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Telephone:

Adelaide	(08) 8212-3699
Melbourne	(03) 9670-6989
Perth	(08) 9325-4577
Sydney	(02) 9211-4077

**TRANSCRIPT  
OF PROCEEDINGS**

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**PRODUCTIVITY COMMISSION**

**PUBLIC HEARING ON THE DRAFT REPORT ON AUSTRALIA'S  
GAMBLING INDUSTRIES**

**MR G.R. BANKS, Chairman  
MR R. FITZGERALD, Associate Commissioner**

**TRANSCRIPT OF PROCEEDINGS**

**AT BRISBANE ON THURSDAY, 30 SEPTEMBER 1999, AT 9 AM**

**Continued from 17/9/99 in Sydney**

**MR BANKS:** Good morning, ladies and gentlemen. Welcome to the public hearings here in Brisbane following the release of the Productivity Commission's draft report into Australia's gambling industries. My name is Gary Banks, I'm the chairman of the Productivity Commission, and on my left is Robert Fitzgerald who is the associate commissioner for this inquiry.

The purpose of these hearings is to facilitate public scrutiny of the commission's work and, in particular, to get comment and feedback on the draft report. It provides us with an opportunity to discuss people's submissions. Many people or organisations of course will continue to make submissions without seeking to discuss them in a public hearing but all submissions need to be in by mid-October to give the commission time to digest them and take them on board in preparing its final report, which is due to be presented to the government at the end of November.

We have listed on the first page of our report a schedule of where these hearings have been held. This Brisbane hearing is actually the concluding hearing in the suite of hearings that we've had, which have gone pretty much around Australia through the capital cities. Following this public discussion phase we'll draw on that feedback and other continuing research in preparing a final report to government.

The hearings are conducted as informally as possible although a transcript is made to provide a record of discussions. There is no formal oath-taking required but the Productivity Commission Act does require participants to be truthful in their remarks. The transcripts of the hearings and the submissions themselves are public documents and can be purchased or accessed through the Productivity Commission's Web site. The details are in circulars available in this room or by phoning the Productivity Commission.

With those preliminaries out of the way I would now like to welcome our first participant today in Brisbane, the Sunshine Coast Community Services Council. Welcome to the hearings. Could I ask you, please to give your name and your position.

**MS PEACH:** My name is Louise Peach and I'm the chairperson.

**MR BANKS:** Good, thank you. Thank you very much for taking the trouble to participate today. As we discussed, you have provided us with a brief submission and some notes but why don't I let you address the main points.

**MS PEACH:** I've just prepared a small statement to bring along this morning, and the focus of our paper was the effect of gambling on females on the Sunshine Coast. Women and families in the community on the Sunshine Coast have been severely affected by the widespread introduction of electronic gaming machines five years ago. Prior to this time women did not appear in problem gambling statistics in significant numbers. This has changed dramatically with women now equal to men in gambling figures. The rate of growth in problem gambling appears to be faster for

females than for males. The widespread advertising and marketing of most clubs on the Sunshine Coast as family-friendly facilities has ensured that women will continue to access clubs in large numbers.

The reasons women give for gambling excessively on electronic gaming machines are that clubs offer safe family-friendly venues, often with free transport, child-minding or playground facilities with easy access. Gambling is also viewed by many women as a respectable leisure-time activity unlike alcohol consumption or betting on the races.

We are not opposed to women gambling; however, the increasing level of problem women gamblers is a social problem that has far-reaching ramifications on the family - most especially children - and the wider community. The consequence of problem gambling on women is financial distress, with women seeking material aid from emergency relief providers all across the Sunshine Coast. The health of women has suffered and so has the health of the families. As stress levels rise so does the incidence of domestic violence and child neglect. Essential household expenditure is being channelled away from the family.

In our submission to this inquiry we suggested several easily adopted measures that clubs could apply within their gaming areas, including clearly displaying takings as well as jackpots. Services such as free tea, coffee and alcohol waiter service direct to the machines should cease unless a similar service operates in other areas of the clubs. We believe that most electronic gaming machine players do not have a gambling problem and we have no desire to see their enjoyment curtailed. However, the suggestions we have made will not reduce the access to electronic gaming machines currently enjoyed by individuals but will minimise harm to problem gamblers.

The problem gambling policy, responsible management of the gambling program currently in use by the Registered Clubs Association of New South Wales could be adopted in Queensland. To date Clubs Queensland have not adopted any policy that minimises harm and provides for responsible management of gambling. A copy of the policy is attached to my summary. Thank you.

**MR BANKS:** Thank you very much. Yes, we noted in our report that the participation of women in gambling has increased and their participation in problem gambling has increased, and we showed how that was related to the increased availability of gaming machines, and I think from what you're saying you accept that that has happened.

**MS PEACH:** Yes, and the Sunshine Coast - the nature of the area is such that we do have a lot of clubs. We have surf clubs, RSL clubs, bowls clubs, a high retirement population - we have a lot of clubs so we have a lot of opportunities for gambling. Most people on the Sunshine Coast are within walking distance of a club, and the level of accessibility is far greater, I dare say, than in other parts of Queensland.

**MR BANKS:** Would you say, however, that this has also brought benefit to many women? You made the point that these women find these clubs attractive because they're safe, clean places to go and so on, and provide opportunities for some form of social interaction that perhaps they hadn't had before.

**MS PEACH:** It's a two-edged sword really, because certainly other leisure-time pursuits that women would have undertaken in the past - bus trips, outings, euchre mornings, that type of thing - have stopped simply because they don't seem to get the same support. While the clubs do offer a safe, clean environment - and that's one of the pluses and we certainly don't want to see the clubs going - there are certainly in areas inside the clubs deliberate attempts to keep people at the machines. I am actually speaking of my contemporary who actually put this paper together and who is a gambling counsellor for Relationships Australia BreakEven, Pam Reid. She couldn't be here today simply because of the pressure of counselling.

She has explained it to us and the rest of the members of the counsel that those machines mesmerise and it's very difficult for people, women, who are the main game players, to actually break that trance that they find themselves in. The gaming areas are set up so there is no area - they're all side by side, you can't move around them or between them, you can't socially interact with other people. So while the clubs themselves have offered a good, safe and friendly venue, the gaming areas I don't believe follow that through.

**MR FITZGERALD:** In your letter which accompanied the submission or was supplementary to it, dated 10 September, you have a number of different recommendations: increased space, removal of alcohol, detail wins and losses, highlighting total moneys waged, etcetera. How have these been arrived at? Why do you think these particular set of strategies are likely to make a difference? In a number of submissions which we will hear over the next day or so, many in the industry have discounted just about all those types of submissions saying that they would be of little impact and that they would only inconvenience others. Why do you have confidence that those measures would make a difference?

**MS PEACH:** I haven't been shown any overwhelming evidence that that's necessarily so - that it wouldn't make a difference, simply because the nature of people, women and men, is that they like to socially interact. I know myself - I've been in a club several times and I've used poker machines, I'm certainly not anti them, but they don't allow for people to even sit side by side in many cases to use the machines. So while there might be arguments discounting these measures, on the other hand if there is argument that they don't make a difference, then why are the clubs so reluctant to bring in any changes? I have actually asked club managers, "Why it is that you can have anything served to you in the gaming area but you can't get anything served to you anywhere else in the club?" So there really is a double set of standards.

**MR FITZGERALD:** You made the comment just a short time ago that the registered clubs in Queensland have not adopted a responsible gaming code similar to

that in New South Wales. Have you sought reasons or explanations as to why that is in the case?

**MS PEACH:** No, and I would like to at this point just speak a little bit about the body that I'm representing today. The Sunshine Coast Community Services Council is entirely made up of voluntary participants who represent the human service agencies and social welfare groups on the Sunshine Coast. Consequently we don't have resources. The fact that I'm here this morning and the other co-author of this couldn't be here is an indication - well, I had to take time off work to get down here. So the reason why extensive research hasn't been done or we haven't taken it further is simply because we don't have the resources to do so.

But I would like to point out that the members of our organisation are made up of a broad cross-section of human service providers including Lifeline, St Vincent de Paul, all the neighbourhood centres on the Sunshine Coast, disability services, women's services and crisis accommodation services, and they heartily endorse this paper. We were at one stage going to get everyone to sign it off but the general feeling was, "No, that's okay, we'll just put the chairperson's name on it." But I was really keen to see that that has been endorsed by everybody else and that it's recognised that we don't have the resources of large externally funded groups and companies.

**MR FITZGERALD:** The concentration of your submission is in relation to EGMs or poker machines. Have there been concerns raised in relation to other gambling activities? Whilst we fully appreciate that EGMs constitute the largest area of concern, has there been other discussion or concern about other forms of gambling?

**MS PEACH:** There are other concerns but because again of the nature of our limited resources, we decided to narrow our focus on women and the use of EGMs since the introduction five years ago. So we focused it right down because we simply couldn't take it any broader.

**MR FITZGERALD:** One of the points you raised was that a number of the activities that used to be around for women and other people no longer exist because of the lack of patronage. Some would say that that's a reflection of a desire by those particular people to access a new form of entertainment. In other words, it's simply people just exercising that right and that desire. So how do you balance that? As you acknowledge, the clubs provide a safer environment in some senses of that term, but how do you balance the arguments around the need for other community activities to enable people to be engaged as distinct from the club activities?

**MS PEACH:** We believe, and evidence has shown, that most women don't have a problem with gambling. However, what we've seen is the percentage of problem gamblers has risen enormously amongst women. We don't want to see the clubs not offering bingo mornings or whatever it is they want to do, raffles, etcetera, and we want women to continue using them but we do think there has got to be some mutual responsibility here and harm minimisation, and to date that hasn't been forthcoming

from the clubs. Some clubs, yes, have decided to bring in - I can't think what the term is, Pam would know - it's the individual exclusion when the person - - -

**MR BANKS:** Self-exclusion.

**MS PEACH:** That's it, self-exclusion, thank you. But that's certainly not uniform and it really just depends on the management of the club. I'm not here today to see the clubs reducing services or it's not a downer on gambling machines by any means, but there is certainly a social problem growing on the Sunshine Coast - I can't speak for any other area. I was an emergency relief provider in my former job, which I left in April, and the percentage of women seeking financial assistance from me with clear gambling problems had risen enormously.

**MR FITZGERALD:** Can I just explore that a little further. Was it a general emergency relief agency?

**MS PEACH:** It was a community centre.

**MR FITZGERALD:** How did you become aware that the call on emergency assistance was linked to their gambling problems, because it's not obviously a gambling service.

**MS PEACH:** That's right, it's often a very hidden problem, gambling, because it's not evident and people don't need to discuss it when they present for emergency relief, certainly not at the agency that I worked for. However, in one-on-one interviews with women they would invariably tell me - and I very rarely probed because I don't believe that's the way to distribute emergency relief - they would voluntarily explain to me that they had reached this dire situation because they had put their rent money through the poker machines and had been entranced and just kept going and were unable to stop or were unwilling to stop.

**MR FITZGERALD:** How did you try to refer people from emergency assistance support to gambling counselling? Do you think many of them took that option up?

**MS PEACH:** I couldn't be sure as to how many in figures took that option up. I certainly referred them to BreakEven at every opportunity. I do know that some made every attempt to break the gambling habit. However, their gambling outings were social events that they shared with their friends and other women, and again I refer back to the childminding being available. It was an attractive venue, so it was very difficult for them to self-exclude. I really couldn't be sure how many of them were successfully counselled in their gambling or even presented for counselling. Pam would have those figures and she's not here.

**MR BANKS:** We've had some members of the industry suggest or imply that problem gambling is something that really should be resolved within the family and that families should be able to sort out these issues with each other without the need for any real external assistance or the government to get involved. In your experience

you're obviously concerned about women. Would you like to comment on that, to what extent these problems could be resolved within families without the need for any other intervention?

**MS PEACH:** I think the social reality that we live in today is that when people have an alcohol problem or they have a drug problem or a gambling problem, the family often is unable, or not resourced enough, or perhaps unskilled enough to respond effectively to that problem. To isolate gambling out as a problem area that can be dealt with in the family ignores several symptoms and several aspects of gambling, which is it's often a very hidden problem and by the time the problem has emerged the family may well have lost their house.

As I mentioned earlier, there are so many other problems that we are experiencing on the Sunshine Coast, and that is the increased incidence of domestic violence. When people are under considerable financial strain, whether that's from unemployment, underemployment or a gambling problem, the family will be under enormous pressure and can possibly disintegrate. So with the best will in the world I don't believe that families can be expected to deal with a gambling problem on their own. I'm here today, speaking on behalf of the Sunshine Coast Community Services Council, and the focus of our paper was on women but our concern is truly with children as well because they are ultimately the sufferers of any gambling problem.

**MR BANKS:** You raised the question of advertising, and that's come up from time to time. Would you just like to comment on the extent to which you think advertising may have been unreasonable or unfair or in some way inappropriate.

**MS PEACH:** I certainly, again, don't want to see any advertising completely stopped or anything like that. I think it's a terrific idea that the clubs are so responsive to the community and offer so many wonderful services like cheap meals and particular events and guest artists, etcetera. However, the advertising for one particular club, over the radio, that is quite extensive - if you listen to the radio on the Sunshine Coast you'd have to hear it at least once a day, if not more often. I'm not a great radio listener, so I don't know, but I've certainly heard it several times. It's a voice-over by a young lad who is saying, "Come on, mum. Come and join the club. They've got free childminding and you can play the pokies while I get looked after." I consider that type of advertising irresponsible. It also lures women into the club by offering the free childminding. They quite clearly say, "You can come and play the pokies," so there's no doubt what the message is.

The extent of advertising on the Sunshine Coast - a week wouldn't pass where our newspaper, the Sunshine Coast Daily, has a large 73-page or 55-page booklet on the various RSLs or clubs that are wishing to promote their gambling activity. Upon opening any of these booklets, the pages are just full of encouragements to come and gamble: incentives, free offers, promotional offers, free transport. So I think there needs to be similar restrictions, as there has been on alcohol. I don't believe that

widespread advertising of clubs, deliberately targeting women, is conducive to responsible gambling management or harm minimisation.

**MR FITZGERALD:** What's your view about actually having childminding services? Do you have a particular view about clubs having any or not having it? We've had different views about it. On one hand some people would say having childminding only exacerbates the problem of having people coming there that shouldn't be. On the other hand people say it's better to have the children minded than left elsewhere, but I just wonder whether you have any thoughts. I take up your point about advertising but do you have any views about that?

**MS PEACH:** I'm the mother of three children and quite frankly, when my children were younger, if someone offered me free childminding I would have gone and done taxidermy or anything because free childminding is something that you don't get offered every day. I think it's fair to say it has exacerbated the problem, however I wouldn't like to see it withdrawn, but I think it needs to be managed more responsibly.

**MR BANKS:** I suppose what you're saying is if the clubs didn't have any gambling facilities and they were offering free childminding, you would have still - - -

**MS PEACH:** I don't think that's an eventuality, quite frankly.

**MR BANKS:** Thank you very much for participating today and for the material that you've provided to us.

**MS PEACH:** Thank you for your time.

**MR BANKS:** We'll break for a moment.

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**MR BANKS:** I would now like to call the New Life Ministry at Street Level. Welcome to the hearings. Could you give your name and your position.

**REVEREND TULLY:** My name is Selwyn John Tully. I am the founding director of New Life Ministry at Street Level Inc. We run an associate organisation Gambler and Family Care program, and I have been working in that field since 1985 full-time, an addiction counsellor with an interest in addiction counselling since the 1960s.

**MR BANKS:** Thank you. I recall very well that we had a good discussion last time we were in Brisbane in the first round of hearings, so we appreciate you taking the trouble to appear again.

**REVEREND TULLY:** I began that with, "The crisis of gambling is the crisis of leisure," and leisure comes with affluence or poverty but our leisure thankfully comes with affluence of the community. I haven't got it in my written report, but the late Arthur Calwell said, "The effluence of our affluence is destroying us" - a very very interesting quote.

**MR BANKS:** Yes. Thank you. You've provided material to us, but again why don't you highlight the points that you want to make this morning.

**REVEREND TULLY:** In page 1 of the written submission that you have, using the turnover figures, I believe the expenditure figures are used to minimise the size of the industry. Every other industry wants to look at turnover to boast how big it is, and the maths in the bottom paragraph was a long way out. I did it late at night and didn't check. Turnover would give, for that 20 per cent of heaviest gamblers in Australia, between 4000 and 4400 loss of savings, diverted moneys, etcetera. It's just a useful figure to work with, turnover figure; the loss of the average 20 per cent of heaviest gamblers in Australia.

**MR BANKS:** Yes, but there may be a confusion there, in that the turnover is simply the amount of money that they're putting through the machines.

**REVEREND TULLY:** I'm aware of that.

**MR BANKS:** Not the amount of money they leave behind when they go home.

**REVEREND TULLY:** I'm aware of that. But it gives the amount of money that is through the machine for the heaviest 20 per cent of gamblers. That's the real loss of the heaviest 20 per cent.

**MR BANKS:** I still can't see why you're calling that the loss, though. Even for the heavy spenders, they're putting a lot more through but they're not losing all of that.

**REVEREND TULLY:** Yes, a lot more through. But that's the general loss to their income and the household wellbeing and everything else - roughly.

**MR BANKS:** All right, we'll leave it there and we'll have a look at that.

**REVEREND TULLY:** Okay, you can think about it.

**MR BANKS:** Yes.

**REVEREND TULLY:** Pollution is a common policy relevant example, a very very good statement. If we look at the pollution that the gaming industry brings, we have to look no further than the Fitzgerald inquiry, and Mr Fitzgerald said that:

Crime is a hydra. An effective response to organised crime is dependent upon recognition of the social change that crime causes; the fact that it diminishes the quality of life; that crime escalates if it is not controlled; that there are vulnerabilities in the social order which expose it to exploitation and of the steps needed to control crime.

And he points out that nowhere in the world has organised crime been controlled. The cost of doing so will be very large and cost to freedom and many things else, so part of the pollution of the gaming industry is social pollution. We've only got to look at the instances that I've quoted - Murray Farquhar in New South Wales, Rex Jackson when he was minister for prisons - some of you would have those in the memory bank - and the murder of Dr Victor Chang was related to a gambler trying to get money. It can be remembered that the Arnotts extortion related to the murder of an SP bookmaker linked with the death of Freeman in New South Wales, etcetera - that whole gambling scheme of things. So pollution is an excellent way of looking at things.

One of the things we can't get our mind around is the value of crime prevention that's successful. It's just about impossible, but we've got to somehow or other take that into mind, because crime prevention that's successful immeasurably improves the quality of life of a community - immeasurably. The methodology in question I mention - volume 2, appendices J8. I note that those gamblers who had lost more than \$1 million were excluded from the costing samples. These individuals should not have been excluded because people with this capacity to lose millions of dollars and more will fall into a group of people who are actively courted, sought and pursued by casinos and bookmakers as premium players in clubs.

Even if it's a significant personage in a community is tracked and pursued by that club, and that is one thing that we must take into account and, when you look at the losses that were involved in Western Australia Inc with the Rothwells scandal, all linked in some way or another with a betting mentality that I intend to look at later. One of the marks of a gambler, according to the authors I have quoted - Berman and Siegel - is grandiosity, one of the marks I note continually. All gambling places want to press the button to excite people's need for grandiosity - a big cheque, a photograph, news broadcasts; everything else goes to feed that need.

Then the narcissistic personality shows those exploitative tendencies, poor reaction to criticism - that's why families cannot put the situation right. Sense of entitlement is entitlement of the gambler, of a heroin addict, to have what he wants, the sex addict to have fulfilment of his need at the moment. Recurrent fantasies of unlimited success, chronic feeling of envy, lack in empathy, craving attention and admiration, feeling of uniqueness, all or nothing tendencies, and I cite in that particular instances of homicide in gambling families - "Got to have it. I'm having everything." "You don't deserve anything." "If I can't get what I want, it's nothing." That narcissistic tendency is one of the growing personality traits in an affluent society and is one of the things we have to take into account.

On the bell curve, I've seen people commit suicide for as little as 50 cents, and I've quoted from the Journal of Gambling Behaviour volume 2 where the researchers there say:

It is most likely narcissism rather than ego that permits an otherwise intelligent person to embark on a course of gambling that eventually leads to addiction.

**MR BANKS:** Your comment about suicide: again, we've had some participants who have raised serious doubts about whether there's any link at all from gambling to suicide, other than an association which doesn't involve any causation. Would you like to comment on that in terms of your own personal experience as a counsellor over many years?

**REVEREND TULLY:** That's coming from the aspect of a report. You're jumping ahead a little bit.

**MR BANKS:** Sorry.

**REVEREND TULLY:** It's okay.

**MR BANKS:** No, let's wait until we get there. I think that's fine. We'll come back to that.

**REVEREND TULLY:** I've included in the revised edition an outline of a paper I gave to the Registered Clubs Association about gambling. I think I might have given you that before - I don't know. All addicted persons are rational agents and we need to understand their reasoning, and I will talk to that later so we'll put that aside. But on another page in the revised edition I've given you after page marked 6 a revised figure 6.1 from the problem gambling continuum. I'd like you to take that on board because you've got the non-gambler at one end and you've got the so-called criminal gambling element that some professional psychologists wish to exclude - because they're criminals; they're not pathological gamblers. Which comes first - the chicken or the egg?

Many many criminals I know who are gamblers and do all sorts of things, take all kinds of risks for the excitement, and most probably their crime started stealing

20 cents from mum's purse to put through a pinball machine and people laughed about it as they were stealing that money. So the continuum from crime just can't be cut off, nor can the non-gambler be cut off, and the only safe test I know is, "Are you keeping secrets about your gambling, your drinking or any other behaviour?" "Are you abusing yourself or others? Are you using this to change feeling? Are you appropriately taking care of yourself or giving yourself away, abusing yourself and others?"

So I've tried to bring that sort of general line in that can't be picked up by any rats and stats, and your own work in taking another view exposed the difficulty of SOGS plus 5, plus 10. Next in that I've included a confidential copy of a reference I wrote for a gambler who happens to be a recidivist. You'll see there we are dealing not with pathological gambling, although he'd certainly be SOGS plus 10. We're dealing with traumatic stress disorder, and the way of relieving that is gambling. I've outlined the treatment I've advised for that person. That's why your work on therapy is excellent, highlighting depression, highlighting the need for multimodal therapy, and I just put that in there for that particular view.

**MR BANKS:** Thank you.

**REVEREND TULLY:** Page 3 from another document Drugs, Crime and Society summary, an article I wrote in 1989. I've signed it there, I think. At the top the committee estimates - from drugs, crime and society report all the problems of drug addiction, but I've just rewritten it exactly as if they were problems of gambler - the direct annual cost of enforcing law regarding gambling to be astronomical. Gamblers seek to borrow money illegally, etcetera, and I've just put that in there for your enlightenment, to see the parallel between the two.

**MR BANKS:** Excuse me, where was that in your submission? I see, yes.

**REVEREND TULLY:** I've commented on Justice Fitzgerald's report - July 1989 I think it was. He dared to comment on page 195 - and the Queensland government went against it and no other government in Australia took it seriously:

Law reform in respect of gambling needs to be approached in a comprehensive, considered way. It is inherently difficult. Until a comprehensive review is undertaken, narrowly focused piecemeal action, including expanding the legal means of gambling, is inadvisable.

I've been begging for a long long time for the Commonwealth government to step in and take a hand and I'm glad that your report so basically looks at this and may perhaps be that comprehensive review. On top of Mr Fitzgerald's comment, in his report he said between 1987 and 1988 selected crime increased 14 per cent. That was when the police commissioner said there'd been no increase in crime, "It's all under control," because it had all been cleaned up because he took into it drink-driving figures. A 59 per cent increase in false pretences, and in the first half of 1988 a 21 per cent in bank robberies, 250 per cent increase in building society and

TAB robberies, etcetera, and removed from there are those areas of tightened security. It removed from there to all-night convenience stores.

I've graphed that period on a couple of graphs here. The false pretences charges went like that and the rest of the state was straight. I don't think I passed those on to you at any point, but one of the major problems is of course false pretences and some of the worldwide rorts concerning gambling and gaming and selling lottery tickets originated on the Gold Coast and were organised from the Gold Coast. I'll name the firm later if you'd like me to. I've just noted there the United Nations Caracas Declaration:

Crime impairs the overall development of nations, undermines people's spiritual and marital wellbeing, compromises human dignity and creates a climate of fear and violence that erodes the quality of life.

So if we can see that gaming and gambling has a polluting element, it does exactly the same as physical pollution does to our waterways, to our oceans, to the Barrier Reef and everything else. That's why your work is so important in looking at that wide-ranging problem. You've got that statement of the New South Wales police commissioner. Peter Ryan chose to ban 30 high-rollers from Sydney Casino. They were welcomed in Melbourne. They were welcomed in Brisbane.

**MR FITZGERALD:** Sorry, can you just say how you know that to be the case?

**REVEREND TULLY:** There were paper reports about it. I haven't got that, but it was so. They were not excluded in Melbourne or Brisbane and somebody said, "Yes, they're quite welcome to come here."

**MR FITZGERALD:** Because that's not referred to in the article which you've provided, so you're finding that from other sources?

**REVEREND TULLY:** I'm finding that from other sources. I didn't keep a record of those but it was the sort of thing that came through the airwaves, etcetera. It said there was no room to ban those people from other places.

**MR FITZGERALD:** Okay.

**REVEREND TULLY:** We've mentioned the public domain. When it comes to loan sharking, growth in the pawnbroking industry, very very important. Before the casino opened on the Gold Coast, in the Yellow Pages directory of 1984 there was one-third of a page advertising pawnbrokers and 15 entries and eight individual shops advertising Lucky's Loan Office, two shops. Then as the gambling increased with the casino and increased club gambling, etcetera, the pawnbroking just exploded. Most of the pawnbrokers before then were down at Tweed Heads, Coolangatta.

To highlight the page over that, to highlight crime as an addiction - some psychologists are looking at that now. Someone else has decided to go through a

window, have chosen at random a window that just happened to be there other than any quality about it. The impulse came to gamble a bit - came upon a young man walking along a street. The window had no special quality other than it somehow seemed inviting. The impulse was there and this was an actual memory, a story the young man was telling me in prison. He comes from the window carrying a video-recorder and all-important cash found in various expected places in the house and moved to a pawnbroker to sell and hock it. He's successful in the operation. He goes to a preferred place of gambling. If he wins, it's a buzz; if he loses, it's a buzz. There's more buzz there. It's more than money and there's more money where that came from. There's buzz in choosing the window, there's buzz in getting away from a pawnbroker, etcetera.

One of the games around Jupiters Casino was pegging diners at a table - and the police hadn't heard of this but I've seen many many people doing it: purse on the table, race and grab the purse, across the bridge to Jupiters, throw the purse in the river or into the bushes somewhere or other, into a garbage bin, and gamble the money and everything is clean. But great excitement. At page 8 I mentioned moneylenders, the AMAX Australian Money Exchange. "We won't tell if you lose. We won't tell. We'll keep it a secret" - a very very dangerous pattern of moneylenders.

**MR BANKS:** I was a bit confused by this. Does this purport to be an advertisement?

**REVEREND TULLY:** That's an advertisement sent door to door in letterboxes.

**MR BANKS:** You wouldn't have a copy of the original advertisement?

**REVEREND TULLY:** I think I have.

**MR BANKS:** I'd appreciate that if you could send it to us. We'll photocopy it and send it back to you.

**REVEREND TULLY:** Okay. I think I have.

**MR BANKS:** Good. Thank you.

**REVEREND TULLY:** Now, are there any questions about that? I think you had a copy of that last, did you, instances of crime at Jupiters Casino? Have you seen that before?

**MR FITZGERALD:** You gave that to us in the - - -

**REVEREND TULLY:** In the early one, yes, but I didn't feature it as - I've marked there that probably until 1995 I'd seen in excess of 2000 individuals alone who'd lost money at Jupiters and, in the last year, if you look at Gold Coast figures from Break Even - our own figures don't come into that - I had a secretary go through my

diary the other day because we keep a minimum of records, and we have seen 80 new gambling families since January this year, on top of what Break Even see.

**MR FITZGERALD:** I just want to clarify something. You make a number of representations both now and previously in relation to crime and gambling, but the vast majority of the crime that we've seen referred to has been crime by problem gamblers or gamblers with problems.

**REVEREND TULLY:** Yes.

**MR FITZGERALD:** When we did a round table in relation to crime and we had people from various crime authorities and law enforcement agencies, the overall impression given was that the level of crime actually associated with gambling itself, that is, the gambling venues, the loan sharking and so on, was fairly modest, and in fact the overwhelming sense one had at the end of the day was that it may exist but it was much less than had been previously expected. You seem to hold a different view to that.

**REVEREND TULLY:** A very different view.

**MR FITZGERALD:** Yet the evidence that we have from all of those authorities is because of the regulations we have that in fact that's one area in which Australia has been fairly successful in moderating criminal activity related to the gaming venue itself, not the crime of the problem gambler.

**REVEREND TULLY:** Would you like me to comment on it?

**MR FITZGERALD:** Yes.

**REVEREND TULLY:** Firstly, if the police cannot catch somebody who's intoxicated, mind altered radically by a chemical, they give up the ghost. It's too difficult to catch an experienced liar who can lie through his teeth, he is perfectly alert, is aware, he's been lying all his life. The skill of any gambler is to be able to lie, as in bluff poker. That's why many of the diplomatic corps and many politicians play poker in their off time. It's a game that permits people to practise lying and to keep their face straight. Gaming is tied up with that. It's easier to catch in intoxicated person than it is a gambler.

On top of that, many many people lie to their families. I've seen instances where people have - the first they've known of a husband or wife gambling was to have the bailiff in and the house sold from under you. I've seen gambling partners forge signatures on bank deeds, and wanted the partner to take the bank legally - to make the bank make repayment. "No, no, no, I'll get another job." It is the most concealed area of crime, as I mentioned previously. Intrafamily crime is the most concealed area of crime there is. Families will do anything to hide it in most instances.

Working a lot with heroin addicts, I know parents who buy heroin for their children. They'll do anything to keep it out, to try and fix it, to try and put it right, and the partners of the gamblers will do the same thing. There are instances I've known where a lady working in a responsible job committed fraud in excess of half a million, probably up to \$3 million - to search her out at all - nobody knew, and the young man who partnered her - his mother said, "John, she never got as much as a bottle of perfume or a new nightie." It went on his gambling exercises, whether gambling in business, buying racehorses, gambling on the racecourse or anything else, and that just happened to be mentioned as an aside. Many bankrupts never mention the association with gambling because it's a criminal offence to gamble afterwards. I've known people bankrupt three times and never once mentioned gambling as a reason for bankruptcy. It's just so secret and covered up at every level.

**MR FITZGERALD:** Yes.

**REVEREND TULLY:** The other thing about it is - there was something else I had on my mind. At least two detectives - a transcript of papers given at a conference in South Australia - a senior police officer there said, "Nobody ever asks why you did it. We just want to catch criminals." There was a senior detective on the Gold Coast. I gave him my paper, Crime, Fraud, Corruption and Confidence Tricks, and I think you have a copy of that.

**MR FITZGERALD:** Yes.

**REVEREND TULLY:** Some months after I had a reason to see him and I said, "What did you think about my paper?" He said, "It's great. I'm using it to lecture my students." But he said, "We're not interested in the reason for the crime. We're just interested in catching criminals." And there's another reason for that. Many many police are gamblers, just as much as many are alcoholics, and one gambler is always a good mate to another.

**MR FITZGERALD:** Okay.

**REVEREND TULLY:** Any further comment?

**MR FITZGERALD:** That's fine. So are you going to move on to this?

**REVEREND TULLY:** Yes. I just mention that the helping professions are sometimes a problem because good health is seen as a gap between depression and madness, and as the AA movement has taken serenity and clarified it as a desired state of health - that's its natural meaning in the dictionary - I believe the helping professionals have to clarify that meaning as to wellbeing, etcetera. Can I please speak to the rational view of addiction.

**MR FITZGERALD:** Are you referring to a particular part in your submission?



**REVEREND TULLY:** Yes, I am, I am. I'll pick it up in a moment. Yes, the page labelled 6 among the other inserts. It's very interesting to go into a prison and have a group of prisoners and ask them why do people gamble. "Why do you gamble?" I should say, "What are the good things about drug taking? What are the good things about gambling?" "Oh, it's fun. Oh, it's something to do. Oh, it breaks the boredom." And you get endless things. Why do people gamble? Short-term relief. Fun. Excitement - no doubt about it. "But after you keep doing it for a while how does it feel? It's still fun, isn't it?" "Oh, yeah, yeah, fun." "But what happens to the fun? Does it get any shorter?" And eventually it gets shorter and shorter and shorter and they agree.

But some relief, some fun, is better than none. "It's best you have that little interlude. It's the only relief I get from the depression of life." "At the club at the machine, my surrogate husband - the only escape I have is that machine. It's the only time the mind's at rest and focused." That's why your report about depression and co-morbidity is so important. And so we put a line down here, long-term disaster. "Great, yeah, yeah, it is, it is, but it's fun, it's pleasure." "If you've got to stop it, how do stop it?" "Can't, can't. Got to have that break." And so there's a price to stopping. That price of stopping is often huge. I've seen gamblers who have vomited when they've stopped gambling, and so there's a price to stop.

That price is short-term pain, boredom, grief at the loss of a friend, fear, "Will I make it? Anger that I've been such a fool, loneliness." That's the price of letting go, and after three days of hanging out and not being able - three Saturdays not being able to go to the races, 10 bucks will fix it, 10 bucks will fix it, and we're back into that again. So unless I'm prepared to pay the price, and continue to pay the price that will get short - then some days, unbelievably, I will just feel so "I've got to have it, I've got to have it."

We need to understand that there's a need to recover, and to realise the recovery will take three years. Very few recoveries are affected inside of three years. It's a spiral, it's not a straight line. People who stop gambling without understanding serenity are in that depressed state. That's why so many gamblers need anti-depressants. One of the things I sent to you was a paper on attention deficit disorder. Some experts believe that 20 per cent of our population could be suffering from learning difficulties, attention deficit disorder, or reward deficiency syndrome, so they've got to have this charge of pleasure to feel alive much more than ordinary people. These are the people who become addicts. I believe potentially we have 20 per cent of the population who could be addicted to gambling, particularly - others, too, but 20 per cent at least.

The doctor I have been doing some work with in Sydney who has tracked quite a number of heroin addicts after coming on to naltrexone said he's had them tested at the university and 75 per cent of heroin addicts also were ADD. That's why when we give naltrexone we also put a person - most doctors do, the minority don't - onto an anti-depressant along with the naltrexone. So again and again and again, if people come to see me and I sense any sign of depression - "Give it a go for a fortnight, talk

it over with your doctor, see if he thinks" - "Well, he's been trying to get me onto anti-depressants for years." But it's no good without multimodal therapy; just the anti-depressant without therapy is inappropriate. So it's tied up with attention deficit disorder, it's tied up with genetics.

Why has the Gold Coast and the Sunshine Coast got such a problem? Well, contented people don't migrate. The Gold Coast is full of discontents, malcontents, who are looking for paradise. I've seen the Gold Coast grow from a group of villages of 3000 people from Tweed Heads to Southport, and now it's a place of 300,000 people - all in my lifetime.

**MR BANKS:** You have to admit, some of them are retirees who might like a warmer climate.

**REVEREND TULLY:** They may do, but if they're content they generally are happy to stay where they are, stay with their bowls club, etcetera.

**MR BANKS:** You mentioned earlier about the connection to depression. Imagine if there was no gambling available, if there was no possibility of gambling. Would these people find an equally destructive way of giving vent to that?

**REVEREND TULLY:** No. Quite often they'll be involved in service, quite often they'll be involved in family interests, in the garden, in invention, in all kinds of things, and it's a matter of what we stumble on to give us that lift and that pleasure, and then that pleasure and the downer exacerbates the depression. So the activity itself exacerbates the depressive illness.

Now, how do we get into that? One of those papers I have put in with you quotes the instance of Gary Ross, the Canadian gambler who embezzled \$7 million from his bank to gamble at Caesar's Palace in Atlantic City, and I have quoted the instance, how Caesar's Palace was shut on a very busy weekend as a reward - freebies, etcetera - to induce this premium player. Now, that's a pretty fair example of responsibility and consumer protection, etcetera.

Why does this happen this way? It happens this way because very, very few of us are escape shame in our growing up years. That shame can come from sexual abuse. I was conducting a marriage of people who'd been married before on Saturday, and the little girl's favourite uncle - she was page girl - it was nothing but put down, put down, put down. I could contain myself no longer and I said, "I don't appreciate that put down, your criticism, your sarcasm, your praise in a negative view. It is confusing and disturbing." Very few families escape that from an uncle or aunt or somebody else.

So why do people get hooked on this situation, like the rat that pressed the pleasure button till he died in that experiment that I cited. That's exactly as it is for every gambler, every addict. The baby is born perfect, wonderful, healthy, well, and what comes - pain is stimulation - as birth, and pain is a warning: "Mum, if you don't

feed me, I'll be in trouble." Mum feeds the child. All nature's forces come to play as a child is fed pleasure and reward for mother and child. When we were young people discussing the problems of addiction, one of the clowns in the class said, "I think it begins with mother's milk, whether marijuana or anything else," and how right he was. It begins with conception, the way we're wired: pain, warning, pleasure, reward. And we're in a community that says, "If you've got a pain, get an Aspro, anaesthetise pain." John Dooley of Vietnam said, "Some people anaesthetise pain. Others canonise it."

As time moves on, that person with the pain problem gets a little blue because mum and dad are arguing, the excitement and joy has gone out of life, and food - got to have it, pleasant - relief, pleasant relief. We come back here: the little kid sits in class worrying - "Will dad and mum be fighting tonight?" - emotional pain. "I can't hear the teacher, I'm worrying about what's happening at home." Worry. And by prepuberty, if that person has ADD at all they'll be experiencing periods of depression for various reasons, so the stage is set for addictive behaviour. The stage is set.

I had a young man come into my office the other day. His parents told him to come and see me. He had a massive gambling problem. He grew up in a quiet family. Dad sometimes went to a TAB - not very often. He was a quiet lad. He got a job in a major retailer on the coast. There was a big lunch room. He was afraid to go into the lunch room. So what happened was, he was fearful - "Why should I be afraid?" Everybody is telling him, "Be brave" - "But I am frightened." He went into the TAB next door. I heard one after that where the guy had not won 4000, as this guy did, but 9000, under the same circumstances. He put his \$3 on a mystery trifecta and won \$4000. "Wow, man!" What excitement. "Oh, what a genius you are! You're lucky!" He went out and bought a car. Pleasure. Relief. Short-term. "Wow!" Smiles all over - "You beaut!"

He tries gambling more, and very soon he has no money to make his car payments. Four years after, his car is repossessed, payments aren't finished, his contract isn't there, mum and dad didn't pay it out for him - poor boy. He came and got help. Two sessions and he was fixed. He got over his problems here, which were living problems, pain, worry, and the car being repossessed added to all the shame he'd ever experienced, and if his boss found out he'd lose his job. He mightn't be able to get to work. After he came, mum and dad came to the party, put things together.

So what we did in therapy was to bring this experience of living problems back over to here, as pain, warning. He's likely to say, "I'm still able to gamble socially, though," and after the six months or so that he might be off it altogether, he's likely to have a crack at it and discover - if he has a win, he'll be in trouble because it reignites that inverted, natural system. The moment that person has a couple of drinks or the moment that person has a bet, that involuntary system is ignited and in place like the rat that presses the pleasure bar rather than pressing the food bar.

**MR BANKS:** Reverend Tully, I'm worried that we're running out of time and we had some questions to ask you in relation to the draft report.

**REVEREND TULLY:** Yes, you can do. So the aim is to restore nature's balance.

**MR BANKS:** Good. Thank you for that. We briefly touched earlier on this question of the relationship between suicide and gambling. I understand from your submission that you've had considerable experience in this area.

**REVEREND TULLY:** Considerable experience, yes.

**MR BANKS:** I'd value any comments you'd like to make on that because - - -

**REVEREND TULLY:** Many, many people have told me - truck drivers, others - "John, it frightens me. I see that tree with my name on it. I've been gambling in Sydney, had to get back, tell my wife I'd put the wages through" - but they're the only ones - who've survived it - that I've been able to talk to, and people don't want to, because I conduct funerals on a wide range and used to do many of them - nobody would permit me to talk about a person's gambling. It was all hushed up, all secret - and understandable, perfectly understandable.

**MR BANKS:** Yes.

**REVEREND TULLY:** So people have said, "I didn't know how to get home. I didn't know how to tell. I deliberately walked in front of a car." "I drove my car into a telephone pole because I wanted to kill myself. I'd done it again," and from no less a personage than the Swedish chairman of the United Nations - I can't think of his name at the moment - in his book, Signposts, he tells of going to a meeting in a frank, frank environment of heavy pressure and thinking, "How easy it would be to run my car off this kerb than meet that deadline." Now, the gambler is a hundred times more out of control than that.

**MR BANKS:** Do you see any particular reason for the link with car accidents or death through car accidents? Is there any particular reason why that would be a - - -

**REVEREND TULLY:** It will happen by hanging, it can happen any way at all. Gambling is simulated business. It's important to see it that way. Simulated business can create total risk-taking in business - same thing as gambling. I know people who have never gambled but sent many, many people bankrupt through their risk-taking. Yes, cars are a place where people have status, where people have safety. It's a bubble. It's alone; they're on their own and most of the deaths in cars by gassing are alone. It's only when the person says, "Nobody is going to see my kids. I'm going to relieve it. I'm going to take it all with me," and they get the family in the car and gas the family. Now, that may be gambling-related - it may not be - but certainly it's stress-related.

**MR BANKS:** Okay. Thank you for the material you have given us on that in the submission.

**REVEREND TULLY:** The interesting thing is the rise in car crashes in the vicinity of Jupiters Casino, and the living alongside of clubs and things like that. Late in the morning - "Oh, they only left the club at 2 o'clock and at 2.15 there was a mighty accident up the road."

**MR FITZGERALD:** Just one final question I have got. Is the role of the self-help groups like Gamblers Anonymous and what have you - I just want your view about how important they are or whether or not they miss the mark in terms of assisting gamblers.

**REVEREND TULLY:** They're often a place where people can come and talk for the first time. They're a place where people get information, where people can find identification. We have developed a system called New Hope Awareness - if you would like a copy of that program. We have many gamblers come to those groups - AA members, drug addicts and others - and they have gone a step further about using the - you see, many psychologists don't like, "I admitted I was hopeless. I admitted I was powerless." Don't forget that if I admit my life is unmanageable I'm admitting where I am for the first time. If I admit where I am I'm honest, but the next thing I need to do is not just say, "God help me." I need to say, "I'm a worthwhile person. I have dignity. I traded my dignity down that poker machine."

So we always use a step before step 1 of the 12 steps and encourage people to do step 4 first, looking at the positive views of themselves because they have had experts for years - they've been shamed for years and we can have a fearless, moral inventory of myself looking only at those worthwhile things that might be years behind me. I've got enough energy then tackle the problem. But they're very, very valuable providing there is more education in using them appropriately, and I don't agree with those psychologists who say they only exacerbate the problem but - because we modify the situation.

**MR BANKS:** I think that concludes this session. We're very grateful, as I said, for your participation and the variety of material. I think a couple of things came up during the course of our discussion here that we could perhaps get from you. You had some charts and there was some other information as well, but we could talk to you later about getting copies of that. So if you are happy to leave it there, I thank you again and we will break just before our next participant, please. Thank you.

**REVEREND TULLY:** Thank you very, very much. Congratulations. I think your work is going to be really, really vital. As I have read the American material - or much of it - I think your own work has a quality beyond the American inquiry.

**MR BANKS:** Thank you very much.

**MR BANKS:** Our next participant is the Australian Hotels and Hospitality Association (Victoria). Welcome to the hearings. Can I ask you, please, to give your name and position.

**MR GILES:** My name is Alan Giles. I'm the chief executive officer of the AHHA and the AHA in Victoria.

**MR BANKS:** Thank you very much for participating today and for the submission. Why don't I let you just go through it and make the main points you want to make and then we can have some discussion.

**MR GILES:** Thank you. It's fairly shortish, so I'll read through this. The Victorian AHA response to the Productivity Commission's draft report is being made because of reactions from government and the community that have caused severe repercussions for our members. There are three main areas of concerns. Number 1, the cap. The Victorian state government has now announced the 10-year cap on gaming machine numbers in Victoria which have far-reaching effects on our members. Specifically in your key findings you state, "The prevalence of problem gambling is directly related to the degree of accessibility, particularly to gaming machines."

There are other references in the document entitled, The Commission's Key Findings, dot points 5, 11, 12 and 13, that have perpetuated an inappropriate demonising of a legitimate leisure activity and the imposition of a cap on gaming machine numbers in Victoria; a strategy which is totally ineffective as a harm minimisation tool. It is an unfortunate fact that very few people read past the key findings page, therefore most people do not come to understand, nor are they interested to understand what is behind the key findings. The problem is that the casual reader takes these on face value and ignores the qualifications and logic that underlie the findings.

**MR BANKS:** Could I just pause there. I think it's implicit in here though that we didn't actually make a finding or recommendation that would have directly led to a decision of that kind.

**MR GILES:** Your findings shouldn't have led to a decision of that kind. Regrettably it is the way that it's interpreted that have led to the decisions that have been made. There is nothing in your finding that there should have been the imposition of a 10-year cap.

**MR BANKS:** So in a way are you saying that the government made the decision on the basis of the dot points rather than the report?

**MR GILES:** I believe so. I believe that the initial reaction to the report is the one that counts the most, and that initial reaction plus, I think, a couple of other issues

that have been raised in the press, has led to knee-jerk reactions that really aren't dealing with the issues as you found them to be.

**MR BANKS:** Would you therefore agree with what the commission said in its final chapter; that that may illustrate the fact that policy is not well made in this area generally? The processes aren't operating as effectively as they should?

**MR GILES:** As far as we're concerned in Victoria, we don't agree with the cap policy, no doubt about that.

**MR BANKS:** What about how policy is made for the processes?

**MR GILES:** I'm sorry, I didn't quite hear that.

**MR BANKS:** What about how policy is made, the processes by which decisions are made on issues of that kind? I mean, by implication you're saying that decision was made on the basis of dot point 5 in the commission's findings in the first two pages of a 1000-page report.

**MR GILES:** Yes. Policy has not been made on the basis of that. Continuation of policy has been made, and the extension of a cap simply continues and perpetrates what we believe to be a very unfortunate policy any way, a policy that we did not agree with and we have been very vociferous in the fact that we did not agree with it.

**MR BANKS:** Thank you.

**MR GILES:** As a result of these comments in these dot points and the controversial statistic which refers to the comparative percentage of gaming machines in Australia, vis-a-vis the rest of the world, we now have an unfair and ineffective gaming machine cap in Victoria. It's ineffective as a harm minimisation strategy. This reaction from government and the community is very unfortunate. It will do nothing to assist the problem gambling issue and simply extends an already unfair and unproductive protectionist restriction on trade in Victoria. This also nurtures what I term a paradox of perception.

Everyone thinks that caps are something wonderful, and for some critics of the industry some sort of a victory. The reality is that there is no evidence that shows a correlation between problem gambling and machine numbers once the numbers are such as to give a substantial cover throughout the state. Certainly if there were an extremely limited number of machines available, then limited access would certainly reduce usage, maybe usage only by problem gamblers and probably the most aggressive of them. However, this situation would create a huge inconvenience for the vast number of people who use the machines as a form of entertainment in a responsible manner.

It is in any event quite clear from the comparison between Victoria and New South Wales that caps do not reduce the incidence of problem gambling.

New South Wales and Victoria have virtually the same incidence of problem gambling and vastly different ratios of machines to consumers. Your statistics show New South Wales with 97,890 and Victoria as just under 29,804 with problem gambling prevalence virtually the same. You have to make some small adjustments for population difference but there is still quite a gap.

Certainly there would be some degree of correlation between problem gambling and the introduction of machines when none had existed before. In my opinion, governments and the community understand that if you make such a product as gambling available, you introduce a problem for a small section of the community, the same as we've seen with the introduction of credit cards, and it continues. It is clear, however, that there was no correlation between a reasonably - and by that I mean a wise substantial cover, not as some people might interpret "reasonable" to be perhaps one or two machines, and this is where the paradox of perception clicks into existence and results in such damaging outcomes as caps on numbers of machine and unfair trading conditions.

In restricting gaming machine numbers unfair trading conditions are created with disastrous consequences for nearly 90 per cent of our hotel operators. They are unable to compete with venues offering gaming products and in fact they are, in many cases, having their businesses and livelihoods destroyed. We have approximately 2000 hotels in Victoria, and we only have about 240 venues that offer gaming.

**MR BANKS:** Are they nevertheless spread pretty much throughout all regions of Victoria?

**MR GILES:** They are, and that of course creates a further problem for us; that they're spread everywhere. So every hotel must confront the competition. The cynic would suggest that the cap has nothing to do with eradicating misuse of the gaming product. The cynic may think that the retention and, in fact, extension of our statewide cap is a means for the government to placate industry critics while avoiding the difficult issue of harm minimisation. Critics regard the cap as a victory and the government sees it as a means of appeasing the anti-gaming lobby and other critics. The cap does not solve problem gambling and does nothing to implement harm minimisation strategies.

I kind of liken it to a story that my father used to tell me about a man walking along the street, and he comes across an old lag under a street light one night looking around on the ground, and he said, "What are you looking for?" He said, "I've lost all my money." So the fellow said, "Well, I'll give you a hand to look", and they looked for about five or 10 minutes, and eventually he turns to the old lag and says, "Well, I can't see anything, where do you think you lost it?" He said, "I lost it down around the corner there, back right around there?" And he said, "Well, why are you looking here?" and he said, "Well, it's dark there; there's light here."



I think this is what is happening: we're looking somewhere we can see things but not the real things and not in the right place.

**MR BANKS:** My father used to tell me that story too.

**MR GILES:** I think it's a good story.

**MR FITZGERALD:** I've never heard it.

**MR GILES:** There's another one which I heard that's possibly the same and it was written up on the wall with downy flakes in Melbourne many years ago. It said - it sold doughnuts. It said, "As you wander on through life, brother, whatever be your goal, keep your eye upon the doughnut and not upon the hole." I think that's also good advice and I think the problem here is that we're not looking at the doughnut, we're looking at the hole.

Therefore we ask that the commission in its final report correct this paradox of perception by clearly stating the absence of correlation between Victoria's cap on machine numbers and the incidence of problem gambling. The second issue is venue size. You make reference to the possibility of larger venues being better able to implement responsible practices. In Victoria the maximum number of machines permitted in any one gaming room is 100. When compared with other venues in some other states all Victorian venues are relatively small and all Victorian venues can implement responsible practices. Indeed it is possibly easier for a smaller Victorian style venue with more local knowledge of its patrons to be able to extend pastoral care on a more personal level.

Our experience in liquor certainly shows that all hotels in Victoria have been able to extend this type of pastoral care. The real issue is that the venue adopts harm minimisation strategies, not the size of the venue. It is possible for programs for effective harm minimisation to be available at all venues regardless of size. In Victoria the industry has done just that. It is not necessary for venues to adopt expensive programs; for example, the BetSafe referred to in your report. In fact, we believe that the BetSafe program is dangerous interventionist and places our venues and staff at a risk of duty of care well beyond that which would be reasonably expected.

In Victoria we are concerned that you have promoted the BetSafe program in your report and largely ignored what we have done in Victoria which covers all of the BetSafe initiatives without the cost burdens - and by the cost burdens I mean the burdens of both duty of care and financial cost.

**MR BANKS:** Could we just pause there rather than coming back from the end - we might forget. But could you just elaborate on why you think BetSafe is dangerously interventionist and would place the venue and staff at risk of duty of care. Presumably these are the largest clubs in New South Wales. They have given a

considerable amount of thought to this program and I would be interested in your views on that and why that would occur.

**MR GILES:** First of all, I'm not an expert in the legal questions that surround duty of care but we have looked at the growth of this sort of litigation, as it is developing in Australia, and we have looked at it initially from a perspective of the liquor industry. We are quite alarmed in the liquor industry at the way that courts are probably moving towards the same sorts of things that we have in Canada and in some parts of the United States and Europe, where the actual cost of insuring against duty of care claims, civil liability claims, is such that in Canada, I believe, something like half of the venues were wiped out. In America it is quite common for people to actually trade without insurance with all the inherent risks that has not only for the operator but people who actually need to seek some redress.

So duty of care is a problem, it is not something that is going to go away, and in time courts will develop it. Of course we have a legal industry that is circling the industry and I suppose with something like - I call them a voracious group to some extent because every time there is a problem that involves duty of care you see in the paper reports of a such-and-such legal firm is going to run a class action against whoever it was.

With liquor, to some extent, it is fairly easy to identify drunks, it is easy to identify a problem. I don't think we have that luxury with gaming, and we still have an industry that employs, I think, in Australia, somewhere in the order of 130,000 people as a direct result of gambling. Our venues do other things, so we have to make sure that they can operate in a climate that is reasonable, that they are not going to be wiped out through some unfortunate incident that comes about and gives rise to a duty of care claim.

The experts in duty of care tell us that one of the issues of course is identification. I don't believe that our industry has the role of counsellor or, indeed, should have the role in cases where there is an invisible condition of being able to, with impunity, identify a problem gambler. In trying to teach people to identify problem gamblers and, as such, extend to them some sort of duty of care I think it goes beyond the realms which we can do properly or that we should have to do, and I guess that's what I'm referring to.

**MR FITZGERALD:** I'll raise that perhaps in other submissions later in the day but just one of the things that I find a bit strange in all of this is that at the moment, in one sense, the industry broadly is saying, "We want voluntary codes" and so on, and duty of care is a Commonwealth concept, it derives from the courts. History has taught us that in fact how you reduce the onus or the potential liability is to actually have it regulated so that if you actually meet the regulations your chances of liability are in fact reduced. By simply leaving it to the courts to develop a duty of care over time or in voluntary codes, you actually increase your liability because the rules change over time. I am just curious as to whether or not this has really been thought through, that in some ways operators are in fact much surer, more secure, by actually

having defined levels of standards than by simply leaving it to the courts to over time develop a duty of care, which is exactly what is going to occur as it has in other areas.

So I just raise the issue - and you may not want to comment - that there seems to me to be a contradiction. If you are interested in reducing the liability of venue operators, I would have thought as a lawyer that in fact not having it codified or regulated actually will ultimately over time increase that liability, not the reverse. We have seen that in many industries who at the beginning opposed regulation only to later learn that regulation actually saved them from greater liability because it clarified - and if they met those standards then in fact their liabilities were at least able to be articulated. If you leave it to the courts then that is going to be a changing pattern. So I just raise that and you may or may not have a comment. But it is constant in industry submissions, and I just find it curious because history probably goes against what is being proposed.

**MR GILES:** I would prefer not to answer it in length. I'd simply say that it hasn't been our experience to date in the liquor industry. All venues in Victoria must commit to the code of practice and they're happy to do so. Agreement to comply with the codes is a pre-condition of entering a contract with either Tattersalls or Tabcorp for supply of gaming machines and the code is appended to that contract. That was something we, as an industry, decided was a necessary thing to do. We wanted to really give it - there are a lot of critics who say, "These codes are nothing. You know, you don't really mean what you're talking about here." But the fact is that we set out with the intention of really trying to do something that would work and we wanted to send that message loud and clear to the government and to the community - that we were very serious about what we were doing.

Under the codes of practice all staff are required to do a Responsible Service of Gaming course. We provide them with this training. We provide house policies and a training manual, a manual which deals with responsible service of gaming. All this is done without introducing the very litigious duty of care which BetSafe presents.

**MR BANKS:** So that the key aspects of the training that you are providing are what?

**MR GILES:** Serving responsibly is making sure not that you understand the technicalities and the medical, pathological or whatever condition of problem gambling, but that being responsible is making sure you understand what the laws are that apply, the actual laws and regulations, and also the sorts of things that as a venue you can do to make sure that you are promoting all the things that are part of our responsible delivering; making sure that the venue in which you work has the proper handouts on display, that notices are up, if people come along and they've got a problem that you can direct them to a counsellor, that you can give them information, that you certainly don't allow people to overconsume alcohol and use machines. You make sure that you're not extending credit - all those sorts of things.

Credit actually is against the law, but it's also part of our code, because there are, of course, always ways that you can get around, I guess, if you wanted to, the extension of credit by some other means. We understand what lending somebody some money means in our industry. Our industry has been the unofficial bank for half of the community for many years. You know, you used to keep a book. So we understand where it starts and finishes. That's what responsible delivery of the product is all about.

**MR BANKS:** When you say stop people from overusing alcohol and then gambling, is that something separate from the Responsible Serving of Alcohol, or additional to that?

**MR GILES:** It's the same thing, I guess. It's part of it because part of what we require of people who are working in a gaming room is that they've done a Responsible Serving of Alcohol program as well. The reality, speaking from my own experience, and I've operated two gaming venues, is that people who use gaming machines specifically, and I'll make a distinction here - people who use gaming machines specifically don't drink very much. You know, you'd go broke if you were relying on the sales from a bar in a gaming room to support your business. Indeed, it was a requirement of the act that we had alcohol available in gaming rooms, not a requirement of the industry.

I don't believe anybody running a hotel in Victoria, when we started gaming in Victoria, would have put a bar in a gaming room. We put a bar in a gaming room because we were told to put a bar in a gaming room. It's quite interesting really.

**MR BANKS:** Some of the studies do, however, show a co-morbidity between alcoholism and problem gambling which is reasonably significant, so there must be at least an element of it.

**MR GILES:** I've been dealing with the liquor industry now for nearly 40 years. I guess I've dealt with as many problem drinkers as anybody else, and they're all different. You probably find that problem drinkers have all sorts of problems of other kinds as well and this is one of the difficulties. To actually say that - I think if I go to the races and I'm relaxing and I have a few drinks I might bet a little bit more, but I think the person who acts responsibly with gaming will do so, even when they've been drinking. That is a personal view and it's not backed up by any statistics. But certainly we would not wish to encourage people to come in and drink a lot and then, "Now, off you go over to the machine."

I think by and large we would like to think that all of our hotels are run by people who are responsible citizens, that have families, that live in a community and that want to be seen as being exactly that. Counsellors are provided at arm's length through government programs. We are not counsellors, nor should we attempt to fulfil any of the roles of counsellors. We need to ensure that all regulations address harm minimisation and not provide for systems that interfere with rational business principles or introduce unfair, unproductive or restrictive competition where no

justification exists. It is most important that your final report focuses the gaming debate - I should say in Victoria anyway - on effective means of harm minimisation and avoid the subterfuge of debate by concentrating on gaming machine numbers.

That leads to my third issue - self-regulation. It leads specifically from your dot point 13 of the commission's key finding which states that existing self-regulatory arrangements are inadequate to ensure the informed consent of consumers or to ameliorate the risks of problem gambling. There are particular deficiencies in information about the price and nature of gambling products, especially gaming machines, information about the risks of problem gambling, controls on advertising which can be inherently misleading, availability of ATMs and credit and self-exclusion arrangements.

At a number of sessions held by your commission calls have been made by presenters for either the introduction of or changes to codes of practice which, generally speaking, tend to be dismissed as being either inadequate or, I sense, regarded as paying mere lip service to problem gambling issues. Outside this commission I am constantly engaged in debate with critics of the industry. Their main complaint seems to be that people are still gambling, "Therefore your codes are ineffective." You can't win, because what is wanted is no gambling, and that's a different issue.

I do not believe that codes are going to stop problem gamblers gambling, but they provide a framework within which a venue can operate and feel confident that they are doing what is required and is reasonable to minimise the harm. The alcoholic still exists, even though strict harm minimisation strategies are enforced legally. It's illegal to be a drunk. But alcoholics still drink. It is important to the industry in Victoria that due credence is given to the benchmark programs it has instigated and is currently operating. The gaming machine industry accord, industry segment codes of practice, independent complaint resolution process and self-exclusion programs are all benchmark programs which have been instituted and are fully operational. They deserve to receive full recognition in your final report.

To my knowledge the above programs introduced in Victoria were the first of their kind anywhere in the world. They are all-embracing codes of practice and independent complaint resolution processes which include a final adjudication by an independent person appointed by either the law or arbitrators' institutes and supports both a strict advertising code and a self-exclusion program. These initiatives are meaningful, effective and have the full support and input from the Victorian government and all sections of the industry. They have been in operation since February 1997 and have been subjected to a wide-ranging review process which is ongoing. All the indications are that our codes are effective. To date all complaints, and there have been relatively few, have been successfully resolved without resort to an independent hearing.

**MR BANKS:** Could I just ask you there what the nature of the review process has been, this ongoing review process?

**MR GILES:** We have a secretariat and once a month - I go on here later on to tell you that there are five groups represented in the codes. Representatives from those five groups meet on a monthly basis and they look at issues that come up and they look at problems that might have developed. Over the last 18 months - six months ago, going back to 18 months - we invited members of the wider community and specifically I think we invited - I don't have the numbers with me but I can get them for you if you like - about 40 or 50 different groups to go through our codes with us and tell us what they thought and to make recommendations or suggestions to improve it or change it.

There was very little in the way of change that needed to be made. Again, we have the sorts of things like, "People are still gambling, therefore there's a problem," but putting them aside I think we got a fairly healthy tick from the counselling area, from G-Line - they were very happy with it. We had representatives from Break Even. We had representatives from all sorts of different groups and I think the process was a good one. As I said, it will be something that will continue. As I said, we are looking at it all the time.

I also would make the point that I think of all the complaints we've had I don't think there have actually been any that were about the codes themselves or breaches of the codes. They were about other things. You know, "My machine didn't pay me so much." That's not in our code. Things like that. I guess all that says is that things are working pretty well. If you've had a complaint process that is well advertised, and we advertise it in every venue, and you don't get complaints, then something is working well.

Under the codes information about gaming, risks of problem gambling, problem gambling counsel facilities and self-exclusion arrangements are promoted in all venues. Our advertising code of ethics addresses responsible advertising. Under our code ATMs are not permitted in gaming rooms and credit may not be extended. So all the deficiencies in self-regulatory arrangements which you identify in your report do not exist in Victoria. We ask that the commission in its final report ensures that this point is made.

The Victorian codes also provide for support of a unique self-exclusion program which to date has seen over 850 deeds taken out by over 600 people. 250 people have entered a second deed. The deeds may be entered for a period of between six months and two years. They may be entered into by any patron and there is no cost to the patron attached to the program. I include for your information a short explanation about the program which I have here. This is a program that works. This prevents problem gamblers from gambling.

We were advised by problem gambling counsellors that it was necessary for the problem gambler to voluntarily seek the self-exclusion program after receiving a program of assistance from the counsellor, because this would result in a very vital therapeutic outcome for the problem gambler. However, we also promote the

program through our venues and to date a little over half of all deeds have come about from non-gambling counsellor referrals. I actually have the figures here. It might interest you. Of the 813 deeds, 313 or 38 per cent were taken out in country areas; 62 per cent, 490 taken out in metropolitan areas; 36 per cent, 207 taken out by males; 371, 64 per cent taken out by females.

Of the people that have taken out deeds 79 per cent have received counselling and 21 per cent therefore hadn't. People found out about our self-exclusion program - 48 per cent from counsellors and 52 per cent from other means, amongst which were 26 per cent from the venue. So we believe that - and I've conducted quite a number of those interviews myself and it's a very rewarding program of a personal nature. This program is jointly run in Victoria by the Australian Hotels Association and Clubs Victoria and is wholly funded by the industry.

The codes of practice and independent complaint resolution program are supported by a secretariat which is jointly funded by the following members of the Accord: Crown Casino, Tattersalls, Tabcorp, Clubs Victoria, the Australian Hotels Association and all gaming venues in Victoria. I guess I would just like to finish by saying it's been a very interesting process for me personally. I've now sat through, I think, five days of this Productivity Commission hearing. It has been very interesting. I hope that at the end of this we get something that moves our industry forward.

I was reading a little poem this morning that I might leave you with because it quotes T.S. Elliott who said, "We shall not cease from exploration and the end of all our exploring will be to arrive where we started and to know the place for the first time." I hope that perhaps the outcome of this Productivity Commission will be for us to know where we are in a better way.

**MR BANKS:** Good, thank you. It's the second poem we've had this morning.

**MR FITZGERALD:** And I think there is more to come today.

**MR BANKS:** Thank you for that.

**MR FITZGERALD:** Can I just raise one issue: in relation to the Victoria cap, you are simply indicating that there should be either no cap or a substantially increased number of machines available in Victoria, but one of the submissions we've heard in Victoria was that that in itself is completely ineffective unless you also remove or modify the current duopoly arrangement, because isn't one of the great concerns for venue providers that if the cap itself is just removed, but the duopoly stays as it is, all that happens is those with machines will get more, those without won't. The ability of the duopoly players to keep moving machines from one venue to another - so just removing the cap, I'm not understanding how that actually helps any of your members necessarily, except those that already have machines. Isn't there a part of this missing?

**MR GILES:** The problem is that you have a commercial arrangement that the government has given to two operators and they've said, "You have a right to do this," and then they've said, "You have a right to have" - I think under the act - "45,000 machines." Once you've put a cap, you prevent that economic imperative which has driven the whole industry anyway. You can't blame both operators for seeking to get the maximum return from their machine, but unfortunately we're a long way from the 45,000. It may be that when we arrive at 45,000 which the act says, that we still are unsatisfied with the result, but certainly we are most unsatisfied with the result as it sits now and it would be unfair to just leave it sitting there without actually exploring where our industry becomes satisfied on a commercial basis. I mean, the cap is the problem.

**MR BANKS:** I seem to recall from our first hearing on this that you find the venue cap more acceptable than the global cap.

**MR GILES:** The venue cap?

**MR BANKS:** Yes.

**MR GILES:** We are comfortable with our permissible numbers at the moment. Our problem is that we don't have sufficient machines to spread amongst our members and economic imperative, where it is the sole driver, will always result in machines going to where they're going to get their best return, which is a problem when you have areas that are saying, "We're the lowest socioeconomic areas and we're getting the most machines," but that's also where the most demand is and you're unlikely to find areas of Toorak full of gaming machines - people don't want them - as perhaps you're most unlikely to find a lot of opera houses in some of the lower socioeconomic areas.

**MR FITZGERALD:** We obviously want to go to the AHA national submission shortly, but I just want to ask one more question about this capping in Victoria. The government was looking at an increase in the number of machines by some figure - what, 7 or 8 or 9 thousand, some level of figures. By which process do you actually decide what that figure should be? If the duopoly have the rights to 45,000 machines, are you suggesting that in fact the cap just be removed to the total 45 and, if you're not, what processes do governments use to make that decision? Is it simply that it's 7000 because somebody says it's another 7000? What process should the Victorian government put in place to actually determine the increased number of machines in Victoria or do you simply ignore it and have no cap at all, at any level?

**MR GILES:** As I said, we are not arguing with a venue cap. Our view is that we should practise proper harm minimisation programs, that the role of the government is to ensure that there are proper programs for people who have problems and the rest of it should be left to economics. I would have thought that a Productivity Commission would be looking for that sort of outcome. Why would you seek to put a tariff, if you like, on gaming machines?



**MR FITZGERALD:** I just need to clarify, you're saying that the next step in relation to Victoria would be the removal of the cap to 45,000 machines or just the removal of the cap?

**MR GILES:** There is nothing in the act that prevents 45,000 machines being available in Victoria. If we arrived at that position and we found that we still had a vast number of venues that were being disenfranchised, then I guess we'd go back to the government and say, "Hey, what are you doing?" But at this point, we're stuck here. I mean, we can't look too far down the road; we're stuck on a cap of 27 and a half thousand and all its inherent evils.

**MR BANKS:** But nevertheless, you are agreeing that there is a link between a decision on numbers and also the existence of harm minimisation measures being placed, adequate measures being in place?

**MR GILES:** No, I haven't said that at all.

**MR BANKS:** So even without harm minimisation measures, you'd be arguing that the cap should be removed?

**MR GILES:** Even without harm minimisation measures? I think harm minimisation measures in our industry are a natural thing. I mean, we don't have, if you like, caps on the number of beer taps in Victoria. When I entered the industry, we had 6 o'clock closing which - if you like there's some similarity between 6 o'clock closing and a cap, in that it creates a concentration into a very limited - well, in that case it was a time period, and it was a disgraceful industry. I was the first person to enter the industry in Victoria as a professional person. I was at what is now Victoria University; I was the first student there studying hotel management and I worked for four years during that period of 6 o'clock closing and how we could have nurtured that particular position, I don't know, yet our industry eventually changed - not because we put laws in to make it illegal to drink too much in an hour, we simply lifted the cap on time.

One of the real problems - we now, I believe, have an industry where - I sat with the police the other day and said, "Well, we've got no problems in hotels." 30 years ago, there were whole squads of police that were devoted to the problems that were in hotels, but those hotels were forced upon them. We had to develop - and we now have, I believe - in the alcohol industry, an industry that's understood by the community, that's welcomed by the community, that's fondly regarded by the community. That happened, I guess, in the 70s and 80s because the middle classes, if you like, discovered chardonnay to some extent. They suddenly decided that chardonnay was good: "Well, that's funny, chardonnay is alcohol. Perhaps alcohol is all right," and it became okay to have a drink.

Until we can actually encourage the community to look at gaming machines in a similar way - or gambling in a similar way - we're always going to have the critics saying that you shouldn't gamble, just as we used to have people walking up and

down Bourke Street in the 60s beating drums and telling us we shouldn't drink because it was going to do all sorts of terrible things to us. We now have laws in Victoria that deal only with harm minimisation for alcohol. There are restrictions, where you can build things, but the laws deal with harm minimisation and so, too, should the laws in respect of gaming machines.

**MR BANKS:** Fine. Thank you very much. We'll just break there for a moment before our next participant, thanks.

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**MR BANKS:** Our next participant is the Australian Hotels Association. We welcome you to the hearings, and ask you please to give your names and your positions.

**MR HURLEY:** Thank you, sir. Peter Hurley, national president of the Australian Hotels Association, and the state president in South Australia.

**MR BANKS:** Thank you.

**MR HURLEY:** Daniel Leesong is the public affairs manager for the AHA national office, and continuing to move to my right Richard Mulcahy is our national executive director of the Australian Hotels Association based in Canberra. On his right is Denita Harris and Denita is the state director of the AHA in Tasmania. Further down to her right is Chris Murphy, the economist from Econotech who has assisted us with the economic argument.

**MR BANKS:** Good, thank you for that and I should thank you for your submission. You've provided another substantial submission, we had one in the first round. We think it's a very constructive contribution to us working over the analysis and facts in our report, and we also found your consultant's report very helpful. So all in all I think it's a good, constructive contribution which hasn't always been the case in every place we've been, but we look forward to discussing it with you. Why don't I leave it to you now to highlight the main points that you want to make.

**MR HURLEY:** Thank you, I will, sir. Thank you for those kind comments, although my summary will be without a poem, if I could tender that early apology.

**MR BANKS:** We can excuse you for that.

**MR HURLEY:** The task of compiling the information contained in the commission's draft report is immense, and the AHA congratulates you on your efforts thus far. There is a broad range of issues and approaches discussed, some the AHA strongly supports and others the industry believes need to be recognised in light of some additional material that we presented in that supplementary presentation. The AHA's written submission has dealt with all the major issues raised by the commission that affect our hotel sector. This submission represents the national view of the association and has been endorsed by representatives of each of the eight branches making up the national leadership of the organisation.

Firstly, to deal with the issue of gaming machine numbers, I'm aware that there has been extensive discussions with a range of parties as to the correct figure the commission should publish on gaming machine numbers. The AHA doesn't want to become unduly preoccupied with that debate, but we believe it's probably best resolved between the commission and the manufacturers and probably really an issue of description. There is, however, the need for the commission to look at what they are defining as a gaming machine and specify this in their report, and the negative

publicity and potential knee-jerk reactions that are possible should an exaggerated figure be publicised.

Gaming, as a legitimate form of entertainment: the gaming sector provides a form of entertainment that, as found by the commission, the vast majority of Australians enjoy without unwarranted, adverse impacts on their lives. Hotels strive to incorporate that activity into a complete entertainment package designed to attract consumers to their properties. Although gaming is an important revenue earner for hotels, it is just one part of the overall entertainment and hospitality services offered by our establishments.

In the draft report the commission found that gaming machine prevalence is not necessarily linked to lower socioeconomic areas. The AHA welcomes the findings there and the opportunity to set the public record straight. Gaming machines tend, in the majority of states, to be placed in the traditional location of hotels and, speaking from my own personal knowledge, often in more affluent areas. There is detail on that in our submission. The AHA also welcomes the finding that long-term exclusive licences do not necessarily have a moderating impact on the prevalence of problem gambling.

Chris Murphy's economic conclusions: as you are aware, the AHA commissioned the services of Chris Murphy from Econtech to critically analyse the economic components of the commission's draft report. His findings show that the benefits of the gambling industry, the economic benefits, are between 5.4 billion and 6.3 billion, while the cost to society is between point 6 billion and 2.3 billion. Additionally the report showed that the commission's figures of divorces warranted significant review. Given these new figures the AHA encourages the commission to take full consideration of the benefits of gambling when making its final recommendations.

The incidence of problem gambling and the overall economic benefit derived from gambling services does not justify further limitation or phasing out of gambling services in Australia. On the issue of responsible gambling and advertising, one issue that has become apparent throughout the debate is the need to ensure consistency in relation to the way that different gambling modes approach the provision of responsible gambling. The AHA submits that all forms of gambling should operate in a responsible fashion, each mode actively working towards minimising the incidence and impact of problem gambling.

In relation to the regulation and control of gambling advertising, the AHA proposes that the commission should consider the codes currently in operation in a number of states, and Mr Giles talked about the Victorian model this morning, and looked at the possibility of encouraging similar systems in states where such codes are not in operation. The advertising codes such as those in South Australia and Victoria incorporate independent adjudication of complaints and a detailed complaints resolution structure. I can certainly confirm that the couple of complaints that came to the panel in South Australia were dealt with by mutual agreement and

very promptly, efficiently and satisfactorily. The AHA submits that these codes implemented by the industry work well and similar models should be considered in those states where there is no code in operation.

The issue of ATM and cheque-cashing ability: the AHA also strongly advocates the need for hotels, particularly in regional and country areas, to have the ability to cash cheques and provide ATM services. This issue has been elevated into the public sphere with state governments such as Tasmania regulating restrictions on the provision of ATMs after retreating from more draconian plans on the face of swift public reaction. We accept that ATMs not be present on a gambling floor, but should be available to the general public in general areas of hotels to ensure that there is not a major inconvenience to a vast majority of hotel patrons.

Additionally, it is essential that hotels remain able to cash cheques. Hotels throughout regional Australia are known to act as a financial service in areas where a bank is not present or is not open at times that workers and farmers come in to access their cash. This service, for many people in those areas, is essential, and any restriction of a hotel's ability to do this would result in significant inconvenience to those living anywhere in Australia, but particularly in regional Australia. The question of hypothecation of taxes; the hotel sector does not support the hypothecation of taxes.

The current taxation regime is a major source of revenue for state governments and the industry believes that the hotel sector should not be burdened with additional levies specifically earmarked for particular purposes. Indeed, the current tax contributions from gaming relieve the broader community of additional tax impost which would be required if legalised gambling did not exist. Gambling support services should be funded through state government consolidated revenue.

Mutuality principle and state gaming taxes: the AHA also welcomed the commission's detailed study on the mutuality principle and, given the comprehensive evidence presented, appeals to the commission to encourage the federal government to reform the definition of those that are eligible to receive the mutuality principle exemption as well as recommending the abolition of the differentials that currently exist between hotels and clubs in relation to state gaming taxes.

On regulatory bodies: in the final chapter of the report the commission suggests an alternative regulatory framework. The AHA supports the notion of the establishment of an independent body in states where no such body exists to oversee the control function of the gambling industry, with input and representation from industry. We believe that a national body would be relatively ineffective, given the current operation in a number of states of an effective independent body and the significant differential in state gambling regulation that currently exists, and the limited role of the Commonwealth government in those matters. Again, I thank the commission for the opportunity to present to you today and welcome questions that you might have.

**MR BANKS:** Good, thank you, Mr Hurley for that. Both Robert and I have things to raise. We haven't synchronised as well as we might, so perhaps I'll start first. We don't have a poem either, not yet anyway. Perhaps just a couple of points that came out that I thought are particularly interesting, given some of the other submissions that we've had. I mean you have argued that we should make strong recommendations in a number of areas. Clearly, you don't have any problems with us making recommendations. The New South Wales body, AHA New South Wales, however, made quite a fuss about the fact that they thought we had exceeded our terms of reference in that respect. But do I take it from what you've said here that you would be quite happy for us to make recommendations in relation to mutuality and other things?

**MR HURLEY:** Yes, that is correct. That was certainly the drift of - our CEOs from around the state have had two meetings on that issue and it is agreed.

**MR BANKS:** Thank you for that. I mean we still are, in a formal sense, restricted in that respect in that the nature of the inquiry that we have precludes us from making recommendations to the Commonwealth Government to which they would have to respond in a formal sense. But clearly, as I explained in Sydney, our inquiry is intended to be a policy-informing process and it would be mad for us not to have findings that had pretty strong policy relevance. So we will certainly be looking at a lot of our findings with that in mind. We appreciate your comments on that.

The second point, the vexed issue of the 21 per cent: you are right, we have discussed it previously. I think the way you've summarised it is appropriate, that it does really come down to considering like with like. We've got much more information coming in on those issues and certainly we will seek to clarify what I think got blown out of all proportion, in a sense, in the debate. But that happens in areas like this, so we'll be doing some more work on that and may well find an opportunity to discuss it again in more detail with others who have raised it in a more high profile way in their submissions over the next day or so.

The only other point I was going to make is that you didn't highlight the question of the sort of economic contribution of the industry, and this is an area where we also have had misunderstandings. I think one of the positive aspects, I think, of your own submission is the work that you've got here from Econtech which refers to its own modelling. I might, if I could, just direct a question to Dr Murphy on that, and that is - I mean clearly your modelling work found large benefits from gambling, but they were primarily due to the consumer enjoyment of gambling. But would you just like to elaborate a little bit on what your modelling found about the production side benefits and multiplier effects of that?

Perhaps I should say that the context in which the commission was looking at this, which got a bit misrepresented in other quarters, is that the context was a liberalisation of gambling and what that would do in a differential context to employment, to jobs, to activity and so on. We don't deny that obviously the industry

accounts for a reasonable chunk of value-added and jobs in the economy as such. But could I just ask you to comment on that in relation to your own work?

**MR MURPHY:** Yes. The point that the chapter makes in a nutshell, I guess, is that in the longer term you would not expect industry policy to affect the overall level of employment. You would expect it to affect the distribution of employment between different industry sectors and having an efficient allocation of resources, so the benefits of gambling arise not from the fact that people are employed in the gambling industry; they otherwise would, in the longer term at least, be employed in other industries. There's obviously an issue of adjustment costs there.

**MR BANKS:** Yes.

**MR MURPHY:** But the issue is that the gambling industry is there because there's a demand for it. Consumers derive a benefit from it which we can endeavour to estimate and which the commission has done in its report. So that really should be the main focus in assessing what the benefits of gambling are and the conclusion I reached there is that your estimate of around \$6 billion, it seems to me, is based on sensible assumptions about elasticities.

**MR BANKS:** Good, thank you. Just while I'm talking to you on that, we have had other participants - in particular, Prof Blandy and Dr Hawke from South Australia, who disagreed with our elasticity assumptions. You comment very briefly on page 24 of your submission that, "Empirical support would be needed" - to quote you - "before the unusual assumptions advocated by Blandy and Hawke could be widely accepted". Could you just elaborate very briefly on that.

**MR MURPHY:** From my quick reading of the submission basically they argue that problem gamblers have very low price elasticities and non-problem gamblers quite high elasticities and that leads them to estimate that the net benefit of gambling is a lot lower than the commission estimates. The default assumption economics, if you like, is that we're doing well if we can get a reasonable estimate for a price elasticity of demand. If you start making statements about one group having one price elasticity of demand and another group having another elasticity of demand, that is really probably going beyond our competence unless you really have some further good evidence to back it up.

I can see that you can make some argument that the elasticities are different, as the commission does in its report, but I think Blandy and Hawke really push that argument to an extreme without really providing sufficient hard survey evidence, for example, or evidence based on people's actual behaviours to back it up. I guess what I am saying is that the conventional approach would be just to have an elasticity. You can make an argument I think for differentiating between problem and non-problem gamblers but to differentiate to the extent that they do I think you need more evidence than they have produced.

**MR FITZGERALD:** Right, okay. That actually just leads to one other thing and there is I think a little bit of confusion here in other parts of this submission where I think the statement is made that the price responsiveness of demand for gambling is very high in this sector and my reading of it - and again Dr Murphy might like to comment - is that it may have confused the fact that we would see significant shifts between venues if their prices got out of kilter in relation to gaming machines, but that is a different matter to the price responsiveness of gambling as a substitute for other things. Does that make sense to you?

**MR MURPHY:** Yes, I think that does make sense. I mean, the more narrowly a commodity is defined, the higher the price elasticity tends to be and, if you are talking about one venue offering a particular form of gambling versus another, of course you would expect a very high elasticity but, if you are talking about a whole category of gambling, then you would expect the elasticity to be lower, so I think that makes sense to me and the general idea that the price elasticities are around one, as well as being more or less where the empirical evidence points, I think, also - it's consistent with the fairly common idea that people go into a gambling establishment with a view that they're going to wager a certain dollar amount.

Now, if the odds change - if the odds become more unfavourable, for example - and they still wager the same dollar amount that means they will be there, probably doing a fewer number of gambles, and that precisely corresponds - that model that they're going to wager a fixed amount - to the unitary elasticity case, which is basically what the commission is using, or something very close to that, so I think overall it makes quite a lot of sense.

**MR FITZGERALD:** Thank you. Just moving on if I can, in your executive summary on page 7 you say on the second point that the risk associated with gambling, etcetera, does not justify further limitations. You end up saying, "Additionally, there should be no legislative limitations acting as a barrier to the growth of the sector." I need to understand that last statement in the context of some changes, for example, in New South Wales, where coffee shops and restaurants will now be given a substantially greater access to liquor licensing. How far do you think the growth of the sector should in fact be able to go? Should it in fact be that these coffee shops, restaurants and what have you that now have additional liquor licensing availabilities, should they also be entitled to access EGMs or is this statement too broad in what it actually says?

**MR MULCAHY:** I think the intent, commissioner, is that the situation is amplified a little further into the report when we're talking about the availability or the venues in which machines ought to be available and we have defined, I believe, further on - I haven't got the page reference immediately available but that hotels and clubs and, obviously, casinos, are appropriate venues because of a couple of factors. One is the control of access which is defined normally at 18 and in general there are provisions around Australia that gaming is confined, certainly in hotels, to dedicated gaming areas in most cases.



Whilst we have customarily said the venues that are licensed to sell alcohol - this de facto brings a measure of control in, which is a relatively orderly way of controlling access - or prohibiting access - by minors. The concept that was announced yesterday, or the day before, in New South Wales, dilutes the sort of relationship somewhat between alcohol and - by extending it to cafes and restaurants, but I think the provision of the - we reasonably expect a hotel-type facility with dedicated gaming areas is still the safer option in terms of accessibility.

I think the policing of access by minors if gaming was extended into the cafe-restaurant situation would prove difficult. I'm not sure that that would be a direction favoured by a lot of those operators because their primary business is essentially in food or coffee but I could see difficulties in ensuring maintenance of an adult access arrangement if you were to blanketly say, "Anywhere you sell alcohol people could access machines."

**MR FITZGERALD:** What I am trying to get at here, I suppose, is that you would therefore accept that there does need to be some legislative limitations on the types of venues that access gambling - - -

**MR MULCAHY:** Well, there are now.

**MR FITZGERALD:** - - - and that alcohol - for example, an alcohol licence in and of itself is no right to a gambling licence. Correct?

**MR MULCAHY:** Correct, yes.

**MR FITZGERALD:** The question is therefore what drives the policy consideration to establishing these barriers or legislative framework? Is it the size? Is it the provision of a separate room? What is driving that? Is it a harm minimisation strategy? What drives your views to government in terms of trying to say, "This is acceptable but this may not be" - and I think that is a legitimate thing you should be doing but what drives it in your mind? What separates a good venue from a bad venue, a good policy from a poor policy?

**MR MULCAHY:** There are multiple answers to that series of questions but I think the harm minimisation issues - or the social responsibility factor - has got to be of paramount consideration in that and it has certainly been historically a view we have entertained in terms of licensing, in that if you have an arrangement which lacks regulation or control then it increases the difficulty in terms of access issues for under age people controlling that and there would be a view I would advance - I haven't conferred with Chris Murphy - that, the greater the spread, obviously the - that diminishes, I guess, the capability of making the capital investment you would require for dedicated gaming rooms and the like which enables a greater level of control and supervision.

So obviously there are economic considerations in the arguments that the industry would support but I think the credibility of your economic arguments has to

be viewed in consultation or in direct association with the important social responsibility that is conferred to people who are licensed to sell alcohol through hotels and therefore associated gaming facilities in a number of jurisdictions.

**MR BANKS:** Are you going to lead on from that?

**MR FITZGERALD:** Yes. Just trying to lead on a bit further: you deal in the submission at length - and I appreciate it - with a number of the consumer protection measures, informed consent measures, which we sought advice on. However, can I just make a comment overall and you can rebut it if you think it's unfair. At the end of the day you have actually not endorsed any of them. You have raised the issue that we need to further consider it but, unless I am incorrect, none of our consumer protection discussions you have actually come out fully in support of. It is quite right you should ask us to have further consideration around them but what I am trying to get at here is what is "harm minimisation" or "a socially responsible policy"? What are the key elements from your point of view?

Because at the end of the day I would have the feeling that harm minimisation or consumer protection strategies actually do need specific things in that and I just want to understand what you think are the critical elements in harm minimisation because, if you haven't come to a conclusion that most of our suggestions or proposals have merit, what does? It is not a facetious comment. I am just keen on this - if I could also just add to that: there is a feeling I have that in some senses we may still be looking at a situation of safety nets when people have gone over the cliff. I just wonder to what extent you see what measures are appropriate to try and prevent people from going over, which is a sort of colloquial way of expressing my first point. Could you just comment on my comments?

**MS HARRIS:** Certainly there are a variety of arrangements currently in place that aren't consistent across jurisdictions, which therefore creates some difficulty. However, there are many jurisdictions already that have the codes of practice, such as Victoria, South Australia, Tasmania, where there have been implementation of a number of initiatives that have been contained in the Productivity Commission draft report, such as self-exclusion deeds, mandatory responsible gaming training or voluntary responsible gaming training. It is mandatory in Tasmania for all licensed gaming employees to undertake the course.

Certainly we endorse very much the - look at every jurisdiction to ensure that what has worked well in a number of jurisdictions is in place in jurisdictions where they currently don't exist but we have been very much focusing on a national approach where, while there can be state codes, there also needs to be consistency with codes of conduct and also an independent body to oversee the codes of conduct and also advertising arrangements as well, so there's a variety of methods there in terms of self-regulation. Obviously the important ones are training of staff, the training to be aware. Self-exclusion deeds are particularly important and there needs to be a centralised control of those as well as ensuring we have the harm minimisation processes in place with education campaigns.

There is also obviously the ATM issue, the EFTPOS issue, cashing of cheques, where we have said we still believe we need to retain those services but under slightly restricted circumstances.

**MR FITZGERALD:** Can I just take one of those issues because it has come up? You have made a very good point in relation to cheque cashing and why a blanket ban on that may pose some difficulties but, just taking that, we also know from the studies done with actual problem gamblers that that is a significant issue, and from counselling groups. Would you be happy with a situation - and again I don't want to be prescriptive here - but where in fact, for example, cheque cashing was basically not permitted unless you actually developed some regime, as in the casinos, of approved persons and there is record keeping so that it can be audited and so on.

In other words you have got here a classic illustration of a measure which you rightly have said, "Well, we don't oppose it completely but there are problems with it." That leaves us in mid-air. There are a number of those sorts of issues because, at the end of the day, one has to either move forward on them or not move forward on them. We were grateful for the comments and I think others have made them to us also about the dilemma, but how then do you deal with that dilemma?

**MS HARRIS:** We've had a situation - as an example of this issue of cheques - where the Tasmanian Gaming Commission actually made a decision to ban cashing of cheques and also cash-outs from EFTPOS. After substantial discussion with the AHA that decision was reversed because of the evidence we were able to put forward. There has been a decision that you can only cash one cheque per person per day. The concern we have had - we have had discussions with union representatives yesterday - is that the onus is upon individual employees of how you actually ensure that that is undertaken because of changing shifts, the fact that the venue is open for a substantial amount of time. So the concern that the industry has is if you start putting barriers to cashing of cheques it is very difficult in hotels to actually police, and again it's the issue of inconveniencing the majority who aren't problem gamblers as opposed to the problem gamblers in starting to put in a statutory regime of determining who can and who cannot cash cheques.

**MR MULCAHY:** Chairman, if I could just add, too, there's another complication with designated approved persons for the cashing of cheques in that whilst in a local community that could be easily managed, the difficulty comes in terms of tourists travelling, when the situation arises where people who may not be known to the establishment and are using accommodation facilities seek access to cash and are denied that. If you had a policy in place where only approved persons - and I think in a casino environment it has happened and it may be more manageable than the quantities sometimes that may be cashed - create all sorts of other credit issues. I guess our concern is particularly with the country communities where there's been a massive contraction in the range of banks and post offices made available - - -

**MR FITZGERALD:** Sure. That's where we take it up.

**MR MULCAHY:** As we've detailed there, we're picking up that role.

**MR HURLEY:** Just expanding slightly on that, commissioner, if I may, we've had examples at a property of my own in Adelaide where people book into the accommodation section and they're from the farming community in the South-East and I can recall instances where the receptionist wouldn't in the ordinary course of events - they arrive there without money and they want to pay for their accommodation and have a couple of hundred dollars for spending money for the weekend or whatever, and in several cases we ring - they say, "I'm a regular customer at your motel in Mount Gambier." We ring up down there - "Oh, yes, we know him. He's as good as gold." Or in some cases - my wife's family come from the South-East as well - they say, "Your brother-in-law knows me quite well," so you have this sort of extended authorisation. So any restriction of the nature that Commissioner Fitzgerald mentioned would become awkward in certain circumstances, I think.

**MR FITZGERALD:** I appreciate that all measures have some awkwardness or some inconvenience to some. It's a matter of how do you balance this. Can I just go to one other point and Gary then might want to come back in. The issue about price caps - and you specifically refer to Tasmania, and here you're referring to the price cap that's now been lifted from earlier this year, the actual amount that you can bet - is that what we're talking about, the betting limit?

**MS HARRIS:** Yes.

**MR FITZGERALD:** We had a submission from counselling agency down there, one of the largest ones, that there's been a hundred per cent increase in the number of problem gambling cases since the removal of that cap. If that were so, what would that indicate to you in relation to the price cap? What should be the policy response to that? Now, again I make the point that that's their assertion that it's increased by a hundred per cent, but you say here:

It received little support by consumers in the industry.

I'm sure that's true. On the other hand, if the impacts of that are what we've just indicated, what would your response be to that?

**MS HARRIS:** All the statistical evidence since the bet limits have been removed is, from what I've seen from both the Gaming Commission and also the self-exclusion deeds, as the AHA oversees the self-exclusion deeds in Tasmania, indicates there has been no increase. If you look at the G-line statistics, I think there was a very minor increase, but we've got to be very careful in utilising percentages because I think the G-line - we were getting about 20 calls on average per month for the whole state, and they may fluctuate between 20 to 30, so if we talk about an extra couple of people, it may well mean 80 per cent, but in the scheme the number of people utilising the services is quite minimal, so certainly the evidence that we've seen through our office

is that there has been a very minimal impact, if not at all, and obviously that's something that we need to consider in that particular state.

The evidence was overwhelming that it did create problems particularly for tourists. Interestingly enough, with the bet limit being removed it enabled the machines to instead just be 5 cent machines to also utilise 1 and 2 cent machines, and hoteliers were actually stating that people would still spend \$20 but instead of being on the machines for say 15, 20 minutes, they might be there for half an hour because they're using the lower denominations. So it actually provided a benefit without necessarily creating extra dollars spent.

**MR FITZGERALD:** I'd prefer to see any survey that actually showed that that's what they did. The anecdotal evidence is that they don't. They just use more lines and more credits, but anyway that's another point.

**MR BANKS:** You just mentioned again the information on self-exclusion deeds, but reference was made earlier to centralised control of self-exclusion deeds. Could you explain what that involves?

**MS HARRIS:** In the current arrangement we have to ensure that we're aware of understanding the nature of people utilising self-exclusion and also to ensure that the hotels have correct policies on looking after self-exclusion. The self-exclusion deeds have been constructed between industry and the counselling services whereby the only time you can use a self-exclusion deed is by utilising the counselling service. They then send it to the AHA and we then distribute it to all the venues named in the deed, regardless of whether of course they're members of the AHA or not, and that includes the clubs as well and also, interestingly, any TAB agencies. The TAB are also party to these deeds as well.

We are centralised in the AHA. We distribute it, put out explanatory notes on how they should be utilised, how they should be informed to staff and kept out of the way and so forth. We then are able to do statistical analysis every quarter to determine which regions are more prevalent with self-exclusion deeds and so forth, so it gives us a very good database of where we may need to concentrate more thoroughly in problem gambling areas.

**MR BANKS:** When you say you're centralised, do you mean nationally rather than by state, or are you talking about by state?

**MS HARRIS:** By state.

**MR BANKS:** All right. Just while we were talking about some of these consumer protection measures, one that you've been a bit negative about is the periodic record of spend, but you make an interesting point there. You say:

A number of properties already provide a detailed history of total spend upon request -

presumably to people who have loyalty cards or are within that program. You then go on to say:

It would be cost prohibitive to provide this service to every person.

Could I just get you to elaborate on that. Is that correct, that this is already happening and potentially any member of any loyalty program at any of your hotels could simply ask for a record of spend initially - first - anyway?

**MR HURLEY:** I would say that's not possible. For example, in South Australia loyalty programs are not recorded from the machine anyway, because they're not able to be.

**MR BANKS:** That's right.

**MR HURLEY:** And so they're a fairly primitive manually-recorded system, but in addition to that some loyalty programs that individual venues use reward play and others are just wins above a certain threshold level. I was even surprised to read that some were able to do that, and I'm not saying it's wrong - no doubt someone reported that they were able to do it - but my experience would tend to suggest to me that that's not something that many places are able to do.

**MR BANKS:** In our understanding, the technology is such that it could be done in some places, maybe not all, but if we assume that that's the case, you go on to say it would be cost prohibitive to provide that service to every person participating in the programs, but again our understanding was that in a number of places the people in loyalty programs are given reminder notices about events coming up and advertising and so on, so that there is a certain amount of mailing out that's going on already. Is that correct or not?

**MR HURLEY:** I would imagine that several loyalty programs do involve mail communication. Yes, I would say that's probably correct - and about, as you say, forthcoming events or rewards or club activity of some description.

**MR BANKS:** That tells me that the additional cost may not be prohibitive in a sense, because I imagine it's the mail-out cost that would be the biggest part of it, but that may be wrong and, if you had any further thoughts, having discussed this here, in relation to that part of your submission, we would appreciate that.

**MR HURLEY:** I think the cost factor might be in the compiling as distinct from the communicating.

**MR BANKS:** Again if you could elaborate on that for us we'd appreciate it. I would imagine that there would be a certain amount of compiling that would be going on anyway, in terms of bonus points and calculating things that relate to the loyalty program, which is based on play and spend.

**MR MULCAHY:** I think, chairman, it may occur in casino properties of large and regular customers but I think the viability of doing that with every person that walks through the door and might have an occasional two or five dollar bet or something and then come back in six months' time when they're next out at a function that the cost of setting up some profiling and collecting that data and then catering for mobility of people between venues and states - really the cost of just dealing with effectively one profile would be pretty substantial.

I guess if somebody's idea of their entertainment is to go there every week and stay in the properties or use their facilities and their restaurants and gambling and all that, it may be seen as worth the trouble of setting up that sort of arrangement, but I don't think outside of casino properties that I'm aware of much of that sort of thing going on at all. In fact I'm not aware of programs, there may be some, and certainly taking it to the point of dealing with every single customer out of what I'm told is something in the order of 80 per cent of the adult population who walks into a hotel, it would be - - -

**MR BANKS:** Yes, but they wouldn't all be members of loyalty programs, would they?

**MR MULCAHY:** Most people wouldn't be, no.

**MR BANKS:** That's what we were talking about.

**MR MULCAHY:** You were just confining it to people in loyalty programs?

**MR BANKS:** That's right. The point is that a certain amount of information has already been collected. These are people who by definition are more intensive users and so on, and the question we're raising is what would be the additional cost of making more information available. You seem to be saying here that it could be made available on request and indeed in some places that's already happening, but it would be very expensive - - -

**MR MULCAHY:** I think in certain situations such as people who run TAB telephone accounts you've suggested may be not so complicated because they need all that data to establish identification, but I think in terms of the general public playing electronic gaming machines it would be a massive undertaking.

**MR BANKS:** All right, we'll leave it there. If you have any further thoughts, we'd be grateful.

**MR MULCAHY:** Sure.

**MR BANKS:** In relation to the consultant's report you identified, as we did, that the question of the incidence of divorce in relationship to gambling was one of the more difficult areas that is now coming out of our survey, and so we appreciate the points

you've made there and indeed are looking ourselves at what might be behind that. I think Dr Murphy sort of identified perhaps the main culprit being the way we asked the question. I suppose our view is that that on reflection probably isn't the case but it may be the way in which we have annualised it and, indeed, there may be some double counting there between separations and divorces and so on that might have pumped the numbers up. So we appreciate your comments and we'll think about the points that you've made, including the double-barrel issue in terms of the way the questions are asked.

You refer also to us needing to have a look at depression and suicide and try to corroborate that information with other sources, and we'll certainly do that for the final report. I don't know whether you had a look at the study by the AIFS in relation to understanding the reasons for divorce, but do you know whether they were open questions and people simply gave these responses or were they given a choice of these categories to choose from?

**MR MURPHY:** They were given a choice of about a dozen categories plus there was another option where they could write in answers, and gambling wasn't one of the dozen categories, so you probably would expect that they may well have understated the importance of gambling. But, even still, only one person out of 650 mentioned it, and just talking to a researcher in the field, the suggestion that perhaps something of the order of half of divorces and separations could be mainly due to gambling, that's not going to turn out to be correct, basically. I wouldn't be surprised if it was a factor nevertheless; some single digit percentage wouldn't surprise me, but 50 per cent I would say is out of proportion.

**MR BANKS:** Yes, and I don't think we were saying that. I think what we were looking at was more like about 29 per cent when you look at divorces and separations together, but still quite high, we take that. There have been some other studies that we will be looking at, including by Relationships Australia, which have got higher percentages than this AIF study, so we'll have to look at the methodologies of both of those. They could well be buried in communication problems, financial problems and emotional verbal abuse, a gambling connection we heard again this morning, when we talked to a gambling counsellor. Quite often gambling is the sleeper in terms of problems that emerge in a family context, so we appreciate you drawing that to our attention and we certainly will be looking at that in more detail and getting whatever other evidence we can. But at the end of the day, you've made an adjustment based on that, where you've essentially discounted that to zero in terms of the cost.

**MR MURPHY:** I discounted the divorce to zero, which would not be correct, but equally I did not discount the depression and suicide and I suspect, on further analysis, they would need to be discounted to a degree.

**MR BANKS:** One might go up again and the other might come down.



**MR MURPHY:** Yes. This is just a seat of the pants, on balance judgment, I suppose, a rough way of adjusting the figures, but I would have thought that the true divorce figure would be some fraction of what's there at the moment, so that's basically the way I've done it.

**MR BANKS:** Thank you.

**MR MURPHY:** But I think the bottom line is that the cost still is substantial and it's obviously an important issue, but the cost I don't think is as high as has been estimated in the draft report. I think that's probably the bottom line.

**MR BANKS:** Good, thank you. We were getting some people telling us that the costs are too low and trying to provide information as to why we should be increasing them, so it's all grist for the mill at this stage and we've just got the job of putting it all together between now and the end of November.

**MR FITZGERALD:** Just moving completely away from all that to taxation, if I can, the majority of your paper is about the lack of tax parity between clubs and hotels. I just want to clarify a statement in it. You make a statement in the document that you're not calling for a reduction in gambling taxes, rather simply a parity between clubs and hotels at this stage. Is that correct?

**MR MULCAHY:** Yes, that's correct, commissioner.

**MR FITZGERALD:** Just in terms of our discussions in relation to that issue between the clubs and the hotels, we put forward a number of options or proposals or thoughts - and undoubtedly the clubs, after lunch, will have a view about that - but could you just clarify for me your preferred position in relation to those options. Do you have a preferred position?

**MR MULCAHY:** The commission, as I recall, spoke in terms of reviewing the mutuality arrangements. I guess we would like to see your findings reach a little more absolute outcome, in that on the weight of evidence there's a clear need for action in this regard. Our ultimate preferred position would favour that organisations utilising a mutuality principle for commercial activities where the turnover would exceed something in the order of a million dollars and were not for charitable purposes ought to be subject to the same levels of corporate taxation that any other business is subjected to.

The commission hasn't gone that far, but we have suggested that the commission in its findings may like to give a little more guidance to government in terms of - rather than just simply flagging that there are some concerns - and I don't mean in any way to understate the focus you've given and we appreciate that this is now getting the attention it deserves at a Commonwealth level, but we would like to see, I guess, a little more definition there in terms of assisting the Commonwealth government in recognising that there is absolutely now clear evidence that there are

very large commercial club operations under way that are taking advantage of the tax exemption that was intended to help the communities as such.

We've presented evidence of the low levels of income tax. We've presented evidence drawn, indeed, from an ACT government inquiry, amongst others, of the rather small contributions to the community. We've also seen evidence in the last day or so of football clubs that are ostensibly being supported by leagues clubs failing, because the leagues clubs had little interest in what was supposedly their reason for being, because there's more focus in the gambling business. That's fine, if they want to be in the commercial world, but we would suggest that it's unreasonable that they should be extended a raft of advantages when the purpose of that legislation or that arrangement coming in after World War II was in fact to develop our smaller communities, provide sporting facilities after World War II. Clearly, that's been long since departed from as an objective in a number of cases.

We acknowledge there are small community clubs there and cricket clubs and ethnic groups and so on that have their own clubs and are basically running those establishments for the benefit of their members in the community in which they operate. That's not an issue with our industry and we note that there will be, I believe, a government official from Penrith Council addressing the commission later today. We do have a concern about those sorts of facilities that are massive operations, amongst some of the largest gaming venues in Australia, still availing themselves of tax relief under a federal regime, when they're clearly commercial enterprises. They have overseas marketing officers and the like and are long remote from the community base from which they purport to operate. Sorry about that speech, chairman, but it's an important issue.

**MR BANKS:** No, that's fine, and that's an issue that I'm sure the clubs will want to talk about this afternoon. We looked at a number of options there, which you acknowledge. However, I'd be grateful if you would perhaps examine - you say that the state tax option doesn't really get you as far as you'd want to get and therefore we'd need to look at the Commonwealth income tax option. We've made a number of points in relation to that. One is just the practical difficulty of actually achieving the end, the objective of that, with entities that are non-profit and can organise their affairs such as to eliminate taxable income. I'm not asking you to respond to that now, but I would be grateful for any reaction you had to our analysis there about whether it would meet a range of objectives which we've set out in the report.

**MR MULCAHY:** Yes, I think that although it may be possible for people to arrange their affairs to reduce their tax liability, one of the most significant areas where it isn't so easy is in terms of capital expenditure and the advantage created to organisations utilising the mutuality principle in terms of their capital expenditures versus a private company or a tax-paying company that needs to engage in capital expansion in the normal fashion provided for under the tax legislation. There may be mechanisms by accountants, but it would be difficult to get around that issue if there was taxation applied.

That's probably one of the areas where the federal law works to massive advantage for those entities that aren't taxed, because they're effectively using that provision to get larger, spend money on capital expansion and, in doing so, essentially challenging the viability of not just the interests that we represent, but also indeed the smaller clubs, as we've seen in a number of communities in Australia that eventually fail because of their inability to compete against these large entities.

In terms of the state area, as you would appreciate, we do favour parity in both terms of taxation and in terms of access to machines, and there is a concern which you've highlighted regarding the cross-subsidisation of bar operations and other services as a way to attract customers, which severely disadvantages competing interests. In an economic environment where price control normally hasn't been favoured, notwithstanding the provisions coming in under the GST legislation, we recognise that that is difficult in terms of how you police that.

In a perfect world, I guess we would like to see that if you're running those operations with the other benefits that are extended - and there have been concessions at local government level on land taxes and state taxes - there ought to be an expectation of a minimum level of return on those facilities, to ensure that they are actually trading on a sensible commercial basis, but I think we're realistic enough to understand that that may be extremely difficult to police for a variety of reasons. Certainly the measures that we believe would go a considerable way towards helping the problems would be the federal tax position, the state tax position and the entitlement to machines being on an equal footing to the private sector operators in the hotels sector, but we may come back to you, if that's in order, and give you a few additional comments.

**MR BANKS:** Okay, we would appreciate that.

**MR FITZGERALD:** I just make the point whilst one can accept the notion of parity at one level, would it be easier or more difficult for the hotel industry to actually show that they've been significantly disadvantaged directly as a consequence of that differential? Whether or not the clubs should or shouldn't pay the same level, if you look at various states, is there any empirical evidence that they have, in fact, actually been disadvantaged in their trading operations vis-a-vis the clubs?

**MR MULCAHY:** If I can just clarify, purely in relation to which component, commissioner?

**MR FITZGERALD:** In terms of particularly where we've actually got differentials on gambling taxes per se. That's one. The second part is the actual mutuality. I understand your arguments well in relation to believing that there should be parity, but you've made the point that you're disadvantaged - and in one sense, that's self-evident - but in actual economic performance or trading performance, is there any evidence of that?

**MR MULCAHY:** Keeping in mind that our membership base embraces all sectors of the hotel industry, there is clear evidence in areas where hotels are now embarking into accommodation, where our accommodation hotels are seeing a loss of business. I haven't got quantitative data there to support that, but it is a matter of fact that the room rate is being extended; the function facility operations, for example, as we see in the ACT are typically running at 50 per cent of what a hotel will charge, which means we're now losing weddings and other such events because of the advantaged position of clubs; and in a number of areas of country New South Wales, I've had the opportunity to see the impact of the large clubs in those communities, where the hotels have certainly suffered severely in terms, for instance, the sale of meals.

In a town in New South Wales - the name escapes my attention at the moment, but it's where the deputy prime minister resides, in fact - a string of restaurants - and we don't represent those in New South Wales - have suffered because one of the local clubs is able to extend meals at a cost of about \$3 a person, and it's another example of how they start to bite into the local community. So we've seen in a lot of communities around country Australia in particular where the presence of a large club with the advantaged positions available to them under really three dimensions, state tax, federal tax and in machine numbers, enables them to annihilate basically the opposition, or severely damage competing businesses in their quest to attract basically the bulk of the economic activity in those communities.

Competition is not something that we would ever attempt to argue against, but I think in economic terms what we're getting here is a situation where the broader community is being asked to extend a benefit to disadvantage other taxpaying components in the community and that doesn't seem to make a lot of economic sense.

**MR BANKS:** I was going to seek some more information from you, either now or later, on the question of precommitment strategies. You say:

The commission seeks views on the effectiveness and practicability of financial precommitment strategies. That is, for example, having greater bank control over discretionary funds.

That's on page 74 of your submission. You say it would be "impractical and highly intrusive to implement". I'd just appreciate any elaboration on that, particularly since these would be precommitment strategies that would be at the instigation of the individual, so that it would be giving them control. I mean, they'd only be intrusive to the extent that they wanted to be intrusive on themselves, but again we're raising a number of these things I suppose thinking of the evolution of the use of plastic and diminishing use of cash and so on as well.

**MR MULCAHY:** I think, commissioner, if it was on the basis of people making that determination, somewhat in the theme of the self-exclusion orders, it wouldn't be an issue. I guess our concern was taking it into broader dimensions of setting up mechanisms such as that where it might impact on people who are not in the subject group that's been the issue of the social costs. I think the banks would be in a far

better position than ourselves to talk about the workability or otherwise of those arrangements, and it's obviously an issue also in the context of online gambling that we're giving evidence on tomorrow before the Senate.

But philosophically, although we haven't canvassed it, we've just discussed it as you've asked this question, I don't think we as an industry would have a problem if people were able to effect that decision and the systems in the banks were able to manage that. They're issues, though, on which I'm not sure - we don't have the expertise to know what is in fact practical or whether a determined person would simply find ways of getting around that system.

**MR FITZGERALD:** You've just mentioned Internet gambling or online gambling and you're making a submission. My memory might need to be refreshed, but I thought the AHA in New South Wales, with their submission last week or the week before, actually gave us their submission to the online gambling inquiry. Is that right? Is that correct?

**MR MULCAHY:** Yes, we did that.

**MR FITZGERALD:** I notice your paper doesn't actually refer to Internet gambling, unless I've missed it, so I'd be keen to get an overview of your view.

**MR MULCAHY:** Could I table this document. This obviously has the limitations of the Senate privilege until tomorrow, but this is our submission. You'll find it's broadly not inconsistent with what our colleagues in Sydney submitted. I think the general guiding principles we've had with Internet gambling have been that essentially, to the extent possible, similar expectations of control and responsible conduct ought to be expected of those who are involved in that industry. There are those who subscribe to the view that maybe you can ban it or control it. We're not as expert in the fields of the technical controls that could be put in place.

Certainly as an industry we have not reached a view that we ought to be supporting bans, and indeed within our ranks we have a couple of hotel operations that are either in that field or looking to get into it. But we recognise that it is a new form of technology and, rather than necessarily saying, "We should devote resources to trying to stop people playing," we ought to try and put in as many safeguards as are possible. The difficulty obviously is with technology and the Internet and the participation of providers in the Caribbean I'm told and offshore. That's not so easy to deal with, and it may be possible, however, that you can put in control mechanisms through the service providers of Internet services that are operating out of Australia.

I know Dr Fitzgerald has had a greater involvement in this area than we have and probably knows whether those technical outcomes are achievable, but we certainly would be concerned if an unregulated and uncontrolled environment were to happen, given the fact that Internet services are accessible in the home. I've seen it in my own home with those facilities popping up on the screen, and I think we need to

ensure that this pioneer industry, if you like, does operate as closely as possible to the other controls that are expected of land based operators.

**MR FITZGERALD:** Can I ask a question which you may not have covered and you may not wish to comment. If the Internet gambling proceeds, what would your view be, or do you have a view in relation to the placement of Internet into retail activities - for example, Internet cafes and so on - that would then allow the operation of online gambling sites? Most submissions we've received have only talked about online gambling in the home, but we already have Internet cafes emerging. Do you have a view about whether or not those sorts of facilities would be or should be allowed to operate online gambling sites as retail outlets?

**MR MULCAHY:** I think the view we have - and I realise that in 1999 this notion may not be as supportable as it once was - is we would hope that still in the home environment people have some degree of control over their children and that there is the scope at least for parents to exercise control over Internet access. In terms of public facilities, we would I believe still subscribe to the view that gambling facilities ought to be confined to areas that are exclusively accessible to adults only. For that reason the concept of Internet cafes, which are popping up around the world - and not with a great deal of success I think in most jurisdictions - and those sorts of facilities really would have to be either subject to the same strict controls - which I don't think is essential to their market and in fact a lot of young people do access them - or our preference certainly would be that one still would have to have a hotel licence with the same controls, with the defined gaming room situation.

So an extension of access to electronic gaming outside of a hotel, club or casino environment we still believe would be raising a whole set of new issues and controls and training methods. You might argue that it shouldn't be available in the home as well. I guess the issue is whether you really can stop it, and I think one has to hope that there's sufficient education embarked upon to encourage parents to exercise controls and that the industry where you can control it is required to meet the same expectations that exist and gaming operators have. It's not a perfect solution, but it would be one that I believe our industry would broadly support.

**MR FITZGERALD:** Just one very small thing, seeing we're caught in a numbers game. In the submission, in the summary you refer to a figure of 98 per cent of gamblers "who gamble for entertainment while experiencing no serious socially adverse outcomes". I want to make the point that that's not actually right. The 98 per cent is 98 per cent of all adults. In fact, whatever your views about our report in relation to the number of problem gamblers, that figure seems to be emerging everywhere - that it's not 98 per cent of gamblers gambling without problems, it's some lesser figure than that. I raise it because it seems to be emerging as a new figure. We have enough figures that have emerged without yours as well, so I'd just make that point.

**MR BANKS:** We don't have any more questions. Do you want to make any further comments? Well, it remains really to thank you very much for participating in force today. Thank you very much for taking the trouble to make this useful submission.

**MR HURLEY:** Thanks for the courtesy you've extended to us, too, commissioner.

**MR BANKS:** I'd like to resume at 2 o'clock, rather than 1.30 as scheduled.

(Luncheon adjournment)

**MR BANKS:** Our first participant this afternoon is the Council of Community Clubs of Australia and New Zealand. Welcome to the hearings. Again, it's good to have you here. Could you please give your names and your positions.

**MR BALL:** Thank you, commissioners. My name is Jack Ball. I'm president of the Community Clubs Association of Australia and New Zealand. Beside me I have my chief executive officer, Mark Fitzgibbon, and also joining us today is Alan Stoneham who is the director of city planning for the Penrith City Council.

**MR BANKS:** Good, thank you very much. Thank you for taking the trouble to be here and also for the submission, which we've read. There are some things we'd like to discuss with you but we'll give you the opportunity to provide whatever opening remarks you'd like to make.

**MR BALL:** Fine. The council welcomes the opportunity to again present to you the position of the Australian club movement relative to the draft report which has been widely published. We have already provided to you in that second written submission details of our comments regarding that draft report. I'd like to provide a very brief overview of the club movement's thoughts. Mark will cover in detail the majority of the matters that we wish to expand upon. Alan will bring you some specialised information in the area in which he is involved, particularly in relation to the fact that the activities of large clubs have been questioned and looked at.

The commission's draft report on the Australian gambling industry has generated a significant level of public debate, not all of which has been positive for the club movement and other providers of gaming services. While holding serious reservations over sections of the draft report my association commends the commission for promoting public debate on issues such as problem gambling. The Productivity Commission confirms the experience of clubs that for the vast majority of adults gambling it is an enjoyable leisure activity.

As has been stated earlier today and on various other occasions, for 90 per cent of the adult population gambling is not a problem. For club members their involvement with gaming machines is part of the package of recreational and entertainment services consumed when they attend their clubs. Without clubs many people, especially the elderly, could not afford or enjoy the same level of recreation, entertainment and social interaction and support. I really do emphasise that social support that very many people do derive, and I know of no other avenues for them to obtain that sort of service.

The commission estimates that the net economic benefit from gambling could be as great as 5.2 billion per annum. My association considers that the commission's estimate of net economic benefit is conservative. The club movement provides spin-off benefits to other industries, particularly the tourism sector. The club movement supports campaigns that promote tourism activity nationally, statewide and in regions to the benefit of a wide range of non-contributing businesses. The



club movement is a significant generator of economic activity and of social capital. The majority of clubs are located in regional Australia. In fact, country clubs are a major local hub of economic activity, often being the biggest employer in the region.

Clubs create employment for Australians. They also mobilise a huge voluntary workforce that does not appear in official employment statistics. Club directors alone are estimated to provide over three million hours annually in voluntary labour. As the commission is aware, a distinguishing feature of the clubs is that they are not-for-profit organisations. No other hospitality service provider exists solely to provide benefits for their members and for their communities generally. Clubs, in their existence, provide significant tangible and intangible contributions to their community.

Clubs provide important recreational and social resources for the benefit of the community. These benefits can be in the form of services, such as community transport, social support for the elderly, or facilities such as golf courses, playing fields, and tennis courts which are not only used by members but by wider members of the community of Australia and the state generally, and in particular many of those sporting facilities provide the only avenue for children in their communities. Clubs improve the quality of life of communities by providing social capital that enhances physical and mental wellbeing. These real community benefits flow through to the national economy in the form of improved workplace productivity and decreased reliance on health and social security infrastructures.

The club movement supports the commission in its attempts to gain a fuller understanding of problem gambling. Harm minimisation, we believe, is a core value of our clubs and this can be seen in the proactive stance taken by clubs nationally. The not-for-profit nature of clubs and the fact that they exist for the benefit of their members are positive drivers for a responsible gambling environment. My organisation recognises the value of appropriately funded research focusing on developing a better understanding of problem gambling and the strategies necessary to minimise harm.

The options proposed by the commission to demutualise clubs or to increase taxation will, we are absolutely convinced, adversely affect the capacity of clubs to support their communities, reduce services to members and would affect the viability of a significant proportion of clubs. My organisation emphasises that commercially clubs cannot be compared with hotels. They do not operate on an equal footing. Generally clubs operate on a restrictive basis in locations driven by community need rather than commercial factors. Location is often a major differential between clubs and hotels. Commissioners, that completes my part of the presentation and I'll now pass over to Mark who will provide a comprehensive analysis of the club movement's general position.

**MR BANKS:** Thank you very much.

**MR FITZGIBBON:** Thanks, Jack, and thank you for the opportunity to present this afternoon. Jack has set the scene, I guess. I wanted to take you through a presentation of sorts. I've given you a copy of some power point slides. It's as much an aide-memoire for me as anything, but hopefully it will help for a more structured presentation this afternoon. Jack has already touched upon these, but there are a few key messages that we would like to try and get across this afternoon.

The first key message I guess is that gambling is a legitimate recreational pursuit, as the commission acknowledges in their report. We like that idea. We like the idea that the commission has recognised that it is something that a lot of Australians enjoy and that there are perverse potential consequences in tampering with that product. I suppose the second key message is that we recognise the inherent risks attending gambling and our responsibility to consumers. We are addressing those risks. Thirdly, the concessional treatment of clubs can be justified in terms of community benefit, and I want to elaborate upon this a bit further on, especially this ownership dichotomy of public or community-owned versus privately-owned gaming.

Fourthly, let's be cautious about tampering with what has been a successful model, with what has been a very successful industry. Over six million Australian are members of clubs. Clubs generate about \$6 billion in revenue in the economy each year. Clubs, by any definition, have been a highly successful institutional arrangement and I think we need to be cautious about introducing changes, new regulations which could well upset that success.

I'd like to talk a little bit about this legitimacy of gambling. What I'm trying to do with each of these messages is talk about the things that we like about the commission's report, and those things that we're not so comfortable with. That's the way I've structured the report. I should also mention that the reason Alan is here today is because we're seeking to take a more eclectic approach to analysing this whole issue. I personally believe the commission is, in terms of its own epistemology, a little bit focused on numbers and the positivism which goes with that and I think it's useful to actually look at some real life case studies to get a better understanding of what is happening on the ground, to ground, if you like, some of the hypothesis the commission seems to be making in terms of clubs' involvement in the community and whether or not concessional arrangements can be justified. So a bit further on I will invite Alan to come along and talk about his case study, that is involvement with the club movement in the community of Penrith.

The legitimacy of gambling: things we like about the commission's report - and I think most of these things have already been covered throughout the hearings, including the presentation by the AHA this morning. We like the commission's recognition of gambling as legitimate expenditure, as the money people spend on pursuing recreation. We no more lose, if you like - \$11 billion a year on gambling - than we lose money buying CDs and going to the movies and so forth. It is people purchasing recreation and leisure.

We like the commission's recognition of net economic benefits of the gambling industry although, again, I caution our ability to be able to measure benefits to the community with any product, not just gambling. We like the consumer sovereignty and consumer benefit arguments promoted by the commission and explaining that, well, people are voting with their feet. Sure, gambling has been growing, but it is very much a matter of consumer sovereignty. People are making a choice, choice for a product - an entertainment choice they make.

We like the fact that the commission do caution in their report about some of the perverse consequences of further government intervention - for example, capping. We know first-hand that there are perverse consequences associated with well-intention initiatives like this. We have a disastrous situation in Victoria at the moment where, because gaming machines are privately owned as you know by Tatts and Tabcorp, that we're seeing a natural inclination for the owners to want to shift machines out of areas of low productivities, out of small clubs where probably the machines are the most benign, into areas of high productivity and areas which are more conducive to arguably creating gambling problems. So we like those factors.

We certainly don't like the overall tone of the report and what we believe is an emphasis on a very small group of gamblers. I suppose "jaundiced" is probably too strong a word, but I'm sure if we were to do some sort of content analysis of the report and try and associate gambling with negative thoughts and themes against gambling as a legitimate product which a lot of people enjoy, I'm sure that content analysis would vindicate the argument I'm putting now. I think there is a jaundiced view against gambling which comes through as you read the report.

We don't like the failure to emphasise growth as consumer driven, and we don't like this theme of unbridled growth, of an insatiable growth. In our submission to you we note, for example, that in the past 20 years growth as a percentage of disposable income in New South Wales increased from about 2.7 per cent to about 3.5 per cent. In other states it has increased from a low base of 1 per cent to currently about 3.5 per cent of disposable income. We think that is probably a natural plateau. That is, on average, what most people are comfortable about spending on gambling; just like most people may be comfortable about going out for dinner maybe once a month, whatever the case may be. This thought that somehow gambling is going to increase at some sort of exponential rate is one we don't agree with.

**MR BANKS:** But you're not saying that we've said that though, are you?

**MR FITZGIBBON:** Again I think it is just a theme - that this is something spinning out of control and unless we take stock we're heading for disaster. Again it's a theme. We don't like the gross overstatement of poker machines numbers, and I won't go through that again, I think it has been well covered by other groups such as AGMA. We don't like the failure to compare consumption problems with other products and activities. Again I don't want to put too fine a point on this but we need to put the cost which has been identified by the commission in some sort of context against other social ills, such as drug addiction and so forth.

We don't like the suggestion that the 67,200 or so people employed in the industry could be simply reallocated as though they're some sort of fact of production like coal or timber. People don't live in the long term. We do believe that the parts of the report which simply suggest on the production side benefits that these are people who could simply be employed somewhere else - if not in the club industry - is unsympathetic to their situation.

**MR BANKS:** Could I just say, because you've got a lot more to say and we might forget when we come back - we haven't suggested that those people could be simply reallocated. I think where we have talked about the employment impacts we have been talking about the counterfactual of liberalisation of gambling versus not, and what would have happened to that money that would have been spent on gambling and the jobs that it would have generated. I think we acknowledge at several points in the report that if you suddenly cut back on gambling - we make the point in relation to caps, for example - there would be a very significant adjustment cost and short-term dislocation. I just wanted to clarify that point, if that's okay.

**MR FITZGIBBON:** I think the point mentioned in the report - that somehow these resources aren't earmarked for the club industry and they could be reallocated into other industries in the fullness of time - is one which has certainly caused a reaction amongst our membership.

**MR FITZGERALD:** But they would agree with that ultimately, that they would be relocated over time.

**MR FITZGIBBON:** Well, people don't live in the long term, do they? People live in the short term. We've got an industry out there, 67,000 people in the club industry who would pick up the report and say, "Well, look, it wouldn't matter if the club industry was detrimentally affected, these people would just be employed somewhere else." People find that very difficult to relate to.

**MR BANKS:** Again it depends which end of the tunnel you're looking at, I suppose. As I say, the point we were making was about liberalisation and people who have been attracted to work in the club industry versus the other alternatives that would have been open to them. Once they're there, once they're working, sure, it's not an easy matter for somebody to simply slip into another job. Although even on that point we do observe quite a bit of movement between the gambling industry and hospitality and accommodation industries - you see it all the time. The hotel I stay at in Melbourne, for example, has three people I have got to know and they have all worked in the gambling industry before they worked in that hotel. But I take the point you're making about the adjustment implications.

**MR FITZGIBBON:** Okay. Problem gambling is the second message. What we like about the commission's report is the acknowledgment that problem gamblers are a very small part of the gambling population. That is under no circumstances to state, though, that we are blind to the issue. Really, we made a very deliberate decision as

part of our submission not to spend too much effort on arguing the toss whether we're talking about 330,000 people here or 30,000. I don't think it matters whether it's 330,000 or 30,000. If there is a problem there we have an obligation, a moral obligation, a fiduciary obligation, a common law obligation to address that problem. So we're certainly not here to argue the toss about SOGS and the numbers involved in there.

There is a problem there. I think we all know a problem gambler, and it is incumbent upon as an industry to address that. We believe we are addressing it. I suppose the other thing which is helping us to address it, quite frankly, is the increased sense of urgency that the commission's report has engendered amongst our members. We think that is a positive thing. I'll come back to some of the harm minimisation points a bit further on, if that's okay.

**MR BANKS:** Yes.

**MR FITZGIBBON:** What we don't like about the commission's report on problem gambling is, again, what we think is a lack of balance and, I suppose, jaundiced view about poker machines. The silence is deafening in the report when it comes to other forms of gambling, particular horse racing, which is certainly one that we're interested in. We feel there is a sentiment in the report that somehow poker machines are intrinsically bad for people, more so than any other form of gambling. We think the report does lack recognition of the efforts that the club industry has already taken in respect of mitigating problem gambling. We don't like this flirtation with the capping issue as it relates to poker machines, really for the reasons that the commission itself makes. It is a very blunt approach and there are far better approaches to avoid problem gambling other than capping - and it has perverse consequences such as - - -

**MR FITZGERALD:** Can I just get a clarification on this nationally. Are you concerned about the statewide capping or regional capping, or are you talking about venue capping? Given that New South Wales doesn't have caps - - -

**MR BANKS:** Except for hotels.

**MR FITZGERALD:** - - - except for hotels - but, I mean, in terms of clubs, what do you say about venue capping throughout the rest of Australia?

**MR FITZGIBBON:** Global capping I have mentioned, venue capping - it may sound like a contradiction and self-interest and I suppose there's always an element of that - but we're more sanguine about machine numbers in clubs, because of their not-for-profit nature than poker machines in pubs.

**MR BANKS:** So you want to retain the caps on pubs but no caps on clubs.

**MR FITZGIBBON:** Our view is there shouldn't be poker machines in pubs at all.

**MR BANKS:** A zero cap. We might have the AHHA reappearing, I think, a bit later.

**MR FITZGIBBON:** To the extent that we would like to at least keep a lid on things there, yes, we support caps in pubs but not in clubs. It's an element of self-interest but I'll talk some more in terms of the dichotomy later.

**MR FITZGERALD:** Self-interest is allowed.

**MR BANKS:** You're not strangers, anyway, in that respect.

**MR BALL:** Could I just add another dimension to this. In the massive study that was done in the US for President Clinton there was a very positive recommendation that the appropriate governing body should be the state rather than the nation because it has relativity to the circumstances of each state. We believe that it's difficult for us to take one single position on this aspect and that the various states and territories - and we can't ignore the territories because they've all got their own special problems - we believe that's an area where the state government has particular responsibility.

**MR BANKS:** Are you saying therefore the club association, the national body, doesn't have a uniform - there's not a single view on this, that you're letting the state bodies have different views about caps in relation to clubs versus - - -

**MR BALL:** We believe that.

**MR FITZGIBBON:** Certainly none of our state bodies would reject the idea that there is no need for caps in clubs in their jurisdictions. Some of them have caps, of course, but I'd argue that it's unnecessary. Probably the most important issue which we wanted to cover today is this whole issue of concessional treatment of clubs, if that's what you can call it. We like in the report the mention - perhaps belatedly is a better word than begrudgingly - of the community work and benefits of the club movement. I don't even remember where in the report it was said but there is some mention, "Well, what do you know? Clubs do a lot of a good work in the community."

The concessional treatment of clubs - things we don't like and I suppose I'd just like to spend a little bit of time on this. The first point I've made here is the suggestions our clubs are no longer not-for-profit and value based. I think this is really fundamental to much of the thinking which appears to dominate the commission's thinking. Perhaps the most profound manifestation of that is the commission's cynicism or scepticism about the principle of mutuality. Clubs remain value based as not-for-profit organisations. They do remain value based, as distinct from for profit operations. I think to suggest otherwise, based upon scale and some of the other facts that the commission use, is not doing the club movement justice.

A few points I wanted to make: if you could just have a quick look at the next slide, we just did some major research with A.C. Nielsen and we asked people, "Why

do you come to clubs?" What we found from the 500 people who were interviewed was that 27 per cent come for sport and recreation. I suppose that reflects the influence of golf and bowling clubs and so forth; 22 per cent said they come to clubs for affordable clubs; third, 27 per cent said they came to socialise; 11 per cent said they came for entertainment reasons. A mere 4 per cent said they came for gambling. I know people tend to understate things that they may see as vices but they're quite startling figures. People are joining clubs, are coming to clubs because of the socialisation and the benefit they derive from being part of the community within a club.

**MR BANKS:** Would we be able to get a copy of that study?

**MR FITZGIBBON:** Yes, we could get you a copy of that.

**MR BANKS:** There was another one you mentioned too, which you may come to in a minute, by Inge and Bean, I think. We would really value getting copies of those so we can look at how they were constructed and so on.

**MR FITZGIBBON:** We will happily provide you with that. Another example of perhaps what is influencing the commission's view is this view of clubs as being big, large industries in the business of making money, and yet 77 per cent of our clubs employee less than 20 people, and 58 per cent less than 10 people. Most of our clubs are still very much small, community-based operations - including the big ones. I think another example which indicates that the clubs aren't the profit-driven machines that they are being portrayed to be is the fact that the operating surpluses in clubs in 97-98 was 9.6 per cent compared to 10.3 per cent in 94-95.

So the operating surpluses of clubs based upon the ABS statistics from June last year are showing that profitability has actually been falling in clubs rather than increasing. Again, we see that as a sign that clubs aren't the profit-driven machines that parts of the report, we believe, suggest they are. The level of operating surplus in clubs without gaming was 7.1 per cent in that ABS data, so the difference between the profit being made by clubs with gaming and those without gaming is not that great.

**MR BANKS:** That number you gave before about the change in operating surplus, was that for all clubs?

**MR FITZGIBBON:** That's for all clubs, yes; all clubs that are defined as businesses.

**MR BANKS:** Was there a difference between the clubs that have gaming and those that don't in terms of the trend in their operating surplus?

**MR FITZGIBBON:** I'd need to check the ABS data but, as I understand it, the operating surplus I've quoted of 9.6 per cent in 97-98 against 10.3 per cent 94-95 is for all clubs.

**MR BANKS:** Yes. I would be grateful for the breakdown if you could give it because you have just made the point about different absolute levels currently in operating surplus for the two categories. But if we had any trends over time it would strengthen your case if it goes that way.

**MR FITZGIBBON:** That's right. That's lifted straight out of the ABS report on clubs, taverns and pubs. The first point there is don't for a moment believe that clubs are no longer value-based, not-for-profit organisations, they are. On the question of mutuality, I don't want to spend a lot of time on that because it is a question, as you know, that has been addressed by the Ralph review, section 5.6, I think it is. As I interpret that Ralph is suggesting that the common law principle of mutuality should be codified in tax legislation and there should be much clearer definition as to what is mutual income versus what is non-mutual income. So again we didn't want to spend a lot of resources as part of this inquiry on that particular issue because we think it has been well covered and competently covered by Ralph. We will save our thoughts for then.

One of the big problems that we have with the report is the failure to recognise the redistributive benefits associated with club surpluses. I actually had the opportunity to have a listen and a chat with Ralph Lattimer over there not long ago. It is true that when the Productivity Commission says that when a pub makes a million dollars in revenue from poker machines and spends that on a luxury yacht, that in economic terms that is exactly the same as a million dollars that, say, Bankstown Sports Club makes and spends on community groups and soccer teams, etcetera, in our community. The community groups go off and employ people, purchase soccer balls and all the like.

So, yes, in pure economic terms, there is no difference. But it's palpable that in terms of social justice objectives, in terms of community and welfare objectives, the way that money is redistributed in our community has a very powerful effect in terms of community benefit. We just can't understand how you can ignore the redistributive benefits. I don't know how you quantify it, but then this comes back to the whole epistemology of how you approach exercises like this. But it's just obvious, and I think it's obvious to most of the community, that money made by clubs through gaming is a far more satisfactory situation, because of those redistributive benefits, than money made by the local publican.

The view expressed in the commission's report, or the cynicism that somehow clubs are inept at insuring that that money is properly and fairly distributed throughout the community, is an issue we certainly need to address. We do need to make sure that with the surpluses made by clubs, that there is fair access to those funds throughout the community and that it is distributed in a way which is consistent with local community priorities. We do think that that is an issue we need to take on board and in New South Wales, for example, we're currently reviewing the community development support expenditure guidelines to make sure that that is the case.



This notion that somehow a government in Macquarie Street or a government in Canberra could better allocate those funds in accordance with local priorities we really challenge - in fact we think it's a nonsense - and there would be transaction costs too associated with putting that money into the central coffers.

**MR BANKS:** Where would you draw the line though? Are you saying that, in a sense, there should be no central collection of taxation and no redistribution through democratic processes but rather through commercial enterprises and clubs?

**MR FITZGIBBON:** No, I'd make a couple of responses there. There are many examples of abject failures. Have a look at the Casino Benefit Fund and the \$20 million still laying dormant in that fund in New South Wales. I would suggest to you that it is very much - if it's a tax collected federally to be spent on federal programs, okay, but what we're talking about here is money generated by local community clubs in local communities, and that money should be redistributed back within that particular community. The best mechanism to do that is at a local level and Alan will touch upon this point again in a moment.

Jack mentioned it, we're not satisfied that the report properly recognises the positive externalities associated with clubs in terms of tourism, in terms of providing entertainment venues for fledgling local bands, in terms of health and fitness that it creates throughout the community, particularly with the elderly where 48 per cent of our members are 55 or over, in terms of the social infrastructure that clubs provide. In my home town of Cessnock they've just knocked over the town hall, the town hall is now Cessnock Rugby Leagues Club. You put a value on that in terms of community benefit. I don't know how you do it. Is it the value of the asset or is it the discounted cash flow or the discounted value of the number of people who attend that auditorium from here to eternity? I don't know. But again it's clearly a positive externality which is generated through clubs. Clubs are very much part of the social infrastructure in most communities. Clubs are very much the modern day senior citizen centres in most communities.

Other things we don't like, and again President Jack mentioned it, is the non-recognition of the value of voluntary work which was estimated by ACIL this year being about \$3 million per annum. We don't like some of the stories about what we think is a misunderstanding of subsidised affordable services and products. I've had this argument put to me several times. Again if I can use Bankstown Sports Club as an example: Bankstown Sports Club turn over about \$4 million a year in their catering business. They lose a million, which is - what, 25 per cent of their turnover?

You could say that is a very harmful thing in terms of local businesses and competition, or you could say that that's a million dollars of CSO, a community service obligation, that Bankstown Sports Club are prepared to wear, recognising their clientele; recognising the fact that they're a de facto senior citizens centre. We very much believe that's the case and we believe any arguments which suggest that subsidised meals - any argument suggesting that's anything but the club wanting to

assist certain parts of the community, be it working class people, be it elderly people, just can't be justified.

**MR BANKS:** How targeted is that CSO? How targeted is it? If I walked in there as a reasonably well-off person would I get one of those meals at the same price if someone signed me in?

**MR FITZGIBBON:** You would, yes. There's no discrimination on that basis. But you've got to say, "Well, who is in there?" Again, from our research, 67 per cent of our people are - I don't like the distinction, but we're called by A.C. Nielsen blue-collar workers - and as I mentioned 48 per cent are 55 plus. Clubs do perform very important community service obligations in providing those affordable meals and drinks for people.

**MR BALL:** Could I just add to what Mark has just said. There were a great deal of anecdotal claims made at this commission, at earlier hearings and in the press, etcetera, about the supposed depth of cheap meals. I invite you, as you already have done, and if you have any more doubts to do it again in a sample of clubs, to see what the true level of meal costs are. We heard this morning a claim about a large country club that put out a street of restaurants by turning out \$3 meals. Quite frankly, I would love to know what town that is because I would like to go and taste some of their \$3 meals.

Yes, there are some clubs - and immediately to mind springs the Illawarra Catholic Club - who have pensioner meals at certain times, a dollar meal. It's a very simple meal. It's a bit like meals on wheels, and that tends to be blown out of proportion and rationalised across the whole of the food services of clubs. I would venture to say the average of a simple meal is more in the order of \$7 to \$10. I don't think that's terribly outrageous because you can get exactly the same sort of thing in very many food outlets in every city. So I just wanted to add that.

**MR BANKS:** Thanks.

**MR FITZGIBBON:** Just before I hand over to Alan with our case study, I think essential to this particular message is that when I did first year economics I learnt that government intervened in society to correct market failure but, secondly, to redistribute wealth. You can quantify a lot of the market failure arguments and put clubs in this crucible, based upon justifying their existence by measuring market failure issues - you know, what is the value of the positive externalities, what is the value of the merit goods and so forth? But we think there is a whole second dimension there which the Productivity Commission need to spend more time on, and that's in terms of, if not quantifying at least elaborating upon the redistributive benefits associated with the way club surpluses are applied. Of course they are certainly applied in a way which isn't applied by private sectors gaming operators, be they casinos, TABs or hotels.

**MR BANKS:** Yes.

**MR FITZGIBBON:** With your indulgence, I'd like to throw it over to Alan. I think he has got about a 10-minute presentation to talk about the community of Penrith and the roles that the clubs are playing in that particular community - not just Penrith Panthers but those other clubs as well.

**MR BANKS:** We should mention we've been out to Penrith.

**MR STONEHAM:** Thank you very much for the opportunity to put Penrith's position in relation to the role of registered clubs and community development in our city. First of all, and I take note that you've been to Penrith, but for those that haven't Penrith is nestled at the foot of the Blue Mountains about 55 kilometres from the Sydney CBD. It has one of the fastest growing metropolitan populations which presently stands at 175,000 people. Penrith also serves as a regional centre to the local government areas of Hawkesbury and Blue Mountains and we estimate that the catchment in that area is about 300,000 people.

Over the next 20 years Penrith's population is expected to grow to approximately 210,000. Although Penrith has a diverse economy, local employment has not maintained parity with that rapid population growth, and in fact only 61 per cent of our local workforce could, if they desired, find a job locally. The hospitality, tourism and leisure industries are a substantial and growing economic sector of Penrith, providing a much needed local boost to job opportunity. Although Penrith's population growth has brought many benefits to our city the provision of infrastructure and services to meet the city's social, environmental and economic needs, has not always kept pace with its growth.

**MR BANKS:** Mr Stoneham, I don't want to interrupt you, but we've got about 20 minutes left and on my calculation you'll probably take 15 to read this.

**MR STONEHAM:** I don't think it will take that long, no.

**MR BANKS:** Would it be better to take this as read - and we'll certainly read it - and to simply highlight the key points that you want to make?

**MR STONEHAM:** Okay. If I can go then to the position with registered clubs. There are approximately 30 registered clubs in Penrith. These clubs offer a diverse range of facilities and services from sporting and recreation pursuits such as golf and bowling to entertainment and those with an entertainment leisure focus. Registered clubs are an important part of the history and culture of Penrith as they fulfil many of the community service obligations that certainly the council and other service providers are unable to deliver. Just about every sport imaginable is represented in Penrith. By and large council's role is confined to the provision and maintenance of recreation facilities. The cost of organising the various sports, sponsorship, facilities for conducting meetings for the various groups as well as contributions towards the cost of expert tuition is, by and large, derived from funding from registered clubs.

A diverse range of leisure and cultural activities from indoor sports, dance, drama and choral performance are facilitated by our local clubs. Many of our service organisations and charities use the facilities of our local clubs free of charge for their meetings and other functions. We are fortunate in Penrith to have many golf and bowling clubs which are still accessible to our local community. The cost of maintaining these facilities is such that they cannot be sustained alone by the participants in those sports. Licensed premises are therefore required to underwrite the cost of maintaining those assets.

The hospitality, tourism and leisure industries are a significant economic sector within Penrith and registered clubs are central to that business sector. The clubs are a major source of local employment - Penrith Panthers alone employ approximately 900 people. Indeed, in new urban areas within our city, council has promoted the potential of benefits of established and registered clubs to facilitate local community needs. The Emu Plains Sporting and Recreation Club is a prime example of a community-based club offering diverse leisure and entertaining opportunities while providing financial support for a range of sporting or recreational pursuits.

I then go on to talk about the legislation that exists, which I'm sure you're well familiar with, as it applies in New South Wales. We, in council, along with the six clubs that are captured by that legislation, have had a series of meetings with a view to coordinating the distribution of the funds for the category 1 projects. We've set up a partnership, not yet formalised in documentation but nevertheless with handshake, and there are five dot points there that we identify as being the objectives of that partnership.

For our part, council has taken on the responsibility for maintaining a central register of the category 1 applications, those that are forwarded to us by the clubs. We've designed an application form to collect information for that purpose. We've developed an evaluation criteria that the clubs are comfortable with and have established a common advertising strategy to assist in notifying people of the availability of those funding opportunities and we're in the course of presenting social planning and other relevant data to those clubs.

As an example of the value derived from the funds, I've provided you with a table there over the page which is sourced from the Liquor Administration Board of New South Wales review of the expenditure of category 1 projects for the period ended 30 November 1998. Although that's a figure applying to New South Wales I would anticipate that it wouldn't be dissimilar in terms of distribution of funds, as they apply to Penrith, from our experience over the last six months. I've taken note of the fact that the figures advise that approximately \$12 million was distributed across category 1 projects in that period.

I would now like to go to two specific examples: Penrith Panthers is if not the largest, one of the largest clubs in Australia. It occupies a site of approximately 40 hectares - - -.

**MR BANKS:** Actually we could skip Penrith Panthers because we've already been there, but if you wanted to go through Penrith - - -

**MR STONEHAM:** Okay. I suppose the point I wanted to make was the Panthers, as well as employing that many people, have 25 per cent of its net profit or approximately \$1.5 million distributed to category 1 and category 2 project recipients. This compares - and I think it's an important point - to Penrith City Council which provides direct funding assistance for the same projects or similar projects. We only facilitate that with an amount of \$100,000. I then mentioned the fact that the Panthers, being a service industry, is obviously very labour oriented, it has a high labour force. It has the benefits of offering extensive accommodation and facilities. I think a point you may not have been aware of is that apart from the facilities that are quoted, which you would have no doubt seen, they've recently secured approval from council for a major cinema complex, including a Cinemax or Imax screen, as well as a wave pool, gymnasium and health and fitness centre.

I guess the other side of the coin there is the Gaels Club, the newest club in our city. It's only quite small; it has about 3000 members. This club has emerged from a community-based committee and has been in operation for about two years. This year that club and Penrith City Council have embarked upon a joint funding arrangement for some sporting and recreation facilities in the north of our city which will provide Little Athletics, soccer and Gaelic football. It's been noted the nearest Gaelic football facility is about 30 kilometres east of Penrith. The Gaels, as an example, give our many sporting and community groups free use of their facilities. They offer Irish language classes, Irish dancing, and have recently established new cricket, soccer and baseball teams for which they offer sponsorship.

In conclusion, if Penrith is to meet the social, environmental and economic needs of a large and vibrant urban community, we will rely upon registered clubs playing an active role in supporting community and recreational endeavours, while also offering diverse leisure and entertainment facilities to satisfy expanding community needs. Our view is that registered clubs play a valuable role in the life of our city and council's strategic plan places substantial emphasis on our partnership with those clubs.

**MR BANKS:** Thank you.

**MR FITZGIBBON:** Gentlemen, we don't need to tell you today, but we are dealing with a very unique product here in the club movement, which you won't find anywhere in the world, and we specifically chose Penrith as a case study here today. It is quite disconcerting to sit in forums like this and listen to people such as Richard Mulcahy - who I like, who is a great fellow - vilify clubs such as Penrith as somehow typifying how clubs have lost their way, yet when you go into these communities, as you both have, you discover from the community leaders, the council - and Alan is here today with the council's approval - who are more than happy to support the clubs and who are more than happy to acknowledge and

recognise the role they play in the community in terms of positive externalities, in terms of the redistribution of benefits that we've already covered.

Just a few other matters I'd like to quickly touch upon, because I know they're relevant to your inquiry, before we finish up. The question of the Internet: we haven't finalised a national position on this. We haven't even finalised respective state positions, I don't think, because it's so new and we do have a Senate inquiry. I think at this stage it would be fair to say, though, we have no real objection with the proposed policy position that the commission is putting - managed liberalisation. The Independent Gaming Commission we have some concerns about. We worry about the ability of these so-called independent bodies to be captured by industry interests.

International comparison is an interesting one. I read a Deutsche Bank report recently on gaming, and they continually qualify their estimates of gambling, comparing Australia with other countries, by noting that in other countries, particularly in the States, there is a very, very large illicit gambling market and therefore it is dangerous to compare consumption levels in this country - as the commission has - with consumption levels in other countries, if you're just looking at legal gambling. We have very much a strong regulatory environment which has encouraged and allowed legal gambling. Other jurisdictions don't have that strong environment, hence you have a lot of illicit gambling. So those consumption comparisons are dangerous and at least deserve some qualification.

We have some thoughts on each of the harm minimisation strategies which the commission has discussed. We deliberately didn't want to go into much detail about that today, mainly for the reason that most of the states are already moving either in a voluntary sense or a mandatory sense on many of those particular initiatives, and we believe our arguments are probably best dealt with at the respective state levels.

I will conclude with these points: in our view consumers have been voting with their feet for a long time, and the growth in gambling simply reflects the choice consumers are exercising, as your report acknowledges, that they enjoy having a punt, and we need to be very careful about disturbing that consumer benefit, that consumer sovereignty. Secondly, the club movement is aware of the gambling problem and we are rapidly moving to better address our responsibilities in respect of such things as consumer protection.

Thirdly - and as I started off by saying - let's be very careful about tampering with an industry which by any measure has been remarkably successful and quite unique in a world context; successful in terms of the amount of consumer support it's been able to generate. Last year 80 per cent of people in New South Wales visited a registered club, 55 per cent are members of registered clubs and 35 per cent visit a club more than 20 times a year. That's based upon our research.

Clubs have been highly successful, and the consumers are saying as much, and this has been highly successful in terms of creating employment; 67,000 Australians

employed by clubs, which have been highly successful in terms of creating new investment, new facilities in places like Penrith but also in other areas, particularly in rural Australia - clubs are the social infrastructure of any rural community as you well know - and successful in terms of community benefit, in its support for the community in terms of redistributing wealth in local communities. That wraps me up, gentlemen. Thanks very much for the opportunity.

**MR BANKS:** Thank you.

**MR FITZGERALD:** Just briefly: I don't think anyone is attacking the benefits that the clubs provide. The issue is, I suppose, that those benefits are being provided by some very unusual features; in other words, the mutuality, the lack of caps in the case of New South Wales, the differential gambling tax rates, the failure to apply benefits and levies. So I don't think the commission is worried about the issue of whether clubs do a good job or not, although I take some of your points that you think we're a bit probably - my term - disingenuous about the benefits and that from it. But the acknowledgment has to be made that it has come out with a considerable subsidisation, if you want to use that term - you probably wouldn't want to use that term - or concessional treatment. The question is: is there no limit to that?

It varies from state to state about how this differential between hotels and clubs applies and the tax rates, but on the thesis, for example, that in the state of New South Wales no matter how big the clubs became or no matter what activities that took place, there is no limit to these differential concessions. In other states of course there are very few differential concessions, but at some point surely the club movement itself must be starting to say, not necessarily to us but to others, that in fact there is a point at which there is something not quite right here in terms of the way it operates - or not? Is there no limit to which these concessions can continue to apply?

**MR FITZGIBBON:** It's interesting you should put it that way, because the view you're putting is that the difference between the tax rate paid by clubs and, say, the tax rate paid by pubs is actually a subsidy for clubs.

**MR FITZGERALD:** Or a concession, as you call it.

**MR FITZGIBBON:** Or concessions. Maybe concessions is not even the right word. I'd put to you that in New South Wales, for example, 24.75 per cent is the right level and the additional tax burden on clubs recognises the difference between community ownership versus private ownership and a recognition that government does need to take a greater hand in private ownership to make sure that there is some fairer redistribution.

**MR BALL:** Could I just add one word on that? There is a lot of misunderstanding about the extent of this so-called subsidisation. I totally support Mark's remarks. It must never be forgotten that although, say, in a club 75 per cent of the income may be classed as mutual income, equally 75 per cent of the expenditure is not claimable. So

there is often a distortion invited to say that they don't pay any tax on their income but they claim all of their expenses. That is totally wrong. The percentage applies equally to income and to expenditure.

**MR BANKS:** Thank you. On page 29 you say you've undertaken a financial analysis, or the RCA has, of increased state taxation for clubs in New South Wales, and it showed that 20 per cent of clubs would become unprofitable or financially marginal under tax equalisation. Could you tell us how that assessment was made and whether we could see the analysis behind that? It would be quite interesting.

**MR FITZGIBBON:** Gary, I haven't access to that analysis today, but we'd be more than happy to provide the commission with that report in due course.

**MR BANKS:** The other point you make is that you place great emphasis on the locational disadvantage of the clubs, which puzzles me a little bit, in the sense that a percentage tax rate applies to income. If you get less income, you pay less tax in absolute terms. No doubt some clubs would be located in an area where they didn't get much business at all, but others are doing quite well, and I think Penrith Panthers is perhaps an excellent example of that. They've got a lovely site there, I think, which reflects a good investment decision some 10 or 15 years ago.

**MR BALL:** But you would also recognise that a property in the high street would have much greater potential and earning ability.

**MR BANKS:** Yes, which is reflected in their income which is, in turn, taxed.

**MR BALL:** Yes, but also it's relevant to the amount of assets that have been employed in the matter. The whole of the Panthers development has been generated through the community's retained profits - surpluses. This thing is quite brief. Let me say that the other aspect you can't forget again is that many many of our clubs have very, very large up-front expenditure such as the bowling clubs and the golf clubs, and they are very often out of town, so their ability to fund those enterprises is very disproportionate to the hotel in the main street on the main corner. That's what we're saying in relation to trying to draw equivalent parallels. To encourage the clubs - to go out of town, you have to provide some sort of incentives, and that's what has in effect been generated. I can assure you, none of the hoteliers would be prepared to build bowling clubs on the fringe of town or to take a golf club and their hotel out of town. That's what that remark relates to.

**MR FITZGERALD:** Can you clarify something - not in your submission, but it's an issue that came up: we heard recently that there were clubs being established in other states, other than New South Wales, with effectively the management rights being granted to private operators. So virtually you're setting up a virtual club with the profits actually going to management companies which are private operations, as a way of that club and the operator achieving some of the benefits that the clubs have, particularly in relation to capping and differential treatments. Can you shed any light



on whether that is an occurrence, or not? It was made to us in a submission - and I can't recall at this moment where.

**MR FITZGIBBON:** That's Queensland you're talking about - the surf clubs?

**MR FITZGERALD:** I can't tell you.

**MR BALL:** That is one instance where that has been attempted. But my understanding, Mr Fitzgerald, is that it relates more to commercial operators wishing to extend their caps by various subterfuges, if you like. I can only speak in this particular instance for New South Wales because there it is clearly against the law.

**MR FITZGERALD:** Yes.

**MR BALL:** I know of no instances really of management agreements of this type. But we do know that Tattersalls, I think it was, attempted to build eight or 10 super clubs in Queensland so that they could put their machines in and derive greater benefit. But it tends to be more the other way - than clubs trying to circle around conditions. The big problem is, I think, that most clubs throughout Australia would love to have the cap.

**MR FITZGERALD:** Right.

**MR FITZGIBBON:** Would you like us to respond in more detail on that further down the track perhaps?

**MR FITZGERALD:** It came up in a submission, which was curious, and if you have information about this, whichever direction it's coming from, yes, we'd be keen to hear about that.

**MR FITZGIBBON:** I think as Jack mentioned it's probably the surf club example in Queensland, and I understand the state government has taken action to prevent that development - but we could certainly get back to you with some more details.

**MR FITZGERALD:** If you could, that would be fine. I don't think the submission came from Queensland. But, anyway, if you can, that would be great.

**MR BALL:** It is happening in Victoria as well, and from the same direction.

**MR FITZGERALD:** I think the submission may have come in Victoria.

**MR BALL:** Yes, I'm sure that's right, and I don't want to go any further than that.

**MR BANKS:** Okay. We won't dwell on direct community benefits. We've got your submission. Can I just clarify one thing: you have four categories of community support - this is on page 15 of your submission - one of which is what

you call non-cash support provided in-house which accounts for about 28 per cent. Your description of that doesn't give me a very good idea of what it involves. I'm just wondering whether that might include capital outlays, building and construction or something?

**MR FITZGIBBON:** This is information largely derived from the PKF report of a couple of years ago, which I understand you - - -

**MR BANKS:** All right. So it's that same report? It hasn't been updated? We can go back and have a look at the methodology.

**MR FITZGIBBON:** No, that hasn't been updated.

**MR BANKS:** But you can't recall offhand whether that includes capital outlays on buildings?

**MR BALL:** I wouldn't think that it includes capital outlays, although it may in some instances. I don't know, I couldn't speak authoritatively there. But it covers a wide range of activities, and where you'd draw the line from capital developments of a club - say the building of a gymnasium - you can get argument on whether or not it's part of the thing, because the club may well close the gymnasium at some future time and use it for some other facility, some other sporting facility. You can't say, yes, it's all that or it's all that or X per cent of that. Because our clubs are so diverse, it's just not possible.

**MR BANKS:** The other thing I'd appreciate if you had more information on it - partly relating to your comment about redistribution of income and so on - is a profile of club membership. Two things would be quite interesting: one is the proportion of communities, the proportion of people who are members of clubs in those communities - that would be quite interesting in itself. But depending on what that number is, what also would be interesting is the profile of members of clubs. I don't know whether you collect that information centrally or not.

**MR BALL:** Could I just say that that PKF report was jointly funded and commissioned by the New South Wales state government and the Registered Clubs Association. It was made available on a strict confidentiality basis. Have you already had parts of that released to you?

**MR BANKS:** I recollect seeing parts of that, but I will have to go back and see how much of it we have got.

**MR FITZGIBBON:** Yes, we had that type of demographic breakdown of membership. We have that available now. We've just undertaken a major - sorry, using New South Wales as a sample.

**MR BANKS:** Yes, even just New South Wales would be fine.

**MR FITZGIBBON:** Yes, we believe it would be indicative.

**MR BANKS:** Would you see what you could do there for us?

**MR FITZGIBBON:** Yes, straightaway.

**MR BANKS:** Thank you. One of the points you make which is interesting is in relation to tourism and the tourism benefits and so on, and it comes up in a number of contexts - again, there are a couple of points of information I would be interested in and you may not have it available - but one would be the component of overseas visitors in what you see as the tourism spin-offs from the club industry. Or do you see it simply as domestic tourism, interstate or interregional?

**MR FITZGIBBON:** It would be both. Again, it comes back to this great ontological question of how do you try and get a handle on these things. I go to Sawtell each year which is just south of Coffs Harbour. How do you measure the benefit to that community of the RSL, the bowling club and the golf club, which probably represent - apart from the beaches - 80 per cent of that community's tourism infrastructure? I know economists like to try and put a figure on these things but those types of values almost defy measurement, in my thinking at least. Whether it's people coming there to spend their money from overseas or domestically - we could certainly try and flush out some information on that.

**MR BANKS:** My guess is there would be very little overseas tourism activity focused on the clubs, but I may be wrong about that. I'd be interested in any new points you can make.

**MR BALL:** My understanding is that there are no definitive studies on that. It would very much vary venue to venue, town to town, but when you do regard that bowling clubs are exclusively provided by clubs - there are no commercial bowling clubs - and very many of the golf clubs are community provided - and certainly studies have shown that in selecting a vacation site many, many people take a fair measure on what bowls and golf are available in choosing the town that they want to go and visit.

**MR BANKS:** Okay, thank you. You might allow us to get back to you after these proceedings if we have other questions.

**MR FITZGERALD:** I know you continue to be concerned about these independent gambling commissions and you've been consistent in that, even in the New South Wales submission to IPART, and you make the point today that they can become captives. However, the proposals that we have in our section 21 keep policy with the politicians, which the clubs and others believe is appropriate, but it actually keeps the control at another level. Why do you think the control body could be captured? At the moment isn't the reality that the whole process can be captured from policy through to control through to enforcement? I don't understand the clubs' continued

caution or opposition to independent control authorities if policy remains with parliament.

**MR FITZGIBBON:** Again, you're talking about a number of different legislative regimes, so it is difficult to speak generically about what our preferred position would be. I think if you look at New South Wales - and it goes back before my involvement with the club industry in this state - much of the concern which was expressed about the independent gaming commission was due to the lack of definition, and I think some confusion. I've read that IPART report a number of times to get a handle on exactly how this new animal would look and I'm still none the clearer. So I suspect that a lot of our concern is as much scepticism, or just uncertainty about how such a regime would actually operate.

**MR BALL:** If I could just add to that, when we made our submission to IPART we clearly said that we were in favour of politicians retaining policy control and that we had no problem with independent gaming authorities doing compliance and that area of work. Where we were concerned was when the role of the government and the role of the minister was de facto passed down to the independent commission to make policy and make strong recommendations which would enable some politicians or some ministers to say, "Look, this independent commission has recommended this. Clearly that's what should be done," and they would walk away from their policy responsibilities. It's in that narrow area of how much - as Mark says - the definitional area of influence where the independent commission would tend to make policy and have it rubber stamped by a government.

**MR BANKS:** Okay. We agree with you on that and it may be partly a semantic thing, but if we assume for the moment that the regulator was truly independent, why would you not want that regulator providing advice about impacts, for example, of particular proposed gambling policies or changes in policies; advice that then would inform the parliamentary process in its deliberations?

**MR BALL:** It's in the lack of detail which has been put out by those who would propose such a commission, as to the people - - -

**MR BANKS:** So you don't have any in-principle objection - - -

**MR BALL:** - - - who would be independent. Where would they come from? Would they come from people who had no knowledge, no involvement with gambling or with hotels and clubs? Would they be people drawn from an area who had no sympathy or empathy with what - - -

**MR BANKS:** If you had someone who was sympathetic to the industry by definition it wouldn't be independent.

**MR BALL:** That's right. Then you come around in circles and you simply say, "You can't have them for this reason, but you can't have them for this reason." You

just go around and around in circles. We believe if you just clearly identify, as Mark said, the role of the politician, the role of compliance, then we don't have a problem.

**MR FITZGIBBON:** Just a final word: I think most of our industry know it's a matter of accountability - I think that's the key word. Most of our members know how to keep the political process accountable. It's at the ballot box. I think there is some uncertainty as to how do you keep it accountable - you know, such bodies, so-called independent gaming tribunals.

**MR BANKS:** Thank you very much for taking the time to talk through these issues with us. As I say, we may want to get back to you, depending on other issues that we haven't been able to discuss today. Thank you.

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**MR BANKS:** Our next participant today is ACIL. Welcome to the hearings. Could I ask you to give your names, please, and your positions.

**MR CUTBUSH:** My name is Greg Cutbush. I'm principal analyst with ACIL in its Canberra office.

**MR RAE:** Jeffrey Rae, director of ACIL.

**MR O'NEILL:** Terry O'Neill. I'm a statistical consultant employed by ACIL. I am head of the department of statistics and econometrics at the Australian National University.

**MR BANKS:** Good, thank you. Thanks very much for participating and for providing the submission that we've read. We'll clearly want to discuss some of the points that you've raised in it but will give you the opportunity to make an overview of your presentation.

**MR RAE:** Thanks, Mr Chairman. At the outset I'd certainly like to thank you and your colleagues for the opportunity to make the presentation to you. I should make clear at the begin that as with our earlier submissions to the inquiry, this submission has been prepared as an independent response by our company and on our authority. It has, of course, been paid for by six gambling service providers: Crown, Star City and Jupiter casinos, Tabcorp and TAB Ltd and Tattersalls. This submission draws heavily on an independent report which Dr O'Neill has prepared for us. We engaged him to provide us with an expert and independent assessment of four issues in the report: the general treatment of causality, the methodologies used in the surveys, inferences drawn from the survey data and the response in the draft report to an earlier critique that we'd made on the use of the South Oaks gambling screen. At the end of my remarks, with your permission, I wouldn't mind if Dr O'Neill had a chance to cover those issues. I won't be covering them in my own remarks.

**MR BANKS:** All right, fine.

**MR RAE:** As we said in our submission, there are plenty of things that we congratulated the commission on. We're particularly pleased that the commission recognised the fact that there are benefits from gambling and the vast majority of people are able to gamble in a way that delivers a benefit to them. Unfortunately we do have two sets of concerns and the concerns are quite significant. The first set of concerns relates to what we see is a lack of neutrality in the approach that's been adopted to the inquiry. The second one is issues of concern in relation to the content of the draft report itself. I'll just deal with the first one, the lack of neutrality in their approach, to begin with.

I guess a kind of totemic example of this is what I would describe as the now infamous statement in the draft report that 21 per cent of the world's electronic gaming machines are to be found in Australia. I must admit at the time I thought

anyone with a reasonable knowledge of the global market would know that figure was wrong. The correct figure, as I think has been shown subsequently, is more like two per cent. We can have a debate over whether that should include Pachenko machines and how close they are or aren't to those other machines, but whatever happens to the figure, it doesn't even approach 21 per cent.

The figure, unfortunately, was interpreted in the draft report in the public debate as meaning that gambling was pretty much out of control, so its impact on the public debate was both undesirable and completely predictable. I guess the commission was either unaware of its potential impact or didn't check the figure. Neither of the explanations give us much confidence about the way the inquiry is proceeding.

**MR BANKS:** We will respond to those points in a minute.

**MR RAE:** Okay. I assumed you would. I guess the example of that is what happened after the report came out. There was a letter from yourself to the Financial Review. The letter said essentially the figure in the report was correct, the industry figure was wrong and the industry - - -

**MR BANKS:** No, no, the letter said it was not our estimate; it was an estimate that we obtained from the annual report of Australia's leading manufacturer and exporter of gaming machines.

**MR RAE:** The industry was blamed for the figure. It was their figure and they were kind of denying - - -

**MR BANKS:** Don't put words into the commission's mouth.

**MR RAE:** I won't put words in the commission's mouth. It would have been simple just to say, "We'll make sure the figure is right and we'll move on." On my estimation the finding itself doesn't actually affect directly any finding or recommendation in the report. It would have been quite simple to make the point that the important part of the inquiry process is to get those kind of figures right and to proceed accordingly. It seems to me it's unfortunate that we're here now having a debate about that sort of figure in the process that's followed.

The second example I think is the overall use of self-assessment. Self-assessment, if used properly, can certainly establish people's perceptions about issues but what it can't do, I don't believe, is establish the facts of a particular case, particularly in an area as complex as, for example, the causation of problem gambling. Self-assessment isn't a disinterested test. The person who's making the assessment has an interest in how the person is being portrayed. To be done properly it needs corroboration and validation. This is what's normally done in courts of law and indeed in proper scientific experiments that draw on this sort of evidence for their own work. Now, this the commission didn't do.

I think the third example of the lack of neutrality is the lack of sympathy and understanding of gambling as an activity in the report. There is, entirely appropriately, lots of sympathy and understanding for problem gamblers and the circumstances they find themselves in. We don't quibble with that at all. There is formal recognition of the fact that people undertake gambling and, by implication, get some enjoyment out of it but there doesn't really appear to be what I would describe as a little sympathy in the term that Adam Smith may have used the term in the Theory of Moral Sentiments, for example; an understanding of the ordinary person and why they gamble. Most of them gamble responsibly, as your own report shows.

So we have a situation where I guess some 80 per cent of the draft report is on the problems that are faced by two per cent of the population, and probably less than 20 per cent of the report is on those policy issues that are important to the rest of the population. I guess the clearest example is tax. The commission's own analysis of tax was that tax was one of the underlying problems of the regulatory failure that it saw occurring in the area of gambling. It had the benefit of having modelling work done by ourselves and others. It had the benefit of modelling work done that it had commissioned itself. That modelling work pointed to clear gains to the community, as we would expect from the theory, in moving towards a lower and more even structure of taxes.

The commission has recognised that gambling taxes are, on balance, regressive. There's a small area where you think it may be mildly proportional but overall it's regressive, therefore lowering the tax would, on the face of it, help to improve equity. You also admit - I think rightly - that taxation is not an effective or efficient instrument to address problem gambling. The predecessors of the commission would have seen the issue of consumer sovereignty in this area as being very important and would have wanted to make sure that there was maximum opportunity for the people who can gamble responsibly to be able to do so on terms that were appropriate for them. So we were particularly disappointed in tax. There, I think, are other areas but that's the clearest one.

I guess an example of the sort of attitude that may well be implicit rather than explicit - or, rather, unintended rather than intended - is the quote in the report that it's plausible that the poor aren't rational when making decisions about gambling. I think that kind of tone is quite unfortunate because, rightly or wrongly, it does reinforce the very point that I'm trying to make about the perceptions of the lack of neutrality and the treatment of the issues. That's the issue of the neutrality of the approach by the commission.

I'd now like to turn to areas of concern in the content of the draft report. I will cover two and I'll ask Dr O'Neill to cover the other one. The draft report I think makes quite a lot of the unique nature of gambling. It characterises it, I think, as being questionable. It asserts that all societies have ethical and social norms and these are strongly entrenched in legislation. It sees such norms in the very restrictions that currently operate on gambling in Australia. In the view of the report



their existence, in a sense, confirms a broadly-based view that gambling is ethically questionable. I'll put aside the issue of whether there are other explanations for that.

I think what's of concern is that you didn't undertake what I would describe as a serious and sober examination of the ethical issues, but rather relied essentially on inferences drawn from surveys of community attitudes or inferences drawn on what you see as existing in the area of legislation. I believe had you done so you would have found that there is in fact a very significant body of work undertaken by moral philosophers and theologians on the roles and responsibilities of government in civil society in the area of ethical issues. Civil society, on this definition, is those parts of the economy that are free associations, including the family, the churches, schools, the professions, arts, the charities - what I think Edmund Burke called the small battalions of life, the not-for-profit sector.

I think it's very unfortunate that the commission, by not accessing that work - it means that it hasn't acknowledged the critical role that a lot of people, a lot of these thinkers, believe civil society needs to play in the ethical life of the community. As well, in this same body of work, people like Michael Novak and others, a leading US theologian, have developed quite a strong case for civil society rather than government to be the primary responsibility for setting, enforcing and supporting ethical standards in the community.

This case I think applies particularly strongly in the area of activities such as gambling which many may see as being ethically questionable. In this view of it government intervention, if any is justified, should be indirect rather than direct and should be confined to supporting civil society rather than supplanting it; making sure that civil society has the capacity to deal with these issues rather than coming in and setting the standards and enforcing them themselves.

On the other side, I think by not looking at the issue the draft report misses out on the danger of government supplanting civil society in the ethical life of the community. The report seems to have proceeded on the assumption that political solutions are in principle appropriate for ethical problems. Indeed, it seems to work on the premise that the only limit to this is the practical limit and the implementation of these political solutions, and I think it's ironic that there are some church groups who seem to be very keen to encourage the intrusion of the state into the role which I think is rightly theirs and the other institutions of civil society because of the risk that it runs to the very ethical foundations of the community, which we all agree are important for both the economy and for a free society.

I think the end result of this is that you may have forgotten the crucial distinction between civil society and government in a free society and the importance of the doctrine of the separation of powers, which of course was developed in a constitutional sense but has wider application, really, because it helps to sustain the very basis of a free society and a free economy on which it depends. In the report we quote an American Protestant theologian, the Rev John Newhouse, and I would just

like to read out this quote again because it seems to me to encapsulate very much the bottom line of where this body of work comes out:

Democratic government is limited government -

Newhouse says:

It is limited in the claims that it makes and the power it seeks to exercise. Limited government means that a clear distinction is made between the state and the society. Other institutions - notably, the family, the church, education, economic and cultural enterprises - are at least equally important actors in the society. They do not exist or act by sufferance of the state. Rather, their spheres have their own particular sovereignty which must be respected by the state.

So it is not, if you like, the imaginings of a single consultant or even a group of consultants, it is the work that has been developed by a significant group of religious and moral thinkers, particularly since the Second World War. Indeed, there are strong elements of this thinking that are actually in the latest papal encyclical that John Paul II has issued. That is probably all I wanted to say on ethics. You have probably heard enough on that subject. There is more in the report.

**MR BANKS:** We have had two poems today so it was very nice to have that quote.

**MR RAE:** I am pleased that the quote has complemented the poem. Before asking Dr O'Neill to comment on the surveys I would just like to canvass a couple of the issues in the area of the economic analysis and the policy findings that proceeded from it. In doing that I want to touch on what I think are three critical issues in the area of the analysis that has been done. One is the treatment of information and market failure in the report, which seems to me to be pretty important to the analysis in the report. The second is the internalisation of the spillovers that are seen as being associated with problem gambling through contracts and, the third, equally important, is the role of paternalism in preventing self-harm. I would like to just quickly run through those now.

On my reading of it the draft report essentially says full and perfect information - and both words are used in different parts of the report and I want to quibble about the distinction between the two - is needed before we have rational decisions by consumers. In other words, in the absence of full and perfect information we essentially have market failure in the economist sense of the word.

**MR BANKS:** I very much doubt that you will find that in the thousand pages of our report.

**MR RAE:** I am pleased to hear you say that is not in the report but, were it to be in the report, you would be setting yourself up for a Utopian goal and standard which wouldn't be able to be met, so if I can take it that we agree that a market can work

perfectly efficiently with incomplete information, I am pleased that you are confirming that, and intervention, if it's needed, must be on the basis that government will be able to improve on the outcomes that we observe, and the key issue is what is affordable information and what difference the government can make in that. I see you are nodding so I am pleased that we don't have a disagreement on that.

**MR BANKS:** I'm surprised you thought we did but, again, if you can quote me something in the report that suggests we believe in Nirvana theory - - -

**MR RAE:** I believe the submission does but we can come to that later. In our March submission to you we said we thought one of the key policy issues for your inquiry was whether or not externalities associated with problem gambling - with gambling - existed and what was the scope for internalisation of those. We pointed to the existence of implicit contracts in making this point and in doing that we actually said on one view of it you could even define a household by the existence of such implicit contracts between the members who make it up, and in quoting that part of our report that we made you left the parenthesis off that we made that observation in.

What I guess I am not sure about is whether or not you agreed with the point or not and where you disagreed with it. Can I perhaps explain why. On the one hand in the benefits side you seem to accept the notion that there is a web of implicit contracts between family and household members because you didn't see a need to count the spillover benefits that occur as a result of normal gamblers gambling and enjoying themselves. On the other hand, when it comes to problem gamblers gambling you saw there being a range of negative spillovers associated with that, which were externalities - ie, weren't internalised or, presumably, internalisable - although that part of it I think is unclear in terms of your own exposition of it.

I guess what I am asking is, where do you stand on that, because it seems to me it is critical to understand whether or not we do agree that it is the transaction costs involved in setting and enforcing those sorts of contracts that are the key to the internalisation of those spillovers. I mean, if we disagree on that, at least we know where we stand. If we agree on that then we can talk about the terms under which that internalisation might proceed and the conditions for the effective internalisation of those costs. On our reading of it they are internalised because, the way we see it, family members more than anyone else are linked by a lot of reciprocal exchange on an ongoing basis, and they have lots of opportunities to review the implicit contract, to take steps to enforce it where it is not being delivered, and to exit from it in extreme circumstances where they believe the other party has completely reneged on the terms of the contract.

**MR BANKS:** Do I take it you are still, despite very little mention of it in the submission, very attached to the rational addiction model, or not?

**MR CUTBUSH:** If I might just interrupt here for a second, I don't think we were portrayed correctly in the first place in the draft as to our adherence to that model and, if you would permit me, I would like to spend five minutes - - -

**MR RAE:** Can we maybe come back to that after Dr O'Neill, if that would be appropriate, because I have reached my last point in fact. It seems to me at the end of the day the issue you confront - and I think it is a correct issue - is the role for paternalism in intervening to address issues of problem gambling. I have said something about the ethical issues involved in that and the role of civil society. I am just putting that aside for the moment. Essentially, as I read the report, it rejects excessive gambling as being rational but equally in doing that it seems to reject what would be the alternative hypothesis to the one you raised with Greg of unstable tastes, which is another hypothesis that has been put forward in the literature.

You posit the view that it is due, among other things, to self-control and what you have termed, I believe, "bounded rationality" - in other words, in some domains at some times people are not rational. It seems to us that analytically that reduces to exactly the same thing in a practical sense as "unstable tastes", which is a hypothesis you formally reject. At least on my reading of the box in the chapter you are rejecting it. If I am wrong on that I am happy to be corrected. Either way you end up having to confront the issue of, to what extent is paternalism appropriate and where is the boundary between paternalism and consumer sovereignty in dealing with the issue.

Because clearly I think you, like us, believe that consumer sovereignty is important for the 98 per cent of people who do not suffer a significant problem, and there is the issue of what you do about the 2 per cent who you believe suffer from bounded rationality or occasional lapses in rationality - I don't want to put words in your mouth and I'm not trying to - and I think it would be very useful if the commission was simply explicit about what it sees as the role for paternalism.

I don't think there is a kind of in-principle problem with paternalism. I mean, I think there is a feeling that paternalism is sort of prima facie wrong in all cases. It's not. Paternalism is practised in the family. Paternalism is regularly practised for preventing people from doing obvious harm to themselves, like attempts at suicide, and I don't think anyone in the community objects to the state being involved in that at the appropriate time. It's role in that is often very limited to stopping the particular attempt and then making sure the person concerned accesses professional help and other support in the community. We can talk about the boundaries there but it seems to me we're not arguing, for example, that paternalism in that case is wrong.

We wouldn't reject it either in this case. All we think is that you haven't thought clearly and been explicit about the terms in which paternalism would be used and when it wouldn't be used. In other words, where are the boundaries on bounded rationality? When do they occur? What are the defining features of them? Because it seemed a very elastic concept. On one reading of it it applies to everyone some of the time. If the concept is that far-reaching you're rewriting a lot of standard

economic theory very substantially, I would assert to you. If you think I am wrong I am happy for you to come back. They are all the remarks I wanted to make in opening. Can I ask, with your permission, Dr O'Neill to cover the issues on the survey.

**MR BANKS:** Yes.

**DR O'NEILL:** Thank you. First of all, I would like to explain the terms under which I accepted this consultancy contract. I am a member of the Council of the Statistical Society of Australia, which is the body that governs the professional practice of statistics in Australia. The council has a subcommittee which hands out basically a licence to practice statistics and the qualification is called accredited statistician. That is the qualification that the society regards as appropriate for people to act as independent consultants in this country. There are about a hundred accredited statisticians in the country, of which I am one.

Pertinent to this particular exercise associated with the accredited statistician status is a code of conduct and the effect of that code of conduct is that it instructs us that we are not to be advocates in any process. We are basically instructed to provide objective commentary and statistical analysis. So when I was approached by ACIL to provide commentary on the draft report the first thing I did with them was to make known the conditions under which I operate and they were happy to engage me under those terms and I have proceeded on that basis. In summary, I am not here to provide comment on the merits of gambling. I am here to provide comment on the statistical aspects of the draft report.

My brief was to provide commentary on the statistical design analysis of surveys. I was also asked to comment more broadly on the general issue of causation and the status of causation in the statistical literature at the current time. Firstly, as a general comment concerning the report, because it will colour a lot of what I say later, is that I actually found it a reasonably difficult report to read from a statistical sense. The statistical material is spread quite widely through the very long report, some of it is buried in footnotes; there isn't a particularly consistent approach to the reporting of estimates. Many times, estimates are reported without any indication of their precision and many times there are no standard errors or whatever. At other times in the report, there are standard errors and 95 per cent intervals and so on, but the overall lack of consistency has made it somewhat difficult to judge the merits of various claims through the report. I also had difficulty with the merging of the analysis with various anecdotal evidence.

I would have preferred to have the two separate; have a summary of one and a summary of the other and then it's much easier to judge where all the components of the decisions are arising. Overall, I would have felt happier in reading the report if the statistical analysis had been included as a separate appendix, perhaps, which drew together all the material presented, much more information on the survey and much more aggregation of the survey information and so on. I would have found it a much easier exercise to come to my conclusions. The other point that I'd like to make is

that I think it was a bit short of detail and something I may say, there may be analyses in the background that I don't know about that point to something different, so I'm just going on the basis of what is presented in the report.

I was asked to comment in four broad categories. The first topic that I was asked to comment on was the adequacy of the surveys. Three surveys were conducted by the commission; two of them, I believe, are still partially complete in some sense. Probably the most important one was the national gambling survey and, in this survey, the commission divided the population effectively into three groups: the non-gamblers; the people who didn't gamble regularly, but gambled nevertheless; and regular gamblers. My concern with this approach is, having done that division, I feel that the design of the survey questionnaire largely neglected to any great extent gathering information from, in particular, non-gamblers and, to a lesser extent, from non-regular gamblers.

The reason I'm concerned is that when examining conditions in a population, you want to state what sort of things lead to this condition and so on. It's effective - it's very important to gather information on the people who don't acquire the condition, as well as the ones who do - people who don't choose to gamble and thereby put themselves down this path that may exist because that then enables comparisons between the people who have chosen to go down that road.

I think it is quite important that when you are studying a condition - and there are many other parallel conditions you could look at in a population - that you give a considerable amount of thought to the questions you pose to the people who are not involved in the activity, as well as the ones that are involved and the questions that are directed at the non-gamblers are very brief. There may be reasons for that. I imagine this must have been an enormously expensive survey in any case and you have to look for perhaps savings somewhere but, in my judgment, perhaps somewhat less copious information on the gamblers might have been better balanced against more information perhaps on why various people have decided not to gamble to that extent at all.

**MR BANKS:** You say in your report that we should have not only tested the regular gamblers with the SOGS, for example - - -

**DR O'NEILL:** I am about to turn to that point now.

**MR BANKS:** Yes, okay.

**DR O'NEILL:** Related issue, I think, is the issue of SOGS. I will come back to the general suitability of SOGS later but, at the end of the day, the SOGS instrument is pivotal in the report and SOGS was only actually administered to the regular gamblers. If you have a screening instrument - to establish the efficacy of a screening instrument it needs to be applied to the whole population and we have prior information that there is some question about the SOGS - there is a reference to Dickerson - that there are a large number of false - I'm not sure he used the word

"large", but there are false positives in the general population. So there are questions over how well the instrument performs and issues like sensitivity and specificity need to be considered and, to understand those relationships, you need data on the whole population.

**MR BANKS:** Could I ask you, have you seen the SOGS screen? Have you seen the questions?

**DR O'NEILL:** Yes, they're in your report.

**MR BANKS:** In the SOGS screen.

**DR O'NEILL:** Yes.

**MR BANKS:** You would agree that they all relate to gambling activity?

**DR O'NEILL:** Yes.

**MR BANKS:** What would the commission be able to obtain from people who had just answered that they had not gambled in the past 12 months - to apply the SOGS to those people, asking them about their gambling activities in the past 12 months - apart from making them a bit upset with the survey.

**DR O'NEILL:** They may change their mind in the interim. You are coming in on - - -

**MR BANKS:** No, no. This is the same telephone survey. The first question is to determine whether they have gambled in the past 12 months.

**DR O'NEILL:** People do not give consistent answers in the course of an interview necessarily.

**MR BANKS:** But isn't it a bit like asking somebody whether they are married or not and they say, "No" and then you say, "When did you last argue with your wife?" That's the kind of position you would be wanting to put us in with respect to the respondents to the survey. I mean, I can't see what you would hope to achieve. It has not been done in any other survey that I'm aware of that relates to the SOGS, so I don't know what - I mean, I would be quite grateful if you could provide information to us where there have been other surveys that have tested the SOGS scores on people who have never gambled, as part of a general survey.

**DR O'NEILL:** I am saying that as a general principle you cannot assume that people will follow a logical sequence of answers through an involved questionnaire.

**MR BANKS:** This is probably a fine, theoretical point, but if - - -

**DR O'NEILL:** No, I don't think it is.

**MR BANKS:** - - - you have done any work in the gambling area - - -

**DR O'NEILL:** I don't think it is a very fine, theoretical point.

**MR BANKS:** But have you done any work in the gambling area? Any gambling surveys yourself or analysed any?

**DR O'NEILL:** No.

**MR BANKS:** Okay.

**DR O'NEILL:** I have read widely. I am a - - -

**MR BANKS:** I just make the point at this point that our survey was vetted by people who are recognised experts in this area and - - -

**DR O'NEILL:** Recognised experts - - -

**MR BANKS:** - - - and have conducted surveys of this kind, one of whom was referred to earlier, Mark Dickerson, who was - - -

**DR O'NEILL:** Mark Dickerson was advised by my department when he was at ANU on how to conduct surveys, so the wisdom - - -

**MR BANKS:** That's fine. It might have been useful to get his advice in responding to this. Anyway, I will let you continue with your remarks.

**DR O'NEILL:** Yes. I guess I will repeat the fact that it is my judgment that it would have been better to put those questions to the - okay - certainly put them to the non-regular gamblers who did not receive the SOGS questionnaire.

**MR BANKS:** The consequence of doing that is that we probably understated the extent of problem gambling.

**DR O'NEILL:** That assumes that the instrument is acting correctly. I mean, you are assuming that everybody you diagnose is correctly diagnosed and what I am saying is that by not looking at the general population you do not have adequate information about the effectiveness of your instrument. You need to establish false negative rates, false positive rates, and you are not necessarily testing the instrument on everybody to do that.

**MR BANKS:** But you have changed your mind about whether it should be everybody?



**DR O'NEILL:** No, I haven't changed my mind.

**MR BANKS:** Okay.

**DR O'NEILL:** I'm saying if you would like to do a graduation - a graduated response - then definitely it should have gone on the non-regular gamblers. You can argue - and I noted in my report that an obvious argument to make is in fact you know how they would have responded, but I don't accept that people respond in a consistent manner through a very long and complicated questionnaire.

**MR FITZGERALD:** But I still don't understand the very basic point, that if we had done the further detailed questioning on all of the non-regulars - everybody - all you would have done, surely, is pick up more. They would have changed their mind from saying, "I didn't gamble in the last 12 months" to saying, "I did gamble in the last 12 months and it had these impacts." The only impact could have been to increase the prevalence of problem gamblers. Not decreased it.

**DR O'NEILL:** As diagnosed by a possibly defective instrument.

**MR BANKS:** So it's not the application of the instrument. It's the instrument itself which you - - -

**DR O'NEILL:** The properties of the instrument that I would - - -

**MR BANKS:** We'll come back to that. We should let you get on because the time is passing.

**DR O'NEILL:** Okay. I believe in not doing that you have, to some extent, missed the chance to gather information which would shed light on why people engage in gambling and so on. I think the opportunity has been missed there to some extent. I was concerned about the ordering of the questions. SOGS is a diagnostic tool. It appeared fairly late in a long sequence of questions. The responses to that could easily have been conditioned by the interview process that had taken place before. I would have preferred to see the SOGS questions up-front in the survey design.

**MR BANKS:** Again if you had seen other surveys that have been conducted, that was standard practice. The whole survey actually took less time to complete than the survey that was done for the national gambling impact study in the United States. That's for somebody who actually went right through from the beginning to the end and answered all the questions.

**DR O'NEILL:** The SOGS question was designed to be applied as a screening device. The validity of the screening device - whatever there is - is established in a setting which does not embed it into a large questionnaire. If you embed it into a much larger instrument then the properties you establish in different situations come into question, in my opinion. If I turn now to the reporting of the statistical analysis associated - - -

**MR BANKS:** Could I just ask how much longer you will need because we can take this as read. You have provided this in print. It is just that I am concerned that we do have ample opportunity to have discussion - - -

**DR O'NEILL:** I can skim through the next points quickly, if you like?

**MR BANKS:** All right.

**DR O'NEILL:** I was concerned with the - as I have said already, the statistical details were frugal. Basically when they were presented I was concerned in a number of cases about the statistical details; for example, to estimate the amount spent by problem gamblers I was concerned with the methodology there. Basically I thought the use of medians was inappropriate. I felt the means should have been used and that changed the answer quite substantially.

Turning to the survey of clients of counselling agencies, I was concerned about the fact that it appeared that once the questionnaire arrived out at the agencies there was a lack of statistical oversight, that basically the counsellors selected the clients. There were some rules which said, "Select them in a sequential manner, maybe one, five, nine" and so on. I don't know how well that was adhered to, I didn't find the information in the report to judge whether the protocols were well adhered to. The third survey, I don't think there's enough information to comment at this point on the validity of that.

Turning to causation. Causation is a key issue in the report. It's a complicated issue, the fact that people are writing in statistical journals about causation shows you how difficult a topic it is. There is a range of statistical methods to look at causation, matching, stratification and so on. When I look through the report I could not see evidence of those statistical procedures. I could see a lot of verbal argument but I couldn't see the evidence, like matching, or anything there to demonstrate causation. Causation is very tricky, it is very difficult to design surveys which are going to handle causation. So I was concerned there.

**MR BANKS:** Just on that, have you compared our survey to other surveys that have been conducted in this area?

**MR O'NEILL:** I have read your survey and I know the causation literature.

**MR BANKS:** No, I mean other surveys in the gambling prevalence area, have you been able to compare ours with those?

**MR O'NEILL:** No.

**MR BANKS:** No. Okay.

**MR O'NEILL:** The third major point was SOGS. I made a previous submission which I was engaged to do some months ago. The points - were that SOGS is one of several instruments. The most recent in the US chose not to use SOGS so maybe that argues against it. My main reservation about SOGS is that the whole question is what is it actually diagnosing and the issue of cut-off points and so on. I find that pretty much distracting. I think it distracts from a genuine study of something which is basically a multivaried process. There are lots of aspects to people engaging in this activity. If you want to understand it, then you study it as a multivaried process. You throw in things like indiscriminate analysis, principal components. I don't find evidence of that, so the compulsion to come up with a single number, I think, maybe distracts from a more appropriate analysis in my book.

The final topic that I was asked to comment on was the access study. My concern with the access study was that the data that was presented within the access study, or the substantial analysis, was doing a regression of gambling expenditure against problem gambling prevalence, which in my mind is not talking about access. I mean it may have something to do with access but I don't believe it's the same as access. So that worried me.

The selection - the data analysis, there was another situation when I had problems with the data analysis. There were 16 graphs there. One was selected. The issue is if you pick the biggest test statistic out of 16 you cannot assume that that's the same as selecting a test statistic that arose by itself. So overall I was left with the feeling that the survey and this following analysis would have been more valuable if a common interview had been used, and then we could have used various more sophisticated techniques to study what is actually going on in the community to decide why people make the decisions that they do.

**MR BANKS:** Good, thank you for that. You make quite a number of specific points which we disagree with in your report. We're not going to have time to go through them here but with your forbearance we would quite like to discuss them with you outside these proceedings, and I think our team could do that.

**MR RAE:** We'll make the same offer we made last time, Mr Chairman.

**MR BANKS:** Fine, okay.

**MR RAE:** Which is to discuss with you.

**MR BANKS:** Good, I appreciate that.

**MR RAE:** I'll await your call, as we waited for the last one.

**MR BANKS:** As it turned out there wasn't much to discuss last time. Could I just say - we don't have a lot of time but we have got another half an hour. Could I just say by way of introduction, while I appreciate you coming here - and you were obviously able to discuss these issues calmly and so on - I found the tone very hostile

in your submission. I just found that curious. While I don't want to dwell on that - I much prefer to discuss the issues that are in your submission - I found the use of terms like "fraudulent, dishonest, non-neutrality" - which I read as bias - unacceptable. I repudiate those. I've been involved in this organisation and its predecessors over a long period of time, and it has not been my experience to be accused of dishonesty by a participant until this particular inquiry with this particular group of stakeholders, and I take exception to it. The commission has no barrow to push in this area. We're representing no particular interest and I find that objectionable.

The second point I'd make - and it may be what you were hinting at there, Mr Rae, just a minute ago - that is your imputation in the report that we've only had token consultation with the industry. You were here, I think, while the clubs association was speaking. You may have heard from them that we'd gone to some lengths to visit particular clubs in New South Wales. We did the same with hotels. We had a round table at the beginning of the inquiry to which reference was made, and your members were participating in that and made a very good contribution, I should say. We visited all the members, all your constituents, and talked to them as well as the hotels and clubs. Maybe they were smaller in number than the others who were interested in that aspect.

In terms of the public side of this, the transparent side through the public hearings and so on, we had to urge you to put in a submission in the first round and to get that in. That submission was three months late and we held a special hearing so that we could discuss that submission despite the fact that it was three months late. We were happy to do that. Even though it was one submission, we were happy to talk to all of your members separately, as you recall, in a session that went from lunchtime through into the evening. We do no less for any others, but I find it curious therefore for you to accuse us of tokenism in our consultation of the industry. I would appreciate it if you could elaborate or comment on that.

**MR RAE:** Mr Chairman, I'm happy to. I know in the first round when we were talking with you, a number of times I made the offer to you that our clients were very keen for you to come and actually not just talk with them about the issues at a very senior level in the organisation but actually come and visit, if you like, their venues. Accepting that you may have done a superb job with the clubs, and the clubs are very happy with that - and I'm pleased for them that they are - but I think it is fair to say that my group of six - and I'm not suggesting that they warrant more or less than anyone else - they kind of feel that they were left out of it.

**MR BANKS:** All right, we'll start north, we'll start with Jupiters. We went to Jupiters, we went over the road from Jupiters with the senior executive of Jupiters. We then crossed the road and we started in the bowels of that wonderful building and worked our way up to the top; from the kitchens, from the laundry area where we were regaled with thousands of ironed shirts hanging up in large cavernous spaces. If we go further south from that, Star City, we did the same thing, and we spent a

considerable period of time there and also got the grand tour of that establishment - which I believe the Premier of Victoria cast unwarranted aspersions on, by the way.

We then went to Crown, another one of your constituents, and we did the same thing. We went up to the nicely decorated top floor and talked to the executive, and then we went down to the gambling area and walked right through that very large space and also went into the high-roller rooms and so on. I feel intimately acquainted with that building. We went to see Tabcorp and we had a discussion there. Admittedly we didn't go through the offices in that building but we are acquainted with the clubs and hotels in Victoria. I could go on. I really don't know what more you would have expected of us.

**MR RAE:** Mr Chairman, I'm not saying that you didn't go around and see these places, you obviously did. The question, I think, is the level of engagement that was involved in it. I am telling you what my client group told me. I wasn't at any of those meetings and I didn't particularly want to be at the meetings, it wasn't appropriate. But you can ask Tabcorp later today. I do know that Jim Hoggett in Sydney expressed a similar concern, and concerns have been expressed to me on the same point by TAB Ltd and Tattersalls.

I'm not saying that you didn't actually go around and observe the operations and see the staff at work and observe the gaming floor, it's a question of - I mean, one of the clients, and I won't say which one because I don't think it's appropriate, said to me when the inquiry first started, "I expected to be run off my feet with requests for information, with the need to discuss particular issues, with the desire to elaborate on things that had been provided previously, and basically the phone didn't ring." Maybe they had the wrong impression as to what was practical in the circumstances. I think a little bit of taking that lubrication into account by the commission may well have gone a long way to preventing this kind of view getting out and about. But it's out and about and it's real. The industry feels very left out, if you like, of the whole process.

**MR BANKS:** I feel sorry for them if they have that concern that they've been left out. But clearly you'd recognise that the commission's processes have to be, to the extent possible, transparent and to give equal access to everybody and let everybody see what everybody else is saying.

**MR RAE:** Of course.

**MR BANKS:** We stretch that as far as we can by in the early stages conducting visits on site and talking to people in an informal way. So in a pragmatic way we've judged that that's reasonable. But there's a limit to which that can continue right through the process of the inquiry without one side believing that we're getting a secret story from another side. I can assure you that that is the only reason - if we haven't been phoning Tabcorp every day and asking them and chatting to them - that is what I've had on my mind. It may well be that the industry finds it has got less access to this independent inquiry than it has had to other organisations or other

reviews that have gone on, I don't know. But I never gave them a false impression about the extent to which we could have in camera discussions.

**MR RAE:** The industry, I am sure - and I wish to speak with them, but it's not a question, if you like, of influence, it's a question of being able to show you the nature of their business through their eyes so you can understand better the commercial realities, challenges, situations that they have to deal with, so that they feel as though you have a nuance of understanding those things. If this was the only issue it wouldn't be an issue; I'd be quite confident of that. What I think is worrying people is some of the policy prescriptions, suggestions, findings - I'm not going to argue with you what inverted commas you put around them - are potentially quite intrusive and are going to have potentially a quite significant effect on their operation.

If they're not certain that you have that kind of nuanced understanding of it, they would naturally and reasonably be concerned that the kind of findings that come out of the report could be quite detrimental even if they were to accept entirely the objective that you're attempting to achieve with them.

**MR BANKS:** All right. I think we've probably talked about it as much as we need to.

**MR RAE:** Okay.

**MR RAE:** Mr Chairman, during my remarks you made a couple of comments, quite pointed ones, about how we misinterpreted the report and would we - you asked, I think - quote points in the report that line up with the points that - - -

**MR BANKS:** You said that we required absolutely perfect information before you could get an acceptable market.

**MR RAE:** Yes. I said I think you defined - I read you as defining an efficient outcome as requiring full or perfect information - I didn't want to quibble about whether it was full or perfect. That's what I thought I said.

**MR CUTBUSH:** Yes, but let me just respond with some specific page references that concerned that matter. It seems to me, as we say in our response document on pages 31, 32 that boxes 5.2 and 10.4 stop short of the economists' definition of affordable information.

**MR BANKS:** But they're requiring perfect information?

**MR CUTBUSH:** No.

**MR BANKS:** Because that's what you've said.

**MR CUTBUSH:** Let me give you the example. The discussion at that point in our response document, pages 31 and 32, explain the terms on which we complain there.

But the perfect information norm appears, as I can find it quickly now- at least in two places, at the bottom of 4.3, and the dot at the bottom of page 6.11, and in the footnote there's a reference made to Orphanides and Zervos which I should emphasise is an accommodation of the imperfect information situation.

**MR BANKS:** Could you read out for me on the bottom of page 4.3 the offending statement, so I can just understand what you're trying to get at.

**MR FITZGERALD:** At least we all agree that in the industry it's imperfect information that we're dealing with. Is that right?

**MR CUTBUSH:** I think there's no question about that.

**MR FITZGERALD:** From my point of view, as a very practical point of view - - -

**MR BANKS:** It has got a long way to go before it becomes perfect, I can tell you that.

**MR FITZGERALD:** Yes. I mean, whether this is perfect or not, the one thing everyone agrees with is the consumer has totally imperfect information in this particular - - -

**MR CUTBUSH:** As the consumer does on all the consumers' choices. It doesn't take us very far.

**MR FITZGERALD:** Yes. It is the level of that imperfection that causes us to look at some of the other issues.

**MR BANKS:** Have you found it?

**MR CUTBUSH:** Yes, I have 4.3 here. Would you like me to read that bit out?

**MR BANKS:** Yes, please.

**MR CUTBUSH:** "That all people are well informed and perfectly rational" - that's the phrase that I have underlined here in that paragraph, fourth line down, of the last paragraph on 4.3.

**MR BANKS:**

The prime difficulty with this characterisation of problem gambling is the assumption that all people are well informed and perfectly rational.

**MR CUTBUSH:** That is not the proposition.

**MR BANKS:** I think that's reasonable. I stand by that.

**MR CUTBUSH:** Okay. It's not the proposition.

**MR BANKS:** All right, so we're - - -

**MR CUTBUSH:** Can I just go to the other one.

**MR FITZGERALD:** No, we can't. I want to deal with some other issues for a moment, if I can.

**MR CUTBUSH:** Sorry. Look, the other - - -

**MR FITZGERALD:** Excuse me. Sorry. I am asking to move on to other issues. You can have a discussion a little later. Can I just move on to a few others. Thanks. If I can just go back a little bit - I just want to take up a couple of points. One is around the ethical issues, and I am grateful for the entire chapter devoted to ethics, because in the last few weeks we've been attacked for not having dealt with ethical and moral considerations of gambling by many sources.

I take this as your view that in fact that's right, that the commission in fact should spend more time in its final volume dealing with the broad notion of ethics not only, as you've put it, the ethics of consumer sovereignty in the marketplace, and I'm familiar with many of the quotes that you've given, but more broadly about what other people would see as the moral and ethics of gambling itself. The commission paid attention to it but didn't go further. Am I right to say that you would think it's appropriate for the commission now to broaden the ethical considerations in its final report, not just to those points you've raised here, but you would have to go through to many other issues of moral and ethical positions that have been put to us in the inquiry.

**MR RAE:** I don't think, Mr Chairman, given that you raised it and given that you believe it's the fundamental distinction, as I read your report, between gambling and other activities - that's how I read you saying that gambling is unique in part because it's seen as being a questionable activity.

**MR BANKS:** The difference between a fundamental distinction and us saying in part because it's perceived that way - on that point I think you've created a straw man in terms of the questionable pleasure.

**MR RAE:** Sorry.

**MR BANKS:** That is a point that we got from a senior executive. One of your client groups made the point to us. We heard it for the first time, as you know, when he said that society perceives gambling to be a questionable pleasure. We've mirrored his perception in our report because I thought it was quite interesting that a member of the industry himself would perceive it that way. I thought it was, in a



sense, aptly put to characterise a perception which did come through, as you indicate, in the surveys.

Having said that, we don't base our policy analysis on that. Our analysis is based on - and we can argue about what's a cost and what's not a cost - the costs that are associated with this industry as we look at the costs in any other industry. So it's not the ethical considerations that have driven our report - and, as Robert has said, we've been criticised for that, probably from the other end to you - there are people who believe on ethical grounds that this industry should not exist.

We have taken a stand against that view and, indeed, if we were driven by that it wouldn't explain why we had highlighted the benefits, the consumer benefits, the entertainment value, even though we may not have dwelt on it sufficiently for you, but why we highlighted that and why we also advocated a managed liberalisation approach to the Internet. That's inconsistent with us taking that kind of ethical position.

**MR RAE:** No, I don't think it is inconsistent. I think you can take the position that the activity is of a benefit to the consumer in the way that you've described it. Okay, as you say, we might argue about the absolute measurement of that, but you've broadly accepted the economist notion of valuing it in the eyes of the user, and we agree with you on that. You can also admit that there are ethical issues raised by gambling, as there are - I think one of the dangers here, and the danger I think is a real one - is that there are ethical issues in virtually everything. There's a danger, particularly if government is involved in the ethical issues in determining the boundaries between acceptable and unacceptable behaviour, that you end up often undermining civil society in its role of handling it. You also end up often giving the wrong kind of signal.

**MR FITZGERALD:** Can I make the point, I think you have misjudged the report in terms of trying to assume that it's come from a particular ethical or moral standpoint. But, irrespective of that, can I just make the point that you say in one of your pages that "In a free society economic freedom must be subject to a system of checks and balances," and it goes on. It is quite clear that in society the balance between government and civil society is always one for contention, it's contestable.

**MR RAE:** Of course.

**MR FITZGERALD:** But in gambling, like in other industries, the one thing that I'm sure you even acknowledge - and you do - is that there are harms that occur to certain groups, firstly, those who actually gamble and have problems and, secondly, those who are associated with that person - families, spouses and children - and thirdly we've identified time and time again, not only through the surveys but through public submissions and actually talking to people, that there are a number of other people affected. So if you have any activity where there is harm, and the market has not been able to deal with that, there is market failure, then one of the issues is: where does government play?

I thought our report tried to say that there was a level of harm - you can argue about the quantum separately - as a consequence of that there had been market failure and we also said there had been government failure, and now was a time to actually look at how you would in fact get that balance back into kilter, having regard to the harm that's been done. So I'm not sure that it is purely an ethical issue. Rather, it is actually identifying harm done to a group of people beyond the problem gambler and, if there is market and government failure, then how do we deal with that? I would have thought that's all this report is seeking to do.

**MR RAE:** So you don't see gambling as unique?

**MR FITZGERALD:** Gambling has harmful characteristics, as do a number of other activities - - -

**MR RAE:** Absolutely.

**MR FITZGERALD:** - - - for which we, as a society, constantly try to work out how we handle it. In alcohol, tobacco, driving - it doesn't matter - we deal with that. I think you're not correct in assuming that we've come from a bent that says gambling is unethical.

**MR RAE:** No, I didn't - sorry, I didn't interpret you as saying that.

**MR FITZGERALD:** There are others from whom we have received submissions who clearly say that position. But what I'm concerned about is that you use the ethical chapter in some ways I think to mitigate against the need therefore for governments to intervene to reduce harm. Or am I going too far? You talk about the tension with consumer sovereignty and paternalism. I think that's a nonsense, and I say that's a nonsense for the reason that they are not either/or. In fact consumers always exercise rights within frameworks, not paternalist frameworks, but if you want to use that term I'll live with it. Most of our decisions are based within some sort of framework.

**MR RAE:** I agree with that.

**MR FITZGERALD:** And gambling is no different to that. The nature of that framework changes having regard to the harm or the risks associated with that activity.

**MR RAE:** I wouldn't want you to assume that in my definition of consumer sovereignty it is in an absence of the law. The way it's characterised in I think the literature that you're well familiar with - Michael Novak would characterise it and I would certainly agree with it - that it's freedom under the law. In other words, it's the Scottish enlightenment, it's not the French enlightenment that we're talking about - the Continental enlightenment which is the tension between, if you like, anarchy and ordered freedom.

In that environment I think the issue is this: who is best placed to act as the primary moral agent in the community? I take it that what you are saying, without necessarily saying it's appropriate that it be done on an ethical basis, is to say there is in the community's eyes an ethical argument which you accept the community is holding to greatly restrict and tax gambling. What I'm trying to suggest to you is that there is a body of literature which suggests otherwise, written by moral philosophers and theologians.

**MR FITZGERALD:** Except if I can go back to the point that if you have actually harm being occasioned to people or you have harm being occasioned to people associated with those people, then there is a requirement for active intervention.

**MR RAE:** In every harm in the community?

**MR FITZGERALD:** Not in every harm. It's an assessment that we do. Here we've identified a significant level of harm. You can argue about the numbers, but even if you take the most conservative, which is 1 per cent of the adult population, which happens to be 140,000 people - if you take the most conservative assessment of those that are affected, it's at least three others, so it's a sizeable number of people even of those. Of course our figures are slightly higher. That's where I think that this report is disingenuous in relation to that issue. You seem to downplay the level of harm and therefore say that in fact governments just should withdraw. Here we are dealing with a situation where the significant others, the three to six to seven to 10 people who are affected, are not part of that decision-making process. I noticed your interesting term that you said, "Well, they can withdraw from the contract - -"

**MR RAE:** Or they can renegotiate the contract. They do regularly.

**MR FITZGERALD:** Well, that's not true. Children do not withdraw from contracts.

**MR RAE:** True.

**MR FITZGERALD:** Even spouses generally do not withdraw from contracts without enormous harm being done - not in all circumstances. So I just worry about this notion that the consumer sovereign isn't actually the only person affected in this arrangement. I don't think that area is given enough weight to here, and it's a very significant issue when you're looking at public policy.

**MR RAE:** The issue still is, as it is with information, can the government provide a cost-effective solution to the problem? If we accept that a problem exists, it does not follow, as I think you yourself say in some parts of the report, that the government is either the appropriate or the best agent to fix the harm, and that applies to the range of harms that occurs. I cause myself harm most days of the week just because of my level of uncoordination. I don't expect anyone other than my own family to try and do something about it and they've probably given up on me, so I'll just have to live

with it. I'm not saying that is the approach with problem gambling. All I'm saying is that illustrates the point that not all the harms in the community can be attended to and not all of the harms that can be attended to can be attended to by government.

**MR FITZGERALD:** No, but our report wouldn't lead to that conclusion. Our report would lead to the conclusion that where there is a small but significant group of people that are either at risk or harm, and another significant group of people that are harmed by the actions of that person, then public policy has a legitimate role. Whether that is encouraging self-regulation or regulation, obviously there's going to be argument about that, and we're happy to have that argument. But could I say that the intervention is - - -

**MR RAE:** Can I ask you then, what do you see - - -

**MR BANKS:** Just before you go on, you made that comment about bumping your knee and your family. I think that really trivialises what we are finding out about problem gamblers and the kinds of harms that they inflict on those who are close to them. We've heard again this morning - you might just like to look at the transcript - often the harm comes as a complete surprise. Problem gamblers are well known for being pretty deceitful and hiding the harm they're causing. Someone will wake up one day and find out that the house has been sold from under them or that the name has been changed on the mortgage. These aren't like bumping your knee.

**MR RAE:** I know that.

**MR BANKS:** These are things that are not for banter over the dinner table, but they're more fundamental things. Your view that this could all be internalised within the rational utility maximising household governed by implicit and explicit contracts I think just stretches credulity, quite frankly. I've got the same economics training as you, but I don't think we should try to make the world fit the textbook. I think one of the advantages and one of the developments in economics over the past 20 years has been to make the textbook look a bit more like reality. I think that a lot of that progress - and some of it you refer to yourself through articles - I think that's an analysis of transaction costs, all about the role of information, all of that is very important. You treat our report as if we've ignored all that.

**MR RAE:** No, but there are important places, with respect, where I think you have. If you let me look through the report to find the places where you don't offer total Nirvana but offer shorter than an economist's assessment of, say, affordable information, then I can show you where the words have slipped occasionally to let that happen.

**MR BANKS:** We haven't done a cost benefit on every proposal that we've got in there.

**MR RAE:** No, quite so. Moreover, on this point of contracts within families, it seems to me it's not simply us who are saying all this, you know. There are people

out there who have looked terribly hard at what happens inside families and inside extended families and they've asked themselves to what degree the various interventions we've made in a well-intentioned way over the last 10 or 20 years has really helped things. I would refer you simply to Barry Mailey's work of the CIS in Sydney for what I think now is an extensive block of literature on the subject, which worries over this very matter and has done for what I think now is about seven years. It goes to the heart of what we're saying here. It's not sufficient to find the harm, to find a role for government essentially, and civil society has a role which may well be better, and I don't think you'd disagree with that.

**MR FITZGERALD:** If you note that harm is continuing to be occasioned and the market and those within it - and in this case we would actually say many of the governments within it - have not been able to address that, then it is surely appropriate that you look at means of maybe trying to address that. If I just move it on from harm, one of the issues in this that I can't believe that industry contests is that there are very poor levels of consumer protection in this particular industry. People refer to the Trade Practices Act and what have you, but there is an acknowledgment that the information is in fact fairly deficient. We have an argument about what in fact consumers should be told. That's going on all the time.

We know that this is an environment in which fairly standard things are not necessarily present all the time. The clubs are responding to that, the hotels are responding to that. So even the industry itself has acknowledged that there is a case to be answered in relation to consumer protection, improving that - just ignore the harm minimisation. Your draft, however, does almost none of that recognising and I find that surprising.

**MR RAE:** No, you're misunderstanding, I think, what we're saying, with respect.

**MR FITZGERALD:** Indeed?

**MR RAE:** The way I see your approach is very much the government is the principal avenue and agent for addressing this problem. What I'm saying to you is that I think the government may well have an important role to play but it's not as the principal agent. A civil society, I would accept, may have a problem in the short term at least in addressing each and every case that you could come up with. I'm not going to challenge you on that. But the interesting thing, I think, for the inquiry and for you - and I think a very important issue for the community as a whole - is what support should government provide civil society in addressing these issues?

Look, let's take it out of gambling for a moment and say there are a whole lot of people out there who have problems that relate not just to gambling but to a whole lot of things. There is a high degree of personal stress, we all know, among certain groups in the community, partly because of what's happening in the economy, social changes and the like. They're in pain. They're hurting. There's no doubt about that. The issue for us as a community is can we really expect government to address most of those as the principal vehicle? Should civil society do it? If civil society isn't

doing it, why isn't it doing it? What's the impediment to civil society doing it? What is the impediment, if any, to the churches doing more than they're doing? What is the impediment, if any, to welfare agencies doing it? Are there impediments to the family because of the kinds of things you spoke about, Gary - information in the family, if you like?

It seems to me that is the rich issue for policy and the issues that you're looking at, I'm afraid are not - to be perfectly honest - going to do a lot to fix the problem. You may create rather large expectations of improvement - - -

**MR BANKS:** That's obviously something we can talk about, and we've been talking to a lot of others about it. That comes down then to the cost-effectiveness of different approaches and so on. I think we perhaps should just move on so we can at least raise a couple of the other points that we wanted to raise.

**MR RAE:** Happy to.

**MR BANKS:** I just want to mention briefly that I think you have - whether you have intentionally misrepresented this or not I don't know - ignored the fact that we have looked at the production side benefits in a way that is concerned with what are the differential benefits that arise from the liberalisation of this industry. Of course, if you take a snapshot of the economy and then you add up all the various parts of the economy then each of them make a contribution. That wasn't the point we were making. Maybe we could do more to emphasise how many jobs are actually currently within the sector, but I think we do that and indeed I haven't seen too many other reports on the sector that actually map that information - I may be wrong - for Australia.

We had Chris Murphy, who was acting as a consultant to the Australian Hotels Association, talking to us and he agreed with the commission's approach, and if you want me to I could quote from his report. I take it that by relinquishing the producer surplus concept you had in your first submission that you agreed or accepted that approach to the producer or production side gains.

**MR CUTBUSH:** No, what happened was we made a sloppy mistake of just throwing the tax in to reduce the surplus and saying, "Well, that's what that is."

**MR BANKS:** All right, I should say we're grateful for you then doing more analysis on the distribution of that tax between consumer surplus and producer surplus.

**MR RAE:** Which you see in a footnote or something.

**MR BANKS:** And we'll look at that.

**MR RAE:** But, I mean, presumably the argument might well be that you shouldn't throw all the tax in the consumer surplus either. I suppose the more you think about it, the better you get at this sort of thing, don't you?

**MR BANKS:** It could be as a tax. It's one of those - - -

**MR RAE:** We like to get on this sort of thing and - - -

**MR CUTBUSH:** That's why the draft report process - - -

**MR BANKS:** That's fine, and on that aspect, as I said, we'll take that into account and think it through.

**MR RAE:** Some people in the group we represent today, or have written a submission funded by, have been miffed by the kind of dismissal of the importance of the production side of things. They see themselves as real flesh and blood people doing a decent job every day and they don't need too much more dismissive sort of talk about them because they're getting enough of that already. That's partly what we're - - -

**MR BANKS:** But, again, I remind you of the context in which we looked at that, and that was prior to this report, this inquiry; the industry was making a lot of the employment gains that were derived from that industry. Now, you're shaking your head, but that's - - -

**MR RAE:** You know our position on that.

**MR BANKS:** Right, so we agree on that - - -

**MR RAE:** No problem.

**MR BANKS:** - - - that in terms of the position I put, that it's not industry policy that generates jobs, it's labour market policy and other policy that does that, and that's the point Chris Murphy was emphasising again today. I take your point. We may well have expressed it in a way that the industry found unacceptable and that we weren't emphasising enough the current slice of the pie that they're occupying.

**MR RAE:** Yes, that's only reflection - - -

**MR CUTBUSH:** That's a pretty important distinction, if I may say, in the presentation of a report like this.

**MR BANKS:** I make the distinction, I should say. What I'm saying is that we will look at the words and see whether we can make it even clearer than it was in the draft report.

**MR RAE:** That's fine. I accept that.

**MR BANKS:** The other point that I just want to make is in relation to the survey - and again, I think we're going to have to deal with this outside the session, or most of it - but in relation to the SOGS, the point was made that this is an outdated screen and it's deficient in a range of respects. I think we've addressed a number of those in the report itself but could I just make the point that the SOGS is widely used still. You, in your submission, give the impression that it hasn't been used for yonks. The fact is that in the past 12 months Rachael Volberg headed up with others the NORG study in the United States, and also a study in New Zealand and the United Kingdom, all used the SOGS.

Another point that you might be interested in, given that you see the DSM-IV as being so superior, is that in the case of the 1997 Oregon study by Rachael Volberg, the same authority, they used both the DSM-IV and the SOGS screen. The prevalence rate was 2 per cent with the DSM-IV and 1.9 per cent with the SOGS and identified a nearly identical group. If you want to have a look at that study we'd be pleased to direct you to it. So I think the point that you're trying to make there about this being a discredited old-fashioned screen is not correct. Indeed, it has been referred to in the Swedish study as the gold standard by which further developments are occurring.

We don't believe it is perfect and we have a box in there where we talk about the sort of strengths of weaknesses of it and indeed would encourage further developments, but we used it for some very good reasons. One is that basically most studies overseas and within Australia have used the SOGS. It allowed us to achieve much more comparability in our work, both with earlier Australian studies and with international studies, than we could otherwise have done, and that was quite important. But we also buttressed it with other screens, including the harms indicator that you refer to, and by self-assessment - which perhaps we can get on to in a minute.

Jan McMillen, whom you cite when talking about the SOGS - and I'd just like to quote what she said because she came along to our public hearings in Sydney. She said, "You know my views on the SOGS instrument" - and you know them, too, that she is sceptical about it and she's working towards improving the instrument. She says, "And I think you've done a great job in working with the existing tools in broadening the definition." She says, "I think where you provided researchers and policy-makers and communities with some useful information in that movement towards harms indicators." So she basically endorsed the approach we'd taken which wasn't totally dependent on just using the SOGS.

**MR RAE:** A brief response just to this question in the short run, hoping that there will be further discussion - we were wondering which of the two footnotes on page 615 we should believe in relation to the SOGS and its basis in DMS-III. It's clearly a difficult drafting process but at the one time it looks as if the commission itself has taken two views on the matter of just how good DMS-III is.



**MR BANKS:** We don't believe that it's a perfect instrument by any means. The standards that may be applied in theory to these things - I think unfortunately practice does fall short and it's a matter of us doing the best we can with the tools that are available.

**MR RAE:** No, but in one footnote you said it was the same, and in the next footnote you said it wasn't.

**MR BANKS:** We'll look at that footnote. I mean, it's a thousand pages. What I'm telling you is that we have given considerable thought to the screen that we've used and we've buttressed it with other screens which Jan McMillen - who is seen as an authority in this area - regards as providing a much more robust outcome. She also said in the public hearings at the time - because you were implying, I think, that we've overstated the number of problem gamblers. Unlike the United States we used a SOGS 5 plus, they use a SOGS 3 plus. If we'd used SOGS 3 plus we would have got over 5 per cent of problem gamblers in Australia.

**MR RAE:** I think that quote relates to the complexity of the causation process really. That's what it really all comes down to at the end of the day. I mean, you yourselves said "largely" but when it comes to the costs "largely" seems to be 100 per cent. The issue is how does self-assessment establish causality in a way which is appropriate for policy? No-one is arguing with SOGS as an instrument for professional use amongst psychologists and psychiatrists. It seems to me it's entirely appropriate that they develop those sort of screening mechanisms to identify and treat their clients. The issue is not that SOGS is poor for that kind of - that's the purpose it was designed, as least as I understand it.

**MR BANKS:** Yes, it has been validated outside clinical settings as well. Jan McMillen said, "I'm not surprised that the figures were as high as they were. In fact, I think they're probably higher. I agree with you, I think they're probably an underestimate. That won't be received well by some members of the industry." That's Prof Jan McMillen, who is professor, as you know, at the University of Western Sydney and heads the Australian Institute of Gambling Research.

**MR RAE:** Let me tell you that I was asked before the report came out what did I expect it to come out at. You were very close to where I said I expected it to come out, simply because you'd used the SOGS. You know, you could work out roughly where your numbers were likely to fall but I think from the point of view of the discussion it's not that relevant. I mean, we all accept that these things are not going to be the third decimal place of accuracy. The real issue is relevance for policy design and implementation.

**MR BANKS:** That's right.

**MR RAE:** That is the issue.

**MR BANKS:** And we agree with you.

**MR FITZGERALD:** That's right.

**MR RAE:** And whether it's appropriate for that. I mean, no-one is arguing its appropriateness for other uses. It has well established a track record there. I think it will continue to be used and improved as it's needed to be. The issue is can you base a very restrictive policy of taxation and regulation, with the extension of regulation possibly - that's how I read your report - the possible extension of regulation in the consumer protection and information area - on the basis of the confidence in the bill that's likely to attend to what SOGS tells you about causation. That's the issue. If you have confidence in that you are quite entitled to make your judgment. All I'm saying is I think public policy would benefit greatly if we had more than just a bit of judgment as to how good it is.

**MR FITZGERALD:** It's consistent judgment, I must say.

**MR RAE:** I'm sure you're entirely consistent. I have no problems with that.

**MR FITZGERALD:** I mean generally around the world. It's not inconsistent anywhere.

**MR BANKS:** I think we've probably used up all our time, but one point that you've raised is the divorce issue. You'll see that we discussed that earlier in terms of the survey's findings there, which we agree may well be an overestimate. We've already discussed that today, if you want to have a look at the transcript on that. You make some other references to adjustment of spend rates and so on for problem gamblers and non-problem gamblers. The short answer to that is they're not arbitrary, they're not differentially increased and we can explain to you what we've done there.

The other point that I was going to discuss with you is the infamous 21 per cent, as you described it, but since that's also raised by Tabcorp perhaps for economy of time we'll discuss it with them.

**MR CUTBUSH:** Could I interrupt and simply ask that we have a chance to explain to you some misgivings we have - at some point - about your handling of the rationalisation point. If you want to do that now, that's fine, but we could handle that later on.

**MR BANKS:** Sure. If you could put it on paper, that's even better. Could I thank you again for participating, for coming all the way up here, for producing the submission. We'll break now, please, before our next participant.

**MR BANKS:** Our final participant for the day - and I apologise to them for keeping them waiting - is Tabcorp. Welcome to the hearings. Can I ask you, please, to give your names and your positions.

**MS WUNSCH:** Tricia Wunsch, general manager, corporate affairs.

**MR GOODFELLOW:** Alan Goodfellow, executive general manager, gaming.

**MR BANKS:** Thank you for taking the trouble to appear and for having produced a submission for us. We've read it and we have some questions for you, but we will give you the opportunity to present it.

**MS WUNSCH:** I'd just like to start by thanking you for the opportunity to present again. We've made, as you've noted, a brief written submission and I'd like just to take a few minutes to highlight some of the key points from that document. Tabcorp is certainly pleased that the report identifies some of the value and benefits delivered by the gambling industry, including the fact that gambling is a valuable form of entertainment that's enjoyed by approximately 11.6 million Australians every year; that 5.7 million Australians choose this form of entertainment at least once per week; the recognition that the gambling industry provides opportunities for social interaction and recreation in an accessible and safe environment; and that the industry makes a significant economic contribution to the Australian community. I think the upper limit of that net benefit was estimated at 5.2 billion per annum.

However, we do feel that these benefits, not to mention many of the terms of reference, have only been given cursory treatment. We found that the lack of balance in the report and the reliance on anecdotal and, in some cases, unsubstantiated information has led to a report which is damaging to the industry and, in some cases, insulting to our customers, implying that they're not able to make rational decisions about how to spend their money.

Tabcorp believes that the economic and social benefits, while alluded to, are not duly recognised. The report does contain some inaccuracies and biased interpretations which should be rectified in the final report, most notably that Australia does not have 21 per cent of the world's gaming machines. I know we've been over this a million times and I think Alan is going to hop in and talk about where we believe the misinterpretation came from, but we found that to be quite damaging because, of course, once something like that is in the public forums repeated time and again - - -

**MR BANKS:** Could I just stop you? You just used the term "a biased representation". Would you like, in the light of my earlier discussion, to revise that term?

**MS WUNSCH:** Why don't I just continue and we can move on to questions?

**MR BANKS:** I mean in what sense did we - - -

**MS WUNSCH:** I suppose the most important thing being that most of the report is dedicated to problem gambling as opposed to gambling as an industry.

**MR BANKS:** All right, proceed.

**MS WUNSCH:** The other point we'd like to make is that any consumer protection measure should focus on identifying and assisting problem gamblers, something that we feel is very important, but they also need to be careful not to undermine the appeal of the product for recreational gamblers, who of course are 98 per cent plus of participants. One of the disturbing aspects of the debate that's been triggered by the report is that underlying it, although it often purports to be about problem gambling - which again we believe is a very important issue - is that it's really a criticism of all gambling as an entertainment choice. In other words, it is a moral judgment of more than 11 million ordinary adult Australians and how they choose to spend their entertainment dollar.

**MR BANKS:** Were you present when we had the discussion about the ethical issues and whether we'd taken a moral position?

**MS WUNSCH:** For part of it.

**MR BANKS:** All right.

**MS WUNSCH:** One of the surprising aspects of the report was the assertion that when gambling is over the chance disappears and there may be little to look back on as a pleasant or enjoyable way of passing time in exchange for the inevitable cost involved. The fact that our customers return time and again should be ample evidence to the contrary but we decided to ask AMR Quantum Harris to conduct an exit survey on our behalf, specifically asking gaming patrons whether they enjoyed their experience and whether they considered it value for money. 85 per cent of the respondents, including many of those who lost money obviously, found their visit to a gaming venue enjoyable or very enjoyable. In addition, the survey confirmed that gaming machine players considered that gaming venues provided comparable value for money to many other entertainment options.

The gambling industry provides not only a valuable entertainment experience but is also one of the country's most significant industries from an economic standpoint, which the draft report does acknowledge - the following information - that well over 7000 businesses are involved in the gambling industry, that 156,000 employees are involved, and the significant amount of state and territory taxes that are paid. But what it doesn't recognise is that a substantial proportion of the employment benefits are enjoyed by communities in regional areas. It seems unlikely to us that these jobs could be replaced by other entertainment and hospitality industries.

Furthermore, the vast majority of the economic benefits generated by the industry are retained within the Australian economy, unlike a number of other industries, and we've drawn a comparison with the cinema distribution industry, where we've estimated that about 23.75 per cent of the total industry revenue flows offshore, compared to about 1.5 per cent in the gambling industry.

I'd now like to touch on problem gambling and I would certainly like to start by making Tabcorp's position clear. We in no way attempt to underplay the seriousness of the issue of problem gambling. We strongly support initiatives aimed at assisting problem gamblers. However, the fact is that 98 per cent plus of Australians who participate in gambling activities as an enjoyable recreational pastime do not have a problem and their needs shouldn't be ignored.

**MR FITZGERALD:** Could I just remind you there - and I did this earlier - the figure of 98 per cent of gamblers is not right and it's occurring in all of the industry submissions. 98 per cent is 98 per cent of the adult population.

**MS WUNSCH:** Okay.

**MR FITZGERALD:** Problem gamblers represent 15 per cent, so we just need to avoid that figure because if you're having difficulty with our figures, this one is occurring. It isn't 98 per cent of gamblers that don't have problems.

**MS WUNSCH:** Okay. Tabcorp believes that estimates of 2.3 per cent of the adult population with gambling problems is not reliable. We also believe that initiatives are required to identify and assist problem gamblers and not to impact on the products which provide enjoyment to the rest of the participants. The South Oaks Gambling Screen we believe is subjective and consequently produces an overestimate. For example, many of the questions that are used in SOGS, if applied to other products, could reveal abuse problems with cars, restaurants, clothing. Also, the use of SOGS 5 plus we would question as well, rather than a higher figure.

But I would like to make the point, I think more importantly, that regardless of the measure used, all the research clearly indicates that a small percentage of gamblers suffer from problem gambling. Even if the suggested incidence of 2.3 per cent is accepted, it is similar or less than abuse levels of other products, many of which are more harmful to individuals and costly to society. For example, US research shows that drug abuse costs society more than 20 times that of problem gambling. Furthermore, it's important to bear in mind that, for example, most drugs have known health risks at virtually any level of consumption whereas gambling causes no harm to those participants that do not have a gambling problem.

Finally, it's the job of policy-makers to ensure that public funds are allocated according to the extent of the problem and that public policy is appropriate to the issue. We believe that the draft report does not adequately consider the relative magnitude of problem gambling. I'll hand over to Alan now, if I may.

**MR GOODFELLOW:** I'd like to then just take over and discuss the issue that has become common amongst a number of the people who are talking here as to whether Australia has 2.4 per cent or 21 per cent of the world's gaming machines. I recognise that it's been taken from the annual report of possibly Australia's largest maker of gaming machines. I tried to track that down.

**MR BANKS:** Track the annual report down?

**MR GOODFELLOW:** No, track down where it came from.

**MS WUNSCH:** Where the figure came from.

**MR GOODFELLOW:** I believe I've found where your organisation may well have got the number from. It says in here, "Aristocrat market share is of total unit sales in 97-99," and under that it says "21 per cent". So I wonder whether it's a confusion about the annual sales of gaming machines versus the number of gaming machines in a regulated market.

**MR BANKS:** They had two numbers, one related to Aristocrat's share, another one was Australia's share of the world total of machines. So I don't believe we're in confusion there, but we can look at it.

**MR GOODFELLOW:** I think there may be some confusion over wordage there and I just think that possibly outside of this you should endeavour to get clarity on it.

**MR BANKS:** Yes.

**MR GOODFELLOW:** Because it is something where I believe that most people operating in this industry want to be correct, want to be ethical, are proud of what they do and none of us really want to be doing things that are not seen as up-front and ethical.

**MR BANKS:** Yes.

**MR GOODFELLOW:** I personally feel very strongly about that, I might add. When you look at the numbers I can see where there may have been a misuse of numbers or a misreading of one particular word in it, but I think it needs to be delved into by your organisation with Aristocrat and with the consultants. I think it's the Gaming Machines Manufacturers Association who have got the numbers. I've personally chased numbers from other machine manufacturers outside of Australia and, yes, Australia does have debatably around about 2.4 or 2.5 per cent of the world's regulated machines.

There are a lot of additional machines in Third World countries such as China, Taiwan and Korea, Greece and Turkey that aren't on the list. But if you go into slot machines in America, Australia, Europe - AWP is in Europe, which is Amusement Machines with Prizes - and add them all up, you get a figure. If you then add in

Pachenko - and your people may or may not wish to debate whether Pachenko is a gaming machine but I personally believe it is because you get a prize and you redeem that prize for cash - I can very strongly argue that it's 2.4 per cent. I think it's something where, if you nominate somebody within your organisation to talk to two or three people in the industry, you should be able to come to, for your final report, a number that everybody is reasonably happy with as being a realistic number.

**MR BANKS:** Okay. Look, just a couple of reactions: one is that point about whether it relates to annual sales or not. We've looked very carefully at the information that we based our reporting on, which came from that annual report, and it related to the stock and not the flow. But it was interesting that they did refer to Aristocrat's share as well as Australia's share of the world stock and it was interesting that those numbers were comparable. So there may be something in there that is a problem.

Just to go on from that, we haven't given up on the 21 per cent and indeed what is interesting is that the information that has been provided through Crown, through their consultant in Canada, generates a number of 21 per cent if you exclude Japanese machines and the amusements with prizes and so on that are in western Europe. Whether at that time that manufacturer saw that as the relevant market for Australia of machines that were comparable to Australia's I don't know, but it's quite a coincidence that that number is 21.3 per cent. So we're finding a number of 21s and we'll have to track that all down.

The point I think is that, sure, the percentage is lower if you include other devices, but these other devices in our understanding - and we're trying to get more information - have lower loss rates; the Japanese machines have an element of skill involved and they don't have money prizes directly. You can get money but it involves walking around the corner, apparently, because gambling is illegal in Japan.

**MR GOODFELLOW:** I can assure you that, having travelled a lot to Japan on business, it definitely gets redeemed for cash behind the building.

**MR BANKS:** Yes, and certainly you couldn't lose 700 bucks an hour on one of those machines which, if you played an Australian machine at maximum intensity, you could do. So that could explain why the manufacturer excluded them from that initial estimate. We will look at it and try to indicate what the relevant shares are so that we're comparing like with like and we're not lumping the equivalent of bicycles in with Maseratis and calling them all transport equipment, because I think you would agree that that would be misleading.

But in terms of the market, we have some advantage in trying to analyse markets, so if we can get the information from the industry we would be happy to do that and do you that service. I should say that I've written personally to the chief executive officer of that gaming machine manufacturer and to AGMMA, and so far I haven't received a response responding to the question that I posed in those letters. I'll give you a copy of those letters as well if you like.

**MS WUNSCH:** If I could just add, though, I think one of the important points we're trying to make is that there is a lot of gambling activity going on equivalent to gaming machines. What you aren't going to find, or be able to accurately count, is the number of illegal or unregulated machines there are, and it's significant.

**MR BANKS:** I think a very good point ACIL made, and that you've made, is that in other countries where gambling is not legalised you have covert gambling going on, as indeed you had in Australia before there was legalisation of it. And we acknowledge that when we're talking about crime in our report that, you know, the counterfactual is very important. What would have been the crime in the situation when gambling was illegal?

I might just make one more point in relation to the data that has come to hand from that Canadian consultant to Crown. That is regardless of how you define these things, when you compare Australia to the United States and you look at the number of machines in Australia and the number of machines in the United States and put them on a per capita basis, we have five times the number of machines per capita as the United States, on the basis of the consultant's information that has just been provided to us. Now, that's quite interesting, but I agree with you that the question is, "Well, what does that mean?" in a sense.

**MS WUNSCH:** Yes, is it a problem in and of itself?

**MR BANKS:** If you look at our report I'm sure you'll find that we don't draw on those numbers anywhere when we're analysing the policy implications in Australia of the regulatory environment and what has been happening in Australia.

**MR GOODFELLOW:** Yes. I might add that part of the problem is that those numbers were seized on by some of the lobbyists - - -

**MS WUNSCH:** A number of politicians.

**MR GOODFELLOW:** - - - and by some of the politicians. Unfortunately I think your draft report has been taken by some people as nearly being a final report and it has been given excessive mileage in the press in some areas and, in one case, I think, before the embargo period on the document, all of which added a little bit of pain to some of the executives in the industry.

**MR FITZGERALD:** The real figure that we thought would be concentrated on, of course, is the figure that 35 per cent of gambling revenue comes from problem gamblers. That's irrespective of how many machines. The 21 per cent frankly, given one who understands what figures mean, was irrelevant to us completely. The actual figure of which the industry has not dealt with at all in any of the submissions is the 35 per cent of gambling revenue coming from problem gamblers. That is the figure that I think actually has the policy implications. The other point I raise with that is that we keep talking about the 2.3 per cent of adult population. The figure that really is interesting is that it's 15 per cent of non-lottery regular gamblers, on our survey,



that have come out with a problem.

In any policy environment, those figures start to have significant impacts and they are the figures we would have thought would be highlighted politically as well as by the industry. That's where we get the proportions. The number of machines in the world, frankly, is of little interest. Public policy should be driven by those other figures - and they are substantial. If you're saying, as our report indicates, that a third of revenue is from that particular group, that has very substantial policy implications.

**MR GOODFELLOW:** Obviously there are differences between the number of machines between the states. I must say that I run Tabcorp's gaming business in Victoria. There are strong differences between the states. The amount of control and the activities that are undertaken in Victoria, as far as addressing problem gambling as an issue, we have clocks in venues, we have advice documents in all our venues and in fact we actually have external people who go out and mystery shop venues to make sure that they have all of the relevant signage up and brochures for problem gambling in the venues. That's why, at the Melbourne hearing, I actually offered to take you to venues to show you how good our venues are. We're quite proud of them I might add. And the fact that we do, in our state, very, very actively pursue the issue of problem gambling.

Certainly we can't achieve everything that we want to with problem gambling, and maybe that's a suitable time to move on, in that we've actually done a comparison, which is in this document, of Western Australia to Victoria. Victoria has 30,000 gaming machines, of which 2500 are in the casino and 27,500 are in what we call a route operation or around the suburban and country area. Western Australia has none in the suburban and country area. It only has a small number of gaming machines in the casino.

We have produced a chart where we have actually gone through and SOGS 5 - I personally think that SOGS 7 or 8 is a more realistic measure because many people, even in this room, would be problem gamblers if they undertook the SOGS test I might add - but if one looks at Victoria versus Western Australia, under SOGS 5 Victoria has 2 per cent problem gamblers - I think the number is actually 2.01 - and Western Australia has 1.8 per cent problem gamblers. It shows that there is a point 2 of a per cent difference between the two states with 30,000 gaming machines being the difference.

You also come to the divorce rate. The divorce rate in Victoria is 2.6 and in Western Australia it's 2.9. Personal insolvencies in Victoria is 1.5 and 2 per cent Western Australia. Personal crime is 4 per cent in Victoria and 5.7 in Western Australia. Household crime is 7 per cent in Victoria and 14 in Western Australia. We're definitely using a base of Western Australia with a low level of gaming machines - that they have a higher level of incidence of the things that affect me as a person, and a realistic individual in the community, and you and everybody else - than the state of Victoria. The only thing that's slightly higher, and I might add it's 10 per cent higher, is problem gambling. I think we've got to be very careful because

we, just by chance, do have a base case available to us between Victoria and Western Australia.

**MR BANKS:** I agree. WA is an interesting comparison with Victoria and clearly they are trying to differentiate themselves in terms of their approach. But what you're saying to us though, I believe, is that the SOGS 5 plus cut-off is too low and indeed - - -

**MR GOODFELLOW:** I think in your report you're correct.

**MR BANKS:** We've heard that the representation of Tabcorp preferred a 7 or 8 - - -

**MR GOODFELLOW:** Yes.

**MR BANKS:** But if you look at a 7 or 8, and indeed if you've chosen 6 plus, the gambling prevalence rate in WA is one-third of that in Victoria. So with your preferred SOGS threshold, that comparison you think is so important, goes against the point you're trying to make.

**MR GOODFELLOW:** Yes, we're very open about these things, but if you use your numbers - and all we're doing is using the numbers from the report and from other people that we can get numbers from - if we use your SOGS 5 number it's 2 versus 1.8.

**MS WUNSCH:** But those other comparisons still stand - that the divorce rate is much higher in WA than Victoria, that all those insolvencies, personal crime, household crime. That's all we're saying is that if there is a strong link - - -

**MR BANKS:** Yes, but no-one is saying that these things are monocausal, are they? As an earlier participant, I think representing the hotels, was saying there are a number of contributors to divorce and to crime and these other things.

**MS WUNSCH:** Yes.

**MR BANKS:** What we've tried to determine is what the proportion related to gambling is through surveys. It's very hard to get that through just comparing outcomes in different states without qualifying them for the particular circumstances in those places. One place may be more like a frontier territory than another, and that may have an impact on the way people perceive crime and so on.

**MR GOODFELLOW:** It certainly is. The real issue is that we've got to be very careful that your report does not lead to where other people can use it in a biased manner. I'm not as concerned with your organisation as with the way the numbers are used by others at times.

**MR FITZGERALD:** Yes, but can I just make the point, some parts of the industry

have concentrated a fair bit on the numbers, yet when we spoke to the Australian Hotels Association of New South Wales in Sydney and I asked him - he was going on and on about the numbers - I said, "Well, what number of people with problems is a public policy issue?" He said, "One person." We don't have that view, I'd say. In one sense, I understand the issues you're raising, but from a public policy point of view, what is the figure where it becomes significant? I would have thought that at any level, there should be no disagreement, that there is sufficient people identifiable with a problem and others affected to have said, "This is a public policy issue." How you manage that issue is an issue, but it's not based on the numbers. I must say that I'm not tiring of your submission but it just seems to me at the end of the day, whether it's a hundred thousand - or 300 thousand may make a headline - but it doesn't impact upon the public policy perspectives, I wouldn't have thought.

**MS WUNSCH:** But part of our point is that we have programs in place. We recognise that there's problem gambling.

**MR FITZGERALD:** Yes, that's fine.

**MS WUNSCH:** We think it's important that it's dealt with. Industry has a role to play, government has a role to play. We're not arguing that there should be no public policy, but we're saying that the magnitude of the issue and the actual cost to society needs to be taken into consideration and that there hasn't been due consideration of a comparison of problem gambling with other issues in society, that we are often considered to be - - -

**MR FITZGERALD:** Can I just take you to the consumer protection issues and the harm minimisation issues. Firstly, the report doesn't lead to a banning of gambling of any form; it doesn't lead to a reduction in gambling venues or machines or anything, completely contrary to, say, the American study which actually says "Ban Internet" and is much more draconian. So I'm just curious as to what is so problematic about the measures that have been put - not all of them, but the majority of them. Would they actually cause such significant impacts on recreational gamblers and those sorts of issues?

**MS WUNSCH:** Yes, I think some of them would and I suppose the point that we are making in our submission is that many of the suggestions that have been put on the table, there's been no discussion about whether or not there's been an assumption that they would have a positive impact on problem gambling without really examining that, and also not looked at - an example is bill acceptors. There's been the suggestion that perhaps bill acceptors should not be available on gaming machines. That's an issue of convenience. This is a cash business. Credit is not allowed. The ATMs - which by the way in Victoria are located outside of the gaming rooms - do not, under Tabcorp policy, have access to credit, advances on credit cards. So it just becomes a question of convenience for people. This is a convenience for all gamblers. Would not having bill acceptors really do anything to deter problem gamblers? I suppose that's the question that I think we all have to ask.

**MR FITZGERALD:** That's the question we posed.

**MR BANKS:** That we posed and got some responses to that. But I think the point that we should make, you see, you're coming back again to the 2 per cent and saying why inconvenience the 98 per cent for the benefit of the 2, but that's why I think the point Robert made about the proportion - - -

**MS WUNSCH:** No, I'm questioning whether it would benefit the 2.

**MR BANKS:** - - - of revenue that comes from these people is quite significant because if a third of your revenue is coming from people who have significant problems, either moderate or severe, then it becomes quite a different issue as to whether, if those people disproportionately use bill acceptors - - -

**MS WUNSCH:** Do they?

**MR BANKS:** Which they do - then it becomes an issue as to whether that can be a targeted form of harm minimisation which passes a cost benefit test. So you need to look at it in that context as well. That's what we've tried to do. Now, we appreciate feedback as to whether we've got it wrong or whether indeed the cost benefit goes the other way, and we've had people tell us that some things are impractical or too costly and that's precisely the sort of feedback we want. So don't get me wrong, we're encouraging that feedback but you need to see partly our perspective in putting those things forward.

**MS WUNSCH:** Of course.

**MR FITZGERALD:** Because if you come to the point that every one of them inconveniences somebody, well, that's true. But at the end of the day, that's the balancing act. The mere fact that the majority might be inconvenienced in some way, is it significant? Is it insignificant to them? That's exactly the sort of debate I think we need to be having and working through. The work that's been done by all the people in the industry on harm minimisation is trying to move down that line. But at the end of the day you actually have to do things.

**MS WUNSCH:** We are doing things.

**MR FITZGERALD:** And they actually have to be practical in the venue.

**MS WUNSCH:** I mean, do you not recognise that we're doing things?

**MR FITZGERALD:** They have to be practical in the venue itself and in the design of the machines.

**MR BANKS:** We do recognise that you're doing things and again, we heard from the AHA Victoria who went through in some detail what you've got there, and again we'll look at that more carefully and compare it, for example, with what's happening

in New South Wales and in BetSafe and other arrangements there. I guess the issues are the ones that were raised by previous participants about the balance between, in a sense, self-regulation and a role for government, regulation or more prescriptive regulation. Again, they're the issues that we're trying to tease out. So that's the role of the draft report.

**MR GOODFELLOW:** I think it's important to realise that credit is not allowed to be given by the venue operators in the state of Victoria. ATMs, which we as a corporate policy state that ATMs in venues which other people operate cannot allow access of a credit card balance, right, but people can use their credit card as a debit card on a bank account or something like that. Keep in mind that it's there in the venue and people use the cash that they get out of those machines in the bistro, in the bottle shop, in the bar or, because a lot of these venues are seen as being actually safer than using an ATM at a bank, they actually come to these venues and actually just use it as a cash withdrawal facility because it's safe, there are people around, it's not on the street front. So I think we've got to be careful as an industry that we don't - and also yourselves as the commission don't overreact to some of the issues.

**MR FITZGERALD:** No, nobody is asking for an overreaction. In fact one of the points that Gary made this morning to one of the very earliest participants was that what our report highlighted was the appalling lack of appropriate ways in which policies are made and the submissions today have proven that beyond a doubt, that we need a better environment by which policies are in fact considered.

**MR GOODFELLOW:** I think in Victoria, because you have two operators of the rout operations and both of them have strong views on operating in an ethical manner, both of them had policies which differ marginally and they are vastly stronger policies than apply in other states.

**MR FITZGERALD:** That may well be the case. Just another point about the entertainment value, you have a survey which talks about the enjoyment value, and we've seen others and any information is valuable but one thing however I find - and maybe I'm overreacting to it - is that the commission perhaps didn't place enough value on that enjoyment. From my own point of view there is no doubt at all that the mere fact that we actually found a consumer surplus worth, you know, around 5 billion was an ample recognition of that whereas studies from other jurisdictions as you know, particularly USA, place a much lesser value on the enjoyment value. So when push came to shove and numbers really mattered, our report recognises that in a way that very few reports around the world have ever recognised. So I just find it a bit strange that the industry actually thinks we've taken a view that there's sort of no enjoyment at all in it.

But what is true is that people see that enjoyment in different ways. But we took the full lot, the full consumption and said, "If they spend it they enjoy the lot," and so we actually took a very - I'm not sure whether the word is conservative or progressive approach about that. Even for the problem gamblers, more controversially we actually gave them a very large level of enjoyment value and there

are many who would say the commission is being, as you know, far too generous in that area so our report in fact in world terms probably recognises that more than any other that's ever been produced, and yet the industry keeps almost talking as if the commission was sort of anti-enjoyment or did not recognise it.

**MR GOODFELLOW:** We as an industry may have reacted to some of the things that have been picked up by the politicians and at times used extensively and we've got to be careful that we have a balanced view on it in the same way as we expect your organisation to have a balanced view. As far as the enjoyment, we firmly believe that yes, we're in the leisure and entertainment industry. I didn't come into this industry three years - to seeing it as being a straight gambling business. It really is leisure and entertainment. We're out there pushing our venues to have better bistro facilities, improve their venues. There has been a lot of money spent in our venues improving the hotels and the clubs in Victoria, if one takes where they were six years ago.

Certainly the games that are being provided on the machines, yes, they are up to the moment things. Australians are really adopters of most forms of new technology. Yes, the machines that are being built by three of the leading edge machine-makers in the world, being Aristocrat, Olympic and Kenami, happened to be built in Australia and in fact one of those suppliers has recently been taken over by an American organisation and they're here. From a Productivity Commission point of view, we should in actual fact be encouraging those - the gaming industry as a leading edge for Australian industry. Things are happening and they are there and they are going to push more into world markets, but I'm not here on the Aristocrat or somebody else's part. But what they've done is they've produced games that have better colour, sound and speed too, which are the things that make it exciting for people.

But keep in mind that our games like that aren't our only volume games. One of our largest volume games is in actual fact keno. We pull our numbers out on a quarterly basis and keno in actual fact, or one type of keno, has 25 million game players in a quarter in our venues and people can play that machine. In this particular quarter it cost them \$9.40 per hour to play those machines. Yes, we have other machines where, yes, people can spend hundreds of dollars per hour if they want to aggressively go and play it but people can choose their level of expenditure that they want to have. You'll pay a motor mechanic or something more, to use a piece of equipment more than that but \$9.40 per hour is what somebody can go and play keno for in our venues and people get a lot of enjoyment out of that. We have a whole range of game types and styles of games that are available to the community. That's actually not there as a number, that's something that I actually pulled out and read up on the plane on the way up here but yes, it does vary.

We have absolute computer data knowledge because every game play in the state of Victoria has to be registered on our central computer. We can actually pull out numbers which could be useful to your organisation if you desired to discuss some of those issues with us because I can tell you exactly how many game players were in a quarter on the famous black rhino, which was in your report. In fact if I

take off one group of machines black rhino, in the quarter black rhino had 33 million game players and 10 million of those game players were winning. The people won at those game plays. So we can pull numbers out that if it assists you to have greater knowledge, we can do it.

**MR BANKS:** Well, we'll see where we can use that kind of data but that's quite interesting. Queen of the Nile is another favourite. I don't know whether that's one that Tabcorp is using but it's quite popular in New South Wales.

**MR GOODFELLOW:** Well, if you wanted me to digress - - -

**MR BANKS:** No, that's all right, we won't go into it. I'm sure you know more about your machines than we do.

**MR GOODFELLOW:** Yes. I might add that in Victoria, which we should cover off, the regulated minimum return to player is 87 per cent. On average over our network we are running at 90.1 per cent, which should really be a commercially in confidence number but yes, we actually run it above the minimum that's set.

**MR BANKS:** Okay. My colleague is looking at me as if I should be winding up but look - - -

**MR FITZGERALD:** Not winding up, just moving on to other points otherwise we will be winding up.

**MR BANKS:** This is relevant to the AMR Quantum survey that you talked about and we are quite interested in that. I mean, one explanation for the different kind of outcome may be that that particular survey was asking people about a bundle of attributes in the venue as far as we can see, but that may be wrong, whereas I think the other surveys were talking specifically about poker machine playing. That may or may not be right but it's my understanding of the way you presented the information.

**MS WUNSCH:** Yes, it was, "Did you enjoy your visit?" But again - and this is something that we probably haven't made clear enough, is that our marketing strategy has always been based on the fact that people are seeking an entertainment experience that is multi-faceted. They are there for the ability to have social interaction, they are there for the games, they are there for the food etcetera etcetera so we see it as an integrated entertainment option, and that's been worn out. That strategy has been proven to be a correct one by the fact that the ongoing renovations and improvements to the venues, not just gaming machines, has actually improved the performance of those venues.

**MR BANKS:** Well, look, if it's possible for us to get more information on that - - -

**MS WUNSCH:** Sure, I can give you the raw data from that. It was a quick survey but we've been given to understand that it is quite valid within - and I'm not a statistician but 5 per cent either way.

**MR BANKS:** No, you missed - we had one here before.

**MS WUNSCH:** Yes. He didn't conduct it for us.

**MR BANKS:** Look, thank you for that. If you could give us that information that would be very helpful.

**MR GOODFELLOW:** I think there is one other area that we should cover off. There has been inferences that we place our machines in lower socioeconomic areas. We actually can produce information, and in actual fact we have data there and in fact there is a newspaper clipping that we have which I could leave you with which shows the distribution of machines, and the number of machines in Victoria is 8.4 per thousand people, right. If you come to one of the cities that complains a lot, which is Moreland, Moreland is actually below the average for the state. So we do not target explicit areas. Some of it comes down to the power of the lobbyists and the media within particular areas and how it's used but we have 8.4 over the state.

In actual fact we probably have more in country areas than in suburban areas, yes, and we endeavour to balance it up and we endeavour to put machines where people want to use them, right, but we don't target the socioeconomic areas. Our best hotel happens to be in Caulfield which is, if you're not conscious of the Melbourne metropolitan area, certainly an upper middle class area. Our best club also happens to be in Caulfield, an upper middle class area, and they are the two venues separately in our hotel network and our club network that produce the greatest level of revenue.

**MR BANKS:** It has a famous racecourse as well.

**MR GOODFELLOW:** Yes, well, in actual fact the best club venue is at the Caulfield racecourse and the best hotel venue is fairly close to that as well. As we all should know, it is one of the more wealthy suburban areas of Melbourne.

**MR BANKS:** Are you saying that you have additional information on that that would help us tell a good story about - - -

**MR GOODFELLOW:** It's readily available and we can provide you with, you know, what is the distribution over geographic areas, and in actual fact a very easy thing to give you is actually a straight clipping out of the Melbourne Age of Wednesday 21 July - - -

**MS WUNSCH:** We can do that as well.

**MR GOODFELLOW:** - - - which actually shows you exactly how many machines there are per 10,000 adults and, you know, it's all there.

**MR BANKS:** Okay, good, thank you. As you know, we did have an analysis of that in our report. I don't know whether the implication is you think our analysis was



wrong but we can have a look at what additional information you've got and how that relates to what we present.

**MS WUNSCH:** Okay.

**MR BANKS:** Just one thing to ask you on the dual operator system, you mentioned it before. You make the point that the dual operator system ensures consistency in responsible gaming programs. I'll just give you the opportunity to comment on that and whether you think that Victoria is better practice in a sense in that than, say, Queensland or South Australia where the arrangement is quite different.

**MS WUNSCH:** Well, first of all I'd make the point that the first code of practice in Australia for the gambling industry was established in Victoria. I think that - well, the example we gave you earlier of the monitoring that we started, and it has just begun in the last year that we've set this policy that we'll start monitoring as part of our regular monitoring program of venues to ensure that they're displaying the problem gambling materials, so we've got the infrastructure in place to do that. I think that's a lot of it and we have the leverage. They have to sign the - as a condition precedent for entering into a contract with us the venues are required to sign the codes of practice. So on that basis I would say that we do. I mean, as far as I know in other states they're at much earlier stages. In New South Wales I think they're just beginning now to look at those sorts of things. I'm not aware of anything in Queensland and you may well know more than we do. We've certainly offered as a very small player in Queensland to participate in industry efforts to develop a codes of practice and nothing, as far as we're aware of, has been initiated so - - -

**MR GOODFELLOW:** I might say in our venues in Queensland we do require our venues to abide by the code of practice because, whilst it is a voluntary code of practice in Victoria, across the industry we as a corporate entity have embraced it to the point that wherever we are we apply that code of practice and require our people to participate.

**MR BANKS:** Where some clubs or hotels have lost their machines, and this has been an issue that's come up from time to time in Victoria where machines have been reallocated, what has been the main reason for that?

**MR GOODFELLOW:** We have a cap on the number of machines which is set by the government and yes, we originally entered into our licence with the government where we were going to get half of 45,000 machines, so we were going to get 22,500 machines and that was the point where the corporate entity as a public company paid a licence fee to the government. We have certain obligations that we had entered into with new venues to provide them with machines. It's one of the more difficult parts of my role. We have forward contracts for venues to provide them with machines. A new venue needed to open two weeks ago, needed 70 machines. We had no more machines available to us due to the cap that exists in Victoria, which does not exist in other states of Australia, and so to obtain those 70 machines we had to take machines from lesser performing venues. So we in the main endeavoured to take small

numbers of machines from many venues but yes, we have at times closed down venues where they really weren't performing and we put the machines into other people who can more successfully use them. I'll give you examples where we're taking machines out of one club in Gippsland where we have a higher number of machines in Gippsland than we need to, and we'll put those machines into another geographic area where there is a lesser number of machines. The two areas do not really have any difference in socioeconomic standing. Outside of this meeting we can provide to you the two examples.

**MR BANKS:** Okay. Would you envisage ever - - -

**MR GOODFELLOW:** But yes, by necessity we have to do it.

**MR BANKS:** Would you envisage ever removing machines from an establishment that wasn't complying with the code in terms of harm minimisation measures?

**MR GOODFELLOW:** I can give you - we had an application for an increase in number of machines by a venue. That venue produced an advert that was, in our corporate view, unacceptable and not within the code of practice. That venue was crossed off the list to have additional machines given to it and has been told that any future occurrences like that will be treated in a strong-willed manner.

**MR BANKS:** Okay, thank you.

**MR GOODFELLOW:** If you need the example, outside of this meeting we can actually provide you with and back that up with actual facts.

**MR BANKS:** Good, all right. Well, thank you very much for that. There are other issues we could have discussed but we probably discussed them enough today with other participants. So we are grateful for you making the trip up here to our hearings and for providing the submission and indeed you've made offers of other information and we certainly - if we neglected to take you up on such offers before, we certainly will take them up this time for the final report.

**MS WUNSCH:** Okay. Thank you.

**MR GOODFELLOW:** We genuinely volunteer that and we would in actual fact be willing to make certain of that, as much of that information as is possible, public information. There may be one or two things that we may say, "We'll give you this information but one or two numbers may need to be commercially in confidence."

**MR BANKS:** Yes, and we'd respect that. All right, thank you very much.

**MS WUNSCH:** Thank you.

**MR FITZGERALD:** Good, thank you.

**MR BANKS:** We'll adjourn the hearings now. We resume tomorrow morning at 9 o'clock. Thank you.

AT 5.44 PM THE INQUIRY WAS ADJOURNED  
UNTIL FRIDAY 1 OCTOBER 1999

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