categorically state that in both clubs it was a policy of the clubs to provide surplus staff to ensure an environment which was - like Tony mentioned - a supervisory environment. I, as CEO of Cronulla Sharks, would walk through the gaming room at least four or five times per shift.

The level of awareness between the staff and the patrons was great. There were a lot of people who knew the regular patrons and, as Tony said, that leads to the moral responsibility of those staff, as you would like, minding the patrons, and if they had any issues they'd be more inclined to seek assistance, should they require it; whereas other venues - maybe casinos, hotels - would not have that point of contact. I think that's something special with clubs.

DR LATTIMORE: Have you looked? I mean, the casinos do have responsible gaming officers and even counsellors available. They have clearly sophisticated

security arrangements; cameras everywhere. They also have very high quality training systems. I mean, on what basis would you argue that clubs would be superior in terms of responsible gambling service to, say, casinos? I doubt the casinos would argue in that position, let's say. We'll hear from them today.

MR TURNBULL (LCA): We don't want to get in a fight with other operators, but I can only relay my experiences as an operations manager and a chief executive officer, and that's the environment that we've created. I think Tony has elaborated on that probably lower-tier club in comparison to the NRL clubs. But certainly in terms of clubs in Queensland, he's at the maximum threshold of gaming machines allowable. So it's a big club in Queensland terms.

MR MURPHY (LCA): If I was a problem gambler I don't think I'd come to my venue. I think I'd go to a hotel where I can walk in the side door and play the machines and walk back out that side door. To me, if you've got a problem, you want to keep it pretty private. That's my view.

DR LATTIMORE: Have you looked at the evidence on the issue of where problem gamblers actually prefer to gamble? There is some evidence on that score. Have you examined it?

MR TURNBULL (LCA): I personally haven't.

MS SYLVAN: Can I ask, and would you turn your mind to it if you can't answer at the moment, what would be the metrics that we would look at if I'm examining a casino with a responsible gambling policy, and excluding the tourist high rollers who are coming into the casino, and I'm examining a club essentially of the same size and thinking primarily about poker machines, about electronic gaming machines? What metric would I look at that would tell me that the clubs are performing better in terms of responsibility? Would it be the number of times the staff have intervened with a problem gambler and asked them to leave the venue, or refusal to serve them? We take the assertion and we hear it, but what is it that we would look at that says that the clubs have presumably less problem gamblers because of the way they intervene?

MR TURNBULL (LCA): My personal experience would be just to state that as far as registered clubs are concerned, we obviously try to maximise the membership of the clubs, and that encourages them to attend on a more regular basis, so you'll find that your overall foot traffic through the course of a week would be high in proportion to members, so there would be a lot of repeat visits; whereas perhaps in a casino where they are located in central areas, city areas, obviously the foot traffic would be completely different day-to-day.

We have repeat people. They come in for the dining facilities, they come in for the sporting facilities, come in for the entertainment facilities, so there will be

multi-visits during the course of a week. They wouldn't necessarily come there once a week. That's where you have that familiarity. They do have a membership card and they present themselves at the front of the club and they're identifiable because of their membership of the club, whereas casinos would be obviously trying to entice the wider population in without any necessarily card based entry or registration as a visitor.

MR MURPHY (LCA): I'd back that up too. I'd say that in our area we've got to trade very responsibly because these people are repeat business people. It's not in our interests for these people to become a problem gambler or look like becoming a problem gambler. We need to trade and we do trade very responsibly. As I said, we've got our better staff in there and they are concerned with people's wellbeing and they will notice if somebody is coming more regularly than they used to come, and they will intervene and have a chat to those persons.

You've got to understand, it's a very delicate situation to do that. You just can't tell somebody to leave, "I think you've got a problem." But we have people who are trained through Responsible Gaming and other training courses that we take up. They will have a chat to that person and have a talk about their life - you know, "How are things going at home? Everything is going well? How's the hubby?" They will interact on a very personal level in the club. They're our members, we are a community club. We want to be seen to be doing the right thing and to be doing the right thing.

MS SYLVAN: There are a range of other issues that we could probably discuss with you. One that comes to mind is why we think the prevalence rate is problematical, to be used in the way that it's being used. But we'll leave that because I think we've got a pretty good idea where your positioning is. You'll be putting in an additional submission?

MR TURNBULL (LCA): Yes, an elaboration of what we presented today, so that will be submitted by Friday.

MS SYLVAN: Excellent. Thank you very much for appearing. It's been very useful.

MR TURNBULL (LCA): Thank you for the opportunity.

MS SYLVAN: Thank you. We'll now break for morning tea.

MS SYLVAN: We'll recommence the hearings. You weren't here, I think, in the opening remarks, but we do this quite informally. We're not going to put you under oath or anything of that kind. I'll just introduce you by your organisation name and if you could give your names and positions for the record. We're about to hear from Clubs Queensland.

MR FLOCKHART (CQ): Doug Flockhart, CEO of Clubs Queensland.

MR WOHLSEN (CQ): And Geoff Wohlsen, director of Dickson-Wohlsen Strategies.

MS SYLVAN: Please go ahead.

MR FLOCKHART (CQ): I take this opportunity to thank you for the privilege of presenting our views on the draft report on gambling. I'd like to point out that Geoff is the principal of Dickson-Wohlsen Strategies consulting firm and it delivers financial and related services to hospitality sector in Queensland. It's partly owned by Clubs Queensland but operates independently under its own management structure. Clubs Queensland is the peak industry body, the effective voice of all community clubs in Queensland. Our membership includes all community club types - RSL clubs, surf lifesaving, supporters clubs and general interest clubs - and we represent 90 per cent of all clubs with gaming machines in Queensland.

As of last month, there were 939 liquor licensed community clubs in Queensland, of which 557 or 59 per cent had gaming machines. 73 per cent or 409 of that total are classified as small, having 40 or less gaming machines. As you already know, community clubs are recreational hubs that provide community services and facilities that would generally be unavailable otherwise. Late in 08, Clubs Queensland commissioned a social and economic impact study reporting on the value of community clubs and what they bring to the Queensland community.

This report was compiled by Dickson-Wohlsen Strategies and audited by BDO Kendalls, and it revealed that as an industry we generate \$1.895 billion in revenue, return \$668 million in direct benefits to the community, pay \$377 million in taxes and levies, hold \$2.424 billion in assets, employ 26,900 people, support 3400 contractors and utilise 35,000 volunteers who contribute 4.83 million hours, which is equivalent to 2998 full-time jobs. I note that we've previously supplied you with a full copy of that report as part of our original submission.

Based on these figures, community clubs form the largest single component of the not-for-profit sector in Queensland. Our success is mostly attributable to the impact of community gaming. I am sure that the commission would be aware that one of the key reasons why gaming machines were introduced in Queensland in 1992 was to assist community clubs to create operating entities that could fund community

projects, develop community assets and provide safe leisure facilities throughout the state. Before the introduction of gaming machines, most community clubs in Queensland were financially struggling, with limited abilities to deliver their core services, especially relating to amateur sport, surf lifesaving and RSL-related community activity.

The community club sector welcomes the draft report because it provides a much needed update to the commission's 1999 report and I'd suggest even a cursory look at the past decade shows the monumental progress that has been made in responsible provision of gambling services across Queensland and Australia. The draft report provides a platform for discussion and we would like to raise particular issues today that you may still have under consideration for the final report. As a state based peak club association, we can only talk about Queensland and Queensland community clubs in particular and in the short time available to us today I will touch on some elements of the report.

Queensland offers a very different gambling environment from other Australian jurisdictions. Without a doubt, Queensland leads the way with the long established and nationally acclaimed Responsible Gambling Advisory Committee. This committee is a tripartite forum of government, industry and community representatives who come together to discuss gambling issues in an amicable and productive manner. This committee advises the government on the best way forward on gambling policy issues.

Also, the Queensland government has conducted one of the largest gambling prevalence surveys in the world, called the Queensland Household Gambling Survey. It was completed firstly in 2001, with subsequent surveys in the 03-04 period, 06-07 period and now 08-09 survey results having just been published. This latest survey found that problem gambling rates stood at 0.37 of 1 per cent of the adult population in the 08-09 period, which is a significant drop from the 0.83 per cent in 2001.

Most importantly, Queensland gambling venues have demonstrated unequivocal commitment and support for harm minimisation through a whole-of-industry Responsible Gambling Code of Practice. The code requires gambling venues to implement a range of responsible gambling measures, including self-exclusion and venue exclusion regimes, and other effective liaison with gambling help providers. In this regard, each venue has a customer liaison officer to facilitate assistance to anyone who may have a problem gambling issue.

As you know, Queensland has recently conducted card based gaming trials at two clubs in South East Queensland and, to date, over 40 other venues have signed up for card based gaming to be implemented, at a substantial cost to their operations. Note these early adopters have committed to this technology on a voluntary basis.

In our view, the draft report, if implemented without substantial modifications, will fundamentally change the gambling environment in Queensland for the worse, because it will bring no more protection for the problem gambler than currently exists, which is extensive by any measure. Rather, the effect will be further unjustifiable restrictions on recreational gambling that is enjoyed by the vast majority of people without any harm.

We have formed this view because we feel the one-size-fits-all method is not an appropriate approach when dealing with for-profit and not-for-profit entities. With respect, we think this is neither practical nor effective, because of the differences in regulation, tax rates, maturity of the market, ownership model and splits between private and community ownership of gaming across various jurisdictions.

If I can expand on that point, there is no level playing field in the Queensland hospitality context. As indicated elsewhere in my submission today, casinos have more liberal conditions in regard to the operation of gambling services. Only they can have table games, only they can have unlimited \$20 notes going through the gaming machines, and they pay lower taxes compared to community clubs and hotels. Yes, community clubs pay lower taxes than hotels. However, hotels have a stranglehold on liquor - ie, only hotels are allowed to have, in Queensland, drive-through bottle shops, stand-alone liquor barns and detached bottle shops - and consequently enjoy about 80 per cent or more of the liquor market. This is another example of why a one-size-fits-all approach will not work.

The draft report suggests nationally consistent regulations be applied for the operation of gaming machines in all states and territories. With each jurisdiction currently operating separate regulatory regimes that have little or no synchronicity, implementation of a new regulatory regime would be extremely disruptive and lead to widespread downturns in the community club operating conditions.

It should also be remembered that in a state such as Queensland, each community club is a separate entity trading within one community, therefore each community club in Queensland would be individually affected by the imposition of any new regulatory regime without any ability to spread downturn in operating revenue across a trading group operating in multiple locations. Inevitably, the community services that these community clubs support would also be affected.

Let me focus on the previous point, community ownership of gaming, to illustrate the potential impact of the draft report on Queensland's community clubs. Community clubs operate in a social economy because they are not private enterprises like hotels and casinos. As such, the predominant focus of community clubs is to provide services and facilities to their members rather than generate a profit, though they need to produce a surplus to remain financially viable.

Community-owned gaming ensures this outcome because clubs must reinvest any surplus for the collective benefit of their membership and their local communities; ie, gaming - or, for that matter, any commercial activity in clubs - is intended to serve social ends through the reinvestment of surpluses. Put in another way, this is a simple case of not-for-profit community gaming versus for-profit entrepreneurial gaming. Gaming is the common denominator, but gaming serves different purposes which are not one and the same and should not be treated as such. The different legislative provisions in Queensland demonstrate this amply.

I guess what I'm requesting the commission to think about are the practical implications of the draft report and not just their academic underpinnings, because what community clubs currently provide cannot be provided if the dynamics of the community gaming are radically altered through new and generic regulatory restrictions. Also I urge the commission to fully consider the need for radical surgery, so to speak, when extensive measures are already in place to address problem gambling and the problem gambling rate is on the decline across Queensland and Australia. This is certainly due to the policies put in place in response to the commission's 1999 report.

The question that needs to be asked is: who will provide the massive recreational facilities and services if community clubs that rely on community gaming for their operational viability close down or are not in a position to provide their current level of support? It can only be concluded that the vast majority of community services provided by community clubs, especially junior and senior sports, surf lifesaving and RSL-sponsored services, would require significant government support via the redirection of tax receipts. The answer is very grim.

There is no other institution that can replace community clubs, because community clubs are a way of life. They're a source of pride and joy for millions of people and they exist as iconic symbols of the goodwill that is inherent in all of us. The first community club formed in Queensland was the Booroodabin Bowls Club in 1888 and this club still exists today and is affectionately known as the Boo. Clubs are very close to their communities and are best placed to meet the needs of their community compared, say, to governments that may have political imperatives to consider when allocating resources.

Given all the above, it is not just important but necessary that all harm minimisation measures are thoroughly evaluated and then, based on solid evidence, accepted or rejected. Again, Queensland is leading the way on this front, with card based gaming trials. However, this was not always the case, as the Queensland government's policy change over the \$20 note acceptor demonstrated in 2001. The original policy, which looked good in theory then, only permitted a maximum credit of \$20 at a given time in clubs and hotels, but the policy decision was reversed within five days of implementation when it became clear it was unworkable.

The community club industry is very concerned about your recommendation 11.2 to limit credit in a gaming machine to one \$20. As previously mentioned, this was tried in Queensland from 1 December 2001. It occurred at a time when the government also disallowed the use of \$50 and \$100 notes and the industry suffered a dramatic downturn in the first week of December 2001 and within days the Queensland government decided to increase the credit limit to \$100. The extent of the decrease in metered win for that first week was 37 per cent.

It could be argued that some of the decline was attributable to the change in denomination but as the metered win gradually recovered after the credit limit was lifted, it was felt that the main factor was the limitation on the number of notes in the machine, not the change of denomination. The official position of the government was equity between casinos, which had no note limit, and clubs and hotels, that had a \$20 limit. Despite the government's rhetoric at the time, we believe the main driver for change was the dramatic impact on revenue. We could expect a similar impact should the government decide to embrace recommendation 11.2, which will have devastating consequences on the industry, resulting in job losses, community club closures and a dramatic downturn in support to sporting clubs and charities. The effects will be far-reaching.

There must be a balance between the needs of gambling, recreational gamblers and problem gamblers, because there is a limit to the controls that can be imposed from the above. The fact that cannot be ignored is that a vast majority of people gamble without problem. "Vast" here means more than 99 per cent of the adult population, a figure implied in Queensland's Household Gambling Survey. Our major concern is that there is no empirical evidence to support that such a measure will have a positive impact on problem gamblers. Now, I urge the Productivity Commission to give further thought to this particular recommendation, as the consequences have the potential to be catastrophic.

I would now like to respectfully take issue with one of the key points in your report found in the overview, "the machines allow losses of up to \$1200 an hour".

In the Queensland context, this is completely wrong. Recognising that in Queensland we have a maximum bet of \$5 and the speed of machines in Queensland is 3.5 seconds between button presses - to allow for putting notes in machines and distractions, I've used four seconds - therefore there are 3600 seconds in an hour divided by four to arrive at a potential of 900 plays at \$5. Operating on a 90 per cent return to player, the maximum loss would be \$450. Some machines are set at - - -

DR LATTIMORE: Can I just interrupt. We actually do deal with the Queensland situation in chapter 11, and we actually specify the appropriate amount in Queensland, so the overview is in relation to the maximum you find across all

jurisdictions. I just wanted to correct on the basis of what's in the report.

MR FLOCKHART (CQ): Thank you. Moving on from that, today we live more and more in a cashless society. The report recommends in 9.1 limiting ATM and EFTPOS withdrawals in venues with gaming facilities to \$200 per day. Community clubs provide a multitude of entertainment options - eg, dining, cafes, banqueting, beverages, snooker, pool, gaming, wagering, keno, fitness centres, aquatic centres, sporting fixtures and events, to name a few. Community clubs also provide a safe environment with convenient parking to withdraw cash and, in many country towns, do in fact provide the only ATM facilities.

Additionally, in regional and rural communities, banking institutions carry less currency as publicly available ATM facilities offer convenience by way of location, thus meeting public expectation and need, whilst also minimising the bank's risk as a potential robbery target. Most if not all banks already provide a default 1000 daily withdrawal limit on EFTPOS facilities, which has proven to be an accepted limit for the cashless society we live in. I'll also add that a substantial number of community clubs are also located in out-of-the-way places, unlike hotels which are usually more centrally located to town centres, and consequently community clubs will suffer a much greater impact from this recommendation than hotels that will have alternative ATMs in close proximity.

Also, exempting casinos from this recommendation, if the recommendation was enacted, gives that sector a distinct market advantage over community clubs and pubs and, as I have mentioned elsewhere in the submission, most of the casinos here in Queensland cater primarily to locals. It is also not clear from the report's recommendation whether only ATMs in the high roller rooms would have no cash withdrawal limits or whether it would be a blanket no withdrawal limit for all ATM facilities in casinos. I suggest this recommendation requires further consideration by the commission, taking into account the points raised here, and the recommendation requires clarification as to how it would be applied to casinos.

I would now like to briefly refer to recommendation 11.1 which deals with the dollar bet maximums in gaming machines in community clubs and pubs, whilst recommending an exemption for high roller rooms in casinos. Reducing the maximum bet size to \$1 would decrease metered win across Queensland significantly. Such a reduction in metered win could have a devastating impact on community clubs and their capacity to meet their objects - for example, supporting sport, surf lifesaving and RSL welfare - and their support for charitable institutions would also be put in jeopardy.

The max bet per game here in Queensland should not reduce from the current \$5, on the basis that this dollar quantum caters for all those who play the game responsibly, which is the majority. Significant research would be required to fully

understand the impacts of any max bet reduction and, again, we respectfully suggest your report reflect this in preference to nominating a dollar value at this time, whilst also taking into account current state max bet variances. Also, casinos should not be exempted from a max bet because, as previously stated, their actual customer profile is heavily weighted towards local support rather than interstate and international custom.

In regard to statistics, the need for national consistent research on problem gambling has never been more important. We need firm data, not estimates, to gain a more holistic understanding of the contributions of the gambling sector, the problem gambling rate and the effectiveness of any policy response. It's also important that the research focuses on all forms of gambling, rather than just gaming machines. As someone pointed out to me the other day, he could lose thousands of dollars in one minute at the TAB or on the tables of a casino.

In addition, there must be some parity between gambling in community clubs and pubs and the casinos. The common argument - that casinos cater for high rollers from overseas - no longer holds true for some venues as just stated, and it's our belief that they substantially cater for locals, particularly the casinos in Brisbane, Townsville and Cairns. In particular, recommendations within the draft report that exempt or give preferential treatment to casinos we'd suggest requires closer scrutiny.

I would also like to respectfully express the community clubs industry's disappointment with the draft report as far as its concentration on gaming machines, as opposed to other forms of gambling and, in particular, its recommendations surrounding Internet gambling, an area that is particularly attractive to our computer-savvy younger generation. Gambling online with credit, with little or no controls, is likely to bring untold misery to many people and their families, and we would urge the Productivity Commission to seriously reconsider its findings and recommendations in this regard in its final report.

Let me finish by touching on a concept that seems to be the most elusive to the younger generation and it is ingrained in older generations. I'm referring to the concept of personal responsibility. Nowadays it's all about "me" - "If I get into trouble, it's because the venue allowed me to gamble. I don't care how hard the venue tries to ensure my gambling is a pleasurable experience. I just don't want to hear about it because I don't have a problem." This is the attitude. Such type of thinking must stop or at least be actively discouraged.

Recently there was a landmark decision in the High Court case in Tasmania, where the court ruled that venues have no general duty of care at common law for them to protect customers from harm from an activity they choose to participate in. The case involved a publican who returned motorcycle keys to an intoxicated patron

who then died in a crash. The court noted that "any other outcome would interfere with customer autonomy, be incoherent with legal norms and will be akin to interfering paternalism". In effect, this decision is placing responsibility firmly on the individual. I believe this decision has significant relevance in the context of problem gambling. The poor decisions of a very small minority should not interfere with the enjoyment of the vast majority. It's time we moved away from an ever-encroaching nanny state mentality.

In summary, we need a policy framework that is based on an explicit acknowledgment that gaming serves different purposes: community gaming that supports a range of community facilities versus entrepreneurial gaming that is for personal or corporate profit. This policy framework must be informed by the different but often common needs of gambling venues, recreational gamblers and problem gamblers. Above all, this policy framework must be inclusive of all forms of gambling - practical and evidence based.

On behalf of the 550 Queensland clubs with gaming machines, their millions of members and the junior sports, community groups and charities they support, we trust that your final report will include a balance between the protection of people that are categorised as problem gamblers and recognise community club support of community and the millions of their members who gamble responsibly. Thank you for the opportunity to share our comments and Geoff and I are certainly willing to take questions.

MS SYLVAN: Thanks very much, Mr Flockhart. We've probably got a whole lot of questions and limited time, so we'll do those as expeditiously as we can. Can I come to the specifics of what you think would be detrimental to revenue, which is I think what you're particularly talking about. You've got two trials on precommitment running. These are voluntary.

MR FLOCKHART (CQ): Yes.

MS SYLVAN: The proposal that we've put out for discussion is mandatory but with an opt-out, which is a different way of working it.

MR FLOCKHART (CQ): Sure.

MS SYLVAN: Still leaving completely in the consumers' hands the choice as to how they gamble but giving them the ability to control their gambling if they think they have a problem with it. Then there's what I might call the machine changes and the behaviour of staff in certain areas, like \$250 cheques and so on. We posited those as, you know, you mightn't need some of those machine changes - the \$1, the \$20 et cetera - if you have appropriate precommitment, and you now have some experience with the precommitment system. So can I get a sense from you where it

is you think the detriment to revenues would arise.

MR FLOCKHART (CQ): I might start off and, Geoff, you might weigh in. In relation to precommitment specifically, as I've just said, there are just over 40 community clubs in Queensland that have currently committed to the card based gaming that Maxgaming has the Simplay product. Out of the two trials it's been interesting that the second product, which was the Odyssey product, trialled at Sandgate RSL and I'm told there are not plans to roll that out at this stage by that company, which is odd, and genuinely we're not to the bottom of that. That's a commercial decision for them.

I mentioned that the 40-odd clubs that have made a commitment are early adopters of this technology, and early feedback that I've heard across the ones that have it in play is that you'll have people who are interested in using it and people who are not, and in the society that we live in I think that that therefore suggests the phase-in time for this type of technology, as was the case when EFTPOS banking first became available - and there are still people today who will only write a cheque or deal in cash. In fact, I was in America a fortnight ago at Neiman Marcus buying some gifts to bring home and they will only take American Express, cash or a cheque. So everyone has their nuances; therefore, technology takes time to implement. So I would suggest to you that from a card based gaming perspective, that technology would take some significant time for all of community to feel comfortable with that.

DR LATTIMORE: We talked about 2016. Do you have a feel for the time line that you think might be appropriate - "significant" being a sort of elastic term?

MR FLOCKHART (CQ): I would have thought at least a decade.

DR LATTIMORE: Right.

MR FLOCKHART (CQ): I think if you reflect upon the banking sector in terms of the education process that they needed to implement to help people across - and even today with Internet banking, that's still an ongoing process - it's a long time. You've got youth, who understand technology. A large majority of our custom in Queensland community clubs is a mature-age market who are fairly set in their ways, and set in their ways in that they like a meal at a certain time, they go to bed at 7 o'clock and so on. Therefore that takes a long time to change.

MS SYLVAN: We heard earlier from the Maxgaming/Tatts Group in relation to that rollout and the percentages of people taking it up. It also works as a loyalty card, I understand, and can be used solely as a loyalty card I would imagine. We didn't ask them this question but it may be relevant. In terms of take-up, as you say, we've suggested 2016. You're thinking 2019 or 20 might be more appropriate.

MR FLOCKHART (CQ): Yes.

MS SYLVAN: So we're just talking about a transition period. But is there a larger take-up in relation to loyalty cards - and it serves the purpose of precommitment as well, so in terms of comfortableness with that take-up, how many people take the loyalty cards as opposed to use that card in relation to a precommitment?

MR FLOCKHART (CQ): Frankly I can't quote you a specific figure. I would offer, however, that community clubs work hard at growing their loyalty card base because it offers a sense of belonging and, in turn, offers some reward across various parts of their business. So I couldn't quantify it.

MS SYLVAN: And it probably depends on the club and their business orientation and so on.

MR FLOCKHART (CQ): Most certainly.

MS SYLVAN: So you don't see a problem with precommitment being in the market or being feasible from the point of view of your clubs, as long as there is a transition in terms of costs and so on.

MR FLOCKHART (CQ): I would phrase it this way: that there are several markets within the total market, particularly the casual gamer. Like most retail precincts - and I'll suggest that a larger community club is in fact a mini-retail precinct. It may consist of sporting facilities, liquor, food and beverage, banqueting, gymnasiums in some cases, gaming, entertainment, children's facilities and it goes on and on. So they have peaks and flows or ebbs and tides with regard to custom, based on their offer, and, in turn, guest need at the time.

For example, I might only frequent a club twice a year in my local area because I have so much other competition, and those times that I might go, which might be Nan's birthday or whatever may be the case, it may only be at that time that I'm drawn to have a casual punt, put \$5 in a gaming machine. That might be the only time that I do that. Card based gaming in that context would restrict or could restrict the opportunity for me to do that, if I couldn't deposit cash into the machine.

DR LATTIMORE: One of the things that we've suggested is the adoption of some mechanisms whereby someone - just in the description of you wanting to put \$5, \$10 through a machine - could do so without holding a card. We painted, I suggest, a number of options for that. One would be the machine would generally play in a low-intensity mode if a card wasn't inserted.

MR FLOCKHART (CQ): Yes.

DR LATTIMORE: And another option was that somebody could acquire a low-denomination cash card and play. There may be other alternatives. What's your view on that sort of approach to dealing with the problem you've just put out?

MR FLOCKHART (CQ): I think your alternative options are valid, in that you need options. You need options for the casual player, the casual passer-by, and I suppose the definition of "low intensity" would need to be clearly thought about, in that in my case it might be \$5; low intensity for someone else might be \$100 and that might be the only time they gamble annually. So remember, community clubs are in a retail environment, therefore I, as a guest, once I've come through the door am predefined in terms of wanting to enjoy myself and spend some money with you. Whether that be sitting and listening to Morning Melodies over a coffee or enjoying a gaming machine, or just having a meal with my family, you've got to allow flexibility without - or the more hurdles there are in terms of a guest spending money, the harder it is for me to compete.

MR WOHLSEN (CQ): I think also, Doug, the cost impost and the administration impost - I mean, the average size of a club here in Queensland is around about 40 machines, so there's a vast mid-market of clubs that aren't at the higher level, and to amortise that cost of a system across the size of business I think intuitively would be very difficult. Not just the capital cost of the system, or the operating cost, but also the administration of the system. The trial in Gladstone, for example: everyone that went on a card was personally introduced to the card option and taken to the kiosk and shown how it worked, and I think that's probably one of the trials that have worked, so to speak. In other words, they've got a big uptake and quite a few of the players have actually chosen in that case to take up the limit aspect.

DR LATTIMORE: Can you indicate roughly the proportion in that instance?

MR WOHLSEN (CQ): In the several hundred. I don't think it's in the thousands.

DR LATTIMORE: But how many members, just so we can get an idea?

MR WOHLSEN (CQ): I would suggest that's about 7000 members.

MS SYLVAN: And the analysis that the club did in relation to that chosen methodology - they want to take up, presumably; that was part of the equation. And what was the benefit side for them?

MR WOHLSEN (CQ): In that case they nursed them through the whole process. There was some concern. They took their card immediately to the cash box and said, "I don't want this cash sitting on this card any more. Can you give me the cash?" So every time they go back to the site, if they want to use the poker machines, they

insert cash. If they want to take out credits they have to go through the same process yet again, and will probably cash the credits on the card back at the change box.

I suppose that's a unique set of circumstances, because Gladstone is really a one-club town. This particular club doesn't have a lot of other club competitors. There are three or four other hotels in that marketplace that I don't think have opted for a precommitment system or a cash based system. So they were able to do it with some aggression and do it fairly successfully, I suppose, in terms of the penetration. When you go to a more competitive market where a club, I suppose, goes out on a limb and requires their customers to move over to a card system, they simply just disperse in other places and say, "Look, it's too hard."

DR LATTIMORE: So in that sense, were you to have a mandate that all would be in or all would be out, that that particular difficulty would disappear.

MR WOHLSEN (CQ): You're quite right. You move to a level playing field. The concern still then is for the constituents of no doubt Clubs Queensland - many of the clubs don't have the resources to nurse their customers through that process and there are still a lot of questions about the process; whether customers feel comfortable with cash balances sitting on a card rather than the cash in their - - -

MS SYLVAN: Presumably this again is a matter of transition over time. Some will move faster.

MR WOHLSEN (CQ): No doubt.

MS SYLVAN: Some will do it intensely. Some will do it slowly.

MR WOHLSEN (CQ): Yes. So, mixed results, and it depends very heavily on how the process is managed.

MS SYLVAN: Did you have other questions on the existing precommitment?

DR LATTIMORE: No, that's fine.

MS SYLVAN: We might move to the prevalence rate issue just so we have that on the record. I always ask an econometrician to do it. I'll ask Ralph to do this.

DR LATTIMORE: Prevalence rates are difficult matters, as you would know. One of the key issues is at what level you should measure prevalence, so the adult prevalence rate measures it across the whole of an adult population. Perhaps from a risk perspective there are arguments for measuring it against the people who actually engage in the activity. So one question to you is: do you feel the adult population is the right basis for prevalence, or EGM users?

MR FLOCKHART (CQ): I think the problem gambling issue is one beyond just gaming machines.

DR LATTIMORE: But of those people, if you ask the problem due to gaming machines, presumably you'd agree gaming machine players would be the correct base?

MR FLOCKHART (CQ): I don't think I'm qualified to answer that question. I think that there are more learned researchers that could provide that answer.

MS SYLVAN: I guess our difficulty with the prevalence rate when we looked at it - and the commission did the initial prevalence rate, as you're aware, in its 1999 inquiry into gambling - whenever one is looking, for instance, at a health statistic as an example, you can do it as a percentage of the population; but, immediately, somebody who does statistics will say, "Just a minute, you don't say that the riskiness of bungee jumping taken as a prevalence rate means there's really no problem to be addressed because there's a tiny proportion of the population that bungee jumps." So when you look at the riskiness of an activity, you look at the people who do it, and I think that's the essence of the question.

MR FLOCKHART (CQ): Yes.

MS SYLVAN: So when people quote to us the prevalence rate, the question that we have is: is that an appropriate measure for assessing the level of problem? Is not the measure in fact the people who gamble? We would include all gamblers here, not simply EGM gamblers, but it is electronic gaming machines where there appears to be a particularly high proportion.

MR WOHLSEN (CQ): I'm aware of the prevalence rate being measured as against participants as opposed to the adult population, and my view, statistically speaking, is that it should be the adult population. The example you give is an extreme example - the bungee jumping - because neither is it accessible to the general population nor appealing to the general population. Poker machine gaming - dare I say it - is readily available to the general population in most instances, whether you live on Palm Island, whether you live in Weipa, or whether you work in the centre of Brisbane City. It's available and it's easily accessible. We all know that.

The fact that 30-odd per cent the population, or more recently 75 per cent of the population, chooses to gamble, I think sets it apart from the example that you've given whereby people are given the opportunity to gamble and choose not to. So that prevalence rating is really there for the whole of the population rather than just a sector. We do know that a large percentage of the population - and an increasing percentage of the population - is choosing not to participate in gaming machine

activity, whether they're just simply worn down by it, they don't like it any more, or they've given it a go and they prefer to do other things.

DR LATTIMORE: So amongst those people who do play, the risk is a lot higher though, than amongst the adult population.

MR WOHLSEN (CQ): I think the right thing to have asked there, Ralph, would be, "Have you ever in your life played poker machines?"

DR LATTIMORE: Yes.

MR WOHLSEN (CQ): What you said there is, "Have you done it in the last year?" I think. So that was the correct statistical approach, I believe.

DR LATTIMORE: What, lifetime playing?

MR WOHLSEN (CQ): Yes. "Have you ever in your life played poker machines?"

DR LATTIMORE: Why would that be relevant?

MR WOHLSEN (CQ): Well, people have experienced it and then made a decision based on the experience. Rather than just limiting it to the last year, the last 12 months - arbitrarily, I believe.

DR LATTIMORE: What about regular players? The evidence seems to suggest pretty reliably that, amongst people who currently play gaming machines regularly, the risk is considerably elevated and yet those regular players are a considerable source of the revenue of venues. Does that pose any concerns for you?

MR WOHLSEN (CQ): I think it would have to. Doug, I think that's something you might want to comment on. I think it was partially dealt with in this submission: that the Queensland group is getting on with addressing that, and having some success, the data would suggest. We're always accused of being parochial up here in Queensland, but I would suggest - being aware of the regulatory models and what is happening in other parts of Australia during my work in this industry - that the Queensland model is very good and appears to be working very well and effectively.

DR LATTIMORE: On that score, you did actually talk about some issues of competitive neutrality that concerned you and you mentioned it across a range of areas. There are differences that each of the venue operators has. Each has their advantage and each has their disadvantage. Casinos have the monopoly on table games, hotels have the monopoly on the drive-through bottle shops, and clubs have a number of advantages too. Would your view be that there should be competitive neutrality across all aspects of gaming - and liquor, for that matter?

MR WOHLSEN (CQ): My understanding of those comments was not that there shouldn't be competitive neutrality, or that there should be, but there just is. Doug, you might comment. From my perspective from the sidelines, so to speak, I think it works rather well.

DR LATTIMORE: When you were introducing the topic I think you were raising it as a somewhat unfair issue, but you're actually saying now that it's not unfair?

MR FLOCKHART (CQ): No, I'm not saying that. I'm saying that in the Queensland model - you can't take an overarching view to say Australia should all be the same, because you've got these variances in various sectors.

DR LATTIMORE: Sure.

MR FLOCKHART (CQ): And that comes in the competitive neutrality area. For various reasons, we all would no doubt jealously guard our points of difference, of course. Having said that, when you look at competitive environments - and if I use Townsville as an example. You've got a casino in Townsville that in my opinion sees very little tourism or high roller activity, competing in a local community - and Townsville is a small community - with clubs and pubs, and it has significant advantages. So my suggestion to the commission is simply, as part of your review, those sorts of environments in small local communities should be taken into account.

MS SYLVAN: I'll just check what that means exactly. Are you suggesting that the clubs would want to have table games and liquor outlets?

MR FLOCKHART (CQ): No.

MS SYLVAN: You're just saying the ability to deal differently with, for example, a precommitment system might vary, depending on the nature of the environment that the consumer is in?

MR FLOCKHART (CQ): What I'm saying in that example in Townsville is that the casino is almost an oversized club, accommodating locals at lower tax rates. It pays lower tax rates, it has extended gaming trading hours and so on, which provides an unfair competition base, one; but secondly, if you're a problem gambler, in our sector we're having these regulatory environments forced on us or we work within regulatory environments and we go beyond best practice daily by way of the Responsible Gambling Code of Practice. Another example would be that we have a psychologist working with us at Clubs Queensland to continually work with clubs throughout the state and gambling help organisations to raise the bar. Not that we have to, but we believe we'd like to, because that's what we're about.

DR LATTIMORE: In the Townsville instance, though, you've outlined a set of circumstances which are peculiar to Townsville.

MR FLOCKHART (CQ): Yes.

DR LATTIMORE: Would your policy recommendation have been tighter licence restrictions on the Townsville casino, given that? I mean, you talked about "unfair" in the context of Townsville.

MR FLOCKHART (CQ): Correct.

DR LATTIMORE: Okay. One of the issues more generally that's been raised is the specificity of local communities. More generally, would you see regulations taking account of those specificities, and I suppose from a practical point of view, how you'd achieve that?

MR FLOCKHART (CQ): Site-specific examples: if I talk now about a rural community with a hotel and a club. As a rule of thumb, a hotel with 40 gaming machines would equate to a similar revenue in a club of usually around 60 to 70 gaming machines. And you ask, "Why is that?" A previous speaker this morning mentioned that you can gamble in an anonymous manner more so in a hotel, maybe not so much in a small community, because most people are known. But there is a sense of belonging in a community club, and a knowingness, so if you present as a member at a community club, we know you, and that's genuine. Even in a large club with 30,000 members the door men and women usually come to know their regular guests by first name, "How're you going?" and so on.

So the difference in that example of a community club, there's less trading volume. If it was equal in terms of machine numbers, yes, problem gambling - if you were a problem gambler and hell-bent on losing your money on gaming machines, if that was the addiction of preference, probably it would be easier to do it in a hotel than it would be in a community club.

DR LATTIMORE: Do you have actual evidence on the riskiness of which venue? You've given some arguments about what might be the case, but is there any sound empirical evidence on this?

MR FLOCKHART (CQ): There's no research that's been done on the matter. It's operational evidence, in terms of I have worked in the hotel sector as a consultant for many years, and when I worked in the hotel sector we developed gaming rooms at that time that were very convenient and you found that people who gambled regularly liked the anonymity that came with that. You didn't have to see anyone. They could quite often come in and out unseen, unknown, gamble and leave.

DR LATTIMORE: I want to move in a sense to the notion of having specific arrangements. You spoke about the \$200 ATM restriction that we've recommended. Now, in Victoria of course, in relation to the ATM ban, they have also taken account of this issue of the variations amongst venues, with a rural exception or a potential rural exception. One could imagine having similar things for ATM restrictions presumably that would take account of specific communities where there were no other ATMs available. Do you have views about that?

MR FLOCKHART (CQ): There's certainly merit, and fundamentally operationally that would be a must-do, that where you have communities with limited resources there would need to be overrides for that example.

DR LATTIMORE: We did look quite closely at a number of features of ATMs. One was to look at the actual evidence that we could find on the withdrawal patterns of people. The evidence showed that the usual withdrawal was \$100 and some other evidence tended to show most patrons removed \$100 or less, so in that context we're wondering why \$200 would represent a significant impost on most customers or many customers.

MR FLOCKHART (CQ): The example I gave of: often you'll find the more mature market coming in and withdrawing their pension cheque out of the EFTPOS facilities and, genuinely, they will drive into the porte-cochere, park at the front door, walk in, activate the machine, take their money and go again. They may not even be a member of the club. So that happens regularly in communities throughout Queensland.

Secondly, I don't know about you, but the cost of enjoying life today seems to me to be more than \$100 when I take my family out, if you enjoy a nice bottle of wine and a nice meal. Regularly I spend much more than \$100, even at a community club, and I'm more often than not cash-strapped and live in the cashless society that we all do. In a community club you will find often that you'll order food and be able to pay for it on a credit card or EFTPOS. Then when you go to the bar to buy drinks, they don't take credit cards or EFTPOS, so therefore you require cash, which sees me in my case going to the EFTPOS machine. If my wallet is empty I would probably, more often than not, withdraw two or three hundred dollars at a time so I actually have cash in my pocket.

DR LATTIMORE: But if there was empirical evidence of a solid kind that showed the patterns of withdrawals, would your concerns be as great if it showed a small proportion withdrawing \$200 or more, or is this an in-principle view?

MR FLOCKHART (CQ): I would be concerned about \$200 in community clubs. I would suggest to you that the empirical evidence needs to be broad-based across all ATM withdrawals, not only in clubs but generally in the retail and banking sector.

What is that norm? I don't know the answer to that.

DR LATTIMORE: Why is that norm relevant to what goes on in a club?

MR FLOCKHART (CQ): Well, that norm is about convenience of access to money.

DR LATTIMORE: But if most people actually withdraw less than \$200, how are they going to be inconvenienced by a \$200 limit?

MR FLOCKHART (CQ): Are you saying \$200 in a community club?

DR LATTIMORE: If most people don't spend that, withdraw that, what would be the issue in convenience for them?

MR FLOCKHART (CQ): As I mentioned, I have - most people have - a \$1000 withdrawal limit on one facility and I live within those means. It's just about convenience.

DR LATTIMORE: Okay. I suppose the point is, let's just hypothetically say that 99.99 per cent of people didn't withdraw more than \$200. Presumably the scope for inconvenience is 0.001 per cent. Now, that is a made-up figure, but presumably at some level the argument about convenience starts to vanish.

MR FLOCKHART (CQ): Sure. I don't disagree with that.

DR LATTIMORE: Then one is asking about the number, if you like, rather than the principle.

MR FLOCKHART (CQ): Sure. I agree with the principle. It's just what's the number?

DR LATTIMORE: Where do you draw the line?

MR FLOCKHART (CQ): Most certainly.

DR LATTIMORE: Okay.

MS SYLVAN: Just a couple more issues. I wasn't absolutely sure, when you were talking about personal responsibility and a case in Tasmania, and of course the Kakavas case just down in Victoria, which is more directly relevant - - -

MR FLOCKHART (CQ): Yes.

MS SYLVAN: The proposal that we have for precommitment is one essentially of personal responsibility. It's the consumer's choice. We just ensure that they are offered the choice in a gambling venue of any kind. This would apply to EGMs in a casino as well, so we have made no distinction there. I just wanted to make sure that that was clear.

MR FLOCKHART (CQ): Yes.

MS SYLVAN: Your not-for-profit and for-profit distinction: I understand the nature of the differences between those organisations and possible differences in attitudes and so on. But when we look at the expenditure patterns - we do have that for big clubs - for example, in one in particular, a very large club, there are a few hundred people - and I suspect this looks like a lot of clubs probably, a lot of hotels - and a lot of casinos possibly, though the overseas high roller makes things a bit different there. But a few hundred people in this very, very large club are actually responsible for 45 to 50 per cent of the total gross gaming revenue. I think that's probably not atypical of the clubs, and some people were losing about \$50,000 a month, on average about 600 bucks an hour playing machines, so one would assume that some of those people at least might well be problem gamblers just on the way the data and the evidence comes together. That's an example of a big club. Community clubs are possibly lower amounts and so on. So I'm trying to see the distinction between how a for-profit venue versus a club venue versus a casino would behave in those circumstances. People know who their spenders are. The revenue of the club or hotel or casino depends on this. Whether they're a problem gambler or not is difficult, as you know, to identify.

MR FLOCKHART (CQ): Sure.

MS SYLVAN: It's difficult to intervene. I'm wondering what it is we look at to try and put some evidence behind the position that in a community club it's better to be gambling there - and it's safer, I think is the implication that we're hearing. There seems to be nothing in the metrics that we can look at that suggests they're really, in particular big clubs, different to a casino. What is there in relation to evidence? As opposed to saying it's better, which we hear quite a lot - - -

MR FLOCKHART (CQ): Sure.

MS SYLVAN: - - - what is there to show us that it's better? What is it? Are people put out on the street more frequently because they've been gambling too much? What is it that says to us, "This is different"?

MR FLOCKHART (CQ): I'll answer that with a couple of streams. Firstly, the club community is a culture, and I know this is talking about semantics in terms of you've heard it before, but genuinely. I come from the commercial world before

coming to Clubs Queensland and I describe fondly working in club land like hopping in the TARDIS and moving back in time a little bit, in that a handshake means something - and it does. And there's a genuine camaraderie and a pride that comes with being a member of the club, and the ownership that that forms, both from the operator and from the member. That's genuine, and you sense that when you actually work in the community club sector.

I think in terms of quantum that gives you some identifier as to why it's different: the example I gave you, which is statistically there to be proven. A hotel metered win with 40 gaming machines will equal a club of, let's say, somewhere - 40 equals 60 to 80 machines in a community club.

Why is that? I'd suggest to you because the gaming is not driven as hard in community clubs because it's just one of the suite of offerings. Sure, a hotel has a suite of offerings. You could say it's food and beverage and entertainment on Friday nights and so on, but a community club is genuinely about community. It's about mature markets, when the doors open, going and listening to the Morning Melodies, whether it be over a sherry or whether it be over a cup of coffee; staying there to participate in the value-for-money lunchtime meal offer, which might be \$7 for as much as you eat, and then hopping in the courtesy bus and going home. In that case, it might be spending \$5 on a gaming machine.

In terms of going back to responsibility, these people set their budgets. The mature market, who is the majority of people who are responsible, say, "I have \$300 a week to live on. I have rent to pay, I've got electricity to pay. I have so much to play with," and "play with" might be enjoy some entertainment, buy a coffee, buy a new pair of shoes - whatever it may be - and they live responsibly. But that market genuinely is there. If you look at hotels versus clubs in terms of gaming machine numbers and yield, there's a significant difference across the board.

DR LATTIMORE: Could I just ask a couple of questions about that: one is that quotas for gaming machines are higher in clubs. Is that correct - in Queensland?

MR FLOCKHART (CQ): In terms of maximum number?

DR LATTIMORE: Yes.

MR FLOCKHART (CQ): Available to a club?

DR LATTIMORE: Yes.

MR FLOCKHART (CQ): Yes. You can have a maximum of 280 machines in a club.

DR LATTIMORE: In Victoria, for example, the number of machines is a lot lower than in New South Wales. Many people have commented on the fact that the revenue per machine is much higher in Victoria so that the revenue per capita is actually much more closely aligned.

MR FLOCKHART (CQ): Yes.

DR LATTIMORE: At the hotel level, they've got caps on the number of machines, which are tougher.

MR FLOCKHART (CQ): Yes.

DR LATTIMORE: So you would expect exactly the same circumstance at the venue level that you see at the jurisdictional level. So it's not necessarily surprising that you'd get higher revenue per machine in a venue which is capped at 40?

MR FLOCKHART (CQ): I think it comes back to the majority of clubs in Queensland - just over 70 per cent - have 40 machines or less.

DR LATTIMORE: So we can have like-for-like comparisons of 40 to 40?

MR FLOCKHART (CQ): Yes, you can.

MR WOHLSEN (CQ): Very much so. In fact, it's even worse. The gap is a lot bigger, of course. Right now we're talking about the cultural and the operational differences between a community club and a commercial entity. We get to see a lot of financial information in our position, and we always see better gross profit levels in a hotel and a casino - and that's fantastic, and they're profit-driven, and they should have. We always see lower wage levels and far more acute operational benchmark - meeting operational benchmarking and best operational practice in terms of cost reduction and revenue maximisation.

Clubs sometimes - it frustrates us as a consultant a little bit, where we see it's all just a little bit: "Whatever is left in the can at the end of the day we'll donate to the community and we'll give the members their benefits on the way through in terms of a little bit less gross profit, better service at the bar." If you look at why that is the case, it is a membership based organisation, the directors of which or the committee of which are elected, and they're not necessarily acutely profit-driven. I think it all gets back to that primary motivator as to whether the directors are profit-driven or whether they're service-driven. I think in the continuum of profit versus service and community, they're well down there on the community service side of things, with an eye on profit, as opposed to driven by profit with an eye on service and community. And it's hard to quantify.

MS SYLVAN: Do you have data available on a like-for-like comparison in relation to specifically - not to bottom lines and so on, because a lot of things come into that. I don't think we've got a particular view, whether profits are distributed to a shareholder or go out to a community, that one is necessarily better; they're both permitted in our society. But a real like-for-like comparison on a hotel with 40 - and obviously there will be factors outside of that - would be very interesting to have.

MR FLOCKHART (CQ): Yes. We could provide that, couldn't we?

MR WOHLSEN (CQ): Yes, we could.

DR LATTIMORE: One of the other things you raised was the sort of typical nature of interactions of people in clubs. So somebody comes in: as you say, they have a nice meal and there's a social aspect to it, and they put some dollars through the machines. Now, with a \$1 bet limit, the expected loss per hour would be \$120 if you pushed the button, kept it on all the time.

MR FLOCKHART (CQ): Sure.

DR LATTIMORE: People don't tend to play quite so aggressively as that, but you'd still be looking at \$80 an hour expected loss. There seems to be a lot of difference between putting \$80 through in an hour as compared with putting a couple of dollars through. But you're concerned about maintaining the capacity for more like \$600 an hour?

MR FLOCKHART (CQ): As we mentioned in the beginning, Ralph, the Queensland model we're proud of and, with a \$5 max bet limit and \$100 max credit on a machine, it seems to work very well for the recreational non-problem gambler to enjoy themselves. So therefore anything that diminishes the opportunity in comparison to other competitive marks - eg, lotto - I was watching television last night and they're already promoting for 2 January, I think, a \$30 million lotto draw in Queensland, so they're promoting it this far out. It was on television. In turn, also, A Current Affair tonight has a segment within its program - so it's a national current affairs show - about where are the hot spots to buy the more lucky tickets for lotto. We hear this all the time from members, and it's genuine: whether it be lotto, whether it be the horses, whether it be whatever your vice is - - -

DR LATTIMORE: Or pleasure.

MR FLOCKHART (CQ): Or pleasure. That's right. People will find a way to enjoy themselves. I think it comes back to the core point of the argument: the majority of people live within their means responsibly and take responsibility for that.

DR LATTIMORE: You, as you correctly point out, have a \$5 limit here in Queensland, but New South Wales for example has \$10.

MR FLOCKHART (CQ): Yes.

DR LATTIMORE: Do you think that Queensland has pitched it more correctly than New South Wales in terms of that maximum?

MR FLOCKHART (CQ): I think if I commented on that, I'd be skinned when I crossed the border. Genuinely, I think Queensland is proud of all the work it's done with its benchmarks that are in place, \$5 max bet, \$100 credit limit; early adopters of card based gaming; Responsible Gambling Advisory Committee; gambling code of practice.

DR LATTIMORE: Sure. But if you had to recommend a level, you'd probably go for \$5. Why would that be the case?

MR FLOCKHART (CQ): It works; it's proven.

DR LATTIMORE: But in what sense does it work?

MR FLOCKHART (CQ): People enjoy themselves.

DR LATTIMORE: So would they not enjoy themselves at \$10? I mean, you don't have to stick in \$10.

MR FLOCKHART (CQ): Raise it to \$10?

DR LATTIMORE: Yes. What would be wrong with that?

MR FLOCKHART (CQ): There's no need to raise it to \$10 in Queensland; \$5 has been accepted and it's - - -

DR LATTIMORE: So what about \$4? I suppose I'm getting to the heart of the question: what evidence favours \$5, \$6, \$4, \$2?

MR WOHLSEN (CQ): Can I just point out that some people will gamble for only 10 minutes and bet a maximum \$5, and lose not a lot. Some people will gamble for seven hours and bet 25 cents - - -

DR LATTIMORE: That of course relates to the \$10 argument as well. People might want to play \$10 for two minutes..

MR WOHLSEN (CQ): As economists, we'd be very concerned at such a huge

movement from \$5 to \$1. Not a lot of research has been done on this, but if you simply take the average bet for every game in Queensland - and we can only work on that data; we don't have detailed data and I know Clubs Queensland has done further research on site-specific average bet levels. If you truncate that average bet back down from \$1.25 or \$1.30 back down to \$1, on that very simplistic basis the metered win impact is, at the very least, 7 per cent and probably more. Typically, a smaller venue with less machines will have a lower average bet and typically a larger venue with more machines will have a higher bet. It's also worth noting that the average bet - - -

DR LATTIMORE: When you say that, that's based on the evidence underlying this as well?

MR WOHLSEN (CQ): It is, yes.

DR LATTIMORE: Right. Can we have details of that research, if possible?

MR WOHLSEN (CQ): Sure. Yes.

DR LATTIMORE: Thank you.

MR WOHLSEN (CQ): I think it's fair to say Clubs Queensland is working on more empirical evidence, to be clear, but having said that, even if you truncate it back down to a \$1 - and that's very simplistic because it just simply means that where the average bet on a particular game might have been \$1.25 or \$1.20, we're just reducing it by one-sixth, the metered win - that's a seven per cent impact. But typically the signage would need to change, the algorithms in the machines would need to change, the machine format would need to change and the player is playing something quite different to what they were playing when there was a \$5 maximum bet. So we haven't been able to factor that in, of course, until there's some more research done on it.

DR LATTIMORE: So one of the issues would be transition, in your view, if you were to go down this line?

MR WOHLSEN (CQ): This particular point is worrying from an economic point of view, because we have a very stable market. The basket of recommendations, we believe, would erode the gaming revenue enormously if introduced anywhere over more than about a 10-year phase-in period. Unfortunately, the clubs have gone about their business, they've installed gaming machines, they're making some money from them, they're distributing the surplus to their various objects according to their various objects.

We know by having a look at the vast quantity of financial data that we have

for clubs that, whilst the average for relatively moderate to large clubs in Queensland, the average EBITDA - and if you back out rent and donations, and let's call it EBITDARD, which I think you'd be aware of - the EBITDARD measure is around about 18 per cent here in Queensland, 18 per cent of total revenue. If you were to reduce gaming revenue by anything like 10 per cent on those clubs, the average would drop to 14 per cent of revenue. If gaming revenue were to be reduced by 20 per cent, it would drop to 10 per cent. We're talking 8 per cent of total revenue in terms of operating surplus and we'd have to say as economists that that's too big a bite. This industry couldn't sustain that.

Add that to the fact that the last quarter, gaming revenue across the state here in Queensland was 5 per cent down compared to the same quarter last year. We're in a soft-demand environment - fair enough; the industry has been through soft-demand environments before - and we're now seeing a lot of our clients enduring financial hardship purely as a result of a 5 per cent downturn in the marketplace compared to last year. If we introduce a 10 per cent reduction in fairly quick succession, or 20 per cent for that matter, we would have grave fears for a large number of the clubs' viability here in Queensland.

So I would say that and put that on the record. I would be saying and I think Doug would be saying to the Productivity Commission, with these recommendations, "Are you sure you want to do this?" because from where we sit and seeing the numbers we see, we'd be very concerned about the viability of a great number of the club businesses in Queensland.

DR LATTIMORE: On the \$20 input level - in which there was an interesting experiment, as you say, done in Queensland before - I just want to clarify: the commission's proposal would involve the capacity to put \$20 in whenever the limit went below \$20, so you could actually put in \$39.99.

MR FLOCKHART (CQ): I understand, yes.

DR LATTIMORE: So it would be double, I think, the allowed capacity for which the experiment was done roughly a decade ago. You'd expect some difference in the effects, given that, I expect.

MR FLOCKHART (CQ): It's still too low though, we'd suggest, Ralph. The \$100 limit works well in Queensland. It doesn't seem to be excessive for those that - I think the fundamental is that also the commission needs to consider that people enjoy this form of play because it's entertainment, and they come prequalified - the majority - to enjoy themselves, expecting they may not win. It's no different than me buying a scratchie and expecting, "I might win and I'm having a crack, but the odds are against me." It's a form of entertainment and there's camaraderie that comes with it and it forms a large portion of people's lives which, from a social context, is a very

import social driver.

DR LATTIMORE: On that score, when people have asked about how much gaming machines and gambling contribute to their enjoyment, it's a relatively small proportion who say that it matters much, as it happens. I'm sure it's a pleasurable activity but, to give it some proportion, about 70 per cent say it makes no difference to their enjoyment of life.

MR FLOCKHART (CQ): Yes, but they still play it.

DR LATTIMORE: Yes, absolutely.

MR FLOCKHART (CQ): I enjoy two cups of coffee a day.

DR LATTIMORE: I hope it makes a difference.

MS SYLVAN: Thank you very much. It's been very, very useful to us and we appreciate you both coming. There are a few issues we haven't taken up.

MR FLOCKHART (CQ): Sure.

MS SYLVAN: But I'm very conscious we've well over time. Thank you again.

MR FLOCKHART (CQ): Thank you for the opportunity.

MS SYLVAN: We'll break for a couple of minutes and resume.

MS SYLVAN: We will resume the hearings. I think you're fairly familiar with our routine. I'll just welcome the Australasian Casino Association. If you could give your names and positions for the record.

MR DOWNY (ACA): Thanks, Louise. My name is Chris Downy. I'm the executive director of the Australasian Casino Association.

DR FAHRER (ACA): I'm Jerome Fahrer. I'm the deputy chairman of the Allen Consulting Group.

MS SYLVAN: Thanks very much. Sorry for our overtime. We've got a pretty packed schedule for Brisbane. Please go ahead. I'm proposing to go till about 1.15 or so, depending on how long we've got, and taking a very short lunch.

MR DOWNY (ACA): Thanks very much. I'd just like to make an opening statement first and then I'll pass over to Jerome who will make some observations as well. Louise, the Australian Casino Association welcomes this opportunity to present to the Productivity Commission. At the outset I would like to say that the Casino Association has approached this inquiry in a cooperative and collegiate way. We have hosted you at four of our casinos, we've freely provided information as requested, and we welcome the opportunity to exchange views with the commission.

The Casino Association represents Australia's 13 casinos. My members are located in all states and territories. Casinos are major components of tourism infrastructure, with many hundreds of millions of dollars spent on a range of facilities from table games and gaming machines, top-class restaurants, hotels, conference facilities, and a range of live entertainment. Australian casinos attract millions of visitors from overseas, interstate and from local areas. They are very different venues to the suburban clubs and hotels that appear to be the major focus of the commission's draft report, but I'll get to that later.

Firstly I'd like to say that there are some areas of the draft report that we actually have no issue with, such as the need for effective counselling and information services and the establishment of a national minimum standard of training for counsellors, to name two. I'd also add there the need for a national approach to gambling research. However, there are some major issues that we believe need addressing, and these will be the focus of our presentation today.

First of all we will focus on the methodology employed by the Productivity Commission in arriving at the findings and recommendations in the draft report. We have some questions that we would like to pose to the commission about the way in which it went about producing the report. We want to focus on the nature of casinos as destination gaming venues. Finally, the Allen Consulting Group, who have been engaged by the Casino Association, will make a presentation focusing on key

recommendations in the draft report and an assessment of the underlying methodologies adopted in this report.

First of all the methodology: it is of concern to the Casino Association that the commission has based its findings and conclusions on information that lacks rigour, suffers from large statistical imprecision, is not balanced, selectively quotes from research reports, and either misunderstands or misrepresents their relevance or application to casinos. The commission has not, we are advised, conducted the level of analysis required by its own act, by the policy guidelines issued by the Office of Best Practice Regulation and expected by Australian governments. The commission has not appropriately considered the impact of its recommendations on industry viability, employment, state and territory government revenue, investment and recreational consumers, and it's focused predominantly on problem gambling.

The commission has largely based its draft findings on its own views rather than compelling evidence. The commission has not appropriately differentiated between casinos and convenience gambling venues. These analytical weaknesses, we believe, diminish the appropriateness of the commission's findings and draft recommendations and do not do justice to the commission's standing and reputation as an independent analyst and adviser. Dr Jerome Fahrer from the Allen Consulting Group is here today and will speak directly to these issues later in this presentation.

From the Australasian Casino Association's perspective it is of serious concern that the commission's findings and recommendations will be presented to governments in this poor and unsubstantiated state and may not be subjected to appropriate analysis prior to implementation. I have a list of the questions here that we would like some answers to and I'm happy to give you a copy. The first question is why has the commission not undertaken any cost-benefit analysis of the impacts of the draft recommendations? The next question: why has the commission not accounted for the full social costs associated with its draft recommendations? What impact will these recommendations have on state and territory government revenue and regulators, the industry, recreational gamblers, investment, tourism and consumer choice? What are the compliance costs of the commission's proposals and do these costs outweigh the back of the envelope benefits estimated by the commission in its draft report? Why has the commission not differentiated casinos from its research and analysis when clearly the reports and studies and quotes in the main are based on hotels and clubs? What is the commission's view on whether there are better, more targeted ways of proactively targeting and minimising harm to problem gamblers without severely impacting on the industry, on employment, tourism, investment and state and territory government revenue? In other words, is there a better way of using industry and taxpayer dollars to achieve this goal?

Your chairman said in a speech in February this year in relation to evidence-based public policy, and I quote:

Most policies are experiments. Without evidence, policy makers must fall back on intuition, ideology or conventional wisdom or, at best, theory alone. And many policy decisions have indeed been made in these ways. But the resulting policies can go seriously astray, given the complexities and interdependencies in our society and economy and the unpredictability of people's reactions to change.

So the last question is why then is the commission recommending measures that appear to fail the test on the basis of these remarks that were made by the chairman? We would like some answers to these questions.

Now, with regard to Australia's casinos as being destination gaming venues we'd like to make the following points. A visit to any casino involves a premeditated decision by customers to travel, often over large distances. This provides a barrier to the consumption of gaming products with the degree of effort required. Casinos are strictly regulated and have demonstrated their commitment to harm minimisation by introducing and implementing more than 200 different harm minimisation measures since 1999, many of them voluntarily and significantly ahead of government policy or regulation.

Casinos are major tourist attractions which compete on the international market for both consumers and investment. The casino industry has embarked on major capital projects with a value in excess of 1.6 billion dollars to further enhance their facilities. Casinos offer a range of gaming and non-gaming facilities including dining, entertainment, retail and accommodation. We directly employ 20,000 people and indirectly provide employment to a far greater number. Casinos also provide significant high-skilled training opportunities far in excess of that provided in the hospitality industry. Lastly, casinos are one of the highest taxed industries. 30 per cent of our revenue goes to governments in the form of taxation.

All of these features distinguish casinos as destination venues and differentiate them from convenience venues such as hotels and clubs. Now, there is research that has been conducted by eminent researchers, in particular I refer to Dr Anna Thomas of Swinburne University, which would appear to confirm the distinctly different nature of destination venues such as casinos compared to convenience venues and their influence incidence and impact on problem gambling.

Madam Chair, it is the ACA's view that the commission needs to conduct a rigorous economic and cost-benefit analysis of the impacts of the draft recommendations on industry, state and territory government revenue, prior to finalising its report. The commission needs to publicly recognise that casinos are destination venues and very different from convenience venues in both the approach to gaming machines and the offering of wider gaming and non-gaming facilities.

The commission should correct the record on the domestic and international research quoted in its report and its application to casinos. It should extend its exemption of casino international tourists and high-rollers to entirely exempt casinos from access to cash and credit limits and maximum bet and cash limits. It should not inhibit casinos from proceeding with plans for voluntary opt-in pre-commitment systems by adopting recommendations that would appear to negate the need for such systems. It should recognise the complaint handling and harm minimisation mechanisms casinos already have in place and exempt them from additional measures or more administrative and unnecessary complexities associated with mandatory universal systems.

I would now like to hand over to Dr Fahrer but before I do so I would like to reaffirm that we do wish to engage in constructive dialogue on the matters that we raise here today. Thank you.

DR FAHRER (ACA): Well, as you might have guessed from Chris's opening remarks I'm going to be a little bit critical of the report. The draft report unfortunately is not up to the usual standard expected of Productivity Commission reports such as the recent report on parallel importation of books and indeed the 1999 report on gambling which was an excellent piece of work.

It is lacking in several ways. First, the use of data is a little bit cavalier. There really, as the commission - well, as the report itself acknowledges there isn't any data or evidence to speak of and yet the report moves from poor data to intrusive regulatory recommendations that aren't justified by the data. Second, the report doesn't differentiate between different kinds of gambling service providers despite saying in chapter 3, page 3.12, and I quote:

Throughout this report, the commission assesses whether harm minimisation measures should apply in the same way to casinos, clubs and hotels.

They're fine sentiments and chapter 3 lays out quite well the processes through which or by which a good report would proceed. But the rest of the report for the most part is a disappointment. It's almost as if chapter 3 was written at the beginning, you then had a look at the data, you found the data wasn't much good but you went ahead anyway. Third, the report doesn't conduct any serious, if any, evaluation of the impacts of its recommendations on the relevant stakeholders, that is, problem gamblers, the recreational gamblers, the industry itself and the state governments. Fourth, at various points the analysis in the draft report is just plain wrong.

Now, on the question of evidence and its worth, the report kicks off on page (xxvii) in the section on the evidence, I'll open to it. I won't read it but it says, in effect, "Well, there isn't a lot of evidence but it doesn't matter," for various

reasons. "We're going to go ahead anyway for essentially risk-mitigation reasons." The report then goes on extraordinarily to say that what's required is a move from the criminal standard of proof to the balance of probabilities standard in assessing whether regulatory options should be taken up. Now, with all due respect, this criminal standard business is a nonsense. There is no - policy-making in Australia is never conducted on the basis of the criminal standard of proof. To suggest that that is somehow the norm is just wrong and the Productivity Commission knows this perfectly well.

Chris quoted the chairman to you. I'm going to do the same, not that much in the interests of time, but I'm going to quote first of all from a speech he gave three years ago, three and a half years ago called Reducing the Regulatory Burden, the Way Forward. This was in his capacity both as chairman of the Productivity Commission and chairman of the regulation task force in which he said that, amongst many other things, the demand for regulation comes from, a desire -

to be seen as a panacea -

quote, unquote -

for many of society's ills and as a means of protecting people from inherent risks of daily life,

and indeed, as a response to what he calls the Alan Jones syndrome; that is, a response to populist demagoguery. He goes on to point out the principles of good regulatory processes. There's six of them. I'll only read the first three:

Governments should not act to address "problems" through regulation unless a case for action has been clearly established. This should include evaluating and explaining why existing measures are not sufficient to deal with the issue.

Next:

The range of relevant policy options need to be assessed within a cost-benefit framework (including analysis of compliance costs and, where relevant, risk).

Then next:

Only the option that generates the greatest net benefit for the community, taking into account all the impacts, should be adopted.

Going back to the chairman's evidence-based policy-making speech, a very good

speech that he made in February of this year, he said with reference to the gambling inquiry, the first gambling and this inquiry, with reference to the data, "it's become a bit of a shemozzle," his words. He then goes on to talk about principles underlying good evidence-based policy. I won't read them out. I'm sure they're familiar to you.

Just a few weeks ago in the commission's annual report released on 29 October you criticised the Commonwealth government for not undertaking a rigorous cost-benefit analysis of the various infrastructure spending proposals that it announced as part of the stimulus package. The chairman repeated those criticisms in a speech given a few days later at the Economic and Social Outlook Conference. Well, what all of this means is really, the commission should hold itself to the same standards to which it wishes to hold others; standards in terms of evidence, rigour of evidence and processes by which evidence gets turned into policy recommendations. Unfortunately, that didn't happen with the draft report.

Turning to the report itself and some of the problems with it - I don't have time to go through everything line by line, there will be more in the written response.

MS SYLVAN: That's appropriate for the written submissions.

DR FAHRER (ACA): There's a big deal made out of the estimate of 20 per cent, 60 per cent of EGM revenues estimated to come from problem gamblers. Now, that's an awfully big range that you use to base policy recommendations on. In any reasonable circumstances a range that big would have to be considered to be unreliable evidence. Well, let's just take it at face value. Suppose that it really is as high as 60 per cent. Now, what that means is that - then that \$2 billion of state government revenue comes from problem gamblers. That estimate is derived from the data in your report in chapter 2 on the tax revenues. That's \$2 billion per year.

Now, if what you're after is a search and destroy mission against problem gambling, that's an awful lot of revenue that is going to have to be replaced for the governments. \$2 billion per year buys a lot of schools and hospitals and public transport and public housing and so on. But nowhere in the report is there a discussion of how that revenue is going to be replaced, and it's just not good enough. If you're going to advocate policies that are going to make big holes in government budgets it's up to you to come up with some alternatives for where the money is going to come from. I know state government financing is not a specialisation of the Productivity Commission, but then neither is epidemiology, and you've had a pretty good go at it in this draft report. So I might suggest when you turn draft into final you have a go at coming up with some solutions for the implications of the policies that you're recommending. Between now and then the Henry report on tax reform will have been released and no doubt there will be plenty of examples of tax reform there that you might be able to draw on.

Next, the matter of your recommended \$1 bet limit as set out in chapter 11. Now, as I read it, this recommendation is based on some research by Blaszczyński - I haven't pronounced it correctly, I apologise - and others and on data from a club. Now, the Blaszczyński research is well regarded.

DR LATTIMORE: Actually, it does involve some other research as well. In the report there's a variety of other evidence.

DR FAHRER (ACA): Yes, I acknowledge that. But it is largely based on those two things that I have cited. Now, this research is well regarded but the authors themselves acknowledge the limitations of their methodology inasmuch as they're applicable to policy making. Most important in this context, they don't study casino players. The data from the one club involves, according to appendix B of your report, 130 players over a six-month period. How is it possible that - how do we know, how can we have any confidence that this is in any way representative of anything? I put it to you that this is not data, it's barely an anecdote and it shouldn't be the basis, however much weight you attach to it, to such a far-reaching recommendation.

DR LATTIMORE: On that score you're aware of the Queensland data which related to thousands of players?

DR FAHRER (ACA): Yes, I am, but there are millions of players in - - -

DR LATTIMORE: But a sample of players. You're aware of that in the report? I mean since you're concerned about the evidence it's probably worth me citing the evidence that goes the other way.

DR FAHRER (ACA): Sure. But why cite this one club at all when it's not even evidence?

DR LATTIMORE: Well, I think we would dispute that. Well, we can have a discussion about that later, if you like.

DR FAHRER (ACA): On page 11.16 of the draft report - this is related to the question of externalities, which is the underlying basis of much of your recommendations. I'll just open it up - and I've got the wrong page. You say something about externalities which isn't right. You say, and I quote:

In any case, to the extent that any policy measure acts to counter an "externality" - in this case, where the cost of remedying the costs of problem gambling falls on society more broadly - the reduced supply of that good or service does not represent an economic cost.

Now, that's just not right because it assumes away the cost to recreational gamblers to the industry and to state governments.

DR LATTIMORE: On that score you are aware that we indicate that any cost to recreational - you know, the whole target of harm minimisation should be directed at trying to target people who are experiencing harm while trying to minimise the cost to recreational gamblers?

DR FAHRER (ACA): Sure, but that's - - -

DR LATTIMORE: It's a principle we state throughout the report. So long as you're aware of that.

DR FAHRER (ACA): Of course, yes.

DR LATTIMORE: Okay.

DR FAHRER (ACA): But that's not what it says in this quote. Now, even if you don't care about the industry - although you should, because in economics jargon their surplus should carry some weight - you should care about recreational gamblers. You say you do, and that's good, although you don't conduct any analysis of the effects of your recommendations on recreational gamblers. You should care about the taxpayers who, as I said before, are going to have to cough up for the loss of revenue to the state governments if your recommendations are adopted and if this revenue is replaced by distortionary taxes, then that really does represent a loss of economic welfare. So I think there is a cavalier approach also to the use of the term "externality" and what you might do with it. It's contrary to the advice in the Australian government's best practice regulation handbook.

DR LATTIMORE: In what respect is that the case?

DR FAHRER (ACA): Let me find the quote, if I can.

DR LATTIMORE: You can include it in the submission; that's fine. It was only if it was to hand; that's fine.

DR FAHRER (ACA): Yes, okay. I will paraphrase here, rather than quoting. What they say is that externalities are everywhere. Just because there is an externality doesn't mean you necessarily want to target it with a policy - - -

DR LATTIMORE: No. I quite agree.

DR FAHRER (ACA): So let me conclude. The draft report is only a work in progress. The evidence is thin; it's unreliable; it is, to use the words of your own

chairman, a shemozzle; and it's not the basis for making far-reaching and rather intrusive regulations. In keeping with the Productivity Commission's own stated preference for evidence data policies, can I suggest that you got out and take the time and get a sound basis of evidence on the extent of problem gambling.

I think in prevalence data clearly there's a problem with the under-reporting of the amount of gambling, whether or not people gamble, and that may infect the estimates of problem gambling. I think there could well be a conflation of large amounts of gambling with problem gambling in the data. That's just a hypothesis. It's a hypothesis you might care to test between now and the final report.

MS SYLVAN: You mean gambling large amounts?

DR FAHRER (ACA): Gambling large amounts of money. If gambling large amounts of money was synonymous with problem gambling, Kerry Packer would have been Australia's most problematic gambler ever. But he could afford it, and that was the point.

DR LATTIMORE: But on this score, there is evidence about expenditure patterns and problem gambling, you are aware of that, and data that we describe here.

DR FAHRER (ACA): Yes.

DR LATTIMORE: What is your conclusion in relation to that data?

DR FAHRER (ACA): The conclusion is that we know people under report on whether they play EGMs.

DR LATTIMORE: Yes.

DR FAHRER (ACA): That has shown up in the household expenditure data.

DR LATTIMORE: Well, much worse in the HES than it is in the prevalence surveys which have been conducted in every state. Yes, go on.

DR FAHRER (ACA): Sure, but we have hard data on the amount of EGM revenue or spending that goes on, because that's tax based.

DR LATTIMORE: Yes, we do.

DR FAHRER (ACA): As I said, this is just a hypothesis that you might want to test. But what happens is you might have a small number of people admit to playing, a relatively small number of people admit to playing EGMs. Once that's combined with the large amount of money that's actually spent on EGMs and perhaps the

possibility that people who do have a problem might themselves admit that they actually play these games - - -

DR LATTIMORE: So the gist of this though is that the people's recollection of spending is greater amongst those who are problem gamblers than they are with recreational gamblers. So that's an empirical issue which we examine using data from someone who has looked at this issue and finds no bias in that respect. Have you considered that?

DR FAHRER (ACA): I think you dismissed it perhaps more easily than - - -

DR LATTIMORE: Well, we looked at the evidence in that respect and it wasn't a hypothesis.

DR FAHRER: Okay, let me go on. I'm almost finished. Thirdly, take seriously the difference between different kinds of gambling providers, especially casinos and others, and the research by Anna Thomas would be a good place to start. Finally, do what you're required to do under your own act and in keeping with your own rhetoric and conduct thorough social and economic evaluations of your own recommendations.

MS SYLVAN: Thanks very much. I am pleased you were pleased with the 1999 report as well, and Gary Banks, our chairman, and Robert Fitzgerald were the commissioners on that. So I'm the only new addition I think to the 2010. I wanted to go to two particular issues. The nature of casinos as in fact quite different from more neighbourhood accessible venues, so the nature of the casinos as a destination venue.

There's two issues there that I'm wondering about. When you have locations and casinos as was described to us in Townsville, for example, I think the club said, "This is just a big club really," and it has competitive advantages that we disagree with. If I'm not framing their argument differently, there's not a huge amount of tourism any more, so it's primarily local. I just would like to hear from you why one should treat that venue significantly differently than the club across the street, for example.

The second question in relation to that is, given that we are proposing in relation to precommitment, if governments accept that recommendation and if we stand by it in our final report, what would be the difference between a domestic person, a local, or an Australian from anywhere, gambling on an EGM in a casino as distinct from one gambling on an EGM in a hotel; for instance, such that we would choose to make an exemption for the casinos of the rules surrounding electronic gaming machines?

MR DOWNY (ACA): Let's take it back. I'm not going to comment on any specific

circumstance, right, that's not my job.

MS SYLVAN: I'm just using it to illustrate - - -

MR DOWNY (ACA): Yes, I understand that. Let's take it back to the first step and let's talk about your report; you know, that's one of the questions that we ask. We would like an answer to, if we can get one today, on how you see destination versus convenience gambling, because you start off in your report by talking about the differences and how you're going to investigate the differences, but then by the time you get to the end of the report, you know, a lot of the evidence that you've used to base your recommendations on, your draft recommendations, appear to be evidence that's based on research that has been looked at in terms of hotels and clubs.

It's almost as if someone in the back room down in Canberra has had this bright idea and said, "Oh, wait a minute, what are we going to do with casinos?" and casinos have been tacked on. There's quite a number of issues there I think, and I thought we'd explained some of those in our report. When you look at casinos and other forms of gambling, either in this country or in other jurisdictions that have a similar gambling industry set-up, no-one proposes that casinos and other forms of gambling should be treated the same. I mean, governments don't do that, there's specific legislation, there's specific tax rates.

Casinos are required to pay for a licence, in some cases to operate on an exclusive basis. Casinos account for, what was it, 6 per cent of all the gaming machines in Australia, if you want to talk about Australia. We are talking about customers who normally decide to go to a casino because it's their night out. Now, it doesn't matter whether it's Townsville, whether it's Perth, whether it's Melbourne or Sydney, that's what they do.

We mentioned this synthesis of research that has been undertaken by Dr Anna Thomas, and I suggest you go and have a look at it, because there isn't a lot of research around that looks at the casino customer as opposed to the hotel/club customer, and Dr Thomas has actually done some of that work. I'm sure you can get hold of the presentation she made at the NAGS conference in Canberra where she in fact did suggest - and I'll just read this out, because I want to make sure we get this right.

She looked at a number of research projects. One was a qualitative piece of work with 13 gaming machine problem gamblers and six experienced counsellors which showed that they preferred smaller, local EGM venues which were perceived as warm, friendly and accessible. In contrast, some of these participants expressed an active dislike of the larger more impersonal city casino. Now, this research was undertaken - - -

DR LATTIMORE: I just missed it. How many participants were involved?

MR DOWNY (ACA): No, just a minute Ralph, I haven't finished yet. In contrast, as I said, some participants expressed an active dislike of the larger more impersonal city casino. This research was done in Melbourne. It was undertaken in Melbourne. So the casino we're talking about is Crown. There was then a follow-up survey with 355 current EGM gamblers that actually supported those findings in that qualitative research which found that people gambled more frequently at the local EGM venue compared to the city-based casino and that problem gamblers played EGMs significantly more often than non-problem gamblers at local venues but not at the casino. There was then another project that was undertaken by Dr Thomas and her colleagues, a sample of 224 EGM gamblers that similarly showed that people gambled more frequently at local venues and while problem gamblers played significantly more often at both local and casino-based EGM venues compared to non-problem gamblers, the effect size was much larger for the local venues.

So in this presentation she gave at the NAGS conference she came up with the conclusion that Australians use local EGM venues quite differently to the larger city based casino, with local venues seen as a more familiar, comfortable and regular place to visit - she talked about the third place and that a lot of these venues had become the third place - to visit while the more distant city based casino is a special night out. Then we have talked about Blaszczyński here today and it's worth mentioning, in terms of Blaszczyński - and it's something that, quite frankly, you didn't put in your report. It's not in your report but Blaszczyński actually in terms of the dollar bet limits indicated that the recommendations and findings relied primarily on a paper - sorry, Blaszczyński's report was far from conclusive because it stated it only provides preliminary evidence and there's a number of self-identified limitations including that the narrow sampling did not include casinos.

Now, what we're saying - what we're saying - is forget all the baloney. The simple fact of the matter is that a lot of your research is research that is based on hotel and club customers. It is not based on casino customers. A lot of what you're - just a minute. A lot of what - - -

MS SYLVAN: We'll certainly have a look at Anna Thomas's work. We were at the conference, so I'm sure we have that. I note the numbers in that research as well.

MR DOWNY (ACA): Yes, and that's quite - - -

MS SYLVAN: It's not huge.

MR DOWNY (ACA): That's quite consistent with - well, wait a minute. It's no more - it's quite consistent - - -

MS SYLVAN: It's evidence and we'll look at it.

MR DOWNY (ACA): It's quite consistent with a lot of the sample numbers in other research that you have used in your report.

MS SYLVAN: That's right, which I think your colleague has - - -

DR LATTIMORE: But your colleague has just indicated he - I mean I think it's acceptable, but your colleague didn't seem to think it was.

MR DOWNY (ACA): Yes. But look - - -

MS SYLVAN: Can I go backward a minute?

MR DOWNY (ACA): Yes.

MS SYLVAN: Because I think it's important, Chris, that we get clear about something. You obviously don't like the recommendations in the report. That's your absolute right from your association. We're not here to defend the report. We are here to hear from you about aspects of the report that you think ought to be changed, which is why I asked you to distinguish between the casino and the club across the road in a small town, because that has been raised by other participants.

We are not attached to any recommendation in our report. It is a draft report. It is out in the public domain so that people can criticise it, which you have chosen to do. They can say what they like on bits of it, which you have chosen to do, but they can also say, "Here's some additional information. Here's our view as to why we think this should be different" - et cetera. So that's the nature of the process we're here to do today. So when I ask you a question about distinguishing - I'm not going to answer your questions. I mean we put it out there, we're happy to take your advice in relation to your industry. We may look at it, disagree with it ultimately, but we absolutely need it to do our job.

So if you want to help us make what you think is a really important issue, which is to completely distinguish - in fact, we have distinguished on a number of occasions through the report - between the casinos and what we're thinking of for others. We actually ask the questions, "Should the ATM supply to casinos? Should this apply to casinos?" because we're aware of your issue, you've brought it up with us before.

MR DOWNY (ACA): But you don't.

MS SYLVAN: We do.

MR DOWNY (ACA): No, you don't.

MS SYLVAN: Would you like me to read it to you?

MR DOWNY (ACA): No, I'll tell you what you do.

MS SYLVAN: Would you like me to read it?

MR DOWNY (ACA): No, that's all right. I've got the report, I've read the report. No, Louise, what you do is you go only part of the way.

MS SYLVAN: Well, that was my question to you.

MR DOWNY (ACA): You simply - and you simply say - - -

MS SYLVAN: That's my question to you though - - -

MR DOWNY (ACA): No, but you simply say - now, just a minute. Just a minute.

MS SYLVAN: - - - why is an EGM in a casino different to an EGM in a club?

MR DOWNY (ACA): I'm putting it to you and what I want - what we want from you is your justification - - -

MS SYLVAN: I don't have to justify anything to you.

MR DOWNY (ACA): No, you have to justify it.

MS SYLVAN: No, I don't. We're reporting not to you. We're reporting to the government.

MR DOWNY (ACA): Sorry, it is your report.

MS SYLVAN: Of course it's my report.

MR DOWNY (ACA): It's your report and as I said at the beginning of your - - -

MS SYLVAN: Chris, the report is not for the casinos. The report is to the state and federal governments in relation to terms of reference they gave us which were very, very focused on harm minimisation, which is why we have focused on harm minimisation. Now, you're welcome not to like it. But to you we don't need to justify it. The cost-benefit analysis and so on are justified to the governments and ultimately, you know, that's what we do. They are the ones who will determine whether or not from the point of view of state revenue they choose to implement this

or not. That's not our decision. We're simply making recommendations and from my point of view your positioning would be more useful if in fact you helped answer some of these questions that we would be interested in knowing answer to.

MR DOWNY (ACA): But we've given you the answers.

MS SYLVAN: You haven't . I've just asked you a question.

MR DOWNY (ACA): No, we have because - no, but we've given you the answers in a substantial submission.

MS SYLVAN: So tell me again, since I obviously missed it.

MR DOWNY (ACA): No.

MS SYLVAN: Tell me again the difference between an electronic gaming machine sitting across the street from a casino in a club and how we should treat that from a harm prevention methodology. Why is it different? You said you'd like the casinos exempted. The question is in that particular instance which we have to deal with in our advice to government why should we exempt it? Why should it have the same - - -

MR DOWNY (ACA): We explained to you - no, we explained to you, right, the definition of a destination gaming venue. We explained to you - and look, quite frankly, you've gone part of the way because you talk about international tourists and high rollers.

MS SYLVAN: Yes, we distinguish them throughout the report.

MR DOWNY (ACA): But you don't actually - you know, that's another question which we bring up in our submission. But that basically you go part of the way but then what you do is you then say, "Yeah, but for everything else, you know, casinos have to be the same." You know, we have to have - we're going to be subjected to the same regulations with regards to ATMs - - -

MS SYLVAN: And you shouldn't be - why?

MR DOWNY (ACA): Sorry?

MS SYLVAN: And you should not be because?

MR DOWNY (ACA): No, we don't believe we should.

DR LATTIMORE: On that issue and one clearly important one is that the - if you

have different regulations, as in some of these areas, you worry about substitution effects. Have you considered those? I mean one of the worries people have in the problem gambling area is if you make certain - say certain machines were very safe but you've got the option of moving to a place where the machines were not regulated you'd see a shift of the people who currently might be in a hotel or club to the casino. So you have to consider those substitution effects. Have you thought about those in thinking about the position of the casino?

DR FAHRER (ACA): Well, this is exactly the kind of research that needs to get done before - - -

DR LATTIMORE: How could it be done, in fact in that instance, unless you ran the experiment?

DR FAHRER (ACA): Well, you might want to do some research - well, I'm not an expert on - - -

DR LATTIMORE: On gambling?

DR FAHRER (ACA): - - - the psychological nature of problem gamblers. But there are people who make their living by doing this kind of research and one thing you might want to do is go back to COAG and tell them that you need another year because the evidence just isn't there and you want to shore up your recommendations, whatever they turn out to be, with some solid evidence.

DR LATTIMORE: Can I, on that score, actually ask of customers - obviously casinos, and we'd certainly agree with this, are very different in different locations in Australia and they serve different sorts of clientele, Townsville, Star City and so on. They're all distinctive in some ways. But there must presumably be some evidence that shows more generally the location of clients in each of these places - is that available - to indicate, for example, how many kilometres someone has gone, the proportion of customers who are using gaming machines? Table games, I think we've taken the position, are very different. If you look at the data on the frequency of use of table games most people don't play table games very often in a year and the figures on prevalence of harm suggests that they're not particularly harmful for people. Gaming machines do show up as much more likely to be a source of difficulty. So when you're looking at a regulatory approach to something, when you provide a concession you usually would like to have some evidence that that concession is justified. So one of the useful things would be to find out what proportion of customers using EGMs in a casino are actually drawn from considerably far away and so that it is something which they're seeing as a night out, if you like.

MR DOWNY (ACA): I mean in terms of - I mean there's probably some figures

that we could make available.

DR LATTIMORE: If that were possible.

MR DOWNY (ACA): Even in terms of frequency.

DR LATTIMORE: I mean we are actually really quite interested in the data that is around. On another score there - - -

MR FAHRER (ACA): But on that particular point, I'm pretty sure that when we were down in Crown, Melbourne, we did talk about frequency of visits and on average I think the figure was four times a year.

DR LATTIMORE: Right. But the average is not the right figure to look at because if you look at the overall use of EGMs across Australia, while about 30 per cent of the Australian population actually go and use an EGM in any particular year, most actually don't do it very often, but they're not very important customers for most of the venues, so you actually need to look at the important customers, so it's that sort of figure. Of course also, Crown has a distinctive casino. Each casino is different in its own way, so I guess the picture would be how variable is that picture across the different casinos.

But on the side of questions where you could shed light, I mean obviously our particular recommendations do involve compliance costs for venues and you're critical of the absence of evidence or not sufficient evidence on that score. We'd be very interested to get your view - I know you might want to put in a later submission on this issue - about your estimate of the compliance costs associated with the different measures for your casinos, that would be helpful to us. I don't expect you to be able to pull numbers out at this point.

You raised the question of whether there were superior methods for achieving the goals that we set down. Firstly, there's two questions there: our goal is harm minimisation, while not affecting the recreational gambler. Do you see that as an appropriate goal? That's the first one. The second one is do you see some appropriate alternative measures that will more cost-effectively target the point of that goal? You may now have some views on that but you also may have views you can put into a supplementary submission.

MR FAHRER (ACA): I think those questions will have to be taken on notice, especially the second one. Personally, I think harm minimisation, while not affecting others, is a good goal, but you've got to have some evidence that what you're proposing to put in place actually will achieve that. The onus really should be on the regulator, not on the "regulatette".

DR LATTIMORE: Can we explore that as well. I mean, in certain areas of product safety, we talk about the onus of proof and you discussed which way it should lie. The onus of proof does vary on the context or is it your view that it shouldn't be, that always the onus should be on the side of the - - -

MR FAHRER (ACA): I'm sure there are many contexts in which the onus of proof - - -

DR LATTIMORE: When should it shift?

MR FAHRER (ACA): Pharmaceuticals - and I think you might have raised that one yourself - but that's something that can kill people, so it's a matter of degree and judgment. On the question of substitution which you raised earlier, it's a very good question and it's precisely the kind of research that either you should be doing or you should be commissioning or you should get your researchers to find out who else has done it. For example, if you were going to lower the bet limit, it's possible that problem gamblers will simply bet for longer at lower limits. Now, I don't know whether that's going to be the case. Maybe nobody knows, maybe the research hasn't been done, maybe it has.

DR LATTIMORE: There has been some research on that. I'm surprised you're not aware of it, since you cited the Blaszczyński study.

MS SYLVAN: It's one of the issues we take up in the report.

MR FAHRER (ACA): But even so, it's conclusive enough to be able to make a recommendation to lower the bet limit down to \$1.

DR LATTIMORE: One of the interesting questions to pose on that is that we've got some interesting research coming from clubs in the Queensland context which discusses the impact of having a dollar bet limit; assuming no change in the pattern of time spent, they used data from individual gamblers to calculate the impact on revenue. If you've got similar data that would help indicate that effect, then we'd be interested in it.

MR FAHRER (ACA): You say assuming no change in the time spent?

DR LATTIMORE: They had to make an assumption. This was, as far as they were concerned, the minimum effect. Now, they had to have some assumption in order to examine the minimum effect.

MR FAHRER (ACA): I think it follows by definition if you lower the bet limit and the amount of time spent is the same, then people are going to spend less. I don't see that as being - - -

DR LATTIMORE: No, but the critical issue is not that they're going to spend less, the question is how much less they spend. I mean, that's going to depend on the distribution of bets; how many people spend over \$1? That goes to the heart of the question of how big is the effect on the venue.

MR FAHRER (ACA): I agree. These are big questions.

DR LATTIMORE: But you actually hold the data in this instance.

MR FAHRER (ACA): Do I personally hold the data?

DR LATTIMORE: Not you, but the casinos do.

MR FAHRER (ACA): I don't know.

DR LATTIMORE: But this is the sort of way in which you can help us out in the draft report which is why we put draft reports out. It's difficult for us to go out to parties and say, "Here is our recommendation," before we have made them public and say, "Go away and look at the data for us." But what we did do was look at a variety of data that wasn't on the public record, but if you can help us in this respect, we'd be very grateful.

MR FAHRER (ACA): That will be a matter for the casinos. As you well know, once draft recommendations are written down, they tend to assume a life of their own and - - -

DR LATTIMORE: Not at the commission, they don't.

MR FAHRER (ACA): There aren't many cases I think in the history of the commission where the recommendations in the final report vary radically from the recommendations.

MS SYLVAN: I think that you will find that the books inquiry differed quite substantially.

DR LATTIMORE: The telecommunications inquiry differed in that respect. In any case, the substantive point is that the purpose of hearings, the purpose of draft reports, the purpose of re-submissions is for us to look at whatever fresh evidence parties put to us and if it's good evidence, because we do believe in the evidence based approach, we do believe in rigour, we do not have any axe to grind as some participants do, we change our minds, and we have done so in the past.

MR FAHRER (ACA): That's certainly very comforting. I don't know whether you

will have enough time though, given the nature of the evidence and the fact that it isn't as solid as normally would be found in a draft report, to properly consider any further evidence before your final report is due, which is why I think it would probably be wise to take a bit more time and go back to COAG, because this is a very important issue. It's not in anybody's interests for the final report to come out based on data and evidence which could be a lot better if more time was taken.

DR LATTIMORE: Can I take a different tack on some of these issues. Gambling would have to be one of the most regulated industries in Australia. I'm not sure I'd give the word "most" but it's certainly very regulated. Venue activities are highly regulated, probity standards, there are whole interests in the issue of laundering and very sophisticated regulations are put in place. Gaming machines are similar, so we have limits on spin rates, maximum denominations, maximum bet input levels and so on. What are those sorts of regulations which you agree with at the moment? For example, in Victoria, they're changing it, but there's a maximum amount of cash you can put into the machine, the amount you can bet with, a single button push, are any of these appropriate regulations in your view?

MR DOWNY (ACA): The way I see that in terms of regulation as a whole, casinos are highly regulated. Obviously the reason that governments regulate gambling but even more so casinos and particularly casinos, there's always been that very high degree of regulation covering, as you say, all aspects of a casino's operation, starting with surveillance security, probity of staff, right through to machine standards and the like. I'm not an expert on machine standards. What I would say is that we are satisfied with the degree of regulation that we have to subscribe to.

DR LATTIMORE: The same dilemma applies to the existing regulations as apply to our recommendations. If you were to look at the data - I mean, if you don't like our data, the data which would support a \$10 maximum bet per button push or the data that would support, instead of our \$20 bet input level, \$100, or the data that would support \$10,000 as the limit you could put into a machine, as far as I know, the sort of data which you might use to substantiate those is the sort of data that we have used for another set of proposals that seemed to bite, so why are you comfortable with regulations as they stand while you're not comfortable with ours, because the evidence is the same evidence.

MR DOWNY (ACA): We take it from the point of view that first of all we have a problem with this idea that you should have this universal system across Australia.

DR LATTIMORE: Right.

MR DOWNY (ACA): We made that point in our submission.

DR LATTIMORE: Yes.

MR DOWNY (ACA): We believe that - and we're only talking about casinos here, they're regulated at the state level. We believe that that's appropriate. We believe that in terms of the regulatory regime that each state imposes on its casino that should be the way it stays. Each casino should deal with its own state and state government and state regulator. Just to take an example if we take the example of self-exclusion. Now, interestingly enough your draft report does in fact say that the system of self-exclusion that casinos have in place is well developed, more developed than for hotels and clubs. What we find interesting is that despite the fact that we have that system in place - which the industry is happy with, it's a system that has been negotiated with various state government regulators - you are now proposing this universal system which we believe in some ways is actually not as good; without going into details because it's in our submission but it's not as good as the system that each of our casinos operates under at the present point in time.

DR LATTIMORE: We'll be interested in that, yes.

MR DOWNY (ACA): So we would say in that respect, and just to take that universal system that you are proposing, we don't quite see how a system of self-exclusion can apply to say Star City but then you have the same system in place for a hotel out the back of Dubbo or something like that. So I suppose in that respect we simply say that the current system of state regulation under which casinos operate is the best way. We accept that there has to be a high degree of regulation covering a whole range of issues. We believe that the system as it works now works quite well.

DR LATTIMORE: So why in fact would regulation be necessary if in fact venues already had strong responsible gaming strategies just on their own bat? I mean as you indicated, Crown Casino and various others have instituted of their own accord their own initiatives. Why is regulation actually required in these areas?

MR DOWNY (ACA): In some respects, without going into detail again, some casinos have introduced measures in advance of what governments might regulate. That might come later. But in terms of casinos and the regulatory regime under which they operate, it's important that there be also a degree of confidence in the community that they are being regulated. That's always - I'm sure you would agree, always a factor in governments imposing regulation on a variety of industries.

MS SYLVAN: You didn't comment, I thought you might have a view, about our suggestion to liberalise Internet gambling. Had your association taken a view on that?

MR DOWNY (ACA): No, we don't take a view on the liberalisation of Internet gambling. We've made a decision that that's an issue that I suppose is outside the purview of the casino industry in Australia and therefore - whereas, how many years

ago it was now, we had a position then we don't have a position on that now.

DR LATTIMORE: We didn't make a recommendation but it was almost a recommendation in the report in relation to the Canberra casino in which we seem to point out that there wasn't a lot of consistency in that jurisdiction in relation to the location of gaming machines and that Canberra casino would be probably one of the few casinos in the world without gaming machines. Did you have any comment about that?

MR DOWNY (ACA): Well, we don't necessarily disagree with your finding there. But once again, it gets back to that - you actually - that's a classic case where you've actually conceded the nature of destination gaming and in some ways justified the need - the fact that Casino Canberra doesn't have machines. It should have machines on the basis that it's a destination venue.

DR LATTIMORE: I mean it's a strong theme in our report. You might not like - - -

MR DOWNY (ACA): No, I think it's very selective. We think it's very selective.

DR FAHRER (ACA): Can I give a personal view on Internet gaming, and it's a personal view, not - obviously I'm not representing, working for the casinos on this. Something I know a little bit about because I did the review for the Department of Communications in 2003 of the Interactive Gambling Act. It must be the most unenforced and unenforceable act in the history of Australia. There may be others but - - -

MS SYLVAN: It would be a contender, I suspect.

DR FAHRER (ACA): It was conceived as a compromise. It was full of holes to begin with, you know, this was in, this was out, for no good reason. It's illegal to offer gambling services. It's not illegal or unlawful to consume them and so on. So I would support the liberalisation of Internet gambling within - taking into account all the money laundering questions and so on that have to be taken into account, what are you going to do, that kind of thing.

DR LATTIMORE: I mean we are talking about domestic liberalisation. We don't believe you have, in any immediate sense, control over sites overseas, as we don't now.

MS SYLVAN: Do you have other questions?

DR LATTIMORE: Well, only one question, that is, your concern is that we've treated casinos as the same as hotels and clubs. I'm not sure they actually agree with

that position, they feel they've been unfairly cornered. But I mean what is your view then given the evidence that we have got about the appropriate treatment of community gaming? We did make the observation early in the report that had we been back in the 90s the model we would probably have preferred, absent evidence, for its safety would have been casino destination-based gaming. Now, we haven't got there. We have now widespread community gaming. Now, you were concerned about our treatment of the different forms. What's your view about community gaming?

MR DOWNY (ACA): In terms of that question, Ralph, we are solely concerned about your treatment of casinos. We're not going to get into this argy-bargy about what's better, what's worse, what works, what doesn't. Right? What we are simply saying is that with the casino industry in this country there has been this long-held view by governments, and I suspect by the community, by the regulators - and it's no different to the position regarding casinos anywhere else in similar jurisdictions, be it the United States, be it Canada, New Zealand, United Kingdom, South Africa - that casinos are seen as different. They have a different set of - different legislation. They have different standards applied to them. They have different legislation and our view is that the status quo should remain in this country; and for the first time - for the first time - you're suggesting something entirely different.

DR LATTIMORE: Well, certainly a spectrum of difference. But I mean the countries you have chosen exemplify certain models but Holland, Switzerland - would your comments be the same in those sorts of jurisdictions?

MR DOWNY (ACA): We're talking about similar jurisdictions.

DR LATTIMORE: Okay.

MR DOWNY (ACA): I mean we're talking really - - -

DR LATTIMORE: But relatively similar jurisdictions are similar.

MR DOWNY (ACA): Well, no. No, we're talking about a similar style of casino operation, so we're talking about New Zealand, talk about the United States, we talk about Canada; to a certain extent you can talk about United Kingdom, it's different again; and you can talk about South Africa which has a similar - and we're happy to provide you with the information. I thought we did in our - - -

DR LATTIMORE: No, we've got some evidence.

MR DOWNY (ACA): We have other information if you need it.

DR LATTIMORE: I mean I think we would be most interested in the information

that relates to the questions about compliance, about preferred models of achieving the objectives, about the impacts of certain particular recommendations on you in terms of revenue, the nature of your clients more specifically so that we can start to assess as objectively as possible the unique features of casinos and/or any of the consequences of regulating one part of the industry while providing regulatory exemptions for other parts of the industry because that obviously goes to the heart of the appropriate stance one should take. So we would certainly welcome your feedback there.

MS SYLVAN: I don't have any further questions. Thank you very much for coming to Brisbane. We will stand adjourned not for very long. Let's make it 10 minutes and we'll come back at 20 to, and we will resume the hearings at that point.

(Luncheon adjournment)

MS SYLVAN: I think you've been here through part of the hearings, so you know that we're pretty informal.

MR BENDAT (PW): Yes, thank you.

MS SYLVAN: I'll just welcome you by the name of your organisation. If you can then give your name and position, so we will now be hearing from PokieWatch.

MR BENDAT (PW): Yes, Paul Bendat. I created the PokieWatch web site. I realise my time is valuable but I have a piece of information that may be of assistance to the commission. You may or may not be aware that part of what I do is go around a lot of venues, record what I see posted on a web site. I commend to you to have a look at my postings for the Rifle Club Hotel and the Vic Inn in Williamstown. These are in Victoria. Both of these venues are managed by Woolworths. The land is owned by a Woolworths subsidiary, ALH; I use them interchangeably. One is a pub and one is a club. There's 160 pokies at the Vic Inn, 59 at the Rifle Club, so it's the same number of pokies. They're about a kilometre away from each other. Last year, the loss per pokie at the Vic Inn was 65,000; at the Rifle Club it was 79,000. All of that stuff is detailed on those two pages that I just extracted.

While I have not been in the real estate game since around the mid-70s when our family interests were involved in shopping centres, one has parking, one doesn't have parking. One has a renovated dining room, one doesn't have a renovated dining room. What I guess I'm saying to you is that everything is the same: you need a membership to get in. I think it's \$5 a year, \$1 a year, it's not an imposition in any significant way, although that may have some implications. I would submit, based upon what I've seen, it's a function of real estate location, the amenity of the place, when all things are equal, except one is a pub and one is a club. I just thought that might assist if you were looking for that sort of example.

MS SYLVAN: Thank you.

MR BENDAT (PW): I have handed up a number of the points that I was going to canvass, just as points.

MS SYLVAN: Thank you.

MR BENDAT (PW): I will not read all of those through, other than to summarise it, and then provide some information in support of that. Please feel free to interrupt me - because I won't return to things - at any time. I'm used to being interrupted.

The first point is my total endorsement of the Productivity Commission's

approach which I perceive to be a focus on solutions that minimise harm to the problem gambler without affecting the recreational gambler. I chose those words carefully. I have applied myself to that solution. What I'm saying in this submission for most of it is simply in support of implementation of that submission. In this regard you've heard a submission from Mark Henley in South Australia; although we're mates, we did not collaborate but I can endorse - and if you were to ask me the same questions that you asked Mark, I would give you identical answers. Our emphasis is very much the same and it was nice to read something that you had no idea was coming.

Item number 2 is the need for prescriptive legislation. This is reflected to my urging of more responsible practices on Woolworths Ltd which most recently took the form of a 249P statement which was distributed to their some 390,000 shareholders and that meeting did cause some national publicity. There has been a number of documents forwarded; for convenience I've kept one copy, rather than burden you with a ton of paper. I have all these documents here but they have been emailed to Rosalie's email address.

A copy of the notice with the issues that I raised has been forwarded. Shareholder debate on this statement was closed at the AGM by chairman James Strong after just four questions. I believe the commission will be assisted by being informed as to the reality of urging Woolworths to adopt these cost-efficient targeted measures. I've forwarded two emails again where I detail exactly the debate in my urgings to them, to Woolworths' chief counsel. I have also forwarded a copy of a letter sent by Woolworths to ALH to Stephen Mayne in his capacity as counsellor of the City of Manningham. This is dated 9 December. This letter again demonstrates the need for prescriptive legislation. When you read it, I submit that there is a misstatement of the proposed council resolution, paragraph 2, where he says that you're saying that we urge children to become gamblers. That's not what the resolution - and the resolution is printed verbatim. Again, it's typical of the debate. It's just move and shift it to a different issue. These all relate to matters of implementation and that's why I introduced it, because this was Mark's primary concern. I share that primary concern of implementation after the report comes out.

In that letter from ALH, they reproduce Chairman James Strong's misleading statements contained in his response to our 249P statement. I detail all those misstatements in the emails attached. The principal one that irks me continually is the insistence upon prevalence numbers as a function of the population rather than as a function of the group where they earn their money from. It's great that there's a population and I understood the bungee jumping analogy but I'm getting to the reality of it and I will make the submission that there is a kneejerk and a total resistance to any measure that might affect even earning revenue from problem gamblers. They know where the money is coming from. They couldn't not know. There's certainly been evidence from the Productivity Commission over a period of

10 years that this is the case. There are so many studies out there. These guys wonder about the effect on recreational gamblers. Why don't they just read the Schottler thing that came out in Victoria in September which goes through all the measures? It goes through the measures that you guys are promoting and says "no effect". We don't mind precommitment; you can slow down the rate by a full second and it's not going to have an effect. Again, these are hard bits of research, yet you have people in their kneejerk reaction saying, "We need more," when there already is excellent stuff out there.

There was a Victorian survey that also came out from 15,000 people and funnily enough, their prevalence numbers are almost identical to that of the Productivity Commission, based again on the Canadian index; so there is building a body of stuff. I'm sorry I'm speaking so fast. I've got a lot that I really want to have placed on the transcript.

Reference has been made by the commission to Woolworths responsible gambling code as implemented in Victoria. My submission is that a detailed reading of this code discloses little other than compliance with existing regulations and even then, I feel that they have breached even those minimum requirements. I have made a submission both to the VCGR and the AANA that Woolworths have breached their own code by virtue of a newspaper advertisement that has an unqualified appeal to children to join a pokie venue based kids' club. A copy of that complaint of course is amongst the papers.

Woolworths were also required to lodge and then comply with a code of conduct with respect to self-exclusion in Victoria. November inspections by me, obviously prior to the Woolworths annual general meeting - I've done it for three years, they must have known that I was going to do it and bitch about it at their AGM. I looked at 26 different venues, 11 venues were not in compliance.

MS SYLVAN: Sorry, can you give me that number again?

MR BENDAT (PW): I went to 26 different venues. 11 fit - the non-compliance was a failure to display a notice that self-exclusion was an option for problem gamblers. Again, a copy of my emails have been forwarded to you. Woolworths - I had a private meeting with Woolworths executives. They informed me - because I copy all of this stuff to me at the same time that I send it to anybody, they should know what I'm talking about. They called their venue staff and their venue staff reported that I had no idea and I hadn't looked properly. I would expect that their venues are now compliant, which after all is the point of the exercise. It's not a gotcha game. Woolworths' core business involves the most sophisticated possible system of placement of groceries on shelves. Their inability to place even a simple notice targeted at problem gamblers is in marked contrast.

I have also forwarded correspondence relating to Coles' implementation of the national principles and I am well aware of your comment about lowest common denominator. While Coles' interventions are a step in the right direction, it was not self-initiated. A lack of prescriptive standards have led to - and basically I'm talking them through the implementation of the blocking of sound and vision in their hotels, pokie hotels in Queensland, because I've been to them all, bar three I've been to about 66 of them, and taking pictures. To their credit, because I can track - it's an Internet site, you can see who visits, and they are looking and they're doing okay. But there's no - I said to them, "Why don't you just do what you do in New South Wales? There is an objectively measured standard." Well, that isn't what happens.

Symbolic of my concerns was their resistance to using carpark warning signs that do not pleasantly blend into the ambience of their venues. A deeper concern was their unwillingness to commit to using their PA system to draw patrons' attentions to children left in locked vehicles. This same apparent unwillingness to disturb gambling patrons may well have contributed to the serious incident in June this year at their Mihi Tavern in Ipswich where a child was left in a car. Even since they put these signs up and put in a monitoring system there has already been a child has been left - there's seven signs at this one venue because they put it on Today Tonight with Nick Xenophon and myself. They've already had an incident, this is in three months' time. So it is - while not something strictly in the gaming room it is a consequence certainly of addictive gambling where you're prepared to leave your child in a locked car in Queensland while you go and play the pokies.

The submission I'd make upon this documentation is that these pokie operators aren't willing to take any measure voluntarily that could in any way affect their pokie revenue. Given the conclusions drawn by the commission and others it demonstrates a continuing deliberate focus on revenue earned from problem gamblers. By way of background I first became involved with the media and television and radio in the 1970s when cigarette advertising was being phased out. I won't go through that particular red herring because I'm hearing the same sorts of things that were going on then.

In media revenue is built by getting consumers to sample the product and then consume more of the product. There is absolutely nothing wrong with this typical business strategy. The problem in applying it to pokie gambling is the inherently harmful nature of pokie gambling product. Time prevents me from detailing measures used to build or refresh the customer base and then promote repeat use. We could be here - because then even the relatively few measures that I detailed in my first submission ended up in a 55-page document. I mean you get women's mornings; free manicures; champagne; Morning Melodies concerts; loyalty clubs; posters; placements of signs so as not to break the ambience; promotion of new pokies to try; jackpots to be won, and have been won at the venue; lucky venues.

You go to Coles cashiers here and they tell you all the jackpots that are won in their venues over the last six weeks, implying that your lucky turn is going to be coming up now. You go to Tabaret premises and the reserve sign says on it, "You can feel it." You know, that's for the addicted. The research says to us, "Yes, okay, I can feel it coming," put the reserve sign - and there it is, "You can feel it." These are all these messages. Sure they're saying, "Yeah, you can feel the fun," I'm sure that's going to be the counter of it. But view it in the light of the addicted it takes on a whole different light.

Number three is an example of lack of consumer information. In Victoria our player information displays - disclose the return to player differentials. So of my recent visits I've stated to record this to see if there was any pattern and what happens. With respect to the undertaking which the commission reproduced on page 7.2 of ALH about informed consumer choice, basically they do it in Victoria because it is the law. You have to press an I-button. It's a very complex - I don't find it a complex thing. I have never seen anybody show a player information display and I have been to Victorian - I have made hundreds of visits to Victorian venues and you can see it on the PokieWatch site; you know, some venues I've been on four times. I believe that that has implications to the importance of the commission remaining firm on gamblers having to opt out, because what I have seen indicates that they simply just won't opt in to a precommitment.

MS SYLVAN: Can we just stop on that for a moment?

MR BENDAT (PW): Absolutely.

MS SYLVAN: A number of groups have been quite critical of the opt-out. Our suggestion is that the responsible gambling behaviour has to be left with the consumer, obviously, and that's what we have proposed. But others have said that it is far too likely that with an opt-out that a problem gambler will opt out and that the whole benefit of a precommitment system will go by the wayside and that there should be no opt-out provided, that people should be required to put in the amount they want to spend and we should make that amount a true feature.

MR BENDAT (PW): Let me jump right to where I deal with that point. Metaphorically I'm not concerned whether the gambler purchases a Ferrari that can do 300 K's. I am concerned that that driver wears a seatbelt at all times. So likewise I'm not concerned about the limit designated by the gambler. After that gambler has won - I snuck into your media conference and I raised this at the commission. There has been one point of consumer sovereignty exercised: that is the choice to gamble. Okay, "I have now made the choice to gamble." Now, having made that choice I then have a second choice, "How much am I going to gamble?" I think there should be a limit. I am not going to say that it should be \$10,000 a day but there should be a limit either default or your opt out and you set another limit. But there should be a

limit. I am proposing to spend a lot of time on volatility. I think limits such as \$120 may be unworkable. For myself I spent an afternoon, two hours: one hour on a machine after your draft report came out betting 1 cent a line, betting whatever the bet is on a line, and I was amazed at the volatility.

DR LATTIMORE: Our recommendation in relation to the dollar would not guarantee you'd lose \$120. Sometimes you would lose nothing, you actually have a win, and sometimes you would lose more. So our view was there was a distribution around it; it's just that the average would be on a particular pay-off machine.

MR BENDAT (PW): I have a very detailed submission on that aspect itself because I think it's a crucial aspect. But just to finish the issue about once the self-assessed limit is reached, the card should be deactivated for Australia until the time for another session arrives, that too should be self-designated but I suggest not less than 12 hours. I don't know when an appropriate cooling-off period may be.

Finally, with respect to precommitment - and we've heard some stuff today about this - I think it's essential that something be put in place so that these cards or USB devices are not transferable. We are dealing with addicts. You take the parallel; these are not numbers on a page which a lot of this ends up being reduced to. That 15,000-person survey concluded that 27 per cent of problem gamblers had contemplated suicide in the last year. This is a serious issue here. I don't have a lot of involvement, although I volunteer in a rehabilitation program in the Melbourne area and have a little bit of contact with these people, but it is just like the alcoholic who is storing bottles of gin, and who discover empty bottles of gin under their bed in the morning. It is that serious of a thing and these people - you know, anecdotally and when you speak to them when they're in the throes of it - they will do anything to avoid embarrassment, keep it going and this sort of stuff. Even if it's buying 100 \$10 cards - and I don't propose to go through all of that because I think the commission have well covered those topics.

DR LATTIMORE: One of the suggestions we had for dealing with this issue of swapping cards was the suggestion that if you won a prize over a certain amount, you would be required to provide identity, and the logic behind that was that problem gamblers still like to win prizes and generally they will be more likely to win big prizes than recreational gamblers. How effective do you feel that would be?

MR BENDAT (PW): I'm sure Mr Ryan will have a lot to say on that aspect and he is more studied on it. It could well be effective. That's why I gave my generalised statement at the beginning. I don't have really any issues with the discussions. There were certain revelations in your report, prevalence factors that are there in low-risk gamblers and I said, "Yes, that's right." As a person who thought that all ATMs should be out of pubs, it said, "Doesn't it make more sense if it's right next to the cashier?" and I'm going, "Yes, I think it does," so these solutions could have merit

and I'd really defer to that. It could well have merit, but the non-transferability issue, that 27 per cent figure in Nova Scotia is something that caused - that's what alerted me to it.

In terms of what I've observed in the differentials with PIDs is in essence the cheaper machines - if you take it that the addicted wants to play longer - don't allow you to play as long as the more expensive machines. In the Rifle Club, the maximum bet on a one-cent machine, a five-cent machine and \$1 pokies were \$2, \$4 and \$10 respectively. I know Victoria is coming down but I'm just keeping it as it is. The RTPs were recorded on the one-cent machine, 89.56 less .9 for the jackpot; plays per win, 10.05. On a five-cent Geisha machine, it returned a player 88.77, jackpot .9, plays 8.71. So you're going to get on the five-cent machine a fair bit more wins more often.

Now, I did not record the \$1 Big Red in that place but I will go to the Lyndhurst Hotel. I am happy to say it's about the same everywhere. The \$1 machine showed a 93.03 RTP with 1.1 over for the jackpot, and 10.4 plays between wins. So you're going to play longer but it's going to be a longer interval between your wins on the dollar machine.

The conclusion is that as it is the desire of the gambler to play longer, the best machines are the most expensive. Also, on 18 November, I watched a gambler lose over \$900 in 13 minutes on a \$1 machine at Woolworths Shoppingtown Hotel, just an enormous amount of money. While entirely legal, this practice of itself demonstrates Woolworths' encouragement of addictive gambling behaviour. Lack of easily accessible consumer information about varying rates of return made the situation worse. Of course you don't have PIDs, even that information available for those who are seeking it in any other state, and I totally endorse the commission's conclusion that 93 RTPs should show seven, and 87 should show 13, so they can see the true huge differential between your return to player that you're getting that's masked by when it's expressed as a high number. They should be available - you know, seven on a machine. They will figure it out what it all means. It's not hard stuff to do.

On exposure to children of gambling, I accept the logic of what the commission set out in section 8.8 of the draft report. It has taken, I must say, some effort and time for me to get this issue on the national agenda and to the notice of the broader electorate and the consumer base of the retail organisations that have these huge numbers of pokies. I agree with the commission's conclusion that it may be more cost-efficient for children simply to be banned in many venues. In fact in August I changed my latest PokieWatch map for Queensland to reflect exactly that, designating venues that simply - they're so clearly adult orientated and not orientated to children that that could be a solution.

The reality of the reaction from Woolworths is that unless required to do so, no action will be taken. This is unequivocal from Chairman James Strong's response to the 249P statement. The justification for the marketing to young children in terms of the business strategy may be found in a Citibank report which again I've emailed and can provide today. I will be really blunt and politically incorrect and say they're dying off. That's why it's going down. The older people, they're just not being replaced, and the younger people, it's boring. It's just not something that's there. I simply summarise their conclusion. Although I've observed a lot of things, do I see young people? Sure I do. Predominantly for the times that I'm there, it's well-dressed women in their 40s and senior citizens that I see predominantly in the pokie venues.

DR LATTIMORE: Is that at all times, by the way, in the sense that our understanding is that young people come out to play quite late in the night.

MR BENDAT (PW): That would be correct. You do see it - I find it creepy enough what I do of itself, let alone hanging around these places late at night.

DR LATTIMORE: We're probably all too old.

MR BENDAT (PW): Because I was doing so many in Queensland over a short period, I did visit a lot of places much later at night and I did notice a change to younger people, so I would endorse that. I want to reinforce also what Mark Henley said about betting odds being broadcast at footy matches. He's a Crows supporter, I'm a Saints supporter, but for my own part, this has even a family implication for me. My dad owns the Perth Wildcats which are now sponsored by a betting organisation. I won't go to a Wildcats meeting. I've had enough hearing about my interest in the Burswood casino that I never had. It's a very serious thing and again I would think, given this article in the Herald Sun which again I can give you, this is two Sundays ago - you're hearing from Prof Livingstone tomorrow - this is about chips replacing - you know, poker chips replacing football cards, kids starting to perceive that their team is somehow measured by their odds being presented. This is not like alcohol advertising in the cricket which has been there from day one; we're at day one now.

DR LATTIMORE: If it were the case that it could be shown that there wasn't harm from the odds being shown, your view would change? It's just that your prior - is that there is such a risk?

MR BENDAT (PW): You have it in my information, that photographic book which I sent which has Charles's statement about normalisation. I totally believe that that's correct and I'll just diverge into that. You look at what has happened to cigarette smoking over the period of time. We're now - even at people's homes you step outside to have a smoke. It's no longer seen as a normalised activity. I know

you heard from ASH in previous submissions and this is - - -

DR LATTIMORE: But there isn't - I mean potentially there is a difference. Smoking is shown at pretty much all dosages to be harmful to you, yet gambling is enjoyed by a lot of people but it's devastating for some. So is there anything wrong with a lot of people participating in gambling as long as it's not harmful?

MR BENDAT (PW): No, of course not, and I would be the last person to say that I don't have a flutter or don't participate in pools or having gone to the races or anything like that.

DR LATTIMORE: So I suppose the question is why is normalisation per se a bad thing so long as it doesn't involve harm?

MR BENDAT (PW): In an unprecedented way it's being presented to ever younger populations. When you and I grew up, yes, we were aware of racing, there was always a TAB station in the marketplace where you'd hear the race broadcast. In essence that was our exposure to it. It's nowhere near the degree of exposure that occurs today and the acceptance that gambling is a normal part - betting on football is a normal part of our life. Betting on football is not a normal part of Australian life, neither is pokies, save and except for New South Wales where it has been in for a couple of generations. Everywhere else it's mid-90s. This is the first generation passing through in most states.

MS SYLVAN: But just to follow through, because I think it is a critical issue, it's the reason that the report concentrates so heavily on electronic gaming machines because this is where the primary problem seems to occur. So that the evidence for problem gambling in relation to the races or wagering on sports events and so on is just not nearly as powerful. The number of people involved with problems in that kind of betting are very small in comparison to the problems that people get in relation to electronic gaming machines.

MR BENDAT (PW): That's a good point.

MS SYLVAN: So in a sense we didn't deal with - you know, in the run betting and so on which people object to in principle. But the question is well why? In a sense if it's a better betting on a political result or - you know, it's - - -

MR BENDAT (PW): Gambling, I guess - I can only - the only other point I can add is gambling of itself is an adult form of entertainment and then you have to measure exposure of children to adult forms of entertainment. I cannot stress enough that a lot of what I've said is instructed - although it's a joint thing between myself and Prof Livingstone and you do have him tomorrow in Canberra.

MS SYLVAN: So it's really just the exposure and not what you call normalisation?

MR BENDAT (PW): Normalisation where, you know, then kids - then you will have a prevalence of kids gambling amongst themselves.

MS SYLVAN: But if I can challenge again, you know, kids are exposed to a lot of arcade games. Increasingly they're exposed to games where they may or may not be some betting but they're games of tremendous intensity and so on with the new games that are available to them electronically. It doesn't seem to be the case that this necessarily leads to a problem.

MR BENDAT (PW): There is a very small reference in a Nova Scotia study, and it is a recent study, where by the fact that - and I have no problems with poker, and I know you've asked people about it. On my son's 18th birthday I took him to Crown Casino and said, "Here, play poker for four hours for free and learn how to play from a proper croupier." So I don't have an issue with - - -

MS SYLVAN: With gambling as such.

MR BENDAT (PW): - - - those sorts of things. What I do have an issue is that, you know, it just - this whole adult form of entertainment becomes so much more acceptable and does it inevitably lead to pokies? The Nova Scotia thing that I was talking about it was dads playing poker at home on a Friday night was said to lead to a greater prevalence of gambling amongst their children. Now, of course that cannot be scientific, as we've heard evidence, because we have to survey these people over a period of 10 years to see how they ended up. I have not included that within these papers but I will certainly dig it out and forward it to the commission, but it's not - it's there. There is a lack of research on this very issue of normalisation. That was the only thing that actually addressed, specifically addressed, that point. But the other thing that I say is when did parents' own habits not influence their children? You know, 18, be an informed gambler.

Just going back to children there's a couple of other points that I make and then I'll move on. You do have web sites that are set up by Zagame's and Coles where these are gambling-related sites where you fill it and children are asked to interact with games on these sites. I include among the papers a page from the Coles site where kids are encouraged to sign up for the Steakhouse Gang and turn over their parents' mobile phone number without any reference to their parents. It's just extraordinary.

Referring again to Mr Curry's letter to Mr Mayne, the photography book certainly demonstrates that there's a strong appeal for young families with children. Mr Curry's statements in that letter where he says, "Well, we're not trying to make them gamblers," is at best misleading. While children are not allowed in the pokie

area themselves the entries are wide open. Children can observe the gambling. They want them to join their kids' club. It's a parallel loyalty club. You will see all of this detailed in that AANA submission. When you do that you enter for drawing prizes. These coin-operated games that you referred to - and I detailed a lot of that in my first submission, games like A Winner Every Time, Win and Grin, Stacker, I put the manufacturer's own descriptions rather than my interpretation of it and they said, "Yes, we're playing on greed and encouraging repeat play." Hold on, how close is this to a pokie?

Yet these are things that - you know, I don't expect given the history of the Productivity Commission to be prescriptively deciding which coin-operated games should be put or not put into a venue. Coles are taking them out of their venues voluntarily. I mean they got the point. But if you wanted to normalise it and you were thinking, "How can I really do this?" This is how you do it. You go into these places and you really - it's quite incredible. You just don't believe that this stuff is happening. At the First and Last Hotel north of Melbourne those games are not in the child-play area but are near the pokies room right next to the ATM and the cigarette machine. It's careless, it's irresponsible. I sent photographs in the letter to the chief counsel of Woolworths which I have attached to show children actively interacting with gambling products; and the other, a child looking through a clear glass divider for an older man. I watched them for about 20 minutes. It was her dad - I can't say that it was definitely her father - who was gambling and she's looking through the glass thing. There's a picture of her back looking through it.

While Woolworths are not actively encouraging children to use gambling products, as Mr Curry alleges, I describe their conduct as either careless or negligent and certain irresponsible. Even at the Beenleigh Tavern at Logan City that was showcased by Coles on Today Tonight as indicating the improved responsibility, there were posters promoting pokies in the eating area and the commission said the environment is set up for another thing other than kids. They were still there, and here they have Nick Xenophon going in the room. He's looking and said, "What's going on, guys? Where is your attention to detail?" again underlining my submission about the need for prescriptive legislation. Finally, at Club Waterford, again in Logan City, I have observed a child sitting at a pokie and others being left alone in a play area by their elders while they either drink or gamble.

Now to probably the most important part of my submission today and that is on the \$1 per button push. Through Rosalie, I have provided a submission that I worked on - apart from the exotic locations, not thinking that the commission would have its hearings at this point in time and pre-booked a holiday for the last two weeks - but we worked on it over this weekend. It's titled Comments and Suggestions Regarding \$120 Hourly Losses. It was prepared by Kevin Harrigan PhD, who is a research professor at the University of Waterloo. In terms of his qualifications, his expertise resides in the programming of the pokie itself. Slot machines, as of course they're

called in Ontario, they are licensed only in the provincial government. It is noteworthy that he has relationships and conducts studies for both the Ontario Lottery and Gaming Corporation and their Gaming Commission.

DR LATTIMORE: This is going to be a public document that - - -

MR BENDAT (PW): Everything I say and produce is on the public record.

DR LATTIMORE: Okay, good, thank you.

MR BENDAT (PW): I will read you my conclusion. We're here to help. We're here to promote discussion. I'm trying to provide solutions. My brief to Prof Harrigan was relating to my concerns after we saw the draft report that the loss would be \$120 per hour. While the commission's words in the draft report are accurate, I don't believe they fully explore what I believe is the greatest misconception about pokie gambling, that is, that they return 90 per cent, and if I keep gambling, I am likely to hit that jackpot. It's coming, because I know it's 90 per cent. Without full explanation, there is doubt on the assumption that by lowering the bet limit of \$1 per button push that losses will equate to around \$120 per hour. I'm just going to use the 90 and the three seconds. I know there's variation; it's just easier to sit with that calculation.

DR LATTIMORE: Sure.

MR BENDAT (PW): 1200 spins per hour, 10 per cent is the loss, therefore \$120 is what's going to happen. If you track through the regulations in Victoria to see actually see what is the spin cycle - I don't propose to read all this out. I'm not going to read it out. The spin cycle relates to the spins in the machine, the total permutations that the machine has to pass through, and when it's passed through all of its permutations, then the 90 per cent emerges. Statistically it may emerge earlier, and Prof Harrigan tracks, based upon the programming models that he has with actual machines, when these patterns finally emerge.

DR LATTIMORE: My understanding on that score is that in effect you've got virtual reels, so you can imagine mechanical reels in the machines and it's a computer which swings them and they stop at a point that's effectively random. So at every switch of the button, there is no guarantee you will cycle through every symbol, it's just probabilistically over a large number of button pushes, that's the likely outcome, but at any particular point, it's a completely independent draw.

MR BENDAT (PW): Yes, that's correct. I usually do a guessing game with people, asking them how many plays are in a cycle of a pokie, and people usually guess 10, 20, 30, 40, 50 thousand. The real number, and this is based upon an actual pokie that Prof Harrigan has taken apart, has the programming - and he also won a Freedom of

Information decision, and I've included the decision, in Ontario - where PAR sheets are not seen to be confidential in Ontario. Anyway, the combinations, the number of permutations is 254 million before - - -

DR LATTIMORE: That's a lot, yes. But I mean, there's no cycle, is there? Literally it's not like going one, two, three, four, but a lot of them, one, two, three, four - - -

MR BENDAT (PW): No, it is a random thing. Again, Prof Harrigan, he makes himself - I said, "Make sure you state that you would be available for direct access through the commission. If you go to page 5 of the submission, in 600 plays, the likelihood - the lower percentage - somebody could leave with only 2.41 per cent of their money, or could end up with 182 per cent of their money. That is the volatility. Again, I would love to take you through this whole document but he shows a volatility index of 22.070, a high index, higher than what would be acceptable if the \$120 \$1 per button push, \$20 cash accepted thing is going to be implemented. This volatility index, which we think is probably what applies to pokies in Australia, it just won't work. The volatility is just too high. 1000 spins, and you could end up with 22.72 per cent of your money or 162 per cent of your money.

DR LATTIMORE: So the concern is that because of the volatility, the expected loss has a lot of variation about it, so if you play for an hour, there's a very broad range of outcomes, but if you played over a year once a week, the volatility comes down.

MR BENDAT (PW): Absolutely correct.

DR LATTIMORE: So your annual losses are compressed a lot over a year. Usually you would lose over a full year but you get a tighter amount around that. Which is the most important sort of volatility, the annual volatility, monthly or a session? I mean, a view about volatility has to be concerned about the period of volatility and its impact on the gambler.

MR BENDAT (PW): Yes. We look at the commission's own objective of \$120. If you remember, I said in terms of the precommitment, \$120 may not be enough. Just in my one sample, playing - I can't remember what it was - but equating it to \$1 per button push, I was up as much as two, three hundred dollars, I was down as much as two or three hundred dollars in the space of an hour, playing only one line. I ended up down I think about \$189. It wasn't that much. But do you see, it goes up and down and we're not trying to move beyond the commission's own definition of \$120 per hour as to how do we get to the commission's objective.

DR LATTIMORE: So your view would be that the structure of the pay table would need to be altered in order to achieve a lower degree of volatility.

MR BENDAT (PW): We see three ways in which this can happen. Recognising that the commission didn't like slowing down the spin rate, I still want to put it back; even by one second will have disproportionate benefits. I'm going to leave it at and just say have a look at the Schottler report where they say that bringing it up to three seconds - remembering in Victoria it's 2.14 - it's not going to bother anyone.

DR LATTIMORE: But on that score, while in theory you could play - I mean, we had to choose, like you, \$1200, the maximum you could possibly play - but the evidence tends to suggest that most players don't actually have their finger on the button but they spend something like roughly five seconds between button pushes. So if you were to change it to three, as it says, it wouldn't inconvenience many people but it might not in fact even affect problem gamblers.

MR BENDAT (PW): But it would really slow - the gap is not so much in the play but in the time it takes to push the button again. So if you're adding from two to, say, three and a half, which is kind of my suggestion - - -

DR LATTIMORE: Yes.

MR BENDAT (PW): - - - which is, I think, what is the rate here in Queensland, you're just going to slow down the amount that they spend.

DR LATTIMORE: But if they're already pushing between - every five seconds - - -

MR BENDAT (PW): Well then we will see it spin for another - if it were Victoria you're going to see it spin for another 1.3 seconds.

DR LATTIMORE: Okay. So it's still the same effect as - you will effectively slow it down, okay.

MR BENDAT (PW): Yes, and they will spend less. The second, the more complex issue, is achieved by lowering the amount of prize money that can be won. As I have stated, Victoria PIDs disclose varying levels of game per win. These can be lowered so that wins are more frequent. So in essence the prizes become less and the wins become more frequent. Dr Harrigan believes that for modern pokies this can be achieved by control adjustment rather than reprogramming of the pokie, which is a much more relatively inexpensive process.

MS SYLVAN: Did Prof Harrigan put any cost for the Canadian situation on that?

MR BENDAT (PW): Well, he didn't - - -

MS SYLVAN: Does it or doesn't it require a visit from a - - -

MR BENDAT (PW): It may require a visit.

MS SYLVAN: It does?

MR BENDAT (PW): I've seen on the machine that he has how easy it is to adjust the return to player. Basically put a key in, a touch screen activated screen comes up and you select your - and this is in a five-year-old machine. The problem is - where we are handicapped and why there is not solutions is the gaming manufacturing industry's unwillingness to comply with even their own undertakings with respect to disclosure of PAR sheets. Dr Harrigan indicates, "I can help here but I don't have the PAR sheets - - -"

MS SYLVAN: For Australia?

MR BENDAT (PW): Yes, for Australia. I'm aware of five instances where this information has been sought and still there is no compliance. The first is when Prof Livingstone requested this information on the issue of reinforcement schedules. It's reported that the IGA of South Australia has requested this information with respect to the issue of near-miss technology. On two occasions Mr Ferrar has even promised time delineated delivery yet nothing has been delivered. The first occasion was a senate inquiry. I can provide the transcript where he promised and undertook to supply within 24 hours. I'm aware that the senate committee made a formal follow-up request. On another occasion I personally participated in a conference call with Senator Xenophon and his media adviser, Rohan Wenn, where Mr Ferrar promised delivery within the next seven days, next Friday.

I have personally found a web page for Aristocrat where the PAR sheets can be downloaded with a pass code. This says that they are readily available. Ross stated that academics should have access to this information. This was several weeks ago and still absolutely nothing. It's business as usual that huge documents are referred to by gaming manufactures and statements made about compliance with rigorous requirements. All this does is maintain the status quo by not allowing informed research as to whether there might be a better way. I can't answer your question, that's what I'm saying.

DR LATTIMORE: I should say we actually requested some PAR sheets and we did get two for two different games and we are doing analysis on them - have done analysis on them.

MR BENDAT (PW): Yes, and like I said, there is Canadian precedent for doing it. As you know the PAR sheets are just a series of numbers. The contention that there is a huge disclosure of confidential thing as to the magic of their games is not exactly

correct - another expression came into my mind, anyway.

DR LATTIMORE: On the score of - the issue of volatility, the sort of changes that you're suggesting about, the spin rate and/or indeed the effect of having a different pay structure will have different outcomes for volatility over different periods on the number of plays that a person engages in, indeed, their style of play. So somebody who plays a lot of lines as compared with somebody who puts a lot of credits on a few lines are going to get - different outcomes will occur with that.

MR BENDAT (PW): Because it's more games as you're playing more lines, yes.

DR LATTIMORE: Exactly.

MR BENDAT (PW): Yes.

DR LATTIMORE: Have you done some analysis, or the professor concerned, about the outcomes you would see in volatility associated with a shift to this?

MR BENDAT (PW): Because there are just more spins it's just more games - you will see, I guess, the pattern emerging - I mean one button push can represent five and as many as 25 lines.

DR LATTIMORE: I guess my point is that over a year the amount of volatility - the reduction in volatility you might expect from the machine modifications might be relatively small while the reduction of volatility over a short duration, a session, might be relatively high. Then the judgment about what you should do is going to depend on the harms associated with volatility over short periods versus long periods. Do you have views about, you know, where is it harmful to have volatility?

MR BENDAT (PW): I mean I don't go as far as Senator Xenophon by saying that the cycle should be no more than half an hour but I'm certainly - the objective I'm trying to achieve is the commission's own objective rather than inventing an objective of my own.

DR LATTIMORE: Sure.

MR BENDAT (PW): So that there is - you still cannot be absolutely certain there's going to be 5 per cent.

DR LATTIMORE: No.

MR BENDAT (PW): There's going to be - even as much - as far as we're going here there's still a 10 per cent - 5 per cent on either side of the \$120 that you would

take all the fun out of the game. We still want - we're not addressing free spin features. A lot of the things that has come before the commission were not proposing to eliminate those things. We're just looking at the law - I don't know if that answers the question but the ideal is - I think I do answer it by saying the objective is \$120 an hour.

DR LATTIMORE: So we stopped you somewhat midstream?

MR BENDAT (PW): No, I'm - I have just two more issues, one on transparency. There is an issue in Victoria about management agreements where Woolworths and associated companies manage pokie clubs for other bodies. I'm going to focus for this example on the Footscray Football Club, although I believe the model is replicated by both Woolworths and Mr Mathieson in his own right and includes the Collingwood Football Club; Hawthorn Football Club; Richmond Footy Club; probably the Melbourne Storm; some other clubs; and in the instance of Mr Mathieson, the Yarra Valley Golf Club.

In essence what happens is ALH owns the land. There's a mortgage to Woolworths. Then ALH or some associated body with it manages the pokie part. In essence what they're doing is they're taking advantage of in Victoria the fact that the body is a sports body and therefore free of income tax and as the legislative changes come through - and I referred off camera to the 1999 report - the effect of the legislative change in Victoria when clubs will now own their own pokies is that they become entitled to take advantage of the tax exemptions available to mutuals, and this is a business presently being conducted by Woolworths and associates where they're taking lease and they're managing the pokies.

In essence they have an interest in the pokie business that is totally - other than proving that they're a valid person - totally conducted in secrecy. You are not allowed to see the agreements, because I've asked. You don't know when there is a change in management. You don't know when management has even been granted because it's all a secretive process by the VCGR. They even went so far when I made a submission on the Gambling Review Act - the Department of Justice blacked out almost a full page of my submission from public viewing on this very issue. On the issue of transparency - I can go through a lot of more trivial things. This is the most glaring example of this.

My principal concern was avoidance of entitlement limits reducing competition. Even in the new legislation there is no restriction on how many pokie clubs - remembering they don't have to be any sports in 2012, they can just be pure mutuals - can be managed by an organisation. I'm not saying that Woolworths will be the only ones who do this and I'm not saying that it's illegal, what they're doing, but they are taking advantage of the situation and the process. My biggest point is the process is not transparent.

DR LATTIMORE: So on that score, the income though that they earn from the pokies isn't transferred to the third party, is it? I presume it can't be. Is that - - -

MR BENDAT (PW): There is a management fee.

DR LATTIMORE: So is it a question of whether the fee is an arm's length fee?

MR BENDAT (PW): I extract a page from the VCGR's own decision in Club Edgewater which was an application by the Footscray Football Club, a very recent decision, where they characterise the arrangement that was offered to them and they say they took up a lease, whereby they got paid \$200,000 a year. It is the Vic Inn in Williamstown. It just seems that this is an unregulated participation, but I don't know. It may be just wonderful and all the responsibilities - but it's not transparent.

MS SYLVAN: Your main point is it's not in the public domain.

MR BENDAT (PW): My final thing is on pokie clubs and mutuals. For the record, I do acknowledge that there is a separate inquiry into not-for-profits. I am aware of the statement about Dr Henry's study and I did hear Mr Fitzgerald's response to media questions at the Canberra briefing. What I am putting, and it was an issue that the commission put to the clubs today, is that there should be no differential between clubs, pubs and casinos, if you like, in terms of measures that address problem gamblers, again with that continuing caveat of not affecting the recreational gamblers. At the moment in New South Wales, there is a double standard when it comes to responsible gaming practices. New South Wales hotels operate under far more rigorous practices than the pokie clubs. The most obvious is the smoking terraces where pokie gambling is installed and this only applies to clubs.

From my own personal focus, the fact that pokies can be set up in queuing areas where child entertainment is provided, with one person posted - "But we shut off the machines when children are there." Mr Ball of Clubs New South Wales made a statement on the 7.30 Report that children are not allowed in the gambling areas. He failed to mention the exemption for queuing areas that are quite properly characterised by South Sydney Juniors. There's a picture of a sign, "New auditorium, entrance through gaming lounge." Now, this is a place that provides child-orientated entertainment. Sure, they're in a queue, they're not in the gaming lounge and I'm sure that sign is gone now, but this is what goes on.

Unfortunately I'm only one person, I don't have research staff. I wanted to look at - because of the claims that you've heard and I've heard over and over and over again, that the clubs deserve special treatment because they work for the public benefit, there's so much that they give back to the community, there's child stuff, there's all these other sort of things. Number 1, I'm a West Australian. We don't

have pokie gambling in our clubs. There are 360 very viable clubs that produce outstanding sportspeople without the need for pokie revenue and without massive subsidisation by the Western Australian state government, nor the WA Lotteries Commission. That's point number 1.

Point number 2 - and again this will be part of the materials - you look at places like Mounties Group and you wonder whether the pokie losses are commensurate with the benefit put back into the community. Not everybody puts up statements online - and in Victoria the information is even more limited - but you have pokie revenue losses, \$68,327,783. What do they put back into the community? \$3,561,808, of which over 2.2 million reflected services in kind; "We're going to promote your event." The cash contribution was actually 1.36 million. That's against pokie losses of \$64 million.

DR LATTIMORE: What did they do with the rest of it?

MR BENDAT (PW): This is my copy, but it's important that you have it. This is a far more detailed study by Betty Con Walker, and I'm aware of her reputation and her husband's reputation in New South Wales. I strongly recommend chapters 3 and 5, which go through in detail - and I'm totally overlapping two inquiries here - the amount of tax breaks by virtue of being a mutual, the tax breaks they get from the New South Wales government, and she tries to quantify - bearing in mind Mr Fitzgerald's answers - well, here is somebody who did try to quantify. At least it's a start. I will say that it must be pretty obvious that this is what I'm going to be doing in following it up. It's just too late for me to be able to get it by 18 December in my own thing.

DR LATTIMORE: Sure.

MR BENDAT (PW): In conclusion, my point with respect to the mutuals is that there's no excuse for these entities avoiding compliance with harm minimisation practices, in particular the \$1 per button push, \$120 per hour loss limit, \$20 maximum in the cash acceptor and not exposing children to the sights and sounds of pokie gambling. That's it from me.

MS SYLVAN: Thank you. We've got a number of questions, I'm sure. There's one issue you didn't mention, Paul, that I thought you would, which was the schools based education and our caution in relation to that. Did you agree or disagree?

MR BENDAT (PW): I've only observed the information and what I've done is nowhere near as extensive as the commission's own - I have obviously read the whole of the report and I agree with everything that the commission has said.

DR LATTIMORE: You've actually done detailed observational work on a lot of

venues.

MR BENDAT (PW): Yes.

DR LATTIMORE: You spoke about some of the material in relation to clubs versus hotels and in fact casinos for that matter. If you look at just the observations in the areas that you've made them most carefully, can you distinguish between clubs and hotels at all or do clubs do some things differently and better than hotels consistently?

MR BENDAT (PW): It's the reason why I put forward that first example, where everything was common, except for the legal status of the venue.

DR LATTIMORE: Yes. That's two, but you've systematically looked at quite a lot more.

MR BENDAT (PW): There's a difference between Woolworths, between Coles, between Zagame's. Bearing in mind that Woolworths controls about 42 per cent of the clubs in Victoria and they're good operators - I detail why, and I don't think it's for good reasons, but they are good operators - they are the best at creating an environment through posters - I mean, I'm not going into the dark lights and stuff and how things are placed, I don't think how these things work, but just observing it as somebody who has been involved with the media, it's certainly part of their campaign, a well-educated campaign, well researched, on how to get people in and get them coming back. Once they are there, you know, it's like with the radio station and then time spent listening, it's the same thing that they do. Coles don't do it as well; clubs do it even less well, when you look at it in terms of those generalities. Of course there are going to be variations. There are clubs that do it great; there's Woolies' places that don't do it so great.

DR LATTIMORE: Right.

MS SYLVAN: That was very valuable. Thank you very much for appearing before us.

DR LATTIMORE: Thank you very much.

MR BENDAT (PW): Thank you very much for the opportunity.

MS SYLVAN: We will take a break and then recommence.

MS SYLVAN: I think you've been observing through part of the day at least, so you're familiar with the procedure and it's informal.

MR RYAN (RGN): Sure.

MS SYLVAN: I'll just announce you by your organisation and if you could then give your name and position. Now speaking with be Responsible Gaming Networks Pty Ltd.

MR RYAN (RGN): Phillip Ryan, chief executive officer.

MS SYLVAN: Please go ahead.

MR RYAN (RGN): First of all, I'd like to make an offer to the commissioners. I know you only had a 10-minute break for lunch and I know that you've got commitments after this 3 o'clock finish and it's now being 5 minutes to 3. I am prepared to do this presentation at a later date at anywhere; choosing of the commission's designation, because I think it's important that I have at least three quarters of an hour to go through this. There's some important things that I need to convey to the commissioners about some of the recommendations that are in the report. So I put that offer on the table.

MS SYLVAN: Let's proceed now. I think we can probably do the 45 minutes that you were scheduled for.

MR RYAN (RGN): Thank you.

MS SYLVAN: But we'll have to close it right on the time.

MR RYAN (RGN): Sure, okay.

MS SYLVAN: You have a presentation as well, don't you?

MR RYAN (RGN): I do, yes.

MS SYLVAN: A visual.

MR RYAN (RGN): Thank you. I'll start then if that's okay.

MS SYLVAN: Can I just check the - do we have a copy of that presentation sent to us?

MR RYAN (RGN): No, you don't, but you can - I'm sure we can organise one from

the software - - -

MS SYLVAN: You'll need to email it so it's on the record, yes.

MR RYAN (RGN): You will see what it is when I do it. Firstly, we would like to thank you for the opportunity to appear here today and then we would like to congratulate the commission on delivering a draft report which has strong recommendations that offer the opportunity for Australian governments to reduce problem gambling. This is particularly the case with the report's strong focus on the implementation of precommitment across the country, both in venues, casinos and on the Internet. We also commend you on your strong expose of the inadequacies of some current precommitment trials taking place in Australia. I would like to focus our commentary today primarily on chapter 7, precommitment strategies; and chapter 12, online gaming. We will also offer some observational commentary around chapters 14 and 15.

I come before the commission as a former executive general manager of corporate affairs at Tattersalls, so responsible for government relations, media relations, issues management et cetera. Prior to that I worked in corporate affairs in the global head office of National Australia Bank, so I understand the banking industry; and I'm actually a nuclear physicist with a science degree so I'm a technologist. How did I get into all this? I often wonder.

What we're seeing now though are attempts to deceive the commission about the technical methods to introduce precommitment to poker machines in venues across Australia and the long time frames required for such implementation. Let me explain the true facts to the commission. Player tracking on poker machines was first introduced by a gentleman called John Acres from Acres Gaming in Las Vegas. He wanted a way to track players on poker machines in order to deliver stronger loyalty to the venues. So in 1984 he introduced into Harrah's Casino a player tracking system unit which was connected to their slot machines. Ultimately these player tracking units were designed to connect to any poker machine from any manufacture of poker machines in the world. They needed to do that otherwise no-one would ever buy the system if it only connected to some of the machines. They were able to talk to any poker machine and to track any player. These units used the best available technology in 1984, a plastic card.

The system was so successful that by 1990 nearly every casino in the world had introduced some form of player tracking system on their slot machines, including those in Australia. In the early 1990s some player tracking systems had replaced the plastic card with a smart card containing digital cash, because it was found that gamblers spent more when they gambled with digital cash and it reduced hard cash handling costs of the operators, which was a win for the operators in both respects. So strong was demand from casino operators and wide area gaming operators that all

the gaming machine manufacturers realised that they should create a special space within all their models of poker machines so that this so-called player interface module that had been created could be inserted by any gambling operator who chose to install a player tracking system to register and monitor players, their wins and losses, and deliver reports on their individual bets. This space in poker machines is temporarily covered off with a thin metal plate and is unobservable to the naked eye. It's shoulder height and at the front of the machine.

All the poker machines in Australia today have that space available already for a player interface module and the electrical and data connection points for them. Let me repeat that: every poker machine in Australia today has space available for the insertion of a player interface module and the connection points available for the linkage to a player interface module. It's the poker machine manufacturers responding to their needs of their buying operators who want to be able to track players. Indeed, whole venues and multiple link venues have utilised that space for PIMs. There's dozens of player tracking companies around the world producing these modules now, as well as Acres Gaming. Most of them are not machine manufacturers and they're not machine monitoring companies either. They are independent specialist providers of ancillary technologies which connect to, communicate and track players' bets and are authorised to do so by global gambling regulators.

Here's a PIM with its connection points. It's just one from dozens of different suppliers from around the world. It's an entirely self-sufficient unit and connects into the poker machines. It fits into that pre-existing space and tracks players. It has got an additional small connection point down in the poker machine which will convert the poker machine's protocols, whether it be QCOM, X-series, SAS, G2S and do that conversion of the language so that they can talk. These PIMs work across all current jurisdictions in Australia. They're also server-based to operate across multiple venues. Now, player precommitment is just a minor variation on player tracking. It's player tracking with a cap limit. When a player reaches their limit they're locked off the PIM and subsequently any machine with a PIM in the network.

The key point here is that it's possible to have player precommitment installed on all poker machines across the country and have that completed using these PIMs within 18 months. No-one has to wait until 2016. The technology is ready today. To say otherwise is pure deception of the highest order to the commission. So anyone who suggested that alternative to you is deceiving you. I might suggest it's probably the - oh no, I'll go into that shortly.

What Responsible Gaming Networks has done is to simply replace this 25-year-old plastic card technology with newer technology, a biometric USB kit. Instead of putting the card into the PIM you put the biometric USB into the PIM. You actually don't even need this card reader, which is the bulky part of the PIM.

Now, why do that? Well, you need to go back to the recent deployment of the plastic card precommitment solution in Nova Scotia, Canada, which is regarded as being at the forefront of precommitment. In Nova Scotia they discovered that 37 per cent of gamblers, once they had a plastic card with a PIN, ended up sharing their precommitment cards and their PIN numbers with other people for periods of up to a week at a time and borrowers would take the card to several different gambling locations to play. In addition, card sharing was directly correlated to problem gambling severity index score. So in other words, problem gamblers were the highest sharers of cards.

The International Gaming Institute from the University of Nevada in Las Vegas, as you would have seen from our submission, said the players have beaten the system using plastic cards, probably to be expected given the industry and what we're trying to control. They recommended that biometrics such as thumb prints should be used to address this problem because then players wouldn't be able to share their identity. So that's what we've done. This is a standard USB key with its own in-built fingerprint scanner. You have to prove your age to obtain one. You can set your precommitment money and time limits when you get one. Your fingerprint is stored in the key and only then can you use the key. No-one else can ever use it, open it or access it. It's now your own personalised USB key. We don't store your fingerprint, the gambling operator doesn't store your fingerprint, the regulator doesn't store your fingerprint, the government doesn't store your fingerprint. You store your fingerprint on your personalised key and only you are ever able to operate it. So you can't transfer it, you can't share it.

DR LATTIMORE: On that score, if I drop it into a fire are my precommitment options lost?

MR RYAN (RGN): No, we do a backup in a central server.

DR LATTIMORE: Right.

MR RYAN (RGN): Because there's a server network connected to the PIM so we always have a backup.

DR LATTIMORE: Right.

MR RYAN (RGN): Because we know people may have some problems and we need to bring all their history up and make sure that even their daily activity is captured.

DR LATTIMORE: Right.

MR RYAN (RGN): The great thing for the consumer is that they can also use the

same key to store their own work files, music and photos and only they are ever able to access them, and even better, in our business model, the keys are given to players free of charge.

So, you see, we've eliminated card sharing, particularly amongst gamblers and in particular amongst problem gamblers. Just as an aside, worryingly from the Nova Scotia deployment was the fact that bar owners - in other words, the operators - participated in lending out the cards so that they can continue gambling. So the learning here is that you have to ensure you have a very careful management of the initial and ongoing distribution of your precommitment device, whatever it is, and keep it away and separated from the venue owners who have a vested interest in exploiting the system.

Interestingly, the coordinator of the Alberta Gaming Research Institute, Prof Robert Williams, only a few months ago said to me and the Australian trade commissioner to Canada, Louis Brun, that in his view, the Nova Scotia precommitment solution was a second-tier solution compared to our premier solution developed here in Australia. Now, you might choose not to use PIMs and request the gaming machine manufacturers around the world to produce precommitment in their machines as I sense you are recommending; in other words, building it into the software of the machines. But that's a massive coordination process required just to meet the needs of Australia, and a lot of new revenue, no doubt, which can be charged to the governments by the machine manufacturers. When it's done, what have you got? A poker machine, when you throw it out with its precommitment built in and buy a new poker machine five years later, you have to pay for the added costs of precommitment to be built in again into your next machine and your next machine, whereas with the PIM system which will last two to three times as long as the poker machine, you just disconnect the old machine and put the new machine on. Who benefits from such a high frequency replacement process for precommitment? The poker machine manufacturers of course.

DR LATTIMORE: Just on that score, I'm presuming the information on this is stored in a backup on a server. If the server was the basis for the storage of information on a gaming machine without this - smart-card operated or whatever - presumably the same would occur - you know, each gaming machine wouldn't have to have a unique precommitment technology built in, it would be actually communicating to a server.

MR RYAN (RGN): Sorry, I'm not too sure of the point you want to make.

DR LATTIMORE: I gather your concern about the precommitment in the machine is that every time you replace a machine, something special has to happen, but I understand that server based gaming would involve really the machine being like a dumb terminal and the real work is being done externally on a server.

MR RYAN (RGN): Yes.

DR LATTIMORE: So each time you replace the machine, it's a bit like getting a new LCD monitor.

MR RYAN (RGN): Yes. If there was a central server system and that was deployed in Australia and being implemented, but if you look at the various dialogues that are taking place about those server systems, I think there will be another Productivity Commission hearing before we even see them fairly well deployed across Australia and we need to make decisions now. But I accept your point; it's a valid point and it would overcome some of those issues.

Who benefits from the high-frequency process? It's the machine manufacturers who want the commission to recommend precommitment be built into their poker machines, no doubt by them and no-one else. Once precommitment is built into the poker machines, if you want to make changes to the precommitment business rules, you will have to pull in all the machine manufacturers and ask them to make all the changes inside all of their machines. They will all have built the precommitment using different software systems for each of their games and each has to make the change differently and each takes varying amounts of time to complete the change. What if the precommitment in South Australia ends up being different to the precommitment in Victoria? Then all the poker machine manufacturers will have to produce variants of precommitment which need to be built into their machines and you start creating even more variants of machines than you currently have now - what are the economies of scale and economies of scope in such a tangled mess - whereas with a central PIM system, any changes or updates or regional-specific specifications can all be deployed as an update within an hour across the whole system, just as occurs now with PIM-tracking software changes across multiple network venues.

By giving the power to the manufacturers to embed precommitment in their machines, you're actually allowing them to slow development for up to another decade because they will strike technical problems, let me assure you. I don't have much faith in them and then we'll all be stuck here again, waiting. Why would you build precommitment into a poker machine? It's like saying to a computer manufacturer that they have to build a web browser into their computer and every time there's an approved change to the web browser, you have to go back to the computer manufacturer and get them to update your browser. It's just not done and isn't the way to be efficient in doing things. The great advantage of a PIM based system is that it can all be done cheaper than the costs associated with a poker machine based system as recommended in your draft report, primarily because of the longer life and subsequent longer depreciation period of the equipment.

DR LATTIMORE: On that score, do you actually have some costing estimates in this - - -

MR RYAN (RGN): Yes, we can share those with you in confidence.

DR LATTIMORE: Okay. Can you give us any ballpark figures that we could actually put on the public record?

MR RYAN (RGN): I would say that the very thorough and interpretive analysis done by the Productivity Commission in its draft report, using Victoria as an example, is right on the ball.

DR LATTIMORE: Okay, thank you.

MR RYAN (RGN): Now, we can go down the pathway of our keys connecting into poker machines directly and happy to do that, that's not an issue for us, but we know that's going to take a lot longer and it's unnecessary when there's already a system available.

Finally, with respect to our comments on precommitment in your chapter, we'd like to just make a comment about opting out. We think there was some initial misunderstanding of your commission's report about opting out in the first few days after the report. Perhaps in the final report the commission might like to consider referring to consumers being given the choice of accepting some initial default values for precommitment or choosing their own values, which is ironically what happens with web browsers when you get them. They come with default values and you can change them for your own personalised needs. I think it probably creates a better analogy.

The two most problematic forms of gambling are poker machine and Internet gambling due to the high frequency of gambling that can occur. So I would now like to turn to Internet gambling in the second half of this commentary, unless there are any other questions on venue based precommitment.

DR LATTIMORE: We actually had clubs this morning talking about some of the experiences they had with their particular kinds of precommitment and they gave an example where the venue staff had taken clients aside and particularly instructed them on how to use the technology. Have you thought through how - I mean, the technology does its job but the customer also has to be able to use it. Have you considered what would be appropriate in that context?

MR RYAN (RGN): Yes, there needs to be a strong education process and what would happen is you would do it venue by venue and you would bring the PIMs in and you would start installing them on the machines and then you would have sort of

outside vans and education processes, advertising in the local community, connecting with the members of the local venue. This has to be strong education, understanding, commitment and understanding about what's being asked and what's not being asked, getting acceptance, et cetera. I wasn't privy to those conversations.

DR LATTIMORE: Is that a significant cost or any impression about that?

MR RYAN (RGN): At the end of the day you've got teams in installing, you need some personnel - no, it's not significant. It's 1 per cent.

DR LATTIMORE: What, 1 per cent of the total cost of the system?

MR RYAN (RGN): Total cost.

DR LATTIMORE: Okay.

MR RYAN (RGN): That's not to undermine it. That's not to say you're not going to give it due regard, but it's not 50 per cent mark-up on the costs of the hardware and software.

MS SYLVAN: You were going to provide us with some costs, but a USB device is not very expensive, particularly. The proposal you had was that this would be given away with membership, in a sense. Is that the model?

MR RYAN (RGN): The proposal would be that the charges that we can charge are such that we can make a good profit and still give away the devices free in a normal commercial environment.

DR LATTIMORE: It's captured from the venues themselves basically.

MR RYAN (RGN): Yes, venues or governments.

DR LATTIMORE: Is there any research on the acceptance by consumers of this sort of technology? Consumers are used to carrying cards in their pockets and wallets and this won't fit in their wallet.

MR RYAN (RGN): Yes.

DR LATTIMORE: But on the other hand, increasingly people do use USBs. Have you looked at market acceptance?

MR RYAN (RGN): Yes, we have partnered with Unisys, the global IT company, and they are specialists in biometrics and they have global research, including Australia, and we're happy to provide that, about the acceptance of biometrics,

consumers and how they actually feel more secure, as you will see shortly when I show you about the Internet.

MS SYLVAN: The critical element of this, as I understand it, is this is owned by the consumer effectively as opposed to the venue.

MR RYAN (RGN): Yes. It's yours and it's actually got some value proposition for you as a consumer outside the gambling context because it stores your records and your photos and music files and only you can access them.

MS SYLVAN: Presumably it has functionality that would allow a consumer to be part of a loyalty system or not, in relation to being tracked or is it - - -

MR RYAN (RGN): That's a decision for governments, how they want to merge precommitment and loyalty. There's been some research done about using loyalty in a precommitment environment and the academics are now suggesting that what should happen is a different model of loyalty, a model whereby if you set limits, you are given loyalty points. If you use those limits wisely and responsibly, you are given more loyalty points, so it's a paradigm shift in what loyalty is about in a precommitment context. But we understand there will be some governments who want to have a traditional loyalty scheme and want to have a precommitment system and our technology can do that as well. At the end of the day our customers are the governments who are setting the rules.

DR LATTIMORE: Technology in these areas is moving fast as well. There's a lot of very compact USBs. This is an eight-gigabyte one but a couple of years ago, one gigabyte was the standard. One can anticipate further progress. What's the process for someone upgrading this? They have got to get the data from this on to - I mean, they haven't lost this, they've still got it. What happens as technology shifts?

MR RYAN (RGN): At the moment there are now USB keys with 256 gigabyte that are commercially available. We think with an eight-gigabyte key, that's a fair amount to satisfy most needs but clearly if there were customers who said, "Look, I want to use this but I'll need a 256," then we would I suspect charge a premium price on top of the normal price.

DR LATTIMORE: Free for this, the default, and pay for the alternative.

MR RYAN (RGN): Yes. So on Internet gambling we agree with the commission's solution for a managed liberalisation of Internet gambling. Australians are currently being forced into using some very shonky overseas Internet gambling operators who are rigging games to ensure the house wins unfairly. I will leave here a Washington Post US 60 Minutes report from the last 12 months, exposing those practices, and some of the major sites operate out of Canadian native territories which I'm assuming

someone in the commission may have already come across, but it's important that the commission see that.

We've got Internet sites selling the names and addresses of their customers on the open market and there's a report here from an Australian gambling site about what they did to gain access to 40,000 people at a cost of \$8000 and to get the names and addresses of gamblers from sites that you and I would regard as fairly credible. But what's happening is there's rogue employees in those sites, 888, William Hill, and they're having their credit card or debit card details passed on to the black market. We're dealing, as Australians, with Internet gambling suppliers who have no regard for addressing the age of players. We've already had this Herald Sun article held up which was from 29 November in Melbourne, "How My Boy Lost \$7000." This is a mother in Melbourne who has got a 14-year-old boy and he simply used his dad's credit card and some basic identity information that made him look like an adult. I will pass that on as well.

There were some recent NAGS research at the conference held in November-December 2008 where a researcher in Australia - and I'd love the commission to get hold of this and I can get some references for it if you haven't got them - did an analysis of all the sites that were available to Australians and how thorough they were in age and problem gambling and precommitment verification and only one in 10 sites available to Australians met the criteria. So the risks are huge for Australians currently gambling on the Internet. The one thing we do know about the gambling population is that it isn't usually that well educated unfortunately about the risk and odds of winning. The Internet is currently the wild west of gambling with a whole lot of players and children ripe for the picking by unscrupulous operators. We agree with the commission that it's much better to allow accredited casinos to provide a highly regulated supply to Australian consumers than to have our citizens forced to confront the wild west.

The United Kingdom Gambling Commission reported in their review of technologies 11 months ago that our USB key provides a comprehensive consumer protection solution which can be used offline and online. You see, the same key can also easily be used for the delivery of safe Internet gambling for Australians. I'd like to do a quick demonstration of how you could operationalise that and deliver that using precommitment on the Internet.

MS SYLVAN: Just before you do that, a question: do you have any evidence from other jurisdictions about the behaviour of consumers once a set of legitimated Internet sites is available to them? In other words, do people migrate from sites they have become used to which may not have the necessary probity or consumer protections in place? Really, the question is if Australian regulated sites were available, is there anything to suggest that Australians would actually move to those sites in preference?

MR RYAN (RGN): I think there are some European - and the UK is an example of where they have got whitelists and blacklists et cetera which you would be very well aware of. I could do a search for you on that specific research and see what we can come up with from our files.

MS SYLVAN: I thought you might have something - - -

MR RYAN (RGN): I don't have anything immediate. As soon as you put a value proposition to consumers though that, "Here is an accredited site, here are some casinos who are regulated, who don't rig, who don't pass on details, that you can feel fairly safe to gamble with," there will be a natural migration. I'm not too sure if anyone has put a percentage on that at this point in time, but intuitively it has to be correct.

DR LATTIMORE: I guess there's a secondary question. Migration has two directions. Some people have voiced concern about our recommendation, in the sense that it grows the population of people who are gaming - not gambling, gaming - in the online environment. They are safe when they gamble in Australia, but with very few mouse button pushes, they can now be gaming on any site and if, for example, they experience problems controlling their own gambling on an Australian site and they're locked out, they can always overcome that by gaming, even on a legitimate site - potentially a high quality probity site - which doesn't have the responsible gaming features. That's a concern some have put to us. I don't know if you have a view about it.

MR RYAN (RGN): What we'd recommend is the model I'm about to demonstrate to you but even this model still allows potentially the opportunity for people to go offshore. The way you can manage that offshore migration in that direction as you're referring to is to do one of two things: you can block Australian consumers at ISP level, and I know there are trials going on with ACMA at the moment with child pornography sites and gambling sites, and say to Australian consumers, "We've got these sites here, they're in Australia, you can gamble with them, they'll offer everything that an overseas site will offer, but if we try to go out and gamble with other sites, we just create a blacklist and block them off at ISP level." The software is developed far more advanced than it was 10 years ago when the commission was first looking at this. But the other thing you can do is what the Americans are doing and say to the banks, "Any transactions with any of these sites that we are now specifying are illegal."

MS SYLVAN: There is a set of problems implementing that, as I'm sure you're aware.

MR RYAN (RGN): Every industry has its own code. Within the banking industry,

you can specify the names of various corporations. You can watch the transactions that are going through. Obviously these corporations can change their names and registration and there's trails et cetera, but if you're on them and chasing them, it's harder for them - if you're chasing them, they know you're chasing and eventually they will give up, particularly if most of the business is going within accredited sites that the government has regulated. It's just not worth their effort. Their transaction costs are too high to try and beat the system that's been created in Australia. In a protected environment, the transaction costs for the banks are a lot less because what you're saying to the banks is transactions that take place in this environment are okay; anything outside this environment is not okay.

This is just a demonstration of what you could do in Australia. This is a proof of concept demonstration that's been built by Unisys. Obviously you can make it look prettier and do a whole lot of other things. What you have here is player registration, you fill in your name, address, details and so on. It requires certain characteristics to be filled in. I won't waste too much time here, I'll just move on. You set bet limits by day, by time. There's some defaults sitting in there which you can just change; very easy. Then there's various locations you can go to collect your key and produce your 100-point ID et cetera. We'll just submit that.

There's various things you can do in this site. It's wanting me to actually insert my USB key to do some of this. So I've got my key, I just put it in - it's always dangerous doing demonstrations. I'd much prefer if it asked me for my key at the time I'm going to do my gambling, which I'll get it to do now. Let's go and do "online gambling". "Please insert USB key." It's just going on to a server at the moment. It's detected a key. "Please authenticate with a fingerprint." So it's saying to me now, "Please confirm that you own this key." So I just put my fingerprint across that key, so it's authenticated me, "Please wait." It says, "Welcome, Phillip." It knows who I am because it knows the key ID. What it's got here is a list of accredited sites that the government may approve. These are just Australian sites. This is hypothetical because none of these are allowed to provide Internet gambling at the moment. You could have overseas sites on here that are accredited; that's up to the government to decide.

As a player, I want to go to Crown. It tells me, "Phil, you've got a \$50 per day limit. You've only got \$38 remaining today and you've got four hours per day that you have set to play and you've only got two hours left." That's just to remind me what my limits are. I will click here and then it will send me to the site and I'll do my gambling with the site and when I'm sent to the site, the site will be told, "Here comes Phil Ryan," certain details. "This is how much he has left today to gamble and how much time he has. Don't let him spend any more than that. Don't let him play any longer than that." Now, clearly those casino sites are being regulated by regulators. We, as a portal here, are not involved in any of that gambling activity. They are the specialists in gambling activity. This is just a central portal that allows

me, the user, to ensure that any site I play with, once I've set a limit, that limit applies across all those sites automatically. I don't have to go to a hundred sites and tell them, "This is my limit per day." This portal will make sure those limits are carried with me as I gamble within it to all these accredited sites. If I want to self-exclude, I just set a zero limit and I've automatically got self-exclusion across all those sites. I haven't got to go and sign up warranties with a hundred sites and deeds of agreement. Then I click him here, I'm sent to the site - of course we can't legally do that - and I'm sent to the Unisys Global site.

DR LATTIMORE: On that score, this is online based.

MR RYAN (RGN): Yes.

DR LATTIMORE: But before the examining the issue of physical based ones, is there a way of, in a sense, connecting the two? So, for example, you might be able to access a web site where you set your precommitment options when you go into a physical venue but you can do it at home, for example.

MR RYAN (RGN): You've just read two pages ahead.

DR LATTIMORE: Okay.

MR RYAN (RGN): Integration opportunities: I'll answer your question by this commentary. Now you can also start to see the integration opportunities. The commission recognises that we need a comprehensive precommitment system across all poker machines and poker machine venues in the state. You acknowledge that. We know we don't want players being able to go to the machine next to the current machine and play without precommitment once they reach their predefined limit, chasing their losses. We don't want machines across the road operating without precommitment for the same reason.

But you also don't want all the commission's good work being undone in a venue sense by the players just going home and chasing their losses on the Internet that you freed up a little bit, where they may have set limits of \$1000 a day and told all their sites in a different world to that, only to find one night they go to 10 different sites and end up losing 10 times their daily limit because you haven't got all the sites tethered together. So why not integrate the two needs into one holistic system which applies across the two most problematic forms of gambling in Australia, your point, and have Australia take world leadership on responsible gambling. Let me as a consumer decide to set a loss of \$100 a day and let's make sure my limit applies irrespective of whether I use a poker machine in a pub, club, casino or on the Internet and let's have the Commonwealth government lead the way by paying for the set-up costs of the precommitment portal and distributing the access devices. This then creates the environment for a truly comprehensive and national safer gambling

environment. All the states then have to do is to facilitate the installation of PIMs on their poker machines at no cost to themselves through a minor adjustment to the return to player which is a brilliant proposition by the commission, if we may say so.

Let's also accept the reality that an integrated precommitment system won't work across some of those environments where you have those other countries doing other things, and we've talked about that, so I don't need to go into that. If you had a national system that was offline and online, you start to overcome a whole lot of problems. Someone moving from New South Wales to Victoria, if they have got the same access device - I sat there in Sydney where the tourism industry said, "Yes, but what about tourists travelling interstate? Are they going to be dislocated? If one state has got a precommitment system, what are they going to have to do?" They're going to have to register. No, they register once and it covers all forms of gambling - too many problematic forms of gambling - but it can cover wagering as well because you just create another page on the portal and now you've got control precommitment for wagering companies.

DR LATTIMORE: Online wagering companies.

MR RYAN (RGN): Online wagering companies. But all TAB terminals have USB connectivity, so you start to see how this can start to evolve. All set-top boxes have USB connectivity. You have situations where one of the buyers of New South Wales Lotteries is saying they are going to increase lottery sales by having self-serve kiosks and if you have a look at self-serve kiosks around the world, there is a real problem with underage gambling. With this technology, all you need to do is to say anyone who goes to a self-serve kiosk has to put in one of these keys and that will operate the self-serve kiosk because you know they couldn't have got one of these keys until they had proved their age at a central point.

It also creates a level playing field because Clubs New South Wales were very strong and critical of the commission's report, saying, "Why pick on us with clubs' precommitment?" when the risks of Internet gambling are just as severe and being ignored in a deregulated environment. I jumped, thanks to your question. By the way, that portal site can be operated by treasury.gov.au or by austrac.gov.au or by responsible.com.au or by Unisys. It can be public or private, mandated by government.

DR LATTIMORE: One question to put to you here: this is a solution which has potentially global reach. Are other countries interested in it?

MR RYAN (RGN): We're talking to three provinces in Canada and the government in Washington, because the government in Washington has a bill on Capitol Hill where they're wishing to change their current system - some of the politicians are and the Democrats in particular who now control both Houses in the

presidency are wanting to change the system and move away from this dangerous system like Australia where players can gamble offshore with shonky operators - but they want to approve it only when there is a technology that stops underage gambling and allows players to set limits and can manage problem gambling, so there is an opportunity. There are enormous global opportunities for us with this innovation.

DR LATTIMORE: So that's at the online level

MR RYAN (RGN): The three provinces in - - -

DR LATTIMORE: Machine based.

MR RYAN (RGN): Yes. We can share with the commission what they are.

MS SYLVAN: Just out of curiosity, can the provinces actually regulate the native Indian gambling?

MR RYAN (RGN): No.

MS SYLVAN: They can't?

MR RYAN (RGN): No. So in quick summary, from the user's perspective in an online environment, if I come back later, my limits are being managed. If I want to reduce my limits, I can do that. We've talked about self-exclusion. From a casino's perspective, they don't have the transaction costs of having to check the ID of every player every time when they're playing or depositing money or more importantly when they're withdrawing money. All those transaction costs are removed. They know the person at the end is really that person. They don't have to worry about the creation of loss limit and time limit systems and constantly updating it in an online context. They don't have to worry about the administrative costs of administering a self-exclusion program.

From a government's perspective, they don't have to worry about underage gambling. They've got a centralised precommitment system. From a bank's perspective, they can be assured that the transactions originating within that central hub are legitimate and allowable and they haven't got the transaction costs of monitoring the gambling activities that are taking place.

We hold the view there's one important and related contextual public policy development that should in our view be more strongly integrated into this commission's report on gambling which I think has been left peripheral at the moment. That is the imminent and rapid deployment of the national broadband network across Australia. It's well known that Internet gambling's take-up is correlated to broadband access. Here in Australia we're moving to super broadband

within 18 months, 100 megabits per second compared to the current 10 megabits per second. The federal government just announced two weeks ago that almost 400,000 Australians in over a hundred towns will have access to super broadband within 18 months.

Telstra, in a competitive response, has in the last week already introduced and made available super broadband into homes around Melbourne. It's because of these imminent deployments that it's absolutely imperative in our view that the commission should strongly recommend a strong and urgent public policy response to the regulation of Internet gambling in Australia by December 2010, by next December at the very latest, given this deployment and this rapid deployment and the government's commitment to this rapid deployment on broadband.

What the Productivity Commission doesn't want to see is the implementation of a strong precommitment regime across all machines and all venues, only to find everyone going home to gamble on Internet sites without similarly tight precommitment regimes.

DR LATTIMORE: On that score, to date we haven't had a lot of evidence that people playing on gaming machines and people playing on online gaming sites share a lot of characteristics. So online gambling still tends to be quite a small group, accelerating rapidly in size, but they tend to often be, as you might expect, young people - - -

MS SYLVAN: Young men.

DR LATTIMORE: - - - whereas the demographic that prefers gaming venues are different, and also what they expect is a bit different, so a social experience, the capacity to go out, and you don't get those experiences when you're in the online environment. So to what extent would you expect substitution between the physical and the online any time soon?

MR RYAN (RGN): I don't think there will be substitution. I would agree with that analysis. I think over time those traditionalists will eventually pass on and online will be more pervasive.

DR LATTIMORE: The urgency though might not be as great as you suggest?

MR RYAN (RGN): That's because a lot of young people haven't been exposed to the opportunities of high-speed broadband gambling, but as soon as you've got the infrastructure there, the incidence or the prevalence of the take-up will significantly rise amongst that small cohort who are the key users at this point in time.

MS SYLVAN: All of the evidence suggests though that what they're going to play

doesn't tend to be just a poker machine; there's a real tendency to games with more skill.

MR RYAN (RGN): Such as poker.

MS SYLVAN: It's poker that's been moving and so on. Nevertheless, a USB key obviously would work in any gambling context.

MR RYAN (RGN): Yes, that's correct. But you can imagine just the feeling you can create on the screen with this fast broadband with the colours and the capabilities you've got. It will entice more people.

DR LATTIMORE: So I think your view is that the experience is going to be magnified because the broadband can give you a greater capacity for multimedia and so on.

MR RYAN (RGN): It's like comparing dial-up to the broadband we have at the moment and this is going to be 10 times that change.

DR LATTIMORE: I presume the global providers will be the ones who are going to be the main provider of that content and it's not likely they're going to respond to Australia, is it, in particular? I mean, they really respond to the global situation.

MR RYAN (RGN): Australians are a significant share of the business already of those overseas Internet operators.

DR LATTIMORE: Okay. Do you have some figures on that? We have some obviously but people contest some of them, so if you've got some independent ones, that would be very useful for us.

MS SYLVAN: And particularly whether they're offering, in relation to poker-type machines - not poker-playing games but the machines - online, whether they've ramped that up and - - -

MR RYAN (RGN): I've got a listing of the ranking of the most popular sites in Australia and you would be surprised where the poker sites sit above what you would have thought would have been more popular sites in Australia. To me, that's the most fascinating and enlightening piece of data. Certainly I can provide that, which brings us to a very important point: if the Productivity Commission wishes to really protect consumers, then it must recommend an integrated offline and online precommitment system and to achieve this objective, the commission cannot remain agnostic as to the technology required to achieve its desired outcome. It cannot continue to remain silent on specifying whether the specified technology should be a card, USB key or radiofrequency device. The reality is that the only solution that can

be integrated across the two most problematic forms of gambling, ie poker machines and the Internet, and can also deliver the only effective and non-transferable precommitment regime and effective self-exclusion and the elimination of underage gambling is clearly this USB key. Any other recommendation or the absence of any recommendation on technology will result in Australia losing the opportunity to seize global leadership in effective management of problem gambling and have a less than comprehensive solution which can be used and abused.

I did have some comments about innovation in the industry. I'll leave those. I would encourage the commission to have dialogue with the state governments regarding chapters 14 and 15. I'm just sensing that some state governments are feeling a little sensitive at the moment and I have no knowledge of the dialogue that's taking place but I think in everyone's interests if we don't want the state governments working against the Productivity Commission that chapters 14 and 15 need to be - - -

DR LATTIMORE: They're very different in their topics.

MR RYAN (RGN): 15 is probably the most sensitive, I would suggest.

DR LATTIMORE: Okay, all right.

MS SYLVAN: Just on your point in relation to specifying technology, which we would normally be very reluctant to do, player tracking devices are very common, as you say, there's lots of competition in the field. In relation to the provision of that sort of device that you've showed us, who are the competitors globally?

MR RYAN (RGN): Reality is we have a global patent.

MS SYLVAN: Right.

MR RYAN (RGN): Those patents are moving out in countries like New Zealand, Singapore in the last few months, and covering US and Canada shortly.

MS SYLVAN: The patent is in respect of?

MR RYAN (RGN): Biometric USB keys to determine the age and to set limits in a precommitment context in an offline or online environment.

MS SYLVAN: So it's a technology and a business process?

MR RYAN (RGN): Yes, it is. It's effectively - yes.

DR LATTIMORE: One of the issues you raised, and quite legitimately so, which concerned us was the fact that people were exchanging their plastic cards in the

Nova Scotia trial and indeed, that some venues were actually handing them out. One of the suggestions we've made to at least partly negate that was to have prices above a certain amount requiring identification from the player, so that if you, for example, were to use someone else's card and you won whatever, say \$2000, you went up to get your cheque and they would say, "Well, Mr Jones, can I see some ID? Oh, you seem to be Mr Smith." Wouldn't that be - how do you feel that would work?

MR RYAN (RGN): It would be ineffective at the end of the day because what would happen is I would know that's the rule and therefore I would go back and give the card to my person and say, "Look, I've won this" - to the person I borrowed it from. "I've won this money. Will you please go up and I'll share you in the winnings. I'll give you 10 per cent."

DR LATTIMORE: Okay. But not from the venue staff at least, I suppose, they're not going to hand it to you and you have to have the other person present at the same time.

MR RYAN (RGN): But at the end of the day what are you trying to manage here?

DR LATTIMORE: I think the issue as you said is to reduce the risk that people escape their precommitments by borrowing other people's cards.

MR RYAN (RGN): But I can still - if I borrow someone else's card I can change the limits on those cards under some systems because once I know the PIN number I've got control of that card.

DR LATTIMORE: On that score at least some precommitment systems would not allow you to change your own settings if you preset the time period over which they would apply. So in other words let's say that I have decided I don't want to spend more than \$500 over the next month. Tomorrow I can't suddenly say I want to spend \$400 over the next month or \$10,000 over the next - I might go to 400, you might go down, but say 10,000 it will say, "No, you've already precommitted to 500."

MR RYAN (RGN): You would want such a strong regime built into the precommitment, yes, and that would overcome some of those issues.

DR LATTIMORE: Right, okay. I mean but obviously whenever we look at issues of technology solutions we always ask the question are there other ways in which it can be done or not exactly done but reasonably well done, because each of these things has costs.

MR RYAN (RGN): Sure, and there are other ways of handling the local Australian sites. You could have - not a central portal but you could put all the information on the key and you just go to the sites and the information is downloaded on the key.

But I think in assessment of the advantages and disadvantages of alternatives to have a central location which consumers know they can go to has significant advantages.

DR LATTIMORE: What about the payment system itself in Australia? So at the moment if you go to the online wagering sites they are actually also deeply concerned about the identity of the player currently because they are legal in Australia and they don't want juniors playing and they do want to make sure that you're going to pay. They also are concerned that you're an Australian citizen, because they don't want to infringe their licenses. So they tend to use a variety of techniques to identify the player: IP address, the existence of a correct credit card. Is it possible to use those sorts of methods for dealing with precommitment online?

MR RYAN (RGN): The problem with that is that I can go to that site and set a precommitment limit with you of \$500 a day and then I go to the next site and set \$500 a day and the next site \$500 a day and I can end up going to the three of them in the one day, as I've tried to explain. So unless you tether all those sites together and have them communicating, which is what you're trying to achieve in the venues, then you should really try and achieve it in the Internet sense as well and then merge the two ultimately.

DR LATTIMORE: You could still do that presumably if they communicated the precommitment choice across sites.

MR RYAN (RGN): Well, you know, we had the casino in what I thought was a disgraceful performance here this morning saying - this morning, just before lunch - saying they oppose a universal system of self-exclusion. Why should that be the case? Well, we just had the judge down in Melbourne a week ago in the Crown Casino problem gambler case say, "This is disgraceful. This problem gambler has signed a self-exclusion in Star City and you casinos are supposed to talk to each other and yet Crown, you knew that you shouldn't have accepted him in here because of that signed exclusion in another state, that's the rules you're bound by, and yet you took this gambler in." The also say that no-one's ever suggesting there should be a universal system and no-one has ever mandated a universal system on them. Well, that's not the case.

The new legislation in the state of Victoria by the Victorian government says under our new precommitment regime starting 1 December 2010 pubs, clubs and casinos - universal system, which has yet to be decided. So they're not doing it at the moment. You're going to have to force them to do it. The reality is these operators do the minimum and the government has to keep ratcheting up and up to solve the problem. That's the great advantage of precommitment, you see. Once you introduce it - it can be voluntary, up-front and you can assess after a couple of years what has been the impact on problem gambling. But what have you got in that phase one of implementation? You have a fantastic database of every player in Australia

and what they're betting on and what's happening and how many venues they're going to and how long they're there. You haven't got that in this country at the moment. You have the opportunity to create it.

DR LATTIMORE: On the capabilities of these, and I don't know enough about this particular technology but some of the directions in which technology is going is cashless gaming. Could this be used as a vehicle for cashless gaming as well?

MR RYAN (RGN): Yes, it can be cashless, although we discourage cashless, but we understand there will be some governments that will want cashless.

DR LATTIMORE: Well, it's only that for the commercial entities if you can alleviate harm it also provides some reduction in cost and some security gains as well.

MR RYAN (RGN): Yes, but there's a whole playing round with the perceptions of reality of - there has been some academic work done on this and I think I referenced it in our submission. The problem is people lose contact with reality once you start gambling with digital cash. That's all you're going to provide them with. You need to in an Internet sense but if that's what you're going to provide them in a venue sense they will spend more. Okay, they will reach their limit if you've got a safe precommitment system, so they'll be stopped. But they're going to start to get frustrated because, "Hold on, I thought I had a lot longer to go." If you put the money in, real money in, you start to understand the value of what you're really gambling with. But to answer your question, that technology can cover digital cash as well.

DR LATTIMORE: Right.

MS SYLVAN: Look, we may have some additional questions and so on as we look over the material and we'll get back to you on that if we do, but I have no more questions.

DR LATTIMORE: No, because I've asked my questions during the - - -

MS SYLVAN: Yes. No, that's good.

DR LATTIMORE: Sometimes they were rather ahead of your presentation.

MR RYAN (RGN): Yes.

DR LATTIMORE: So sorry for that.

MS SYLVAN: So thank you very much for that presentation. That was very - - -

MR RYAN (RGN): Thank you for your patience and understanding. I know you've had a very hard day and only a 10-minute lunch break.

MS SYLVAN: I think everybody has had a 10-minute lunch break.

MR RYAN (RGN): Thank you very much.

MS SYLVAN: But thank you very much for your appearing.

DR LATTIMORE: Thank you.

MS SYLVAN: We'll now adjourn the hearings until tomorrow, 8.30, in Canberra.

AT 4.51 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 15 DECEMBER 2009