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**TRANSCRIPT
OF PROCEEDINGS**

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 FRIDAY, 1 OCTOBER 1999, AT 9.05 AM

Continued from 30/9/99

MR BANKS: Good morning, ladies and gentlemen. If you could take your seats and we'll get started and resume our hearings here in Brisbane on the commission's draft report on Australia's gambling industries. Our first participant this morning is the Interchurch Gambling Task Force. Welcome to the hearings. Could I ask you please to give your name and your position?

REVEREND COSTELLO: Tim Costello, and I'm a spokesman and a member of the Interchurch Gambling Task Force.

MR BANKS: Thank you very much, and to the task force for participating in the proceedings. We've had a number of submissions from you collectively and have one here, which we've read, but give you the opportunity to make whatever remarks you'd like to make in presenting that submission.

REVEREND COSTELLO: Thank you. The ACIL report yesterday, on page 38, actually quotes our first response, where we congratulated you on the substantial research findings and said it's a timely and much needed work and that we feel that it supports much of the things we were saying anecdotally with some quantitative and qualitative research. I should say that that is still our view, although there are a number of things in our submission where we think the report needs to be considering other perhaps tightening effects, directions, and so it's not as if we're saying we're happy with absolutely everything.

Having made those comments, I should say because I suspect the ACIL report quotes us perhaps in a supportive, maybe in their minds collusive, way to back up some of the comments I heard them make yesterday. I just want to preface my reports before I go to the submission by saying that the tone of what I heard yesterday I found very distressing. I heard yesterday the commission accused of a lack of neutrality, I heard words such as "jaundiced", I heard the word "biased", which wasn't withdrawn by the Tabcorp representative, Tricia Wunsch. I heard the commissioner say that other words such as "dishonest" and "fraudulent" have been also in the submission.

On behalf of the task force, having said that there are lots of things in this report we do support and there are lots of things we don't support. I would simply say that I think those are very, very serious allegations that were made yesterday and not withdrawn, and the task force would want to distance itself from any attempt to undermine the credibility of the commission and commissioners. The nature of the attack in my view was a personal attack and on behalf of the task force and I'm sure my other members, some of whom I've spoken with overnight by phone, would want to say that those sorts of attacks must actually be both redressed, which the commissioners did, and people who make them must be held accountable.

I say that because I think this Productivity Commission research has been extremely significant, and if its credibility in a personal sense is to be attacked I think Australians will be the losers. I want to distance myself from them and condemn them in the strongest terms on behalf of the task force, and again I say that without at

all suggesting that we agree with everything that the draft report has said. Having criticised ACIL, I should say that I want to also congratulate them for raising the issue of civil society. I think that is actually a very important issue to raise. I think it is a philosophically important point to distinguish what is appropriate for government to do and what is appropriate for civil society in its fullest sense to do. In fact ACIL asked the question - and it's a good question - what should other groups, including churches do? What impediments, they said, are there to churches doing more?

Speaking as the church task force, I have to say one of the impediments to the churches and others doing more is the very attitudes of the gaming industry, the sort of attitudes that we actually saw indicated yesterday, the attitude that wants to caricature in a simplistic way those who speak about gambling as prohibitionists, as upset if they don't get their own way, as highly focused lobby groups, as wowsers, all of which the Interchurch Gambling Task Force has been characterised as. Since neutrality has been raised at least in a charge toward you and on many different occasions toward us, I want to put on record that there's not one member of the Interchurch Gambling Task Force that's a prohibitionist. As you'll see from our submission, we're not actually calling for the banning or even for the reduction of gambling. We are certainly calling for limits which we believe civil society is actually calling for and which we believe your research, which indicated that 92 per cent of Australians don't want any more poker machines, is also calling for.

I want to also put on record that the tags "prohibitionist", "wowsers", "lobby group" to marginalise our voice regrettably in past years have been joined with the premier of Victoria, who has called us un-Victorian and a whole lot of other names, so I would say to the submission of ACIL that government in terms of its interventionist role has been interventionist in, in our view, sometimes stifling the voice of those groups that make up civil society. Lest I am focusing just on ACIL alone, this is actually a tactic and a view shared by lots of others in the gambling industry.

Just this week the Australian Hotels Association, the national executive Richard Mulcahy, warned the Australian Medical Association to keep out of the gambling debate because it lacked knowledge of the industry. It didn't actually say, "We disagree with your findings" - findings by the way that the AMA said doctors are finding people who have gambling addictions living on pet food, a whole range of awful findings which I won't go into. The AMA can make those submissions. The point of the AMA and Richard Mulcahy - and the full press release was read to me by a journalist - was that they have no right to intervene.

AMA makes up part of civil society, along with churches, along with a number of other groups, and it is my view that, listening yesterday, there was a rather dangerous turn where ACIL didn't seem to understand their own fine point that civil society is a necessary restraining, educating, informing site for citizenship, family, for understanding the impact on gambling. They didn't understand it because in my view they didn't make any findings or make any contribution, which has been I think the main focus of the Interchurch Gambling Task Force to say that gambling corrodes

social capital. It actually runs down civil society. It actually spends a lot of the trust, the values that say hard work and saving is preferable to a quick return on the pokies or on the roulette wheel or at the lottery. Whilst those pleasures are entirely acceptable and we're not trying to prohibit them, they also have cultural effects. They actually have an impact on society.

It's our view that the attitude of the policy, whether it's the AHA telling the AMA to stay out or ACIL basically making personal attacks about jaundiced, biased and lack of neutrality, can only perhaps be understood - and I'm speculating here and I don't suggest that everybody ought to agree with me, but it seems to me that the gambling industry has enjoyed such protection. It has been so cosseted, it has such access to political power, that it actually has failed to understand that it has been the direct recipient of government intervention to now in many senses, certainly in Victoria, and civil society which it sees as the saviour, if you like, from government intervention has actually been undermined by the very approach that actually at times it has taken. Now, I'm not saying it has always done that but it has done it consistently enough - and yesterday was another example - to say that there has been a lack of understanding of the importance of civil society.

I also put on record, just so that it's beyond any doubt, that the churches in Victoria did not oppose in the main the introduction of poker machines. They were concerned about the impacts they might have, that there would be proper restraints, that there would be a proper community benefit fund, but they didn't oppose it. They said, "Well, it's happened in other states. It's probably going to happen here." They weren't prohibitionists and wowsers, as they've been caricatured consistently. Secondly, I myself, who have been I guess described often as an anti-gambling lobbyist, as if the Interchurch Gambling Task Force has enormous resources, as both a councillor and mayor of St Kilda, issues planning permits to establishments that wanted pokies.

I wasn't against pokies coming in. What happened for me, and it happened for the Victorian public with time, was a dawning recognition this was out of control, that this actually had run away from us, that it was devouring people's savings, their marriages, in some cases their lives, that it was communicating to civil society, if you like, to children, that shortcuts, a fast-lane approach in a gambling culture is actually - the only way you're going to be a winner in a culture where the worst thing is to be called a loser and you feel increasingly, if you don't have a win perhaps at the pokies, you are a loser. They're simply the comments I want to make in terms of tone and they spring from the ACIL report, and certainly it's a quoting of the Interchurch Gambling Task Force's - congratulations - which maybe I'm reading too much into it, but seems almost a suggestion that we are somehow collusive with the lack of neutrality they've alleged with the Productivity Commission's.

In terms of our report, let me just go on and make some additional comments. You've read it, and I won't go over it. We are certainly suggesting that self-regulation by the industry is completely unacceptable. Our report, from page 2 and then page 21 suggests that the industry is intent on maximising its profits, which means significant

intensive strategic promotion and stimulation of gambling. We believe the industry is not able to actually administer proper self-regulation. It is our view that the Aussie Anzac traditions of two-up and the fact that most people in the past had a flutter on the Melbourne Cup, that we love a drink and a bet, that cultural identity is tied up with this, has been fairly systematically developed by the industry to promote and stimulate gambling, rather than simply to meet unstimulated demand.

The term, unstimulated demand, was first raised in 1978 by the Rothschild Royal Commission in Britain. There, the commission said, "Yes," in the UK, and this was the approach finally developed in Ireland, "there shouldn't be any limit in civil society in people's freedom to gamble," which is a view we support. However, that should be unstimulated demand, rather than clearly developing that demand. So in Britain, and you are aware of this, the poker machines in Britain, there are only 45,000 jackpot machines that are comparable to Australian machines. They are restricted to casinos, bingo clubs, private members' clubs, with maximums of six, four and three machines. There are 118 clubs or casinos in London. They are small, inconspicuous venues, the advertising of which is restricted to factual information in prescribed publications such as tourist brochures and directories. Locals must give 24 hours' notice if they want to visit the clubs to gamble. The British Casino Association describes the clubs as niche-marketed.

I could go on and talk about the Irish situation also. Ireland, which as you know is the home of horseracing, and certainly has developed a bit of a gambling culture that the Irish Catholic links have here historically and culturally, tracing our love of gambling, have been drawn by many others. Similarly, strong limits on exposure, advertising, niche-marketing. It is our view that if the Australian industry, whose number of poker machines, for a start, whose access with monoliths like Crown Casino, open 24 hours a day, 365 days a week to just about anyone who wants to gamble, if the industry in Australia showed more of the understanding of the British and the European industry, saying, "Yes, people can gamble," but that's primarily to meet the civil object of meeting unstimulated demand, then self-regulation might be appropriate.

The nature of the industry is so different. The millions of dollars spent in stimulating demand in promising - and I'll come onto this with advertising - ridiculous things suggests to us that self-regulation is simply not appropriate. Secondly, in terms of self-regulation - Alan Giles yesterday talked about how self-exclusion is working and the code is working - that is not the view of the Interchurch Gambling Task Force. Some of my associates who work with me in Collins Street Baptist Church, where we feed 70 or 80 kids each day of the week, we formed a check list with venues. Just yesterday, they went to six venues in and around the CBD with questions that we developed about signage, whether brochures are available, whether there are ATMs, whether there are self-exclusion measures for problem gamblers advertised. I tender these now, and only one of these venues was the self-exclusion measures for problem gamblers advertised, only one. I'll formally give those to you.

MR BANKS: Thank you.

REVEREND COSTELLO: In my experience - the names of the venues are there, so that could be checked and the venues can answer that if they wish. You'll see other questions about brochures and signage. In our view, despite Alan Giles saying that 26 per cent of those who took out self-exclusion measures found out from the venues, we say it is very hard to find out. We say that the nature of the industry's advertising makes those problem gambling signage, brochures, self-exclusion measures buried by the very venues that have a direct interest in actually having people through and regrettably having through those who have the greatest problem-gambling issues. Because, as the commission has found, and this figure I think is the most staggering figure of your findings - it was the figure I alluded to when I wrote a piece for the Sunday Age the Sunday after the Productivity Commission draft report came down - 35 per cent of the industry's income, and I would say by extension 35 per cent of the government's income from gambling, comes from problem gamblers, which means that those people who by definition don't have free choice aren't the moral agents, by any definition, of rational agency theory, because they actually have problems, are addicted, that the government and the industry is literally living off those people with the greatest addictions, which makes, in a free society, the notion of this just being free choice very dubious.

Thirdly, and I've just referred to this on page 18 of the Interchurch Gambling Task Force, it talks about our views on advertising. It is our view that advertisers such as the industry do not spend literally millions of dollars on advertising because it doesn't work. They spend that money because it actually seduces choice, manipulates choice, stimulates demand where it wasn't there. Your own report has found in Western Australia that there is, apart from the industry - hotels and others - no public outcry for gaming machines. That's true just about anywhere in the world. This is actually driven by the industry, and I would submit to you that the only two groups that still want an expansion of gambling is state governments and the industry. Individuals don't - civil society, to come back to that term, does not want an expansion of gambling, and the suggestion that somehow particularly the Interchurch Gambling Task Force and others who are resourced beat up this story is a nonsense. It's a nonsense because Victorians and Australians have demonstrated again and again, though they want to gamble and like gambling - most do - they actually believe it's out of control. They've said it so many times despite, particularly in Victoria, the extraordinary convergence of the financial power of the industry and political power to promote gambling. Despite that, and despite, if I can say, the Interchurch Gambling Task Force, which the industry seems to regard as some well-resourced bogey, I just should say the task force has no paid members devoted to gambling at all. Every member of the task force is in a full-time job tackling other issues. This is extraordinarily part-time. So there isn't some sort of conspiracy theory that we'd had resources to maintain a line that has duped Victorians, and your own findings bear that out. Civil society doesn't want more gambling. Advertising restrictions that stimulate this gambling need to be limited, particularly in terms like investment. I was staggered to read in the ACIL report at page 13 their attitude that says:

The draft report displays a naive understanding of investment generally. No group of investors is guaranteed a positive rate of return, and disappointment at the end result is commonplace.

Now, for this to be put in a report where we all know with gambling you cannot win, and somehow it is on a par with other forms of investment, which certainly do break down. They talk about stock crashes:

Between 68 and 81, the annual average return to investors was negative.

But to put gambling on a par with other investment is simply a nonsense. If the industry - and this is the most powerful groups of the industry behind this ACIL report - are still trotting statements like that, it is proof that neither can they self-regulate, nor should they be allowed to continue running ads, as the TAB runs, represented by the ACIL report, showing people in a bar talking about 5 per cent return and someone says, "BHP, yes." "6 per cent return," someone says, "CRA." Someone then says, "100 per cent or 200 per cent return," they all guess, "No, TAB." When we took that complaint off to the Media Council, the Media Council ruled out our complaint, saying, "Well, people sort of know, I guess, and yes, perhaps they're using 'investment' a bit loosely, but." We say that is culturally unacceptable. It preys upon civil society. It undermines the very values that actually give restraint in civil society. The attitudes of ACIL in its report accusing your report of naive understanding of investment simply bear out what we're saying.

Finally, in terms of self-regulation, there are still just impossible links between the regulators and the industry. The code that was drawn up had as its first tribunal member and secretary, Jo Vander Graf from the Office of Human Services, who had been working in gambling. We were unhappy about that. She was seconded from the Office of Human Services as a secondment, not an independent appointment. The functions - and very fine person, I'm not making any personal aspersions - but the ongoing confusion between an office that's meant to regulate and an office that's meant to be the complaints tribunal, coming particularly out of human services, where I have to say we've had huge difficulties getting from human services through any of the groups they fund, Break Even, any research about problem gambling, because they aren't allowed to talk. That sort of confusion of the role between regulator and then being on the independent code being the secretary, it is unacceptable. It's evidence now that this, in our view, code must be regulated properly by government, be at arms' length and independent.

Moving on very quickly - my time's nearly gone - secondly, we believe, and page 27 of our report talks about this, there needs to be a separate research entity free from, as I've just indicated, regulation, where independent research is done. I have to say that the Productivity Commission's report is our strongest argument for the need for independent research. There has been millions of dollars been put into research by the VCGA in Victoria, but it has not produced the sorts of findings, which are absolutely critical, that your commission has found, such as that one about problem gamblers and their contribution to the industry. I'd very much doubt that the alcohol

industry has 35 per cent of alcohol drinkers contributing their profits. It seems to me that those who are very fine researchers, Jan McMillen, Mark Dickerson and others, are still caught a bit - and I don't question their research at all, they're fine people - but when their chairs are still funded largely by Tattersalls and Aristocrats, I can understand why Jan McMillen said, and I'm quoting your quote of her:

The industry may not like this, but I think problem gambling is higher.

I understand some diffidence about that, because at the moment most of the research being done fairly directly still is funded or is dependent on the industry. That's not to suggest a bias, but it is to say if we have learnt anything from the past, it is that the tobacco industry, equally powerful and monied, and holding a dominant part in the culture, did fund research. The one lesson we should learn from that, without impugning anyone's motives, is that totally independent research needs to be done, and our submission details that and I'll leave you to read it.

Thirdly, we believe that there must be community controls, local community control over poker machines, numbers and places. Pages 9 and 10 talk about this. The local communities are the ones that know best the impact of gambling upon them. They know best the figures. I was in a case recently, a liquor licensing case for the City of Banyule where, just as a man from Tabcorp yesterday said of Moreland, it only has less than the state average for the number of pokies, well, that was trotted out with Banyule. The difficulty was Banyule has rich areas like Ivanhoe where there are hardly any pokies and poor areas like West Heidelberg, where this venue was going to, that has an infestation of pokies, so the actual statistics are distorted. Now, it's local communities who know that. I'd be interested to see how the figures for the two biggest TAB clubs in Caulfield - which is, we're told, an upper middle class area affected by the racecourse and the number of outsiders who come in. I would suggest the local council is the best place to actually know that. In other words, we believe that because you have shown - you haven't proved but I think you have shown fairly persuasively that there is a direct link between accessibility and problem gambling.

If there was no link, by the way, it would be difficult to explain why Victoria graduated from being the state with the lowest level of per capital gambling in 1990 to being the year before - that was the year before pokies were introduced - to being the second highest in 1997-98. If, as the gambling industry argues, problem gamblers have problems with gambling whatever the gambling form, legal or illegal, it's hard to understand how with the introduction of poker machines the population who are problem gamblers was mostly made up of males shifted to almost a fifty-fifty male-female split. It's hard to explain how many of the exclusively male population of problem gamblers a decade ago changed sex if there's no accessibility and visibility issues. In our view, because you have established those links, local community controls are absolutely essential and they're essential to strengthen civil society. That is the tier of government that is closest, that is most responsive, that actually is best able to address the number of pokies and its impact and what it's doing.

Thirdly, on Internet we are worried about your liberalised management proposals. You'll see our views set out on page 26 where we recommend that finally restrictions on financial institutions processing betting, where we recommend that service providers can be declared to be legal. We are worried because Internet gambling does provide credit which other forms of gambling don't and that means that if you've got a loan a bit like I have with my house mortgage and can take up on mine and my wife's income up to another 130,000 out on that mortgage without any approval from the bank, then I can sit at home drunk, depressed and exposed to losing an awful lot.

Secondly, children will have accessibility. We know that children do model what their parents do and, thirdly, we know that new forms of technology create new problem gamblers as pokies did in Victoria with women. We saw a very vivid example of the connections in the Victorian election. The jeff.com site with 700,000 hits - mind you, the premier has discovered a hit isn't the same as a vote, but nonetheless 700,000 hits on the site. You could go off and play a grand prix game. On the grand prix game you could access straightaway a virtual casino from the grand prix game that took you to Lassiters and an off-site casino, straight in and you could gamble. The premier didn't do that deliberately, neither did his minders. He was embarrassed to discover the way the linkages connect with the most innocent things, a grand prix game and that took him to a virtual casino.

The final point I'd make and then finish is that this week I saw four different people. It's a bit of an atypical week for me because I actually don't do a lot in gambling counselling at all. If people come to me I refer them but this week four different sets of people. The first person on Monday was a woman who's lost \$400,000, the most I've ever heard of, from gambling, whose life is ruined, whose debts are enormous. The second was four children, the Petrovic family, whose mum got three and a half years for her defalcation and stealing from work, for her gambling addiction. She had no other addictions, no trouble with the law, she was a model citizen until she went to prison. Those kids we are still trying to feed and have the electricity bills paid and they are without a parent, their father is not on the scene.

The third person, a journalist, rang me distressed because her father had lost the five-generation family property and his wealth, western district property, through his gambling in the Mahogany Room. He continues to go though he's diabetic, though he's collapsed three times and had to have medication because he just drinks the cognacs that are served them. She was ringing to say, "We've approached the casino to try and have himself excluded, we can't get anywhere, he won't get himself excluded, we're desperate, what can we do?" The fourth person, and the most tragic, the wife of a 61-year-old man who killed himself in the car in the work carpark after his wife had found out just two days before that he'd lost \$160,000 and most of their assets and now the family house which she's about to lose on his poker machine addiction, and he took his life.

I just want to finish with those stories because it seems to me that this is where what I can only describe as the nonsense and almost the obscenity of this rational agency theory that family members can contract out really comes home. None of those people - well, in the first case there wasn't family members directly affected but in the next three cases, had notice, had any ability to actually contract out. I think you must consider third party rights in any recommendation you have and the Queensland Internet legislation, though I notice despite the treasurer being cleared the investigators are very critical of the probity issues of how this NetBet was awarded, but the Queensland legislation which hasn't, I think, been enacted in regulation actually talks of third party rights of self-exclusion.

This is critically important. It's critically important in a way that will restrain some of the tragedy I have seen this week. In civil society it basically means acknowledging, as we did I guess with gun control, although no people actually lost their guns, nobody is going to lose their right to gamble, that there sometimes, for the greater good and protection of others, has to be some limits, whether they're cash receptors, third party rights, whatever they are, limits on advertising. These are critically important in a civil society. Thanks.

MR BANKS: Thank you very much. You've covered a fair bit of territory there and we'll pick up some of those things and a couple of other things that you didn't mention that were in your submission. In one part of your submission you talk about the duopoly, I think in pages 7 to 8, in relation to gaming machines in Victoria. In your presentation there you talked about that short survey that you did in terms of compliance with the codes in the inner Melbourne area and so on, and you mentioned that only one out of six venues had self-exclusion advertised. What therefore gives you confidence in the existing duopoly operator arrangements if, in a sense, you're also being critical of what you observe as the outcome of that process?

REVEREND COSTELLO: This is a very, very difficult point for us in the Interchurch Gambling Task Force. We know, and we know it because I have people from the Australian Hotels Association ringing me up, their representatives, saying, "Our small pubs are losing their pokies because they're" - in Tabcorp's case they work it if you're in the bottom 25 per cent of comparative turnover - I forget the terms, there's a term anyway where you get a contract on comparative turnover - you get a visit, your business plan is looked at - it's euphemistically called a business plan which essentially says, "Look, what about more drinks, more free credits, more free food," of course food that people can eat just with one hand and it can't be food, it's got to be chips and things like that so it doesn't limit and slow them down - if you can get more turnover through this business plan, maybe you keep your machines; if you don't, even if you've got a 10-year contract, you lose them and they go to areas where there are a greater throughput. We know the duopoly is actually having that effect, in fact it is rewarding the worst practice. Those venues that are by definition more responsible actually often would slow turnover down. So this is a very difficult point.

But we are hamstrung by the fact that the contracts between the government and Tabcorp and Tatts won't be released. We need, we think, to actually see those contracts to actually have an understanding of what has been promised, what are the restraints upon them. We understand that the contracts that originally had a harsh and unconscionable clause in it, where Tatts/Tabcorp act harsh and unconscionably with venue proprietors has been removed so that those venues actually don't have appeal on that basis. We support very strongly a statewide cap and regional caps and strong proper regulation for gaming practice, and when we see that happening, if we can see the contracts, we may actually shift our position on the duopoly which certainly - and it's undeniable - does drive some of the worst gaming practice. But at the moment we simply don't have enough information.

We've argued in the report that Victoria now, due to this duopoly, has developed its own sort of culture around it which makes it difficult to say, as the clubs do elsewhere, you know, "It's fine. If you just let us own the machines, we'll be more responsible." I can see the argument for that but we just need to know a bit more before we plant our feet on that issue.

MR FITZGERALD: Okay, good, thank you. Just in relation to the statewide cap, we've heard a fairly strident criticism of the commission's report being used to put this so-called 10-year freeze on the cap in Victoria. As you say, you get this worst practice because of the way in which the cap and duopoly work together. The industry of course would say that if you look at New South Wales and Victoria in terms of problem gambling prevalence there's not a great deal of difference, yet there's a massive difference in the number of machines actually available. They use that as evidence that in fact the statewide cap in fact isn't achieving anything in relation to problem gambling but would also lead to the outcome that you don't desire, which is rewarding worst practice. So to what extent do you accept some of those arguments?

REVEREND COSTELLO: We don't accept them because - not totally - because New South Wales's development is so culturally different because pokies were only in clubs where there was a cultural quarantining effect: you sign in, you often go with family members, you understand there's perhaps a community benefit where you had a slow introduction with one-armed bandits, as they were called, which can't do a huge amount of damage compared to 15, 16 lines where you can lose, I understand, up to \$800 an hour now. That whole slow cultural introduction, in my view, means that the New South Wales situation with its widespread numbers of machines and similar rates of problem gambling prevalence, may be that there has been a better educational effect.

In Victoria the double bang of Crown Casino and pokies going into clubs, shopping centres or clubs in shopping centres, pubs simultaneously actually caused a very different effect and it was allied, and I simply cannot emphasise this enough. It was allied by an extraordinary state government cultural promotion of gambling which New South Wales, to my knowledge, never actually had. The person who occupied the most psychic and political space in the culture, the premier, literally

promoted gambling almost at every turn. Those variables, in my view, actually explain some of the problem prevalence rates. It is our view that if we had as many machines or more machines we would actually see more problem gambling. If we can find a way to unhinge the cap and the duopoly to actually not reward best practice without allowing spread, because accessibility by your own report says this creates more problem gamblers, we would gladly find that link, but at the moment we don't believe it's there.

MR FITZGERALD: Just an issue in relation to harm minimisation, we've heard from various industries that they are starting to adopt responsible practices and there are numerous codes of practice around. One of the issues that I raised yesterday was what does harm minimisation actually mean? There seems to me to be a divergence between what some in the industry believe is harm minimisation and what, say, the Interchurch and others have said is harm minimisation. What do you think are the key elements of harm minimisation; or, if you can, where do you think it differs from those in the industry? That's not to whether the codes work or don't work, and there seems to be a fundamental difference as to what needs to be contained in a harm minimisation strategy.

REVEREND COSTELLO: Well, I think we certainly start with the view which the auditor-general put very clearly with his players charter suggestion that there needs to be proper information. We start with the view that the industry - this is where we differ strongly - says people gamble really for recreation, for pleasure, not for hope of winning, though all their ads are actually about people winning, all of their ads just about are about people. Now, there a few ads that are about community, but mostly about winning. We believe harm minimisation has to actually start with the information of saying most people lost and they lose regularly and you need to know that.

Secondly, we believe very strongly that the industry must face the fact - well, the assertion in your report that 35 per cent of the industry's income is coming from problem gamblers and it must say there will be less turnover and less income if we practice proper harm minimisation principles which are proactive intervention of saying to people, "Maybe you shouldn't be drinking as much." Maybe alcohol shouldn't be served. "You need to have a break. You need to, you know, sit on the machine for a short period of time and then have a break. You need to take your winnings by cheque, not by cash, or not be able to cash those cheques." We believe the more restraints you actually place the more time you give for the moral agent to actually start to kick in, if that is possible then. So they would be some of the suggestions.

MR BANKS: You make one point in your submission where you talk about venue caps designed to avoid the construction of super venues and I think the Hotels Association from New South Wales anyway would agree with you there, and you say, "And the subsequent consequences in terms of lower duty of care." Would you just like to elaborate on that point because I think it crops up a couple of times in your submission in terms of the scope for harm minimisation in different types of venues.

REVEREND COSTELLO: Yes, I mean, in principle we would say that where there is a smaller venue, a more personal relationship between licensee and clients, recognition of issues that people have, being able because of relationship to speak into that situation or being empowered to speak into that situation because in venues it says, "If you are gambling too much the establishment reserves the right to ask you about that," which may seem a terrible infringement of civil liberties but in terms of actually empowering the licensee to intervene in a thing that's much more difficult to intervene than obvious drunkenness - I mean, as Alan Giles says, "All the licensees have done" - I forget the course, appropriate drinking courses or whatever it is. Drunkenness is much, much more easier to spot, as we all know, than gambling, problem gambling addictions because there is no outward physiological signs.

If there are smaller venues with smaller number of machines where the duty of care is established because of relationship and knowledge - and I guess this is what I was saying earlier of clubs, where you've got to sign in a little bit - we think there is more potential leverage there than the super venues which are really about anonymity and throughput.

MR BANKS: You made a point about the Internet and we do differ on that.

REVEREND COSTELLO: Yes.

MR BANKS: We clearly find it a complex issue and indeed we could have had a whole inquiry on that as the senate is having right now. You made a couple of points. One is in relation to credit on the Internet. My understanding was that credit controls can be applied to the Internet at least in terms of the domestic domain or regulated domain, and by extension to any overseas licensed providers under the kind of model that we put forward as a possible way to go. Indeed, we found that with the Internet there were in place through the draft code and other things that could be done, a lot more mechanisms for harm minimisation and prevention than we observed in the real domain and therefore in some respects saw that kind of approach as almost best practice that could be transferred to real gambling venues. Would you just like to comment on that.

REVEREND COSTELLO: Yes, we would accept that there is real things about the Internet and third party exclusion rights are a really critical one that can be transferred across and we would accept that. Our view, however, is that because the Internet is the most accessible - it's in your home - until we see those credit controls where maybe debit accounts are set up, you have to pay in a certain amount of money and we think that once one breaks others will break and financial institutions will maybe go with the flow there. Whilst we applaud Lassiters - I think it's \$500 a month and you've got to be in the territory to gamble, that's not the Victorian legislation and part of the promotion of the Victorian legislation was that we have the potential to get a slice of the Internet business, world global expanding business, which is the rhetoric in the language we've heard before; not meeting unstimulated demand, actually stimulating this demand. This is what concerns us.

We also believe that with Internet gambling the legislative framework which, I must admit I was a bit cynical about. I mean, here are the states who can't agree on a rail gauge or on just about anything, they sneak off at a conference two years ago and all draft up model Internet legislation framework which we heard very little about. We had virtually no input into it. I completely missed it and then surprise, surprise, legislation framework they all agreed on two or three years ago becomes the framework.

MR BANKS: But it's all right because some of them haven't met that framework.

REVEREND COSTELLO: That's right. I do think that the Internet framework is the forerunner to digital TV framework and I think this is actually much more worrying, the digital TV framework with 40 channels or cable TV or whatever, allowing you to bet on whether Shane Warne is bowling a flipper or an off break next ball; linking sport, linking gambling so intimately in the home with accessibility really is going to be an extraordinary worry. I just say simply if the US has actually taken a stand, why does Australia have to be world leader on this? If the US, the biggest continent, has actually said at this point, "We are taking a stand," it seems to me that Australia, as we've done in other spheres of life, can actually take a little bit of shelter instead of boasting about being the world first and getting all this right and being up-front which in my view has much more to do with cutting a slice of the business than simply saying, "We're just protecting people from Bermuda and Cook Islands and those shonky places." That's my view.

MR BANKS: It's certainly an area, as with many other areas in the report, that we'll be looking at again in completing our final report. Perhaps because we don't have much time - in fact, about three minutes, I think - one other question quickly. You make mention on page 12 about the possible use of Community Support Fund to support and encourage clubs - this may be a civil society point again - so that they need not rely on EGMs to ensure their survival. Could I take from that - I mean, is there a broader implication from that about your support for the use of gambling revenue as a source of community funding for big projects, for things of that kind. As you know, in our report we saw a much narrower role in relation to dealing with the fallout from gambling itself.

REVEREND COSTELLO: You see, we in principle agree with the terms and conditions of the Community Support Fund which actually says the first call on the fund shall be for gambling, for research, for all of that. We've been very critical, as has the Victorian auditor-general, of how little of it has been used for its first call. But we accept that there is probably going to be more moneys going into the Community Support Fund because of the size and appetite of this industry than just to actually meet perhaps the problem gambling issues. But if we're satisfied of that, in principle we don't have objection that they then go to clubs rather than reliance on EGMs. The difficulty we have is that there hasn't been community representatives on the Community Support Fund. It's the premier who literally has used it almost like a

slush fund and the amount devoted to problem gambling has been in our view far too little.

It is absolutely ridiculous that the VCGA, which has its own budget, has to actually await approval from the premier of funds from the Community Support Fund to do research and sometimes they have been made to wait a long time before doing that research. In other words, the fund, we say, has been used quite inappropriately. If it had proper representation who made sure the issues of gambling in the hypothecated tax sense were fully satisfied and there was income over, money over, we're open to that.

MR BANKS: One other point, because I just get the chance to mention each of them briefly, you say that we've looked at harm minimisation but not adequately at harm prevention. We didn't make a strong distinction between those two and talked about consumer protection in that chapter and it wasn't clear to me what we had left out so that on page 17 you ask us to in a sense move on from harm minimisation to look at the possible effectiveness of a number of harm prevention strategies. I'm not asking you right now to respond to that but if you wanted to perhaps catalogue the things that you thought we could give further consideration to, if you could come back to us on that we would appreciate it.

REVEREND COSTELLO: Can I say - and this is curious spilling from my lips - that I think part of the Productivity Commission's task now is actually to strengthen the hand of acting Premier Kennett. He, in harm prevention, is starting to actually take some very good initiatives and we're yet to see the detail but we've applauded him for them on ATMs, on banning advertising of gambling products. These are actually moves in the right direction and it seems to me it's been triggered by your report because you know his attitude toward your report initially. It needs to go further but it is addressing some harm prevention stuff that we'll come back to you on.

MR BANKS: Good. Did you have anything else?

MR FITZGERALD: Just the very final one which I suppose is the one that we can talk about forever is this conflict that the commission has to deal with between two ethical frameworks. As we heard yesterday in the paper about the ethics in the sense of a free market, the ethics of consumer sovereignty and so on, and the ethics that many, the Interchurch Gambling Task Force and others have presented witnesses about the ethics of gambling itself, the harmful impacts that it has on society, how do you think the commission should approach this, what appears on the surface to be a conflict of ethical considerations?

REVEREND COSTELLO: I think the commission has rightly said that gambling is not simply a neutral entertainment product; that it actually, whilst it can be enjoyed harmlessly by many, has damaging, hurtful effects. I believe that evidence is so overwhelming and it's overwhelming in other places of the world where, you know, there are limits being placed on gambling who gamble far less than us, it's almost as

if in this place our cultural history is being turned against us. It's interesting when you look at great gamblers like Frank Hardy and even some of Henry Lawson's stuff where they are talking about how gambling has been mythologised to actually hurt battlers, to really prey upon people. I think the ethics demand that we abandon this nonsense notion of the industry that it's just a leisure and entertainment product; that perhaps a few people who have problems anyway get hooked by.

I think you are right to actually say civil society doesn't believe that. Most people who actually gamble believe it has harmful impacts. From that flow then a whole lot of ethical consequences and other theologians from Niebuhr to Tillich to lots of others, besides Novak and Noyhouse need to be read to understand that yes, the state shouldn't do for us what we can do for ourselves. Most of us agree with that. But the state should act in cases where there is clear evidence that those who are addicted to a harmful addictive product are being perhaps preyed upon. Their prevention and protection methods are very important in the ethical framework there.

MR BANKS: I know you have a plane to catch. We appreciate your participation in the hearings, thank you.

REVEREND COSTELLO: Thanks.

MR BANKS: Break now for a moment please.

MR BANKS: Our next participant this morning is Mr Jim Stewart. Welcome to the hearings. Could I ask you please just to restate your name for the public record and just to indicate in what capacity you're here today?

MR STEWART: My name is Jim Stewart. I'm just here in my capacity as an individual who has been living in Queensland for a few years but got interested in the gambling problems after the publicity of your draft report and the media coverage of that.

MR BANKS: Okay. You've provided a brief submission noting a number of points, which we might talk to you about, but we'll give you the opportunity to introduce those.

MR STEWART: Thanks for that, because I did actually come along here yesterday afternoon just to get an idea what was happening and being here this morning listening to the previous speaker and they certainly stimulated me to think a lot more about these issues and I'm sure they have done the same for other people. I guess my first comment is I don't envy you the task that you've been set. I think cleaning the Aegean stables would be much easier to achieve, at least you know what you're trying to achieve at the end of it all, but what are you trying to achieve at the end of this? I think the point which I made in my original letter to the Sydney Morning Herald - and for those that are here who haven't seen that, it was responding to what I would call hypocritical articles about what should be done about the gambling problems, with particular emphasis on problem gamblers, and the letter which I sent off to the Sydney Morning Herald - as far as I know it hasn't been published - was under the heading Fewer Gamblers or More Regulators.

I guess that's been the concern that I saw at the start and I still see as a concern, that the focus can very easily move towards creating some new regulatory systems or extending those which exist and the focus on the individuals who get into trouble - the reality is it is only a few individuals who get into trouble, it's not the millions of gamblers as a whole - could change or not change so much. So I guess that's what I came from and that led me on to think I'm old enough now to remember the days when there weren't all these big gambling industries that we are so concerned about. There was SP bookies and things like that I remember seeing in the back lanes when I was a kid - and it seems to me that the problem has grown as these industries have been created.

I think somewhere in one of your reports it says these industries have only been created because governments have set up a framework which allowed them to basically have monopolies or duopolies or some other privileges which allowed them to build up these great industries and now of course they expect the same organisations and estates to protect those investments and I think that's - I'm hoping the federal government, which obviously doesn't have quite such the same interest in the financial side of gambling, can actually play a constructive role.

I think just a quick point, before you ask questions. I was here yesterday when

the contrast was made by those ACIL people - and I won't add any more to what was said this morning, I think most of us understood it and I generally agree with what was said by the Reverend Costello - but the contrast was made between a civil society and a free society. To my way of thinking, the choice is not between civil and free, it's between civil and uncivil, between free and unfree. For example, if the people who are running these industries which are causing all this problem gambling were civil they would accept some sort of duty of care for some of the problems that they are involved in. I think it was quite rightly pointed out that their advertising generates a lot of these problems. I don't know what the legal requirement is of them but, for example, if they believe in a civil society they know that it depends upon people taking responsibility and care for other people.

I don't know what the legal situation is there now, but if I was in the casino business and I wanted to demonstrate that I would advertise the fact that we have a reputable way of dealing with problem gamblers, we try to detect them and if we identify, that we have ways to first of all try and help them and secondly to prevent them coming in. Then of course you have the problem of is it a free society if problem gamblers can't come in and gamble. The answer is, where are they doing this free gambling? If they are doing it on the Internet, yes, you do have a problem. Basically that goes right back to the home. If you're doing it in a premises then obviously the owner of those premises can make their own rules as to who they let in and do things. They certainly throw out people who come in with machine guns and things like that, why can't they throw out people because they care for them. So I think that to me is a fundamental confusion that was created yesterday that it was a choice between a civil society and a free society. That's not the choice at all.

MR BANKS: Good, thank you. You made a couple of points there that you had a couple of questions about, just to understand what you were saying. First, at one point you in a sense recommended the commission get involved in initiating polls, as though we would have some ongoing role and I just need to sort of indicate that in a sense our involvement is time-bound. We provide a final report at the end of November and we'll move on to other activities. So you may have misunderstood our role in that respect.

MR STEWART: I probably did when I first wrote that but I don't know what limits on the recommendations you might produce. Obviously it wouldn't be for a finite reporting, an organisation like yours, to actually implement these things but in your recommendations you could say that some of these recommendations included things and what I'm saying would pretty much tie in with the previous speakers thing about doing things at a local level. I think the problems arise at a local level. They arise basically within families, where the families aren't able to support the people who are getting into trouble and then it goes on to churches or other local things and I think the lower the level you can actually find the solution to these problems the more likely they are to both work and be economical.

MR BANKS: Okay. A question that I had was under your comment on online gambling, where you say that - your last sentence talks about, "This competition

policy could hardly be opposed by those who so oppose other aspects of competition policy." Sorry, no, it's the one after that. You say, "Ultimately, the only defence, as with drugs, is reduction of gambling demand by those who can least afford and resist it." It was just that confused me a bit.

MR STEWART: Yes, I guess I was trying to make some points very briefly. I can try and expand on them. I think the advertising factor comes in there, that the demand is definitely created by first of all being there and secondly, people being made aware of it and being induced to do it, just like all the other things which we get attracted to, whether or not they may be good for us if we have too much of them. I guess you can make an analogy between gambling - I think it was made just before - and alcohol. The difference is that alcohol has been around, the same chemical substance, for thousands of years. Alcohol is a mental exercise more than a chemical or physical thing and the mental processes which stimulate gambling - I don't understand them, I don't know anyone who does, but obviously the technology of gambling is to find ways to get that mechanism going. This is in all of us, that we have some sense that we want to beat systems, that we want to achieve a win for ourselves.

The latest technology I've just heard of and I haven't actually played these machines which you can basically spend or gamble away thousands of dollars an hour. That's pretty remarkable improvement in the technology and if you then spread it into every home then where are we there? I don't think there's any real protection from that in the long-term. The good news is that we're looking at this problem relatively early and I think that gives us time to at least focus on the people who are still coming into it, the younger people, who are the ones already learning to use the Internet and are already familiar with the technology and they're the ones that need to get that understanding and care introduced in their life, just like I was taught how to manage alcohol. I can't say I learnt very well but I certainly learnt and I manage it better now than I did when I was a youngster.

MR BANKS: Just a question on your notion of publicly transparent voluntary taxes. Could you explain to me exactly mean by that? What are you actually - - -

MR STEWART: I don't have an exact mechanism but the concept is that if I go to gamble somewhere and I have to go to a place and have to put some money in, if when I put my money in I see some of it disappear straightaway and I know that's gone out of the gambling system, it's gone to the treasury of the government or wherever it might have gone, it might even have gone to the owners of the club for all I know, but as long as I know that's gone every time I put my money in, I see it disappear, and I've only got so much left to gamble with, that's going to be a pretty positive and real-time feedback as to what is happening to my money. Now, I know that's not the way it works at the moment but the reality is there's pretty much a formula - and obviously I don't know the formula but there's a pretty complicated formula that works out how much gets raked off to the government or whoever it might be who's raking it off, and if the gamblers could see that money get taken off up front then they would get that transparent feedback as to what's happened to their

money and they have now got so much less to keep playing with.

MR BANKS: Do you actually think gamblers care where their money goes other than it doesn't go back into their pocket?

MR STEWART: That's it, they don't really care where it goes, as long they know it's still there. If they had \$100 when they went in and they put the money into the system, right, when you buy your chips or when you put them into the poker machine, all of a sudden they are down 20 per cent or 25 per cent or whatever it is, they start to think, "Hang on, this is getting to be a bit of a mug's game," and they might try and find another way of gambling where it's not so much disappearing at the front. I mean, the industry could probably tell you - that's why I made my point - how well that might achieve the purpose which they say want to achieve.

MR FITZGERALD: The issue just in relation to the Commonwealth responsibilities, you make a point in one of your submissions to us, you say, "The growth of problem gambling over recent years has been largely driven by the Commonwealth government's policies in non-gambling areas." Could you just explain what you mean by that?

MR STEWART: That's certainly my assessment, and goes back, as I said, to having been around when gambling was not such a big industry and reflecting on it really stimulated by the results of your work and I thought really this sort of gambling industry, to my knowledge at least, started off in clubs, which are most of us are aware of, and clubs themselves didn't really see themselves as a growth industry, they were just doing whatever they did to look after their members, but I guess the thing that comes to my mind is the Wrestpoint Casino. My understanding - not based on having lived in Tasmania but having looked at it with hindsight - is that the Wrestpoint Casino was the result of the Tasmanian government wanting to generate funds which were theirs to use for their own purposes, rather than so much of the tied money which they were dependent upon for many years under the - probably still are but - that of course would have been - and I'm sure it was because I was actually in Melbourne at the time - very much part of trying to attract people from mainland Australia to go to Tasmania, enjoy the resort and the casino and all this exotic stuff which you didn't have in the rest of Australia. I'm sure it worked for Tasmania, but ultimately, as I implied in the submission, the rest of Australia started to realise, "Hang on, first of all, why is our money going to the treasury and the industry in Tasmania, why can't we keep it in our own treasuries and our own industries?"

So other states started to do the same thing and ultimately even the strongest states have realised that they had to be in it otherwise they weren't going to win it, they were going to lose it, and that's where we're basically at now except now they're going to the next level which is this international gambling which was always there to a certain extent but previously you had to physically go offshore to do it and now you can do it through the Internet.

I was interested to see that Centebet is getting most of their business from

overseas so it can be a positive thing if we come up with a very recognised and successful online gambling issue that does protect overseas users we might actually be able to compete with the ones which I've already said are the nasty ones but that's really - my point is - sorry, we haven't really got to your point which was that the reason that the state governments resorted to gambling as a revenue raising thing is that the whole tax system certainly over my lifetime has been focused on money going to Canberra then being passed back down and that's going to be reinforced by the GST and I think that's very much an issue even though it's not covered - and I'm sure you don't want to respond it. I think it's something the community would understand, once it's made clear to them, that the states went down this track to try and get financial independence from the Commonwealth. They have done it in other ways as well but this is one which is most offensive to most people.

MR BANKS: Thank you very much. I appreciate your participation in raising those points with us and the submission that you've provided to us. Unless you have any further comment - - -

MR STEWART: I could talk longer if you would like me to but I don't particularly - - -

MR BANKS: That's fine. I think we can - - -

MR STEWART: I'm quite happy to be available after too, if you want to clarify anything but I think one of the points I made too, is that I would like to see some of the people who have submitted their stuff to you and what you've now got as a basis of a network of like-minded people who might want to work at local levels particularly trying to progress things, whether it's done under the auspices of the commission or whatever you establish. So the first thing that you would establish is this communication so that you can provide the feedback to everybody, "This is what has been done by so-and-so and if you want to work with them and do things with them, these are the ways to get in touch with them," and I think that in itself has been a very positive outcome.

MR BANKS: Good, thank you very much. We're going to break now. We're now going to break, ladies and gentlemen, and our next participant is scheduled for 11.30. Thank you.

MR BANKS: Our next participant is Clubs Queensland. Welcome to the hearings. Could I ask you please to give your names and your positions.

MR MASSINGHAM: Thanks very much. My name is Damien Massingham. I'm executive director with Clubs Queensland.

MR WOHLSEN: Geoff Wohlsen from KPMG, senior manager, commissioned by Clubs Queensland to assist them prepare this response.

MR BANKS: Good, thank you. Thank you very much for participating today. You've provided a brief submission, but in it you indicate a number of what look like substantial studies that you have under way and that you'll be able to provide us soon. It will be very helpful to the commission to get that kind of input, so I'll let you go ahead and outline what you'd like to present to us.

MR MASSINGHAM: Thanks very much. I might just ask Geoff to provide you with some documents that we'll be referring to through our presentation so we're not jumping up and down. There's two copies of some tables and also some other documents there. If I could just give a brief overview, Clubs Queensland is the industry group, the association which represents over 600 clubs throughout Queensland. Today, as you have alluded to earlier, we'll be providing a verbal presentation and be referencing a number of reports and studies and research programs which Clubs Queensland has conducted, and we'll be providing that in our written submission in the next two weeks to the commission.

But today we'd just like to concentrate on three key areas, and they are: the economic and social benefits of the Queensland club industry, the responsible service of gaming of the Queensland club industry and also the issues arising out of chapter 20 of the draft report, being the mutuality principle. In relation to the first point, the economic and social benefits, we'll be making two points, and that is that the estimates of economic benefits made by the commission on gambling are conservative and Clubs Queensland will be producing evidence that the economic benefit to Queensland is in the range of \$1.2 billion. The commission's view on the social impact of gaming in clubs is limited and does not fully recognise the full extent of the social benefits associated with clubs in Queensland.

In relation to the responsible service of gaming, we'll be acknowledging certainly that there is a small percentage of the population with a problem with gambling. However, we will argue to the commission that the most effective way to deal with responsible gaming is by industry self-regulation. On the third point, the mutuality principle, Clubs Queensland was certainly surprised that this draft report released by the Productivity Commission, a body which has historically been known for providing quantitative research to support its findings, seems to lack in its evidence in this matter. We will be providing evidence to challenge all of the assertions by the commission in this chapter.

If I could move on to the first point, being the economic and social benefits of

the club industry in Queensland. The commission states that the economic benefits of gambling in Australia is between 5.4 billion and 6.3 billion. As I mentioned earlier, we believe that this is a conservative estimate, and I suppose if you use the particular figures that I have spoken about from the economic impact statement, that figure is \$1.2 billion to the gross state product. The report I'm referring to is - - -

MR BANKS: Could I just say there that you're not comparing like with like. You were just telling me - - -

MR MASSINGHAM: I appreciate that we're not comparing apples with apples there, but in our case it's impossible for us to do so. But I suppose we're putting up a figure that is an independent figure put up by KPMG in our economic impact statement, which just shows the value of the club industry to the gross state product.

MR BANKS: That's good, and that will be useful because, as you know, we've provided an aggregate picture of the gross contribution in that sense, so having more information from Queensland will be useful.

MR MASSINGHAM: That full document will be provided to the commission. Also in that document it goes into great detail about employment figures in the club industry in Queensland. It states that 18,000 people are directly employed in the club industry and that when including indirect employment that figure is increased to 23,000 people. That's one in five of all jobs in the sports and recreation sector. In relation to capital expenditure, the projected capital construction program for a sample of 171 clubs in Queensland was \$170 million for the next five years. In relation to social costs, the commission has said that it's at least 1.1 billion or up to 5.2 billion annually. Clubs Queensland believes - and I'm sure you would realise without us telling you - this is a very large range, and it would difficult certainly to make an informed decision when the range is so large.

In this document we go into the social benefits and impacts of the club industry directly on the Queensland economy. The economic impact statement shows that discretionary contributions in 98 were \$79 million. That was a break-up of \$35 million in cash and \$44 million in kind. In percentage terms that was 18 per cent of the total net metered win of gaming machines in clubs. If you add onto that the actual taxes and levies paid by clubs to the state government, which was 133 million - and as a percentage that's 29 per cent of the net metered win - all up the 29 plus the 18 per cent is 47 per cent. So nearly half of the total net metered win of gaming machines in clubs goes back either directly or indirectly via the government to the community. As I said, all these figures are in the document.

MR BANKS: Okay. You have us sort of at a bit of a disadvantage. I mean, if you'd given us the report earlier I mightn't have to ask the question, but in terms of the 18 per cent how was that broken down in terms of, for example, contributions to members, in-house, external, members, non-members?

MR MASSINGHAM: I might hand to Geoff to probably respond to that.

MR WOHLSEN: The figure of 79 million is made up of 35 million in cash to external community bodies or associated community bodies. So, for example, it doesn't seek to include the benefit to members in car-parking or providing a bus to get home and that sort of thing. It's more by way of maintaining football fields, providing jerseys, providing direct donations to sports clubs and to community organisations. The \$44 million is a value in kind. It seeks to actually place a value on all the in-kind contributions made by clubs to community organisations. That was based on a survey of 171 clubs. We in fact surveyed the full 640 clubs in Queensland with poker machines. We received a response from 171 and some of those responses were quite detailed. I think Damien is going to outline the response from one club in particular, and I think we've got a copy there for you to have a look at.

MR MASSINGHAM: That's correct, and if I can actually just go straight onto that. We provided the commission with a page in front of you which provides the details of one of our clubs on the north side of Brisbane, Kedron-Wavell Services Club. It's there in front of you so I won't read it word for word, but just in summary those figures are last year's, 1998 year. As you can see, they are redeveloping the Chermside swimming pool and constructing a new library. They're also developing a synthetic hockey field, which is - last year the contribution was \$1 million. They put \$467,000 into the Shaw Park sports field, which is a field that accommodates 16 sporting teams. As well they put in kind support back into the community in the area of \$316,000 and cash 44,000, a total of \$1,827,000. We'll also, as I said, be providing that in detail to the commission in our written submission.

MR BANKS: Good, thank you.

MR MASSINGHAM: Also I'd just like to highlight to the commission - I've given you a summary document, the glossy brochure that I've given to you. That actually is a summary of the consumer research that Clubs Queensland undertook last year with the assistance of CMP Marketing. We'll actually be providing the full detailed analysis of that to you in our written submission, but that does give you an overview and a summary of it. But if I can just highlight some of the points in that survey.

The survey was of 1713 members of the public. I think it's important to point out that these were consumers. We're not asking our mates. Those particular members of the public have said 82 per cent of respondents agreed to the proposition that the club industry is vital for providing funding for the provision of local sport. 76 per cent of respondents agreed that the clubs cared about their local communities. 87 per cent of respondents agreed with the proposition that clubs provide vital employment and tourism opportunities in local economies, and 86 per cent of respondents agreed that clubs provide a safe environment for socialising.

I'd just like to also point out that when you just open it up there it gives the reasons for why people actually attend a club. The number one reason - in fact, two-thirds of the respondents nominated meals and dining as the main reason for visiting clubs. The second was socialising, the third was using the sporting facilities

and the fourth was actually to play gaming machines. In relation to that particular data I won't go into a lot more detail on that but just to foreshadow that we will be providing the full detail, as I said, in our written submission.

MR BANKS: Were there two surveys? Was there one survey of members and another survey of the community?

MR MASSINGHAM: That is correct, and we'll be providing both of those. There were actually three studies. We did one of community groups, 100 community groups; we did a study internally of our clubs; and we also did a third study of attitudes and intention to purchase of the general public.

MR BANKS: Good, thank you.

MR MASSINGHAM: So, in summary on the economic and social benefits of the club industry, we, as we have shown, have conducted extensive research and we will, as I said, be providing those. This data conclusively shows that the club industry provides a major contribution to the economy and the community.

MR FITZGERALD: In the data you're going to provide us, do you do a comparative analysis between the amount of community benefit broadly defined vis-a-vis taxes not paid? In other words, do you actually say, "This is what a club would have paid in taxes had it been in private enterprise," and then said, "and against that this is the community benefit"?

MR MASSINGHAM: I'll hand that one to Geoff.

MR WOHLSEN: The report that we can provide, the economic impact assessment, actually provides if you like a profit and loss statement for the club industry of Queensland as a whole. It details the revenue from different sources in total, cumulative revenue, and it details the major expense items. So you actually do get a net profit figure before tax. It's certainly able to be calculated, and from memory I think the net level of earnings per club is in the vicinity of around about 100 and - I'd have to refer to that document, I'm sorry. But I guess using corporate tax rates and adjusting for imputation you can get - - -

MR FITZGERALD: It's just one of the issues that of course the Hotels Association raises consistently: that on the one hand we hear about the benefits from the clubs - and nobody doubts there are significant benefits - but very rarely do you actually see that compared against taxes not paid. They produce figures, as you will be well aware, in their submissions, and I was just wondering whether that might help that. Otherwise you've got one set of figures and on the other side you haven't the set of figures.

MR WOHLSEN: I guess we'd be making a point later on in this submission that the commission has estimated that the tax foregone to the federal government is 100 million or thereabouts, and we'll be making some points on that conclusion. But

certainly we could apply the same methodology, calculate the tax foregone in the Queensland market and provide that in our written submission.

MR MASSINGHAM: I'd like if I could now to move onto the second key point in our submission today, and that is the responsible service of gaming. As I said in my introduction, the club industry in Queensland certainly acknowledges that there is a proportion, and a small proportion of people, in our society that does have a problem with gambling. The commission has found that that percentage is about 2.3 per cent nationally and in Queensland 2.5. I think it's important to point out, though - and, whilst it seems very simple, the media seem to certainly miss this point - that that 2.3 per cent is versus the 97 per cent of people who don't have a problem. I have to point out that this is a report into gambling, not a report into problem gambling. So, whilst I appreciate the commission can't tell the media what to print, we just want to make the point that certainly the theme in the whole report seems to be on problem gambling. There's a stronger theme on the negative side rather than the positive side.

MR BANKS: If I could just comment on that, I suppose the proportions of our report - the number of people who have referred to that I suppose reflects in part the state of information that's around. We've put together quite a bit of information on the benefits, on the nature of the industry and so on, but it was in the area of problem gambling that a lot of the social impact concern arose and where we felt that there was a need to do more work to get to the bottom of it. So it simply reflects that. I'm not sure that we could have written that much more on the other side, and people have brought more information about the production characteristics and that work that you've done, and I'll certainly take all that into account. So that's what it reflects in part.

The other point is that our analysis and the analysis of other studies indicates that, while problem gamblers may constitute only 2 or 3 per cent or between 1 and 3 per cent in a range of different studies of the adult population, they loom much larger in terms of the revenue to the gambling industry. We found about a third, so a third of the market is comprised of these individuals who have significant problems with their gambling, stemming from their gambling. So that again puts it in a somewhat different light.

MR MASSINGHAM: I appreciate the commission's points. I'm not a psychologist or an economist, I must say, so I'm not going to start arguing with anybody. But I know that AGMA and other industry groups have pointed out that they do question some of the figures that the commission have estimated and certainly the evidence from clubs in Queensland did not see that the majority of income from clubs is from problem gamblers. We simply have no evidence to show that at all.

MR BANKS: I think what we've heard from the clubs is that they can't tell a problem gambler from one who's not a problem gambler, so it's a bit hard in a sense therefore for you to have the evidence if that's correct.

MR MASSINGHAM: I'll just be going on now to actually show you how clubs are

dealing with responsible service of gaming. I think, as I said earlier, that the industry has recognised that this is an issue and they've actually been addressing this particular issue for many years. Clubs Queensland actually provides training and we have a four-hour workshop for staff in clubs. That goes into many things: identification and assistance to potential problem gamblers, the provision of assistance to family and friends; the process and procedures for ensuring referral to counselling agencies is dealt with correctly and sensitively explained to family and friends. There are formal procedures for barring a customer from gambling and procedures to be followed if that bar is broken.

I also have to point out that the vast majority of clubs in Queensland go to many other initiatives and procedures, and I won't detail those because they will be in the written submission, but that includes signage and brochures, assistance to patrons and family members, and Clubs Queensland has worked very closely with groups such as Break Even and other counselling agencies to ensure we do our best to ensure that we are meeting our responsibility.

To that point we've actually been proactive - we're always proactive but in particular in the last few months we've drafted a responsible gaming policy. This policy is very comprehensive and includes a club code of practice. That draft responsible gaming policy is in its final stages, and after final consultation with clubs and other relevant stake-holders we will be providing copy of this draft policy to the commission.

But this leads me to probably the one vital point in relation to responsible service of gaming, and that is that Clubs Queensland and the full industry believes that self-regulation is the most effective way to deal with the responsible service of gaming. There are many reasons behind this but, in general terms, if the policy or the regulation behind gaming is owned by the venues - in this case, clubs - it will have far more sense of achievement, it will actually have a better chance of being implemented, when it's actually coming from the ground up. In the same vein, local clubs are very close to their community and close to their patrons, and they are very responsible in no matter what service they provide but in particular certainly in gaming.

Finally, if we went down the path of legislation for enacting responsible service of gaming, it would lead to an absolutely legal nightmare and the only people who would be happy is the barristers and solicitors. It would become certainly very burdensome for all parties. So, whilst the club industry is very responsible and takes certainly the high moral ground on this issue, we believe we should continue to do so in a self-regulated manner. In relation to the draft responsible gaming policy, we'll prove that commitment by an ongoing regular review of the actual policy.

The third and final point or key point we just want to raise today is on chapter 20, the mutuality principle. Firstly we'd just like to address the sample that the commission has used in arriving at its assertions. We believe the sample is not representative of either New South Wales or Queensland, for that matter. All the

clubs in your sample were of New South Wales clubs and you focus on, as you term, super clubs. The commission asserts clubs have lost their mutual character. The sample was of 20 clubs in New South Wales and the average number of gaming machines was 399 machines. I just need to point out that the average number of gaming machines in a club in New South Wales is 50. That's the state average and that's actually in your handouts that we have in front of you.

MR BANKS: Could I say just to clarify that that we didn't base the chapter and the analysis on this sample. In a sense this is illustrative of just the point you're making, of the top end of the market in a sense in New South Wales.

MR MASSINGHAM: Can I ask the commission what you did base your findings on?

MR BANKS: Well, if you look at the chapter, we have a general discussion about the nature of clubs, the range of clubs and the role of mutuality. There is a lot of much broader commentary there. What we were hearing from other participants was that there was distortion that was most manifest for the so-called super clubs and being driven by the revenue from the poker machines and the expansion of these clubs in the way that we have described in there. That is why in this particular box we put those clubs.

MR MASSINGHAM: But you've actually gone and said - and you said that clubs have lost their mutual character. You have made that assertion in your findings.

MR BANKS: No, I don't think you will find that.

MR FITZGERALD: Certainly submissions put to us over a long period of time have actually indicated they are both from people within the club movement, not the club industry associations and others, and that is something that is fairly significant throughout a lot of the submissions, and of course they do generally then come back to these super clubs to identify that that's the issue.

MR BANKS: It's a contestable point. I mean, that's obviously what you're about to say.

MR MASSINGHAM: Well, I'll find the reference for that later. Without going into a lot more detail on that, basically we also say that sample, if you compare it against Queensland, the average number is 28 and national is 40. Just to give a quick overview of Queensland though - and I would like to do that obviously from Clubs Queensland - the clubs in our state are small, as I said. The average is 28 in number of machines. In fact, 77 per cent of all clubs have actually less than 30 machines. They cater to a localised market catchment area and spread through regional Queensland. They are based around sport and sporting facilities. In fact, 80 per cent of our clubs are actually sport related. They operate on only core trading departments and they have modest expansion plans.

Accordingly, I suppose, I need to point out that we still believe that the sample is not representative and from the evidence we have now provided, we believe that clubs have not lost their mutual character.

MR BANKS: We will readily agree that these clubs listed here in this table are not representative of clubs generally throughout Australia. There is no doubt about that.

MR MASSINGHAM: Okay, thank you. Secondly, there is another assertion made by the commission in that particular chapter in relation to below market pricing. The commission asserts that clubs engage in below market pricing and cross-subsidisation of bar and catering. The commission says that clubs can offer better odds for gaming machines because clubs can reap the benefits associated with economies of scale arising from the access of greater numbers to machines.

In relation to the below market pricing and cross-subsidisation in bar and catering, I must say that Clubs Queensland is disappointed that the Productivity Commission was prepared to accept anecdotal evidence on pricing in the absence of actual documentary evidence. Furthermore, the draft report actually includes on page 20.18 a story about beer and gambling. The item is presented as a case example and intimates that it is commonplace for clubs to set prices at 50 cents a glass below the hotel price of \$2. We asked KPMG Consulting to take your Honour to do an actual survey and to provide us with some details and I will just hand over to Geoff to give the results of that.

MR WOHLSEN: We undertook - and on our own admission, we would say a minor survey of 20 clubs and 20 hotels in the south-east corner of Queensland and I can provide a copy of the results of that. These venues were selected to try to represent the various geographic parts of Brisbane. What we found was that the base price for the basic drinks - that is, a pot of beer, light and heavy - and a basic spirit was marginally lower in a club than in a hotel and we certainly don't sway away from that fact.

However, the difference was only marginal. The difference between a pot price was in the vicinity of 4 to 5 per cent on average. In other words, clubs charge on average around 4 to 5 per cent less for a pot price than do vendor hotels. In terms of mixed drinks, we found that clubs charge as a base price around about 5.9 per cent less than hotels. So the difference is marginal.

We should also point out that something that did come to our attention was that the lowest prices for all three drinks - there was types of drinks surveyed - were actually charged by hotels. In fact, hotels seemed to be engaging in a fair range of price setting. Clubs appeared to have a more stable price setting regime across the sample that we looked at. We admit that is only a fairly small sample and I think that it's probably something that Clubs Queensland may implement down the track a more diverse sample.

Of course, the Australian Bureau of Statistics - and this document was - we looked at the latest analysis of clubs, pubs and taverns for the 1997-98 year and assessed the gross profit margins on beverage sales. I draw your attention to the chart which is called handout 5. The gross profit margin on beverage sales for hotels - and this isn't indicated, by the way, if all other things remain equal of pricing within both types of establishments - the gross profit margin for hotel beverage sales, hotels without poker machines or without gambling facilities, was 48.7 per cent.

Once you look at hotels with gambling facilities, you find that the gross profit margin reduces to 40.4 per cent, a difference of 8.3 per cent. If you have a look at the clubs sector, there was marginal difference between the gross profit margin for clubs with and without gambling facilities. In fact, there was a slight increase in gross profit margins. We would be contending that this is, amongst other things, supporting evidence to suggest that (a) clubs don't necessarily engage in below market pricing, but (b) it's almost evidence to suggest that there is evidence that hotels engage in below market pricing and cross-subsidisation when gambling facilities are involved. Did you want to talk on that?

MR MASSINGHAM: Yes, thanks very much, Geoff. So basically in summary, the assertion that bar and catering operations for the licensed clubs are subsidised through gaming machine operations is incorrect and unsupported by reliable data and research.

MR FITZGERALD: Except to say - just can I make a point - in examining annual reports of a number of clubs, the clubs themselves acknowledged that the beverage and catering sales have actually made substantial losses. I think these figures are terrific and very helpful. When you actually looked at the annual reports, the clubs themselves actually acknowledged that those divisions substantially made losses for a number of clubs.

MR MASSINGHAM: I think, without repeating ourselves, from a survey of 242 annual reports it shows that there is actually a 12 per cent surplus in catering in Queensland. So again I suppose we just have to look at the actual sample.

MR BANKS: Just in relation to that chart that you showed us, handout 5, and the comparison between hotels and clubs with and without gambling facilities, does the hotels - that information there on the gross margin for them include off-premises alcohol sales?

MR WOHLSEN: Yes, it certainly does and we certainly in our written submission, which is in draft form, acknowledge that. There is some information to suggest - there is certainly evidence to suggest that off-premise sales are sold at lower margins than over-the-counter or glass sales, if you like.

MR BANKS: And there's a question of how they're distributed, gambling and non-gambling facilities.

MR WOHLSEN: That's true, but of course, in relative terms the clubs also have a small percentage of liquor sales intended to be consumed off-premises as well. So I suppose if you look at it in relative terms, the difference between gross profit margins and bar sales in hotels actually increases in gambling facilities for clubs - sorry, clubs - actually increases, whereas in hotels it decreases. So we would look at it in relative terms but acknowledge that there is a factor to include and that is the off-premises sales.

MR BANKS: And you mention that in your study.

MR WOHLSEN: That's right.

MR BANKS: Okay, thank you.

MR WOHLSEN: One thing we should also mention is that, as Damien said, we analysed the annual reports of 242 clubs which represents a sample of in excess of 30 per cent of the total clubs with machines in Queensland, and found that on average, bar trading surplus - that's after all, allocated costs - of clubs in Queensland run at a 28 per cent surplus. So 28 cents of every dollar spent in the bar goes towards contributing to overheads in clubs in Queensland. We acknowledge that there is probably evidence of cross-subsidisation and below market pricing in perhaps other markets, but certainly there is no evidence to suggest that is the case here in this jurisdiction.

MR BANKS: Good. We look forward to looking at the information.

MR MASSINGHAM: If I could move on to another assertion made in chapter 20 and that's in relation to odds on gaming machines. I will just hand back to Geoff to analyse that particular assertion.

MR WOHLSEN: The Productivity Commission analysed the payout rate - that obviously you would be aware the payout rate of gaming machines by size of installation over the period 1996 and 1997 and that was obviously the most recent data available to the commission at that point. Since then or during that period we would make the point that it's based on New South Wales data. The other thing that was happening during that point during 1997 was that hotels were moving from card machines or approved amusement devices into club style poker machines and later on in 1998 we were actually given access to a full 30 club-style poker machines during that year.

We would contend that the information that was analysed, whilst it was the most recent information available to the commission, probably reflects a market in flux at the time as hotels grappled for additional club-style poker machines and divested themselves of the approved amusement devices. We also noted that the R-squared coefficient was quite high, around 7982 per cent or .7982 I think it was. What we have done is have a look at the most recent quarterly information published by the Department of Gaming and Racing and run a regression analysis on the size of

installation versus the average payout rate. The raw data is actually contained in handout 7 for you to have a look at.

Particularly if we take out some of the outline data, which we haven't - but if you take out the outline data, that is for the venues with over 300 machines for clubs and venues with over 25 machines for hotels - if you take those two lines out it certainly doesn't demonstrate that there is any real correlation between installation size and average hold rate for the venue. In fact, the calculated R-squared coefficients for hotels reduced to .29 on that sample of information and the R-squared coefficient for clubs reduced to .32. The T statistic remains over 2 so it suggests that it is significant but it doesn't account for a great deal of movement in the payout rate or the hold rate for either hotels or clubs.

Machine manufacturers and club managers alike will tell you that by reducing the hold rate or increasing the payout rate of machines for players provides players with additional time on the machines, additional entertainment time. It's not seen as an economic reduction in costs or in margins but simply giving more time on the machine.

MR MASSINGHAM: In relation to these points, Clubs Queensland requests the Productivity Commission amend its findings with respect to below market pricing and cross-subsidisation with respect to clubs, and further, urges the commission to consider other markets other than the New South Wales super clubs sector when developing key policy. On to another assertion within that chapter and that's on efficiency concerns. The commission accepts the argument that clubs, or seems to accept the argument that clubs are inefficient in that they produce pre-tax rates of return below comparable fully taxable operations. From ABS figures, which we obtained for the 97-98 year, the ABS figures show that the pre-tax operating margin for clubs with gambling operations was 9.6 per cent of revenue compared with hotels being 8.9 per cent and we will be providing those in our written submission. On these particular figures it would seem to show that there is little difference in efficiency between the hotel or club market.

On to another assertion, and that being in equity concerns. The commission is concerned that the level of financial benefits that the club industry contributed to the community and sought clarification and evidence of the level of benefits provided, and the commission was of the view that the tax foregone by governments as a result of the principle of mutuality may be better in the hands of government rather than clubs. On the first point in relation to community contributions, I spoke earlier on that and gave you the figures, being the 80 million, so I won't repeat myself there except to say that again we'll be providing that in writing, but also probably more importantly on the second point in relation to tax foregone.

I think firstly we need to look at two points before we go into this matter and that is that clubs currently don't have a culture of actual tax minimisation. So therefore the figure that the commission has estimated being \$100 million foregone is

probably an overestimate and we would suggest it's an overestimate because of that factor. Also, if the view of the commission - - -

MR BANKS: Yes, I suppose you could say it's all things constant, all things being the same based estimate. Would that be right? What you're saying is that it could lead to - if there was a change in the regime it would lead to changes in behaviour?

MR MASSINGHAM: Rearrangement and restructuring of the financial matters to reduce tax.

MR BANKS: We had a discussion yesterday with the national body about just that very matter.

MR MASSINGHAM: Also, the view of the commission is that the principle of mutuality has been a catalyst for growth. If one were to actually accept this view - which we don't, but if you did and you got rid of the actual mutuality principle then the hundred million dollars again would not be a reliable figure and it would obviously limit the achievement or limit the actual growth factor of clubs. But having acknowledged those two points, the commission has made the suggestion that tax foregone by government as a result of mutuality may be better used by governments than clubs. Clubs Queensland commissioned again KPMG to undertake a number of steps to attempt to compare the marginal productivity of government expenditure with the marginal productivity of expenditure in the non-government sector and I'll hand back to Geoff just to go through that particular process.

MR WOHLSEN: As Damien said, we tried to measure the marginal productivity of government expenditure versus non-government expenditure and if anyone can tell me of any research that measures that I'd like to know. We had a long look at some of the Productivity Commission's own reports, one of which extended to 900 pages, and I congratulate the commission on the size of that document. We also interviewed academic staff at the University of Queensland, research staff at the University of Queensland, to determine whether there was any research or reliable support for this contention. In addition, we had a look at Australian Bureau of Statistics measures of productivity and also accessed reports from the Bureau of Industry Economics. We accessed Reuters information, IBS database and of course accessed the University of Queensland business and economics library.

We also reviewed the Queensland budgets which provide a reasonably detailed profit and loss statement for each department and each subprogram but we were unable to actually determine what level of productivity governments operate, what percentage of the dollars that go into the top of a government department actually gets distributed into program delivery and I would suggest it's a very hard measure to try to achieve and perhaps the commission has had a look at it but we would be interested to see that. I guess what we were trying to do was to establish that if a dollar goes into the government how much actually gets delivered in program delivery.

MR BANKS: So you're identifying productivity in that sense, in the sense it's the leaky bucket issue that you've addressed?

MR WOHLSEN: That's right. What we tried to do - what we were intending to do was to attempt to measure I guess the percentage of dollars that go into the club industry and how much of the net surplus gets distributed to community organisations and compare the two but we were unable to do that in the time-frame and I would suggest even if we had more time we probably wouldn't be able to do it. We couldn't find any evidence to suggest that money was better in the hands of government than in the club sector.

MR BANKS: You will find - I mean, there's a series of commission reports and those of its predecessors that have looked at the deadweight costs of raising taxation and so on which is relevant to what you're concerned with and we might be able to draw your attention to some more studies of that kind. But in a sense you're looking at one side of it and that's the cost of raising the revenue and then there's the issue of its disbursement - and we had a good discussion yesterday along the same lines, as to whether it's better disbursed by in a sense democratic governments or community organisations and it's an issue that we welcome further input on and we'll talk about it.

MR WOHLSEN: On a positive note, it would be an interesting measure for the club industry to ascertain and to either match or exceed. So I think gaining hold of a measure of that type would be beneficial in terms of just measuring benchmarks on community contributions.

MR MASSINGHAM: As the commissioner is probably aware, in Queensland we have a number of taxes and levies that the club industry pays the state government and one of those is the community benefit levy. There are some clubs in Queensland who believe and have information which I will provide in writing in our formal submission, that the actual levy that is paid from clubs in a region to the government is less than what actually comes back to that region via grants. So if you took that as a mere example of, you know, can governments spend the money better than clubs, the answer would be no because that's what clubs are all about. Clubs are actually all about obtaining the money from the community via entertainment sources and putting that money back into the community where it is most needed. Because they're on the ground locally, clubs know what are the most needy and obviously can prioritise the best. We don't believe a government full of bureaucrats and highly-paid lots of levels of bureaucrats in either George Street or in Canberra have a better view of how that money should be spent in Mount Isa than the people actually in Mount Isa.

In relation to the same point, the draft report states that clubs only benefit a narrow sector of the community. Again, we have to disagree with this. I mean, you simply can't call 1.3 million people in Queensland a narrow sector of the community. There's 1.3 million members of clubs in Queensland and in fact there's 2.4 million

memberships so that means that around each one of those 1.3 million people have about two memberships of clubs. So that means that they're using those services. They're getting the use of facilities and they're getting an actual benefit from clubs and 1.3 million is the majority of adults in Queensland. Also, as I said before, because they're on the ground to have that close club network and all the information I'm providing now is backed up by our consumer research and the fact that consumers actually do believe clubs do do a good job and put the money back in where it's needed in the community.

The final point in relation to can governments actually disburse money better than clubs, which we have, as shown, totally disagree with, is that when you give money to governments there's always a chance there will be a political angle or political agenda and there's numerous examples of that which we don't need to go into but the one probably the most public of which is where the sports grants under the previous federal Labor minister was distributed by a whiteboard. You know, clubs don't go around using whiteboards. They go around using relevant information from their community to ensure that all community groups are well services.

MR FITZGERALD: You see, we had a submission yesterday that \$1.3 million from clubs went to political parties in Canberra and it's an interesting assertion. We have no idea whether that number is right or wrong but it would be too fine a point to say that there isn't some political aspects, even to a club or hotel or any other activity but it was an interesting figure which was in one of their written submissions yesterday which you might like to have a look at it.

MR MASSINGHAM: As I understand it, there is a political party in Canberra that actually has its own club if that's what they were actually referring to.

MR FITZGERALD: I'm not sure. It was just an interesting figure. I don't disagree with the general point you're making but the first time it had arisen was yesterday and it was in light of whether or not gaming venues should be able to contribute to political parties, which is an issue that's also raised in the US Presidential Commission Report on Gambling but you might want to have a look at that.

MR MASSINGHAM: Actually, the final point in chapter 20 which we just want to raise today is the assertion in regards to governance. The Productivity Commission says, "Governance arrangements are weaker in clubs than private commercial businesses." We do disagree with that particular assertion and the fact is that boards and committees are elected by members annually in clubs and in the very large majority of time it's a very vigorous actual election at the AGM. Also, accounts are audited and lodged with the ASC and the Department of Fair Trading. In 1997 there was actually survey that found that there were less fraud cases in clubs and hotels and I'll just hand over to Geoff to outline that particular survey.

MR WOHLSEN: I guess the incidence of fraud is not really directly on the point of governance but it may well be an indicator of the level of governance that is held by the club sector. In 1997 in fact this firm again, KPMG, did a survey along with a

number of other gaming related and retail liquor related participants and it found - it asked many questions, including, "Has your venue been afflicted with fraud? How many frauds? What was the value? Who did it?" The key findings are in fact that licensed clubs in that state, in Victoria - if we can use that state as an example - only 13 per cent of licensed clubs without gaming machines recorded a fraud over the period under consideration. 25 per cent of licensed hotels without gaming machines recorded a fraud. There is one factor to consider: are clubs more prepared or more willing to be able to report fraud and secondly, do they have the processes in place to determine fraud? We might be able to talk about that.

The other finding was of course that 11 per cent of clubs with gaming machines recorded a fraud compared to 20 per cent for hotels. The question of detection of fraud wasn't really dealt with in the survey but certainly there would be arguments to suggest that Victorian clubs, like Queensland clubs, are audited and of course we want to make the point that Queensland clubs, club managers, and gaming operators have to go through a fairly stringent probity check before they're able to operate gaming machines. So we would certainly say that there are checks and balances in place to ensure that the governance and probity of clubs is as good as it possibly can be.

MR MASSINGHAM: So we would like to kind of finish up on the five policy responses that the commission has suggested in chapter 20. Clubs Queensland is of the opinion that the commission has produced no evidence to support any of these five key findings. Accordingly, Clubs Queensland rejects all the policy options suggested by the commission. However, despite this, Clubs Queensland would like to comment on each of the policy options. The first was to tax gaming machine surpluses by excluding them from mutuality. As we've shown earlier, that there is no evidence of below market pricing and cross-subsidisation. We've also spoken that we don't believe that money is - - -

MR BANKS: Sorry, that was in relation to beer, beer prices?

MR MASSINGHAM: In relation to liquor and to catering.

MR WOHLSEN: We may not have dealt with catering. Did we - - -

MR BANKS: You didn't talk about that but if you've got more information - that's in the report that you're going to give us.

MR MASSINGHAM: Sorry, I might have skipped catering, but yes, that will also be in our report.

MR BANKS: Good.

MR MASSINGHAM: We also spoke about - in relation to government versus club spending - there's no evidence that this policy would address the perceived issues for mutuality. It would actually only increase the number of jobs for bureaucrats. The

second policy option by the commission was that venues should receive gaming revenues on a commission basis. The commission may or may not be aware that early this year in Queensland that legislation was passed that amended the actual Gaming Machine Act of 1991 enabling revenue sharing arrangement amendments and Clubs Queensland completely supported the Queensland state government in those amendments because if they hadn't gone through it would have meant that you would have had a third party actually sharing the income - a third private party, I should add, sharing the income of clubs. That is counter to the principles and ethos of clubs and we would totally reject it and obviously totally reject that policy option. The third one was to increase state taxes on policy machine revenue.

MR BANKS: Sorry, just on that second one, you're aware of the situation in Victoria as well? I mean, that's why we raised it as one of the options because we observed it already being an issue in one jurisdiction so we were encompassing all the options that had been put to us or were perceived to be relevant.

MR MASSINGHAM: Yes. We're aware that - - -

MR BANKS: We looked at the pros and cons, as you're doing yourself.

MR MASSINGHAM: We see it as a con and we feel sorry for Victoria but the fact is down there a private operator gets to share club income and again, that is totally against the ethos of clubs and as such, as you probably know, the Australian Taxation Office is now taxing that form of income. So again, we would totally oppose that policy option.

On the third option that was put up by the commission it was to increase state taxes on poker machine revenue. Again, there has been no evidence that this policy would address the perceived issues for mutuality. Also, there is no evidence that again money would be better in the hands of government. I gave before an example of the community benefit levy and I won't go into detail that again but I should point out that the commission is probably aware that there is currently a Queensland state gaming review on of gaming and the terms of reference for that particular review actually excludes the increase of taxes. The commission states that increasing taxes on machines will result in the actual increased price of gaming and this goes into the economic side so I'll hand over to Geoff again.

MR WOHLSEN: Yes, just to reiterate what Damien said, the commission suggests that an increase in the state taxes on gaming will actually increase the price of gaming and might have the desired effect of dampening demand for machine gaming. I guess we would say - - -

MR BANKS: I think we speculated about what the impacts might be of a tax, and that being one of them, but please go ahead and just - - -

MR WOHLSEN: Sure. Certainly if that's a speculation, we'll treat it as such but (a) we would say that there's no evidence that increasing tax is actually passed on to

the consumer. Once again, it gets back to what you're giving away with poker machines. If you increase the price or if you increase the payout rate on poker machines you're actually not giving away a product apart from time, leisure time on a machine. So there's no real cost, apart from a small amount of electricity, I guess. There's no real cost apart from allowing someone to actually use the machine for a bit longer period of time.

There has been no evidence, looking at one jurisdiction from the other, that do have different tax regimes, that an increase or a higher level of tax has resulted in a reduced payout rate to the player and we can cite the example of Victoria where the club venues lose 33 per cent of their net metered win as the commission is well aware but the average payout rate on machines there is a great deal higher than Queensland which is going through a transition phase, and in fact roughly about the same as the payout rate in the New South Wales jurisdiction which has a lower net tax on poker machines. So there's no evidence to suggest that there is any correlation between the tax at that level anyway, at that range - the tax applied to gaming machine revenues and the level of payout or the price of gaming, if you like.

MR MASSINGHAM: On the fourth policy option put up by the commission - and that was to limit the number of machines in clubs; as the commission may be aware, there already is a cap in Queensland and in clubs it's a maximum of 280 and in hotels it's 35 going to 40 and 45 over the next two years. I need to point out that there's only three clubs in Queensland who actually have 280 machines. That's a half of 1 per cent of our membership. So the fact that there's a cap there now is actually not affecting our industry. It's only affecting a half of 1 per cent of them and I need to reiterate that statistic that I said before, 77 per cent of our clubs in Queensland have less than 30. So again, the cap in Queensland really doesn't affect the majority of our industry. We have made - - -

MR BANKS: Although I should say over time you could imagine that it would because obviously Penrith Rugby League Club, the number of machines at February 98 was 1119 which is considerably above the number you've got there. I'm not saying that you would necessarily get as big a club here but in a sense you - - -

MR MASSINGHAM: I take that point but also the Queensland club industry - we've had gaming machines in the state for seven years and after seven years there's three clubs at the maximum level. I would like to point out just some of the recommendations we've actually put to the State Gaming Review which are relevant to this point and that is that we believe hotels should be capped at 35 machines per hotel and the reason is that that figure is actually already higher than 77 per cent of the majority of clubs and it comes back to this whole theme of community-owned gaming. The fact is, the more game machines that are in entrepreneurial hands encroaches on community-owned gaming. Another important point that - - -

MR BANKS: Again, is it because of your concern about the poor utilisation of tax revenue? So that when it goes through the hotels you've got either it going into profit

or into tax revenue which you say is not being then distributed to the community as effectively as through a club?

MR MASSINGHAM: That's exactly right, yes. That is our argument. There's a separate point in relation to capping that I think needs to be highlighted and that is in Queensland, as I said before, hotels are allowed 35 maximum at this stage but there's not a maximum for an owner. With clubs there's a maximum. If you have three venues - if you're a club and you have three venues you can only have 280 machines over those three venues. With a hotel, a hotelier, if he or she owns 10 hotels he can have 350 gaming machines. In fact, the largest publican in Queensland can have potentially 2500 gaming machines, one entity. We can provide and we will provide details of that in our written submission of the breakdown of the publicans who could potentially own thousands of machines. Again - - -

MR BANKS: What's the nature of your concern there?

MR MASSINGHAM: The nature is it goes back to the argument the fact that one person owns 2500 gaming machines, again, the money is not being distributed to the community as well as it could be via clubs and also there's a discrimination in the fact that if you're not going to allow clubs to have more than a certain amount, no matter how many venues they have, why should you allow another entity to do so? Also I need to point out that Clubs Queensland does not agree with the cap on total number of machines for the state as in Victoria the overall cap has adversely affected smaller clubs as machines are removed from smaller clubs to larger clubs.

The last policy point that the commission puts up in chapter 20 is on demutualisation. Demutualisation we believe runs against community-owned gaming. It's completely contrary to the ethos and principles of clubs. We believe it would make the actual implementation of responsible gaming far more difficult because it would create a competitive environment, and as the commission has pointed out, it would be not appropriate for smaller clubs and again, as we reiterate for probably the third or fourth time, the 77 per cent of clubs in Queensland are small clubs. Also, it would lead to tax minimisation.

In summary, Clubs Queensland wishes to make the following points. Clubs contribute significantly to the social and economic wellbeing of the general community. The club industry is concerned at problem gambling and supports self-regulated responsible gaming. There is no evidence to support the findings to challenge the principle of mutuality and accordingly none of the suggested policy options, we believe, are relevant. The club model for community-owned gaming is the most effective, efficient and equitable model for the provision of machine gaming leisure activities.

MR BANKS: Good, thank you very much. I think we probably had most of our discussion along the way. We've got about three minutes left. I don't know whether my colleague had any further questions.

MR FITZGERALD: Just an issue that arose yesterday morning, the Sunshine Council of Social Service raised the point that in relation to clubs in Queensland that there had not been - and I understand that's the case from your comments - a responsible gaming policy per se, the obvious question is why not and why has it taken so long which is a question that I've asked of other clubs elsewhere. You say consistently that the clubs have a responsible approach yet gambling is not new. The issue of problem gambling is not new. The issue of responsible gambling is not new. Why in 1999 are we seeing the policy now and not significantly earlier, given that Queensland has such a long history of club and gambling involvement?

MR MASSINGHAM: I suppose it depends on what your definition of long history is. We've had gaming machines for seven years in Queensland. Other states have had it for up to 40 years. The fact is, as I've said earlier, clubs do have initiatives and procedures in relation to responsible gaming. I think it's important to point out that whilst the gaming side of the club industry is only seven years old, we've gone through a massive growth period in those seven years - a lot of government reviews, a lot of government changes - I know the Queensland club industry is the most regulated state in the whole of the country in relation to gaming. We have seven - it keeps on changing actually - licensed monitoring operators, so we have the most accountable, the most regulated industry.

The club industry has spent certainly the last seven years ensuring that they do have responsible policies and initiatives but they certainly spent a lot of the time as well ensuring that they look after 100 per cent of their clientele and their customers and our members. We have to point out again that problem gambling is a very small issue. We do appreciate it is an issue but it is a very small issue. The fact that you need a black and white crystallised piece of paper to say this is what we're doing, I believe is a little bit academic. We are doing that academic actual action as I said and it has been a very intensive ground-up approach from the clubs.

So just to finalise, clubs are looking after the responsible side of gaming but also they're looking after 100 per cent of their members, not just 2 or 3 per cent.

MR BANKS: Good, okay.

MR MASSINGHAM: I think Geoff just wanted to have a summary point too.

MR WOHLSEN: Just to maybe finalise on that point. From my point of view I've probably seen the industry go through a growth phase typical of any industry that has a major regulatory overhaul, ie the provision of poker machines or gaming machines. It went through a growth phase and now I can see the industry maturing to the point where it's actually turning in and looking at itself, looking at its management structure, its efficiencies, its profitability, where it spends its money and it's actually going through a fine tuning process now and things like responsible service of gaming and the documentation of those policies are only really starting to be formulated over the last 18 months, 12 months but probably due to that natural industry development phasing, if you like.

MR BANKS: Thank you again for participating. We really do appreciate that you've done quite a bit of hard work in terms of trying to generate numbers for us and that will be very helpful, especially if you can get them to us fairly soon. And I hope you'll give us the opportunity, if we need to, to get back to you if we need to question anything in your formal submission or the studies that are associated with it. Is that okay?

MR MASSINGHAM: Thank you for the opportunity.

MR BANKS: Thanks very much. We'll break now before our next participants.

MR BANKS: Our next participant today is the Australian Casino Association. Welcome to the hearings. Can I ask you please to give your names and your positions.

MR FARRELL: Greg Farrell, the managing director of the federal group.

MR PAHL: And Rodd Pahl. I'm secretary of the association.

MR BANKS: Good, thank you. Thank you very much for participating. You've provided us with a submission on which we have obviously some points to make, but we'll give you the opportunity to provide an overview, as we've discussed, and we can have some further discussion.

MR FARRELL: Thank you. To start with we'd really like to make the point that we believe that the Productivity Commission has undervalued the benefits that the Australian casino industry has brought to Australia since 1973. Apart from the direct financial value of the industry in respects of purchases of goods and services, there is a substantial benefit brought about by the facilities and infrastructure that have been created around Australia, particularly in the smaller cities, that perhaps would still not be duplicated today if it wasn't for the Australian casino industry. What directly this has brought about has been that a number of facilities, including food and beverage, entertainment, accommodation and in many cases convention facilities as well, would not have been provided to a generation of Australians - benefits to both gamblers and non-gamblers which consist of the large number of visitors to Australian casinos.

Essentially what we're saying that if we look at Alice Springs and we go to Darwin, we go to Hobart in 1973, we go to Launceston in 1983, the facilities that a generation of people have shared in those areas would not have been provided if it hadn't been for the formation of the Australian casino industry, which are shared obviously not only by people who enjoy gambling but also by a large number of people who don't enjoy gambling and by many visitors and tourists to Australia and travelling around Australia.

MR BANKS: Is there information on the tourism component of that, of the foreign users of your establishments and so on? Do you have any separate information on that? I know you do have it in relation to premium player components and so on but - - -

MR FARRELL: I can speak of our own businesses. Roughly 30 per cent of the visitors to Tasmania visit one or both of the two casinos in Tasmania - and that includes both international visitors and Australian domestic visitors - and that figure has reduced over the last 15 years, primarily due to not only other infrastructure having been created in that time, such as other four and five-star hotels and smaller convention facilities being created, but also due to the greater availability of casino style gambling in other jurisdictions.

MR BANKS: Yes, I think Wrest Point lost its monopoly there after a little while, and I know when we went and talked in Tasmania that the nature of its activity has changed over that period.

MR FARRELL: Yes. But again having said that, it is still the only man-made attraction apart from Port Arthur that attracts anywhere near that volume of patrons, and they don't stay at Port Arthur.

MR PAHL: Thankfully.

MR FARRELL: In this generation.

MR BANKS: That's true.

MR FARRELL: We'd also like just to point out that we are concerned about some of the misconceptions that have been influenced by the first report. Many of these issues have been raised, I'm sure, with you over recent days, but a number of them such as a notion of 21 per cent of electronic gaming machines residing within Australia, the notion of the probability of winning as used by your black rhino example, the notion of the percentages of divorces caused by problem gamblers and the notion that the average loss per problem gambler is something like \$12,000 - these types of statements have caused essentially a media frenzy and in our view have created an unbalanced political environment. Later I'd be quite happy to speak about that from my own experience in the last few weeks within the Tasmanian both economic and also political framework.

The Australian casino industry believes that it has successfully worked within the confines of state legislation and this is how it should continue to do so. We really believe that the industry should remain legislated within the states. We believe that the industry should remain self-regulated to the extent of patron care policies and programs, and we believe that such issues then as machine caps and tax rates should remain the prerogative of state governments and industries to negotiate, as has been the case for the last 20 years.

Speaking from recent experience, the draft report has caused a negative view of my industry in the form of publicity, and more so than any other event that I'm aware of in recent years, in fact since my experience with the gaming industry. I've been in the industry, directly involved, for the past 11 years and my family for 26 years. It's an industry that I am personally very proud of and I'm concerned for the tens of thousands of industry employees, because there's absolutely no doubt whatsoever - and I can say this categorically on this basis - that a number of our own staff, both in our casinos and hotels and clubs which we providing gaming product to have taken a negative view about themselves and about the industry they work in based on the amount of publicity which the problem gambling issue received after the launch of the Productivity Commission report. For that I feel sorry for them, and we're doing what we can actually to demonstrate to them, and help them get a feeling of self-

worth, that they are in fact in an industry that provides many benefits to many people who will never, ever have a problem gambling experience in their lives.

I would also like to say that I am, as is the casino industry and my company, committed to providing first-class facilities and products enjoyed by gamblers and non-gamblers and to work to help people who may have problem gambling tendencies to become aware of them and to support those that have problems to either overcome them or to exclude them from our premises or facilities. I think it's fair to say what we're trying to do is keep in balance the large majority of people who can enjoy the facilities we offer, whether that's a gaming experience or not a gaming experience, and the relatively small percentage of people who are going to have problem gambling tendencies - is to work in a proactive sense to not only help them identify in fact they may have a problem but, once having done that, to help identify then the right programs or preventative measures which are going to either allow them to return to normal practices within society or in fact then to work with them to exclude them from gambling services.

The industry has been very proactive in respect to patron care policies and programs, and I'd be very happy to talk about my own experiences and also those of the industry generally. I think probably a small snapshot would be early this morning I left Hobart, got in a cab, and I asked a cabbie what were his views about the Wrest Point Casino and what he essentially told me was that he felt that the majority of people he picked up had an enjoyable time there, spoke very highly of it. He didn't refer to gambling once. He spoke about the other products and services, the hotel, the accommodation, the disco from which he helps pick up people early in the morning.

Then I arrived in Brisbane and I asked the Brisbane taxi driver the same question, "What do you think about casinos and the Brisbane casino?" In fact he said, "I've been barred from the Treasury Casino." So I thought it was going to be an interesting discussion. But essentially what he said is that he used to visit the casino and he found it got to the stage where he couldn't stop himself when he was visiting from continuing to play and he found that it was distressing to him and his family. So he said ultimately he learnt that he could be excluded from the casino. He approached the casino staff with another friend who had a like problem, and he said that the casino was absolutely first rate in working with him to make him an excluded person for the purpose of a gambling experience.

His view essentially was he had no problem with gambling, absolutely no problem with the Treasury Casino because he thought it was a great place, but he had a personal problem with not knowing when to stop. In this instance he could still enjoy the facilities of the Treasury Casino but he felt that if he went in there and he starting gambling, then if they could they would detect him and exclude him. He actually had a positive feeling towards that.

I make that example on one hand to say that the industry does provide an enormous range of benefits and in fact is working very proactively for the small

percentage of people who, if they develop or have problem gambling tendencies, can either be self-excluded or worked with. I can talk with many other examples of not only the experiences of individuals but also of some of the programs that we actually have put in place in Tasmania, working not only within the casinos but also within the hotels and clubs. What I'd like to do now is turn over to Rod to speak.

MR PAHL: I just would flag my comments with indicating that some detailed aspects of our submission were prepared by Dr Robert Campbell who can't be with us today so if there are some aspects of detail that you wish to question, we'd like to take those on notice and get back to you as soon as we can.

MR BANKS: Yes.

MR PAHL: I think that Greg has really covered most of what I would wish to cover in this presentation today to the commission. It's unfortunate in our view that so much negativity has surrounded the media debate on the report and in fact, if I could just very quickly summarise some of the key points in the submission for the record, although I take it this is now on record, having been submitted to you. But certainly the unfavourable reaction to the gambling industries has caused some concern as Greg has pointed out, and from our perspective some of the material and analysis is questionable. Again, I won't go into detail because you've had debates for days on that point and the sense that we have about the report is it's not about the industry so much as perhaps the social impact of problem gambling. There is a strong perception, not just in our industry but I would also tell you within Canberra, that the draft report seems to be anti-industry. That's a perception.

MR BANKS: Sorry, I missed that.

MR PAHL: There's a perception within Canberra I think as well as here in our own industry that the draft report is anti-industry. The onus of proof seems to have been reversed and the industry is assumed to be special, requiring unique regulation control. Again, I think you've debated some of these issues over the past few days. Our submission also says that there's a lack of balance and consistent tone between the summary and the rest of the report and too little attention given to the vast majority of responsible gamblers as Greg has pointed out. It's meant to be an information report, so policy conclusions in our view should be removed or at least provided as information with policy conclusions being determined by government more directly.

There has been some criticism - I heard the comment, the discussion yesterday about understanding of the dynamics of the industry. I have been working with the industry now for something like seven or eight years and I don't deal in the industry day to day and it is quite a complex industry which is sometimes very difficult to get behind the obvious superficial view of it. But we do recognise that there are very positive aspects of the report but generally our view as an industry is that it fails to live up to the standards perhaps that we have seen of the commission in previous reports. The public policy debate which has come out of the report in our view has

not been balanced and some of that has been because of the prominence given to perhaps incorrect information in our view. The prime minister's reaction, I would have to tell you, is based on the 21 per cent. Many people argue about the 21 per cent figure for example. I guess that sort of starts to question to some degree our confidence in a report which contains in our view errors of what we regard as being fact.

You've also talked in some areas about regulation in other parts of the world. We would like you to review that. We have a view in our submission that parts of that are not done correctly. I guess we would also say that the industry hasn't been adequately researched. I understand the reality of dealing with the detail of this but we just would make a plea for, perhaps as you have been doing, getting as much information as possible in an objective way.

I won't go into detail about the surveys. I saw the discussion yesterday with ACIL in relation to SOGs and so on. We do make similar comments about that. We do note the submission by Dr O'Neill yesterday about some aspects of that and I heard your response as well to that so we cannot contribute more than what we've actually seen in the hearing yesterday. The issue of the surveys we would generally support in terms of the link between causality and - sorry, the \$12,000 loss per problem gambler. We have a belief that \$12,000 figure is not correct and we do go into detail in our submission as to why we believe that.

The other question gets down to the question of consumers being totally informed. Our belief is that the commission places unreasonable emphasis on that. We have, as Greg has outlined, great care and concern about consumers and we have a feeling that perhaps what is being done is not really recognised. I should point out that in terms of responsible gaming policies, casinos already provide certain standards in terms of customer education and awareness - materials, posters, signage and brochures of course, referral to telephone help lines, training programs for supervisors, education programs for employees and all similar programs which actively prevent underage people from gambling at the facility; alliances with community resource groups, communication materials for staff and orientation programs for new employees, responsible gaming events, no mail offers are sent to identified problem gamblers, gamblers given the opportunity to self-ban or ban themselves from entry as Greg has pointed out from the Brisbane taxi driver example. No credit facilities are provided to any gambler. Linkages to ethnic communities are already established and also linkage with the local treatment providers. We believe that's a record which a number of other players in the industry quite frankly could look at with some degree of interest.

In terms of the question of information we believe that there's already considerable information in casinos about games played and we believe we're at the forefront of the industry on that sort of basis. We have also looked at the question of benefits and cost and believe that estimates of gambling benefits are significantly lowered by the arbitrary approach adopted for problem gambler benefits. Again that is in detail in our submission. In terms of cost estimates, of course they're based on

surveys and views on causality which we don't believe have been correctly established but the costs associated with divorce for example look doubtful as do the costs of depression and crime. Everyone in our industry is concerned about the impact but we would hope that that would in fact be something which could be unarguable once we get down to the facts of the matter.

On the regulatory regime, the treatment of that regulation is one perhaps disappointing aspect of the report, given that casinos already face very significant regulation in the state and territory jurisdictions. We argue that the costs of regulation must be carefully weighed against any benefits and we're not certain that this is being done effectively. I would just like to perhaps make some broader comments which are not in that written submission in a way which is sort of trying to offer some broad comment which may help to explain perhaps the critical reaction from some within the industry. I must say the general view within the industry of casinos is not all negative about the report. It does provide useful observations on the positives that the industry brings to the country but for many within the industry - and I mentioned before the politics in Canberra - there's a belief rightly or wrongly that the report is anti-industry and in fact anti-gambling. In the end the final report will be the measure of that and we accept that that's what the process is about.

The industry view is that the commission has missed a great opportunity for the entire community to provide a truly rigorous, hard-edged commission style view of an important industry and its impacts. We're all looking for the facts of the matter to be laid down in an uncontroversial unchallenged way. What was looked for was an information report though it comes very close to policy recommendations. Perhaps it's because it is an unusual, almost unprecedented challenge for a commission to address a term of reference which is about social issues as much as it is about industry issues, even though the two are very linked.

So our view is we've ended up with a report in draft form which is now mired in controversy and some fundamental aspects, such as the now infamous 21 per cent figure on machines, are deeply in doubt. Whether you argue one way or the other, it's still questioned by a whole range of people and that has diverted attention from what we believe is a very balanced view of the whole report. As we say in our submissions, it's also heavily focused on problem gambling. We don't want today to revisit some of the detailed debates about the merits of the SOG survey but our views are outlined in the duty of care.

In the last couple of days I've seen vigorous justification in questions from you to various witnesses about their submissions and also from Tim Costello this morning but this is very much a matter of perceptions of the report, of the processes involved, its origins and how the report has been debated. There are some in the industry who believe it's the report we were always going to get, given the make-up of the commission itself. That's a reflection perhaps of Robert's powerful intellect and strong personality but the fact remains that we have a commission which includes a very long-term critic of the social impact of gambling and some of my members believe that that means a predisposed negative view of gambling. We'd like

to hear that that's not the case and I've heard similar comment over the last couple of days.

Tim Costello himself helped to create that perception. He publicly and confidently predicted ahead of the release of the report that it would be a very good report for those opposed to gambling because the right people were on the commission. That's unfortunate. We would not hope that that would be the case. Even the fact that the report was leaked to The Age ahead of the formal release was not something that really endeared the process to the industry. So with great respect we would just simply ask that as much effort as is possible to be done to balance the report in the final version is done. If the commission feels that this criticism is unfair then I can only ask you to understand how people, the thousands of people across Australia who work in the gambling industry feel about the report itself and the debate which is following. Thank you.

MR FITZGERALD: I might just make an opening comment if I might. I have refrained, as you will have seen, over the whole of the inquiry from defending the commission's position - and I'll leave that to Gary - but seeing you are the only person that has actually raised it directly about me, I just make the comment. I think it is extraordinary that you would make those statements in an attempt to indicate that one commissioner in a team of seven or eight people would have gone in with a premeditated position to come out with a premeditated result. It is not true. I think it belittled what are some very good arguments that your industry puts in relation to the draft report.

If the approach is to attack the message, the messenger and the methodology, so be it. But that is not an approach that would lead to a revision of the draft report to come up with a better final report. To try to insinuate that I or any of the commissioners or any of the staff have been so influential as to come out with a report that already had almost a premeditated position is just stupid and foolish and it does surprise me, given the high intellect of the people involved in the industry, that you would take that approach. I thought it would come. I was conscious that somebody would be foolish enough to do it. I didn't expect it of the Casino Association, which I have to say, if you look at the report, the casinos haven't come out too badly at all.

In fact, one of the things that does surprise me is the casinos, in many senses, as we have indicated, have acted fairly reasonably. Good probity checks. They in fact have contributed substantially. That it comes from you I think is disappointing. I could ignore it and I will to the extent that I've always anticipated it coming but I can only say to you that the report is not overly influenced by myself or Gary or any of the team. It is an objective analysis and if your perceptions are such that you don't wish to accept that or if it suits another agenda to try to discredit a commissioner or the commission's report, then so be it. I would simply say it is unfair, it is not justified, it was expected, but I would hope at some stage you might consider withdrawing it and if you don't, that's fine, but I must say that I am surprised it comes from your association.

MR PAHL: Can I say in response I'm very encouraged by that, critical though it is of our response. Hearing your concerns, I'm happy to withdraw it. I would just say to you that perceptions of many people are the reality and it's something which we have to deal with in the public debate. Our hope is that this final report will be balanced and in a way which is not able to be challenged or as controversially released as it was last time.

MR FITZGERALD: Can I also raise one final point, just one final point. It is terribly disingenuous that anybody who has a very clear articulated position in relation to social policy credentials are attacked. If I were from the industry or if I had a particular economic view there would be no attack on that at all. It is disingenuous in these debates that anybody that has a high social - or involvement in the social area is always regarded as having a bias but others are not. I would just make the point that I think this report should show that it is actually possible to achieve a balance between economic and social considerations albeit that there are points that are contestable. Can I just leave it at that.

MR BANKS: I must just say I'm disappointed in those remarks also, given that we had this conversation yesterday. Your submission clearly has been also prepared by those who prepared the ACIL submission and there is an overlap to that extent but I wasn't expecting it to be carried over in the rhetoric today, particularly given what I thought was going to be your attitude to these proceedings. Have a look at the transcript to see my own rebuttal of those claims, which I don't want to go through in the same amount of detail - we're running out of time. I would only reiterate that your aspersion against the commission that we haven't been careful and balanced in our approach I repudiate. We have no barrow to push. We have no particular interest that drives us other than the broader community interest.

I have, as I said yesterday, a long history with this institution and its predecessors and as Robert is saying, it's not unexpected that those who see themselves disadvantaged by the commission's recommendations would seek to shoot the messenger. Have a look at a speech that I gave, just after I became chairman of this organisation, to a CEDA conference here in this very town. You will see my response to that kind of 'shoot the messenger' approach that often occurs, though I must say typically it hasn't been as personalised and perhaps as vicious as we have observed in this particular inquiry in relation to the gambling industries. So I'm not going to dwell on that.

In terms of the alleged anti-industry perspective which I suppose is part of that, again there's an implication that we have treated this industry differently and that we haven't applied the kind of approach we would apply to other industries. Again I reject that completely, again with the background of having done a dozen inquiries and having been involved in a lot more inquiries in this organisation when I wasn't a commissioner. Again we have looked at whether there are special characteristics of the industry which would warrant special forms of intervention.

As you cite in your submission, when we have looked at industries who are trying to claim protection, we've looked at whether there are special characteristics which warrant that industry obtaining that protection. As you know, often we have found that there aren't, although we have sometimes found that there are cases for particular forms of subsidy to reflect market failure and so on. In the case here we have looked at what are the characteristics of this industry which would require special forms of regulation. As you have said yourself, we have a lot of our report devoted to simply assessing that dimension, as required by our terms of reference.

The other point that I would make at the outset is again you have repeated the accusation that we have gone beyond our terms of reference, which I think simply misunderstands the nature of an information inquiry. The only real requirement on us is that we don't have to make formal policy recommendations to the Commonwealth government to which it has to formerly respond. Short of that, we can go as far as we like. Indeed, it would be foolish of us, as one participant suggested, if we simply had a report full of data with no policy implications. The whole purpose of a commission inquiry is to provide advice and information that can inform the debate and inform government policy. So we want to have information that is rich in policy implications. That's the very purpose of this report and we will pursue that through to the final report.

MR FARRELL: I think that perhaps from the industry's perspective, though, it's not necessarily the making of the way in which the report has been tabulated but perhaps more by the way it has been interpreted, particularly by the media.

MR BANKS: Well, I agree with you and I have some sympathy for you there, because I think there has been some quite simplistic knee-jerk reactions. Indeed I'll ask you in a moment to talk about, as you indicated, some of the implications in Tasmania and how you read the policy development process in that state, which would complement some of the discussion we had yesterday.

MR FARRELL: Yes, certainly.

MR BANKS: So certainly there has been that. I must say, in writing our report we tried to be careful to ensure that we said what we wanted to say and didn't give vent to that kind of knee-jerk reaction, but the topic is obviously such that it was probably going to happen anyway and it was unstoppable. We couldn't make that the determining characteristic of what we said in our report. If we took everything out of our report that potentially could be misinterpreted or simplified or made sensational we would have had perhaps a much slimmer volume than we have got.

The other point that I would like to make is that - we've had this discussion yesterday and I know that you don't want to go through it all again - I would simply reiterate that our survey is not flawed. We have had the benefit of ACIL's submission yesterday and a discussion of that, including with their statistical expert. We have reflected on that overnight. We have met, sitting around last night. Actually, we had dinner in the Treasury Casino and thought that was an appropriate place to discuss

such matters and we're confident that our survey and the results that come from it remain reliable.

We do appreciate some of the particular points that were made about aspects of the methodology and we will certainly look at that, but the broad thrust and integrity of that work remains, in our view. We won't get into a discussion about SOGS. Again we had that to the point where the discussion was getting a bit soggy, I suppose, and probably boring the people in this room. But again I would just reaffirm that we took a sophisticated approach to the use of that screen. It's not outdated. It's still being used. It's being regarded as the gold standard by the senior researchers who are still doing work in the United States, Sweden and elsewhere, even though there's further development of other screens. We applaud the further development of work in this area because, as you know, we think research plays an important role in policy development in this area.

I know my colleague will have some other points to make but you raised a number of things, from which I will select. You say we understated the benefits. Well, again I would refer to the transcript yesterday. I don't want to go through that again. We will certainly take on board further information and try to make that an even richer story. We don't believe we understated the benefits but we cast them in the context of the differential benefits to the Australian community from liberalisation of this industry. So it was in that context rather than the current extant contribution of the industry, which we agree is clearly significant in employment terms and in income terms, as we have documented in our report.

The vexed issue of the 21 per cent - I don't want to go through that again in great detail. We hear what you say about that. I would only repeat a couple of points about that. One is, just to repeat again, it wasn't our estimate. We got it from the annual report of Australia's leading manufacturer and exporter of gaming machines. That's where the information came from. We were careful to check that information with that source before we went to print and had it confirmed that the data was as indicated in that report. That's what we did.

Clearly we have been provided with more information from consultants, both here in Australia and in Canada, which provides a richer picture of the total availability throughout the world of different forms of gaming machines. Depending on how many different kinds of gaming machines you lump into the basket, clearly the Australian proportion diminishes. We're looking very carefully at that and we have written to the AGMMA and also to that manufacturer, to ask for information that would help us provide a better story about that. So that work is going on.

I would only say that, I mean, some of that information, as I indicated yesterday, that comes out, shows that if you compare Australia to the United States, even on the industry's data, there is a huge discrepancy there with, on a per capita basis, Australia having five times as many machines as in the United States. But ultimately for us the issue is about comparing like with like and not lumping bicycles in with Lamborghinis and calling them all transport equipment - the point I made

yesterday. But at the end of the day, as you would have seen from our report, our actual analysis of the report and the policy analysis that we do doesn't depend on such figures. But I can see why it's an important issue for you, because it became an important issue in the political debate.

MR FARRELL: Yes, certainly it's a public debate though.

MR BANKS: That's right. It's unfortunate in a way, because it's a distraction I think from some of the key issues. Well, I could go on. You made the point about black rhino and I could talk a little bit about that, but why don't we - - -

MR FARRELL: We'll just come back to some other issues then.

MR BANKS: Why don't we talk about the regulatory regime.

MR FARRELL: Yes.

MR BANKS: I appreciate that having you here is a great opportunity for us to talk about the issues as you the industry, and you as a senior representative of the industry see them, and particularly the regulatory domain. So perhaps I'll hand over to Robert.

MR FITZGERALD: Yes. It was just in relation to your comments about the regulatory regime. You're critical that the commission has not paid sufficient attention to that. Could I just go back to your original submission to us at the beginning of this inquiry. In that, again you make broad statements about regulation being too much and it affects the commercial viability or operations of casinos, yet neither you nor your colleagues in the casino area have actually put forward to us specific issues that you think we should address in relation to regulation. This is the second time you're responding to our draft report but in your regulatory regime response you again don't detail at all any of the issues you think we should address. Now, I would have thought that's a terrific opportunity to say, "Look, these are the specific things we as an industry believe need changing." You have neither done that now, nor previously.

In the first submission you refer to some of the issues around the notion of the balance between tables and EGMs and caps and so on. You talk about a further example as advertising and constraints. But as an industry, this is a great opportunity to actually be more specific. I would just simply put to you that that's what we would like to hear in the next few weeks. What are these overburdensome regulations that you think should be moderated? We were never going to be able to do a regulatory impact statement on all modes in seven or eight territories and states. But if you think that there are specific regulatory issues affecting the casinos, we would be very pleased to look at those. But we were never going to do a regulatory impact statement on every jurisdiction on every mode. That could never have been achieved.

MR FARRELL: I think your last comment is probably the most apt, inasmuch as that the regulatory conditions differ, to some extent, state by state. So different states

will have different concerns with the regulatory environment. Speaking from a Tasmanian perspective, we have very little concern about the regulatory framework which we operate in. It has changed substantially over the years, depending on both the company's position and the Gaming Commission's position in respect to the most effective way to manage the regulatory conditions, which has been influenced by technology, particularly in recent years, and also influenced by the expansion of gaming on a statewide basis which has changed the nature of the regulatory function of the Tasmanian Gaming Commission and through technology then has assisted in both of us being able to streamline our operations to more appropriately match the high levels of probity and credibility required by the functions, at the same time trying to achieve some economies of scale for both treasury and the company. So we can certainly take that on notice and bring back to the table specific concerns that do exist perhaps in some of the other jurisdictions.

MR FITZGERALD: The second thing is in relation to competition policy. Despite your saying that this is balanced about problem gambling, in fact there's a great deal of attention being given to the whole notion of competition policy. In fact if you just simply took out the problem gambling sections, the report in itself would be very important to industry. It's a critically important issue in the future, yet your response to the draft doesn't mention it. So I would be keen to know, do you have any view about our issues of competition policy, which I would have thought for your industry has very substantial consequences? In fact it's one of the things that we spent a great deal of time trying to work through and we know has a great impact in the here and now because of the state and Commonwealth reviews. Do you have a position in relation to our comments on competition or do you believe the current exclusive licensing arrangements are appropriate well into the new millennium?

MR FARRELL: Well, again I think it needs to be considered that each state has different types of exclusivity arrangements which are expiring at different dates. So for instance, speaking on behalf of Tasmania, exclusivity provisions for casino-style gambling and ownership of gaming machines in hotels and clubs expires on 1 January 2009 and at various other dates around Australia. At that time or prior to that date we would either have expected two things to have occurred: negotiations with government over some form of negotiation leading to an extension of the exclusivity provisions, or the advent of a freeing up of the market, with the ability of further casinos either to establish in the jurisdiction of Tasmania or further operators to operate the gaming machine monitoring systems.

So we really see that the current environment as far as exclusivity should prevail, at least in terms of the exclusivities expiring in various jurisdictions, at which time then the state governments and industry will be faced with the issue of can there commercially be another casino in many jurisdictions, is that a commercially viable alternative, or is a commercially viable alternative to introduce further monitoring system providers for gaming machine systems or keno systems. So I think it's quite a complicated issue, depending on which jurisdiction you're looking at.

Then there are potentially trade-offs for government, as to whether exclusivity provisions are extended or not. In our case we have renegotiated exclusivity provisions twice in over the last 20 years, both times on the basis of significant further capital investment.

MR FITZGERALD: But my point is do you think the commission has handled that aspect well or not? I mean, has the commission actually in its draft report dealt with the issue of competition policy in relation to casinos appropriately or otherwise, given all of the state variations? I mean, you have, especially in your thing, attacked the commission for not being industry based. This is a critical issue, industry. Do you think we should actually look at competition policy or actually just say, "Well, it's up to a negotiated base between casinos and governments as and when they choose." What's the right approach?

MR FARRELL: That is certainly the industry's approach. It should return to their state base negotiated outcome.

MR FITZGERALD: But you would recognise that as casino operators start to have greater involvement in other forms of gambling activity, be on the Internet or so on, that we are starting to see gambling move from state bases to a national market, of which many of your members are in fact actively participating. So one of the issues for the commission was, how do you design a regime, a regulatory regime and a policy-making regime to deal with an industry that is fundamentally changing in nature? I would have appreciated comments from the association, and other forms of industry including ACIL and others, about those very contemporary long-term issues which for the first time the Productivity Commission has actually put onto the agenda.

In fact it is the Productivity Commission's report that gives to the industry a whole range of forward-looking issues, industry issues, and yet in very few of the industry responses, almost none, are any of those forward-looking issues dealt with, including your own submission. I find that surprising. Maybe it's because there was a view that perhaps attacking various other parts about problem gambling was the appropriate way. I would still welcome in the next two weeks views about those, because that is actually where we spent more of our energy. The written word may be more about problem gambling but some of these issues in fact held our attention much more.

MR FARRELL: In my view though, what we are seeing now is not only in some respects a consolidation of the industry with some of the recent takeovers but we're also seeing now a number of the exclusivity deadlines looming for many of the operators in the next three to five years. We are also seeing in Victoria such things as Jeff Kennett determining that after the five year exclusivity the Crown Casino had within 150 kilometres of the GPO, that he would not legislate or not allow for the second casino licence which was then based on the government's view that it wouldn't be required and commercially was unlikely to be attracted. So I really think that we're going to see over the next five to 10 years' time, is that not only probably

further concentration of the industry but as the industry concentrates, buyers and sellers take into account the value of any remaining exclusivity period that may be left with the various licences and then also current policy, state policy as in respect to what is the likelihood of once the exclusivity provisions expire, as to competition eventuating in any event.

MR BANKS: You mention in your submission the intrusiveness of the regulatory regime, in particular in relation to premium players. Would you like to just elaborate on that? The second point I suppose is the question of compliance costs - if you have any information on the regulatory compliance costs over and above costs that you would otherwise incur for, for example, probity provisions that you'd want to have in place yourselves.

MR FARRELL: I think again, in respect to the compliance costs, it is difficult for the industry to speak generically because each particular jurisdiction is different. In our own jurisdiction we pay a significant monthly licence fee which in part though is not necessarily a reflection purely of paying for the compliance costs of the government gaming inspectors, it was part of a negotiated settlement for extensions of exclusivity provisions and new products some years ago. So in many respects the line is blurred between paying for a compliance cost which we pay for our licence fees but that licence fee also contains an element of negotiated settlement.

MR BANKS: Well, again, it would be useful for us to have some information on that and whether the association would like to canvass its members. I mean, ultimately if you want us to do more on assessing the costs of the regulatory burden and the cost of benefits, you are the origin or the potential source of information that we can use there. We'll just have a brief look at how we can best use the rest of our time. One thing that I signalled earlier, or you did actually and I picked up on, is just this question, and you raised it in the context of what you saw as a knee-jerk reaction to our report and how that was reflected in the policy or political environment in Tasmania. Would you care to elaborate on that?

MR FARRELL: Yes, certainly. Just prior to the release of the Productivity Commission's draft report, industry had been working collectively between the registered clubs in the AHA and the federal group introducing ATM machines into licensed gaming venues. In fact there have been approximately between 60 and 70 ATM machines ordered for industry. Once the draft Productivity Commission report was released, then there was an unholy outcry about the impending introduction of ATM machines, which at first produced from industry a level of defensiveness about this. Many different views about what in fact this report was actually saying about ATMs was quoted, in many cases in our view inaccurately, inferring that the report was clearly suggesting that ATM machines should be banned from licensed gaming venues.

So ultimately there was the obviously significant political pressure brewing, and the Tasmanian Gaming Commission acting independently of government banned ATM machines from licensed gaming premises, excluding the casinos which already

had ATM machines, but then also went further was the decision at the time to ban cheque cashing facilities in licensed gaming venues in the state of Tasmania and to ban cash out of EFTPOS facilities, which in our view was a total overreaction and in my view is nowhere consistent with a number of the recommendations or draft recommendation in respect of this report. That caused a great deal of concern amongst the registered clubs and hotel industry, many of which had, I think, more than justifiable arguments on the basis of providing much needed services in the point of cheque cashing facilities in towns such as Ross, where in fact the local pub cashes the cheques for the shearers and if the shearers can't cash their cheques at the Man O' War Hotel in Ross, then they've got an hour's drive to a banking service.

So what that led to then was a position where we were very forthright in making sure that government and the gaming commission understood that the restrictions that they were trying to place on industry were really in our view too severe and in fact would very likely lead to positions of great difficulty with compliance. So ultimately the gaming commission withdrew its position on cheque cashing facilities so that cheques can be cashed in facilities but only one cheque per person per day and that EFTPOS in licensed gaming venues could still be used to withdraw cash. However, if the cash has been withdrawn for a gaming purpose, it's limited to one transaction per day.

MR FITZGERALD: But just taking the broader point, because I'm familiar with some of that, doesn't that actually indicate - this is where I don't understand where industry is at all - that in fact the current ways in which policy processes are designed, which is what our report says, are quite ineffective? You made the comment before that the levels of caps and that should be left to a negotiation between government and industry. Where does community fit into that at all? What is the open, transparent process by which the government of Tasmania could have actually said, "Well, let's have a proper study of this, let's look at the impacts of ATMs"?

Isn't it so that in Tasmania, as everywhere else, that was meant to be a discussion between government and industry, but nobody suggested an open, transparent process for people to be able to comment or for any impact studies to be undertaken at all, which is what our report characterises - that if you can negotiate with government and get what you want, whoever you are - it doesn't matter - that's okay. If it goes against you, the process is poor.

What we have tried to do here is to say, irrespective of what the decision is, there has to be an open, transparent process by which everybody can contribute, not just industry and government but others as well. Would that now, having seen how bad process regimes work - not bad governments, let me just make that comment. I'm not casting aspersions on the Tasmanian government. Would the industry now not be more supportive of an improved regulatory policy-making regime as recommended by many people to the commission and as is reflected in certain proposals by the commission?

MR FARRELL: I think it's also fair to say if we separate the two things we were just talking about, one being the saga of the introduction of ATMs into Tasmania and the second one being machine caps and the like - in the case of Tasmania, which I can talk quite authoritatively on, the issue of machine numbers and machine caps was actually an issue that was in the public arena for some time and in fact had a great deal of consultation and discussion for the pros and cons of the widespread introduction of gaming in Tasmania, which led to the government of the time taking a particular stance which resulted in a negotiated outcome which was felt to be in the best interests of both the people of Tasmania, the government of Tasmania and industry.

In respect to ATMs, the ATM decision to not proceed with ATMs in Tasmania was made against the framework of what was seen as being an anti-public sentiment, brought about through editorial comments by certain editors and by a limited number of active anti-gambling people, though certainly not the result of any widespread community backlash and certainly not the result of any widespread numbers of letters to the editors.

MR FITZGERALD: Yes, but my point is there's no framework for which those decisions can be made in the current environment. I mean, what continues to happen time after time in this inquiry is that people - they're supportive provided they have got a victory in terms of an outcome they want, but what we have actually done is taken all that away and said, "How do you actually make decent decisions in this area?" I would have thought that instead of attacking the commission's report as being the culprit, which clearly it isn't, what the industry is consistently saying, without actually ever saying it, is that in this case, where poor policy-making followed the report, well, it must be the report.

I would have thought industry right now would be saying, "This demonstrates" - just as community groups have said - "let's get the structures for policy-making right," or are we still going to be in a position where "let's just do what we can by private negotiation". Anyway, I don't think we're going to resolve it but that's my dilemma.

MR FARRELL: I think perhaps let's take it one step further. Leading from the decision then, the decision that was made both in respect to the vetting of ATMs and then the banning of EFTPOS and cheque cashing facilities and the reversal to a large degree of the later two, it led then to the formation - influenced in Tasmania by the minister for racing and gambling - of a consultative group. So Tasmania already has a gambling industry group which has worked - I think extraordinarily effective - with gambling awareness programs and codes of conduct for both responsible gaming and also for ethical advertising.

But the gaming consultative group which has been formed, has been formed to do essentially one thing and that is to bring together industry, through Federal Hotels and the AHA. Also, they're bringing to the table parties such as Anglicare and Tascos, Relationships Australia and GABA, but with the task of empowering a

research project to be undertaken to identify the gaps between the current patron care policies and practices in Tasmania and the set of draft recommendations on the basis of trying to see in fact whether there are initiatives that have been recommended in the draft report which could be adopted through a consultative process with industry, government and the operator, to try and in fact put in place better preventative and awareness programs within the Tasmanian environment, which is a first step, and the second step that is likely to lead to, which is a full research project into the actual effectiveness of the current patron care policies and practices. So I think in some respects in that context the report through that framework will lead to a consultative process, which then doesn't in my view require external jurisdictional authorities to enforce that to occur.

MR BANKS: As you know, we saw the primary jurisdiction within the states and territories in our report. There has been some confusion about that by others.

MR PAHL: In fact, at the launch I was a bit confused. The report did talk about at one stage I think the formation of an institute or some sort of national body, was it?

MR BANKS: Yes, that's right.

MR PAHL: Could you clarify that?

MR BANKS: That's not a jurisdictional issue though, in a sense. I mean, we saw the independent regulator in each jurisdiction as playing a very important role and we talked a fair bit about how independence should be guaranteed, and we saw that body providing independent advice to government about the costs and benefits of different policy options which we think is needed, and maybe it's been illustrated by your little story about Tasmania today. But we also felt that there would be benefits in having perhaps a national research institute, an independent one, which could also play a role with the cooperation of different jurisdictions in coordinating and getting more uniform data, which has been a problem in this area. It was in that context that we saw that not having a direct policy role but simply an informational role.

Now, we've heard - just reported in the newspapers - that the industry itself wants to form a gambling research institute, like the Tobacco Research Institute, which would be doing its own research. In some ways for me that heightens the need for an independent national research institute that would also be generating information so we can have a richer debate in terms of the information that's available.

MR PAHL: Can I just say in response there's no doubt that, even when the association was first formed seven or eight years ago, part of the motivation for that was there was absolutely no information about an industry which had grown very significantly. So part of the first challenge which we faced was to start to get a handle on how big that industry was. I take Robert's point about the social impact aspect of that. As an industry we're focused particularly on the more direct benefits perhaps in jobs and other areas, but there's no doubt and I should just stress again that

the industry is absolutely committed to looking at the social impacts of its practices. The casino industry has tried very hard to do that in their own way in their own markets. So I think there's quite a willingness to in fact look at that aspect. The issue is always a question of balance against a commercial return too.

MR FARRELL: Yes. It is terribly important though to realise that so many people receive benefits in a social and entertainment environment out of gambling and out of the facilities that are created around gambling institutions, whether they participate or not. It's something that I'm personally very proud of. I think the industry has done a huge lot with the social development and infrastructure and growing as part of the way of life of Australians.

MR BANKS: I can say that five members of the team for this inquiry experienced that at first hand last night here in Brisbane by having a meal and playing the pokies for a while in the Treasury Casino.

MR PAHL: Did you win?

MR BANKS: Some of us won, some of us lost. I think the losses outweighed the wins, which is probably typical. The last point that I'd make - and it came up before but it's come up at various times, I think - an accusation that we've spent 80 per cent of our report on the 2 per cent. You would have heard the comments I made to do with the complexity of those issues and the requirement for us to get to the bottom of them, but the other point that I'd make and just reaffirm - and it has come up before too - is that the 2 per cent translates into a fair chunk of the industry's market, in our calculation about 35 per cent. There are other estimates around which range from 25 per cent to 42 per cent.

So I think we need to keep that in mind, and I think that is a significant figure when people try to trivialise or diminish the significance of problem gambling. It may be a very small proportion of the population, but it does translate into a much larger proportion, one-third in our estimation, of the industry's income. That puts it in perspective and I think helps provide a context for the way in which we've dealt with those issues.

MR PAHL: Gary, I think we've actually responded in our submission to that as well.

MR BANKS: You have, and I'd simply reaffirm our views about the survey. While I think there are some minor issues there, the broad thrust of the survey I think stands.

MR FITZGERALD: But I'd just make the point: your industry representatives, Star City Casino and what have you, have continuously acknowledged that even if ours was not appropriate, even if it was 1 per cent, this famous 1 per cent, at 140,000 people with three or four dependants affected, is that not a significant number? Of course, all of the industry participants have said, "Yes, it is a significant issue." Would it have got less pages in the report because it was 140, not 330? Of

course not. I mean, this is very strange - very strange arguments being put forward that the extent of the pages in the report somehow or another has to do with the fact that the survey is or isn't of a particular level.

I just make the point to you, if that is actually truthfully believed by the industry, it's almost naive to the point of extraordinary in my view, because it just doesn't bear any relationship. In fact, the Australian Hotels Association of New South Wales, which launched a ferocious attack on the commission, when asked what was a significant number of people that we should have been concerned about, he said one problem gambler. Of course that's not so, but I just reiterate that there's a false argument taking place which, if people want to continue to mount it, is fine. But even if it was 100,000 or 50,000, it wouldn't have made any difference.

MR FARRELL: To my mind it's not for us to be debating what the number is. I think the issue too is with the final report, though, for there to be some attempt by the commission to ensure that the issue is dealt with a way which is going to minimise the potential for the drama headlines and the misleading numbers to be quoted. So in some respects I think, as you have attempted to do here - you see that gambling does have benefits and does bring satisfaction and enjoyment to the people, but for the sake of the industry, for the sake of the huge number of people who do enjoy gambling in Australia and the facilities, it would be extremely valuable to put as much time and attention into how we could preface the Productivity Commission's final report.

MR BANKS: Okay. I should say that the very first dot point in our key findings begins by saying:

Gambling provides some enjoyment to most Australians, over 80 per cent of whom gambled in the last year with 40 per cent gambling regularly.

So I think we got off certainly on putting the positives first, and we have quite a lot of information about that. We take your point. Clearly we'll continue to ensure that the treatment in the final report is balanced and that the words convey exactly what we want them to convey. We'll be taking on board points that you and other participants have made. That's what this whole process is about. We are open to criticism and we certainly don't have any concerns about getting constructive criticism. You would have heard the clubs of Queensland gave us a serve before you came on. Their serve consisted of empirically based information that they thought we should take on board and that we'd neglected in the first round, and we'll certainly do that. We want to make our final report, like you, as robust and as accurate as possible, and all those who have contributed to that we thank.

MR FITZGERALD: You'll also be pleased to know we've been attacked by the other side as well. The Festival of Light thought we had become captives of the economic rationalists, libertarians. So you can rest assured that the attacks have not only come from the industry but equally from others who believe that we've become

captives of your views. All in one week that occurred, so it was a schizophrenic week.

MR PAHL: Our long-term interest as an industry is to make certain that what is provided for the community is what the community ultimately wants, and I understand the social frame, the policy frame, you're talking about, Robert, but I guess it also has to be tempered with the reality of an industry which in our view at the casino level is working well. It can certainly be improved and I think you've taken submissions and you've spoken to many of our chief executives, who would say exactly that. So that's what our interest really is: to get a sensible debate with a sensible outcome.

MR BANKS: All right, we agree. Thank you very much.

MR FARRELL: Thank you.

MR PAHL: Thank you.

MR BANKS: We'll just break for a moment please.

MR BANKS: Ladies and gentlemen, our final participant today is the Southside Coalition of Emergency Relief Welfare Agencies. Welcome to the hearings. Could you please give your names and your positions.

MR FLETCHER: My name is John Fletcher. I am the chairperson of the Southside Coalition of Emergency Relief Welfare Agencies. I am employed by Mission Australia as the supervisor of the community centre at Ipswich.

MR BANKS: Thank you.

MS CUMMINGS: My name is Myra Cummings. I am the secretary of the Southside Coalition of Emergency Relief Welfare Agencies. I am also employed by Wondara, which is an indigenous group of community services where we have the administrator and counsellor and community workers.

MR BANKS: Thank you very much for taking the trouble to appear and also for having provided this submission for us. I'll leave it to you to present the submission.

MR FLETCHER: Thank you very much, Mr Chairman. May I take the opportunity of thanking the commission for the opportunity to be at this hearing and to present this afternoon. If I may first of all say how disturbed I have been over the past two days while listening to other submissions, that very little consideration has been given to the effects of gambling on the community. There seems to be more concern with the commission's fallibility rather than the real issues of the effects of gambling on the family unit. The previous submission from the Australian Casino Association stated that they wanted to hear from the community and the concerns of the community yet I note that no-one from this group or from the industry, gaming industry, are now present.

To say that the problem gambling is only a very small part of the big picture is an understatement and shows little sympathy to those with a gambling addiction and to those who have to pick up the pieces, particularly in reference to the forgotten victims, the children. We may be unlettered and ordinary people, but we are not here to argue about words but to express our concerns on the impact that yet another addiction is having on our society. At the outset, I would also like to say and have it put on record that the draft report has been a very enlightening one and in the way that it has been written, also the fact that it has been a most comprehensive study into the effects of gaming on Australian society. Its recommendation has need for careful consideration and evaluation. It has confirmed what we as a coalition of welfare service providers have felt has been the negative effect for a considerable time. The Productivity Commission's report, we believe, errs on the side of the conservative when it comes to the issue of problem gamblers.

Gambling is seen as the opportunity to become rich for as little outlay as possible. While its effects have become so widespread and so entrenched that it is unclear at times to distinguish between what is gambling and what is promotional marketing. Gambling takes many forms. It is very sudden in its presentation from

scratchie cards in potato chip packets to online gambling. People do not understand the reality of the odds that are necessary to win. It is the result in part of irresponsible marketing. As early as March of this year the Sunday Mail in its editorial titled Timely Pause on Gaming, stated:

Gaming in Australia is threatening to develop into a major social problem. It is not yet out of control in Queensland but the state must ensure it does not go down the same dangerous path of states like Victoria where poker machines are in shopping centres and compulsive gambling is rife.

The comments expressed in this editorial are the feelings, I believe, of the general public, and indeed, the feelings of the Southside Coalition of Emergency Relief Welfare Agencies. However, it does appear that the express desires of the community were not and have not been taken seriously or considered valid.

It was also again in the Courier Mail on 21 July and again in an editorial, Gaming: A Two-Way Addiction, stated:

330,000 -

and I believe this was taken directly from the Productivity Commission's report -

Australians have a significant gambling problem, often going without food and other essentials. It is a major social problem, especially when the addiction leads to bankruptcy, divorce, spousal and child abuse and crime. At the same time, the states and territories have their own addictions. In 1997-98 gambling accounts for one-eighth of all non-federal taxes. In a neat coincidence, the money raised by states and territories is 3.8 billion, the same amount the Productivity Commission estimates is lost annually by Australia's problem gamblers. While the gaming industry is growing in response to a seemingly as yet unmet demand there is a compelling case for government intervention. No-one is going to unscramble the egg but there is an argument for rational and uniform regulation.

It is our belief that self-regulation will not protect the most at risk of becoming problem gamblers. Regulation and the capping of the gaming industry is the only way that people most at risk and harm are going to be protected and in turn the family unit will also be protected and the family unit will not break down.

We will show throughout our presentation how this will be so. Even the AMA has come out in support of this and we can cite evidence of that as well. The problematic issue of the effects of gambling on the Australian community is one that will not go away and one that has to be addressed, both at a moral and ethical level by all levels of government and community. The impact that gambling has on the problem gambler is well documented. Its effects on every part of a gambler's life - personal, family, work, financial, community, interpersonal and legal - are well illustrated in the draft report.

The effects of gambling are not restricted to the problem gambler. There is a domino effect. The problem gambler takes from the household the only means of income and hence the provision of basic needs as cited again in the draft report. A welfare agency dealing directly with ethnic communities cites that the problem with gambling and gaming machines has an equal impact on their community as it does on mainstream Australian society. Their approach in dealing with the innocent party affected by gambling has a wholistic approach and one that is due to the fact that they are dealing with the victim rather than the partner with the addiction, notwithstanding the known impact as addressed in the report on the indigenous community. I would actually like to hand over to Myra because of the fact that she does work within the indigenous community, to be able to cite cases from the indigenous.

MS CUMMINGS: I refer now to the draft report, volume 2, where section E, Problem Gambling in Indigenous Communities. Certainly the report did make the point that a lot of the evidence there was not conclusive but it made some very valid statements. I would like to add that the statements made relative to the indigenous community, being that they are very much the ones that are problem gamblers because of low incomes etcetera also applies very much to the mainstream population that are also low income earners; in other words, those on a social welfare benefit. The effect is that these ones are disadvantaged because they have so little funding gambling promises them something more. Gambling promises them a way out. This is a mental attitude.

Just to cite a case study, I find very much - and this is not an isolated case, where we have individuals actually collecting their social welfare benefit, on that very day prior to budgeting out any of the needs, the priority needs in their life they attend because they're so handy now, the local club, for four or five hours. Obviously, particularly with females playing the machines, what then happens is at the end of the day when they go home to collect the children or whatever the case may be, they no longer have what is required from that small amount to pay their rent, their food, their basic needs. So this is where we see them or I see them, within the next day or two, because of that addiction or that sickness. That's really what we can call it. This is a cycle that these same individuals I have seen do year in and year out for eight years now. Some of them - I have seen the same people.

So it shows you, as my friend will quote directly, a reason for some need to put a restraint or some forms of restraint in motion, whereby we can be assisted with this social problem, because at the end of the day we cannot - we don't have sufficient funds, neither do we have the programs needed, to be able to help these people.

MR FLETCHER: In our submission we presented three case studies. We submit further verbal evidence of the problem gambling. A welfare agency tendered that while she was visiting the doctor, which was next door to the TAB, she recognised a number of its patrons were her clients. On the following Monday she again came in contact with these clients when they attended her centre seeking assistance. She said they had money to play the horses but no money to pay for food. The kids went to

school with no lunch that day.

The commission's statement, taken from someone within the gaming industry, that gambling is a questionable pleasure, highlights that even the industry itself is not convinced that it does not endanger or cause harm to those at risk of becoming problem gamblers. I, and the colleagues that I speak on behalf of, work at the coalface where every day we have to deal with people, parents, fellow staff members, clients and the community who are having to face up to the realities of the costs - financial, emotional, physically and mentally - gambling has taken on the family. It is those providing counselling and the provision of welfare services who can tell who is a problem gambler.

Many of our members see their clients in clubs, the TAB and other gambling establishments, as we have already shown, then they see them at their welfare centres requesting assistance, as we will continue to cite. No-one knows more clearly than those at the coalface the ramifications of gambling on the family. However, we are not judgmental when dealing with families affected by problem gamblers. Again I cite from another agency who relates the comments made by clients who had fallen into the trap of gambling, and I quote:

All I wanted was to win enough money to take the family on a holiday. This holiday was to be a holiday of a lifetime and I was not going to have to worry about how much it was going to cost. We will now never be able to go on holidays.

And another quote:

I got hooked on the pokies. I started with small amounts at first. While I was winning it was great, but then I started to lose, and lose big time. I kept trying to win back the money I lost. I had a dream to win the big one and so my family would be set for life. Now I have nothing. I've lost my wife, my children, my home and my job.

The issue of gaming machines and the revenue they generate must be addressed and the outcomes must not be ones that will allow the government to smooth over the waters. Hard decisions must be taken that are protective of those most at risk. Our recommendations will show this. No government to date has been prepared to tackle the issue of gambling head on, due to repercussions to its administration. New South Wales, with its Responsible Gambling Bill, has gone some way to address the problem, although it has not gone far enough and the minister has been given the powers to regulate without consultation. Queensland has yet to introduce any reform on gambling.

In many areas of Brisbane known for their low socioeconomic environment several clubs have recently upgraded their ATM facilities to take all EFTPOS cards. If ATM facilities were removed from the clubs it would act as a restraint for clients from accessing moneys essential to the payment of utilities, rent, food, child care and

clothing, the provision of those basic needs. Of course the New South Wales legislation does give some lead in the arrangements for ATM. I'd like Myra to share an incident that she has had first-hand experience as far as an ATM is concerned.

MS CUMMINGS: There was a family who - the husband works, the wife doesn't, and he actually does have a gambling problem. She has managed to control this by cutting up his card and handling all the moneys and he gets X amount per week that he's allowed to use at the club. Unfortunately once he gets through that then he starts on his friends and his grown other family members. But just recently they visited the local club only to find that the new ATM machine had been installed and, "Oh, good," he says. "Now it takes all the cards. So what you can do is you can cash our card here and then we'll have more." So he saw that immediately as a way - because her restraint was to keep the card and go to the bank. He saw that as a way of he would have more because it was handy, it was right there at the club. "We've got it all here," was his attitude. So that certainly isn't an assistance to people that do have this type of a problem.

MR FLETCHER: Other welfare agencies have brought to the attention of the coalition that large sporting clubs, social clubs and even the RSL, where pokie machines are positioned in areas where there is a high level of unemployment, crime and recipients of welfare payments in the form of parenting and disability payments and so on - and the area is known for its low socioeconomic environment. I would suggest that the Clubs Queensland who spoke of three clubs in Queensland holding their direct number of gaming machines, at least two are found within our region and I can actually name them but I won't. But we could show you where they are, and they are in these regions where there is high unemployment and crime and the like.

Penrith Panthers can be cited as an example of where there's a large club but at the same time where there's a high level of unemployment, crime and also those receiving a benefit. We can cite other regions closer to home, Inala and Goodna, where large clubs have been constructed from the revenue gained from gaming machine profits, but it has been at someone else's expense and it has been at the expense of the family unit. While it is commendable that clubs, sporting organisations and those associated with them distribute from their revenue a portion of the profits to the Community Benefit Fund - and they do it by way of updating sporting venues, even building new facilities, providing buses to transport the elderly, new equipment for child care centres, to name but a few - however, while they are good it falls short of assisting those who have a gambling addiction, or in fact assisting those whose task it is to help them, that is, the problem gambler, overcome the gambling addiction that they have and in doing so, save the family.

Many welfare agencies are finding it very difficult to manage their present case load without the added pressure of dealing with families who are facing financial ruin because of their addiction to pokie machines. An agency report reveals that there are many cases that are not being given attention or are being ignored by the public and government. These cases are affecting not only individuals but also the lives of those involved with or close to persons with gambling problems. As our submissions

states, there are some recommendations that we have put forward to the commission and I would like to restate them: a national research centre be established to further investigate the ongoing impact of gambling on the community, that all research relating to gambling be kept as a unit in order to provide a clear overview of the whole impact on the community.

The research centre must be funded by the federal government but must be kept independent and autonomous of any government, both federal and state. It must have no association with the gaming industry and must not receive funding from it; the issue of gaming licences be taken out of the sphere of states and territories and be placed in the hands of the federal administration, as cited in the draft report, chapter 21 and section 12, which came from the Logan submission. It is to be placed into the hands of the agency that has the responsibility for consumer protection and not, as it presently is here in Queensland, under the present agency whose primary object is to increase state revenue, and it is very clear from just what we have gone through with our present treasurer and the Internet gaming debacle, it shows clearly - and the evidence that has come through that and the criticism has come - that it does need to be removed from the state, that a review of the percentage of funding allocation from gaming fund revenue be increased significantly. They claim 47 per cent.

Well, out of this 47 per cent this money should be used for the development of programs for those with a gambling addiction. It is to be used in the improvement of counselling services provided by the major counselling services. It must not be just like placing stickers on the back of toilet doors, telling patrons where to ring when they become addicted to gaming, gambling and gaming machines. We can cite this from personal experience of one of our colleagues. Clearly defined boundaries should be put in place to clarify exactly what is promotional market and the removal of scratchies and other enticements that are clearly designed to promote games of chance.

The rescinding of a licence - and this comes into the area of self-regulation - should a venue introduce questionable or irresponsible practices such as promotional prizes that entice low-income recipients to spend money and time when they do not have it, and a case was cited where - and I might give this one to Myra because she can actually state on it - - -

MS CUMMINGS: With regard to enticements in some clubs there's always the door prize, so we have the door prize every Thursday. Actually in the low socioeconomic areas they always work that with regard to which day is pension day. So on pension day we have a door prize and they will say, "Right, now the drawer from that, you have to be there in order to receive it or the jackpot goes up. So now we'll have that door prize somewhere between 6.00 and 8.00 or shall we say 8.00 and 10.00." It's usually two hours. But the interesting factor and the point that was made to me by clients that actually go there, the draw is never till the last five minutes. So those people have been enticed to come because, "We might get a little more," but in that two hours what are they doing? So again we find that again a pressure on people

that can ill-afford it. They don't have the funds to be there but that desire to get something better unfortunately overrides the other.

MR FLETCHER: The placement of ATMs away from gaming areas, as indicated in the New South Wales draft Responsible Gaming Legislation. Finally, not to provide childminding facilities in clubs - and I'd ask that Myra again illustrate this.

MS CUMMINGS: Child-minding facilities at clubs is of concern to me because prior to them being there then the clients could perhaps go for a little while if they found the baby-sitter. They had to be back by a certain time. There was a certain restraint. There was a certain amount of control. But now there's this advertising, "We've got this special room. We've got someone to oversee the children. They've got video games in there that program the children to also, "Getting out to the big place when we get older." So the whole modelling is gearing these younger ones into thinking that, "This place is okay. This is where we want to be."

But aside from that, it also allows these people to be down there longer because, "Well, somebody's got the children." So it takes away some of the restraint. It takes away the control and therefore people spend more money. Again we get back - it always seems to be the people that can least afford it.

MR FLETCHER: We, a group of welfare agencies known as the Southside Coalition of Emergency Relief Agencies, in making this submission trust that those who have the opportunity to read it will see the need and exercise responsibility in our request to make the gaming industry more accountable and morally responsible for those less able to consciously avoid the known pitfalls that gaming has. The statement that we finished was, "Let's not give a person a bowl of rice but rather teach them how to grow rice," thank you.

MR BANKS: Good, thank you very much. I was just going to ask you one question. I think Robert has some others. But you made the comment on page 4 of your submission that:

The Queensland community and welfare agencies have found that the government inquiry hearing in Queensland was very limiting and selective of who took part.

Would you care to just elaborate on that point please.

MR FLETCHER: Within our coalition we have 82 members. None of them have heard anything about the report. None of them have been asked by the government to make comment. So we have heard nothing at all from - - -

MR BANKS: The report has not been released yet. But what you're saying is they haven't been asked to make an input.

MR FLETCHER: We have not even been asked to make an input into the report.

MR BANKS: Do you think that's a general problem that would go beyond - so what you're saying is that the coalition that you represent, the fact that they haven't consulted any of those members is suggestive that they haven't really consulted with the welfare community.

MR FLETCHER: They have not consulted the community at all.

MS CUMMINGS: Basically we're the community welfare sector. We're the people that work in some of the larger and a lot of very small agencies, and we deal very much at the grass roots. And so in other consultations, yes, from time to time we do get approached because we're right down there every day and the reality, we see it.

MR FITZGERALD: Just a couple of questions, if I might. In your recommendations you talk about not providing childminding facilities in the club. It's an issue that is coming up a lot. I was intrigued by your comments that you almost see it as a conditioning, that the actual childminding facilities are designed to condition children into a gambling activity. You're indicating that's more than just the close proximity to the club, are you? You're actually saying there are features of them that are also worrying or are you just simply saying it's the proximity that causes this?

MS CUMMINGS: The childminding facilities are a part of the club in that they are usually annexed to the side or whatever the case may be. Is it 16 or 18 before the young ones can come out into the mainstream part of the club?

MR FLETCHER: 18 generally.

MS CUMMINGS: Right, well, this lady was 16, so that answers it. A family went down recently and all the younger ones were sent into that area and he was told to go off for a while and he was, "You've got to let me out there. I've really got to have a go at this," because he had been taken so frequently. This is where my concerns come in. Now, we see little children go in frequently and within the framework of the childminding facilities they have their video machines and watching their screen and everything else that they can usually get at home, but it's all programming children to see this as all right, to see this as the norm, to see this as a way of total entertainment, and that's where my concern lies, because again we're on this cycle of the next generation not having that balance to be able to discern what is most beneficial for them.

MR FITZGERALD: Yet, one of the clubs that we visited, and we visited a number, which is going to introduce childminding, of course takes the proposition that this is far better than having them left in cars or at home or anywhere else and they described that to us as a community service of that club. How do you respond to that?

MR FARRELL: That's a very good way of providing a service for the community but wouldn't it be far better if they provided funding for a childminding centre away from the club to remain open to look after the child minding facilities. I know we're saying they are saying they want to give money to community projects, constantly, but surely some of their money that they allocate could be to actually keep a childminding service open, away from the club.

MR FITZGERALD: Yes.

MS CUMMINGS: So that the negative modelling is not there. This is what were asking.

MR BANKS: Is the provision of childminding a fairly recent development or have the clubs always provided childminding, even preceding their acquisition of machines?

MR FARRELL: I would say no, it is only fairly recent, because of the increase in patronage to clubs that provide the poker machines and to get away I guess from this idea of leaving children in cars and what have you. One thing we are not saying is that if a family goes there to have a meal that children can't go with them to have a meal. What we are saying is that they need to look at their childminding facilities. One thing I must also say too is that I have a concern that often the meal area is an area where you must walk past the poker machines. That is a concern to me with young children and young children are seeing older people playing poker machines. Again it becomes a conditioning thing.

MS CUMMINGS: Might I add that the childminding facilities, what that has done is provide to women more of an opportunity or more of an opening to attend the club, because, as one mother said to me, "It's got everything there now, because, you see, when you've got the childminding facilities I don't have to worry, I just walk down to there" - as many of mine don't have vehicles anyway - "I just walk down to there, I can put the little one, I've got the machines, we can get cheap lunch." So it's becoming so much developing a place where they see it as a form of entertainment. Well, that's not bad, but where people cannot be restrained to budget then it becomes - this is where it becomes within this percentage.

I might add, when we talk about one person it affects, five to 10 people are affected. It goes much deeper than that. The 330,000 that we're talking about - it's much deeper than that. It doesn't affect only that amount of people. A lot of my parents have five or six children. When they have a gambling problem then that flows on to the next family member who they try and get some money from, who then is short to go on to the next family member, who in turn comes down to me. You know, it's a snowballing effect. Then other clients are affected because of this, because I have a shortage of funds. It's very wide - that it opens up.

MR FITZGERALD: Your recommendations here - none of them go to harm minimisation or consumer protection issues per se, which we deal with in the report.

When you make in your recommendation 2 - the issuing of gambling licence taken out of state to federal - given that that's fairly unlikely, certainly under the current climate. But what would you hope to achieve by that? Are you actually saying that the processes that exist in state government simply are not transparent enough, they're open to influence? What is behind the notion that the state itself is no longer the responsible body or reasonable body for issuing licences?

MS CUMMINGS: Well, I guess we looked at Queensland.

MR FLETCHER: We looked directly at Queensland and we took the most recent evidence that has been published in regard to the Internet affair and the way that it has been handled.

MS CUMMINGS: And we saw too that it's actually treasury here that deals with the issue of the licence, but it's treasury that also enjoys the incoming funds. So in any other sphere that would be called a conflict of interest, wouldn't it, so why isn't it called a conflict of interest there?

MR FITZGERALD: I think we come close to that in the report - of at least indicating that there are conflicting initiatives. Okay, just the last point that I have is in relation to the percentage of funding allocation to counselling services. Can you just refresh my memory, in Queensland that fund, that benefit fund, whatever it's called, is that an independent fund here? If you don't know, it's okay, but I just can't recall in Queensland who actually distributes gambling funding.

MR FLETCHER: The government.

MS CUMMINGS: I think so.

MR FLETCHER: The government distributes the funding.

MR FITZGERALD: Are you saying that there's insufficient moneys going to the gambling counselling now, at the present time?

MR FLETCHER: Yes.

MR FITZGERALD: Right. Your agencies, as emergency relief agencies, are not necessarily specific counselling services, or do any of your members have a specific counselling - - -

MR FLETCHER: We do have membership that is involved directly with counselling. That's one of Myra's tasks, is counselling. I also do counselling.

MR FITZGERALD: Right.

MS CUMMINGS: Probably over 50 per cent of our agencies - - -

MR FLETCHER: Over 50 per cent would be involved in counselling.

MS CUMMINGS: Direct in counselling - and a lot of that counselling we do actually basically, shall we say, out of our own pocket, for want of a better expression.

MR FITZGERALD: Okay.

MR FLETCHER: We find that many both have state and federal funding in emergency relief and what we are doing is that by providing assistance to these people we are also at the same time supporting them in their gambling habits. So it's ending up being like a double-dipping situation, that they are putting their pensions down the slot, they are then turning around, coming to us wanting assistance, so the federal government ends up supporting them twice. At the same time, the state government is reaping a revenue from it.

MR FITZGERALD: Yes, we know that that cost - not cost shifting so much as where it has occurred. That's fine.

MR BANKS: I didn't have any more.

MR FITZGERALD: No, that's terrific.

MR BANKS: If you don't have any other comments, may we just thank you very much for participating and for the submission.

I ask for the record now if there's anyone else who wants to participate in this round of hearings? There being no-one, it remains for Robert and I to thank all participants. We have had an interesting experience. We have been to most capital cities. I think the whole process of discussing our draft report with participants has been very valuable and will help us ensure that we produce the most robust and helpful final report we can, which is due to be delivered to the Commonwealth Government at the end of November.

We would like again for the record simply to say that all submissions should be in by 15 October - and that is really stretching it. The sooner they're in, the better, if we are going to have sufficient time to take them on board. But as I said, for all those who have already provided submissions, we're very grateful and we'll give them due account in preparing our final report. So with that, we close these hearings. Thank you very much.

AT 2.30 PM THE PUBLIC HEARINGS WERE CONCLUDED

INDEX

	<u>Page</u>
INTERCHURCH GAMBLING TASK FORCE: TIM COSTELLO	1643-1657
JIM STEWART:	1658-1662
CLUBS QUEENSLAND: DAMIEN MASSINGHAM GEOFF WOHLSEN	1663-1682
AUSTRALIAN CASINOS ASSOCIATION: GREG FARRELL RODD PAHL	1683-1702
SOUTHSIDE COALITION OF EMERGENCY RELIEF AGENCIES: JOHN FLETCHER MYRA CUMMINGS	1703-1713