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**TRANSCRIPT
OF PROCEEDINGS**

PRODUCTIVITY COMMISSION

INQUIRY INTO AUSTRALIA'S GAMBLING INDUSTRIES

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

TRANSCRIPT OF PROCEEDINGS

AT SYDNEY ON MONDAY, 16 NOVEMBER 1998, AT 9.03 AM

Continued from 12/11/98 in Darwin

5 **MR BANKS:** Good morning, ladies and gentlemen. Welcome to this first day of
public hearing here in Sydney for the Productivity Commission's national inquiry into
Australia's gambling industries. My name is Gary Banks. I'm chairman of the
Productivity Commission and presiding commissioner on this inquiry. My colleague
on the right is Associate Commissioner Robert Fitzgerald.

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The commission's inquiry, as you know, started in August. We've already
talked to a range of organisations and individuals. We have a large number of
submissions coming in and continuing to come in as we speak. The purpose of these
hearings is to give interested parties the opportunity to discuss views and submissions
15 on the public record, and that's to help the commission in its task of understanding the
economic and social impacts of the gambling industries and the role of different
regulatory approaches.

We've already conducted hearings in Perth, in Brisbane and in Darwin, and
20 following these hearings in Sydney we proceed to Melbourne, then Canberra,
Adelaide and finishing in Hobart in December. We'll then be working towards
completing a draft report for public scrutiny in April of next year. At that time we'll
have further submissions on that draft report. We'll have another round of hearings
around Australia and then we'll get down to producing a final report, which is due to
25 go to the government by the end of August next year. So it's a 12-month inquiry.

Copies of the report will obviously be made available to anyone who makes a
submission or registers an interest in the inquiry. I should say that the hearings are
conducted as informally as possible. It may seem a little formal here today but we'll
30 overcome that. A transcript is made to provide a record of discussions. There's no
formal oath-taking required, but the Productivity Commission Act does require
participants to be truthful in their remarks. The transcript and submissions are public
documents and can be consulted at the commission's offices, at the hearing rooms.
Copies can also be purchased, and order forms are available I believe today from staff
35 for that purpose. Also in this technological age, if you look at our Internet site you'll
find a lot of information on that site.

I should add that participants aren't confined to making submissions at the
hearings. We'll continue to accept written submissions and participants can also make
40 submissions in response to the submissions of others, including anyone while we're
here in these hearings in Sydney who'd like to come up and comment on the
observations of other people at the hearings.

With those preliminary remarks out of the way, I'd like to welcome our first
45 participants this morning in Sydney, the Community Clubs Council of Australia and
New Zealand. Welcome to the hearings. Could you please give your names and
positions.

MR BALL: Thank you, commissioner. My name's Jack Ball and I'm here today in
50 my capacity as president of our national body, the Council of Community Clubs of
Australia and New Zealand. With me today are Anne Munro, our project manager,

5 and Lindsay Somerville, a partner of Ernst and Young and adviser to our council. A little later in the morning I hope that we will be joined by our colleague Garrie Gibson, who's the deputy director of Clubs Queensland. I apologise for his late arrival.

10 **MR BANKS:** Good, thank you.

MR BALL: As the commissioners are aware, much of the regulation pertaining to gambling varies between state and territory jurisdictions. Nonetheless, many issues have a national focus and accordingly our council, representing some 80 per cent of
15 the 5600 registered and licensed clubs across Australia, offers a national position. Some of our state and territory associates may consider it appropriate to offer a separate perspective on issues pertinent to the individual jurisdictions and may lodge submissions in their own right. In that vein, upon conclusion of my presentation Mr Gibson is proposing to offer the commission some further insights into issues
20 relating to the conduct of gaming by Queensland clubs. Should the commissioners have any specific questions of the New South Wales club environment, I would be happy to respond in my capacity as the president of the Registered Clubs Association of New South Wales. I would also like to draw the commissioners' attention to the attendance at these hearings of the president of our Victorian association, John
25 Laughton, who is seated in the audience.

We have provided the commission with an introductory submission, which will support my presentation this morning. It's not my intention to read the document in full but rather to highlight key issues. It is proposed that this presentation will be
30 complemented by further written submissions, providing a more detailed review of the matters referred to in the issues paper and such other matters raised by the commission as part of this inquiry. Commissioners, may I introduce Garrie Gibson, who's the deputy director from Queensland.

35 **MR GIBSON:** Sorry I'm late.

MR BANKS: No, I understand the difficulties. Welcome to the hearings.

MR GIBSON: Thank you.

40 **MR BALL:** I'd like to go to section 4, The Club Movement, Past and Present. While clubs cover a vast array of interests, including social, community, political, ethnic, cultural, religious, ex-service and ex-services, in excess of half of all registered and licensed clubs have a clear sports perspective - and involvement, might I say.
45 More than 9,000,000 people from all walks of life are estimated to belong to the 5600-plus Australian registered and licensed clubs. Clubs have been part of the social fabric of Australia since the earliest days of colonisation. However, there has been wide diversity across state and territory boundaries as regards clubs' access to gaming and regulatory frameworks.

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5 The membership statistics alone demonstrate the significant role and presence
the club industry has within the Australian community and the enormous support
mechanisms clubs provide to the public. To the individual patron who may or may
not participate in gaming activities, clubs offer a low-cost, safe, controlled
10 environment providing facilities and support in keeping with that club's objectives. To
the larger community the existence and continued sound financial position of clubs
means the provision of financial and in-kind support often not readily available from
alternative sources within the community or at a regional or state level. Not only do
clubs recycle their gaming surpluses into the community, but they do so with a clear
15 non-profit focus, responding to specific needs at a local level in a highly efficient and
cost-effective manner. In New South Wales gaming in clubs reflects the
characteristics of a mature market, having benefited from enabling legislation over
40 years ago, whereas in Western Australia the club and hotel industries are still
currently lobbying government for the introduction of gaming rights into those
20 venues.

 Section 5, Gambling Turnover. The latest statistics provided by the centre for
regional economic analysis, the University of Tasmania, as recorded in their
publication Australian Gambling Statistics 1972-73 to 1996-97, show continuing
25 growth both in total gambling turnover and per capital turnover throughout the period
covered by that report. Clubs' share of turnover or expenditure for each category of
gaming product is not readily available from that report. However, statistics compiled
by the New South Wales Department of Gaming and Racing, as reported in its
Gaming Analysis 1996-97, estimate New South Wales club poker machine turnover to
30 be 24 billion, representing 30 per cent of the total Australian gambling turnover 1996,
22 billion.

 Other gaming products offered by clubs subject to state and territory legislation
include keno, club and charity bingo, raffles, sweeps and Calcuttas as well as trade
35 competition two-up is offered on a restricted basis. Clubs are also involved in
wagering activity through TAB agency relationships. However, as a source of
revenue this activity does not have a substantial impact on clubs' operations. These
statistics highlight the significance of the club industry as a component of the
Australian gambling industries and the significance of gambling revenue to the club
40 industry.

 One aspect that warrants clarification is the relationship between turnover and
revenue. Commissioners will note the reference to the frequently quoted statistic,
turnover, in section 4 of our submission. Our council considers it more appropriate to
focus on revenue, noting that in the case of New South Wales clubs, for instance,
45 1997 turnover of 24 billion equates to a gross revenue figure of 2.3 billion after
returning to players approximately 91 per cent of the amount wagered. This spend
figure represents the cost of patrons of participating in and being entertained by
gaming machines in New South Wales clubs. Clubs apply this revenue to government
duties and taxes, operating costs and the provision and enhancement of services and
50 facilities to members and the community in accordance with the individual club's
objectives.

Section 6, Regulation of Clubs. To reiterate, clubs are non-profit organisations focused on the provision of support to the community. This support is achieved through two avenues. Firstly the provision of services and facilities to their members, consistent with the objectives of the individual clubs and secondly, the provision of cash and non-cash benefits to that part of the community that extends beyond club members. Regulation recognises these fundamental characteristics and specifically it acknowledges that community owned gaming as conducted through the club movement offers the greatest opportunity to recycle the surpluses derived from gaming back to the community.

While policies pertaining to the allocation of gaming rights between operators, limitations on machine numbers, ownership of equipment, technical specifications etcetera, reporting requirements, differ somewhat across the various state and territory jurisdictions, the extent of this regulation is broadly consistent. The varying principles underlying regulation are set out at page 4 of our submission. In addition to the regulations' recognition of the role of clubs in the community, critical principles include gaming and wagering are accepted forms of leisure and entertainment in Australia. The conduct of gaming and wagering is a privilege and carries with it significant responsibilities, particularly in the area of harm minimisation.

The exposure of gaming and wagering to corrupt elements of society must be minimised. Gaming equipment should be of high standard, both in terms of its technical features and entertainment value to players. Machine gaming should attempt to provide adequate entertainment value for the gaming expenditure incurred by recreational players and gaming and wagering taxes and duties should be collected in an effective, accurate and cost-efficient manner. Regulations have broadly achieved their objectives as they pertain to the club movement, evidenced by the historical growth in gaming turnover, gaming taxes and the value of community support provided by the club movement.

Section 7, Taxation of Clubs. Turning more specifically to the taxation aspects of regulation it is accepted that it is in recognition of clubs' non-profit status and their contribution to the community that successive governments at both state and federal levels have provided concessional taxation environments for clubs. In connection with the issue of federal income tax we have provided to the commission as an annexure to our submission a detailed review of the tax exemptions available to qualifying community and sporting clubs together with a review of the application of the principles of mutuality which apply to those clubs not exempt from federal income tax.

In subsequent submissions our council will focus on aspects such as supporting arguments for retention of the principle of mutuality in relation to all activities of clubs, analysing the net benefit to government of retaining the current mutuality tax regime, supporting arguments why clubs are better placed to channel surplus funds into local communities than government and demonstrating the vital role that clubs play in reinvestment of surpluses in the lower socio-economic areas. Turning now to

state gaming taxes and duties - before turning to this issue I would like to briefly digress to provide insight into what has become known as the New South Wales club industry review. In mid-1997 the government in conjunction with the Registered Clubs Association of New South Wales established a working party comprising representatives of the premier's private office, the premier's department, the cabinet office, office of the treasurer, the treasury, office of the Minister of Gaming and Racing and the Department of Gaming and Racing, together with representatives of the club industry and relationship industry unions.

The specific task of the working party was to develop a whole government policy for New South Wales, a document that would firstly provide the basis for a cooperative and professional relationship between the government and the New South Wales registered clubs industry, recognise the vital significance of the registered clubs industry to the broader community of New South Wales and ensure the continued balanced development and longer-term viability of the New South Wales club movement. Over a period of some 9 months subcommittees met, appraised information provided by consultants, discussed issues pertinent to the club movement and formulated recommendations that were referred to the working party for its consideration.

The final report of the working party is annexed to the copy of the RCA's submission to IPART, which has been provided to the commission. The working party noted, "It is in recognition of clubs' contribution to their members and local communities that governments have granted the right to provide liquor and gaming services on a concessional basis. The concessional gaming taxes legislated by the various states and territory governments as applicable to clubs recognised the essential difference between community owned gaming and privately owned gaming." Our council contends that the New South Wales model and in particular the taxation structure and the relatively laissez-faire style of regulation provide the best example in Australia of effective management of gaming for the government and for the people.

Section 8, Overview of the Contribution of Clubs to the Community. Our submission provides an overview of the economic and social benefits provided by the club movement. Further insight will be provided as part of subsequent submissions but at this point it is appropriate to again refer to analysis undertaken as part of the working party's industrial review. Chartered accountants Pannell Kerr Forster estimated the value of community support, excluding capital investment, provided by the New South Wales club movement during 1996-97 to be some \$155,000,000. Additionally an estimated \$280,000,000 was re-invested by these clubs in non-gaming related buildings, facilities and equipment.

Pannell Kerr Forster commented that, "The figure of 155.1 million is perhaps best regarded as the lower bound of the real cost to clubs of providing community support. The benefit to residents of the state may be much higher." In any case one point remains clear: the type of community support which clubs provide to the residents of New South Wales are broad-ranging in their scope and affect important minority groups including the less privileged members of society. Clubs have been

part of the social fabric, the very culture of Australia, since first settlement. Whilst a similar comment can be made in respect of the hotel industry, the essential difference and the basis for the concessional taxation treatment provided to clubs has been the clubs' ongoing philosophy, practice and legal requirements of community support that is inextricably linked to the reason for their existence.

Section 9, Harm Minimisation Problem Gambling. As regards the issue of problem gambling, our council recognises that a small number of patrons who engage in club gambling activities may be adversely affected and that this may have a harmful impact not only on them but also on their families and the community. As with regulation pertaining to the operation of clubs generally, regulations relating to the responsible provision of gaming varies between the jurisdictions. Consistent with their underlying philosophy of patron care clubs are concerned to ensure gaming is provided in a responsible manner which continues to deliver high quality, good value entertainment to their patrons. Our submission highlights the various issues which will be elaborated in subsequent submissions.

Section 10, New Technologies. One aspect which deserves comment at this point, however, is the impact of new technologies. While the individual state and territory jurisdictions may appear to have developed differing views as to the most appropriate approach to Internet gaming, it remains an issue that society has yet to debate in detail. Our council recognises the potential risks associated with Internet based gambling opportunities. It encourages vigorous community debate on whether Internet can deliver an appropriate form of entertainment, having regard for the principles which underlie the regulation of gaming as itemised in item 6 of our submission - the regulation of clubs on page 4 - with particular emphasis on harm minimisation and integrity. Our council believes that the issue of Internet gaming urgently needs a Commonwealth government involvement and a Commonwealth led community debate.

Section 11, Some Concluding Comments. Our aim today and through the presentation of subsequent submission has been to provide the commissioners with a clear understanding of the operation of the club movement. In particular we will demonstrate the essential differences between the conduct of community-owned gaming and privately-owned gaming. We will elaborate on why these differences exist and the very significant benefit delivered to members and to the broader community through the club structure. Clubs are a centuries-old device for the efficient provision by communities of services and facilities to their communities.

Sport and culture as well as social and recreational activities have been greatly enhanced by the operation of Australian clubs. In recognition of this service successive governments at both federal and state level have provided concessional taxation environments for clubs. The 9,000,000 club members of clubs across Australia are testimony to the unique set of attributes which characterise Australian clubs.

5 That, commissioners, concludes my presentation for today and I would now like
to hand over to Garrie Gibson who will elaborate on a number of Queensland specific
issues and a little later we look forward to some discussion on the various matters.

10 **MR BANKS:** Good, thank you, Mr Ball. I wonder just before, if I could break for
a moment just to ask you a question.

15 **MR BANKS:** Okay, we will resume. That break was just to ensure that the TV
cameras can come in. We've got the ground rules established for that. So thank you
very much for that and perhaps we will hear from you now about the Queensland
perspective.

20 **MR GIBSON:** Thank you, Mr Banks and Mr Fitzgerald. Can I first ask, did you
receive a copy of the submission that I faxed down from Queensland last week?

MR BANKS: Yes, we do have a copy of that.

25 **MR FITZGERALD:** One dated 9 November.

MR BANKS: Yes.

30 **MR GIBSON:** Although President Jack Ball has very comprehensively covered the
main points I just wanted to, on behalf of the club industry in Queensland, draw your
attention to a couple of specific points in brief and particularly outline some specific
issues that are relevant to the Queensland situation. Firstly, what I'd like to do is draw
your attention to a point that I think is very important on page 2 of my submission and
that is the impression that I think some people have that the club industry is made up
35 of a lot of very large clubs, that they're all very big institutions with a lot of poker
machines.

40 The fact is that in Queensland, as in New South Wales and in most other parts
of Australia, there are only a small number of clubs that are quite large and that the
vast majority of clubs are quite small institutions. Of the 650 clubs in Queensland that
are licensed to have gaming machines, 450 of them have less than 20 gaming
machines. So two-thirds, more than two-thirds of the clubs of Queensland, are quite
small, have somewhere between four and 12 machines, and don't rely heavily on that
as a source of revenue.

45 There are only three clubs in Queensland that have the maximum number of
machines allowed. In Queensland the machine numbers are controlled and regulated.
At the moment clubs are allowed a maximum of 270 machines and only three clubs
have that number. There are only 14 clubs in fact that have 150 machines or more.
So it's an industry in which in fact the average club has about 14 machines and is quite
50 small and does not depend to a huge extent on the revenue from gaming to fund their
operations. That was the first point I wanted to draw your attention to

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Secondly, on the top of page 2 I wanted to outline to you that within Queensland there is a regulatory environment that requires clubs to justify their expenditure and to ensure that the expenditure that they engage in is consistent with their objects as outlined in their constitution. Both the Office of Consumer Affairs and the Queensland Office of Gaming Regulation require all clubs to provide their annual reports to them, and they do in fact review each one of those annual reports - because I've asked that specific question of QOGR - and they look to see whether the expenditures outlined in their annual financial statements match what the objects of their constitutions say the clubs should be expending their money. As you would recognise, clubs list in their constitutions that their main purpose is for the provision of sport or provision of community services if they're an RSL or services club or whatever. So there is a fairly close scrutiny to ensure that the income that clubs derive from all forms of their activities, whether it's gaming or dining or other recreational activities, are in fact expended on the objects of the club and are not used for some other purpose.

The other point I'd like to draw your attention to - and President Jack Ball outlined the regulatory framework - there is on page 4 of my submission some detail about the regulatory framework which operates in Queensland. It's a very heavily regulated industry in Queensland, very strongly and strictly controlled. That imposes quite severe restrictions on the club industry, and I think it's important to understand that there are quite significant differences around the country in the way in which the industry is regulated.

The other point that I'd like to outline is on page 7 of my submission, which in the dot points in paragraph 4.2 are complementing some of the points that Jack made in his presentation, some of the social benefits that we in Queensland perceive as being of great importance, about community-owned gaming. I've listed there a significant number of points. The club industry in Queensland has only had gaming machines for some 6 years, but the benefits that have flowed to the community from the introduction of those gaming machines have been very obvious from very early days.

The club industry in Queensland has provided something that I think was sadly lacking in this state, and that was a safe, comfortable and affordable environment for many thousands of people who previously had been very isolated in their homes, had no way of social interaction, and a place where they felt that they could go and be entertained, relax, meet their friends, dine with their friends or their families etcetera. Clubs have provided that type of social outlet, which was very much missing previously. That's just one of a number of benefits that I've listed there, and I'd like you to have a look at those points because I think they're very important in understanding the true benefits that clubs have provided to the people of Queensland by the introduction of gaming machines.

Finally, on page 9, I'd just like to draw your attention to some of the ways in which the additional income that clubs gain through their gaming and other activities

5 are expended for the benefit of Queenslanders. I can assure that, without the revenue
that is provided now through those facilities, things such as sporting opportunities for
young players would be significantly restricted. It was one of the very reasons why
the state government in Queensland approved the licensing of gaming in clubs -
10 because they recognised that they could not out of their own resources provide the
range of facilities, the coaching, the equipment and all of the services for half a million
young Queenslanders under the age of 15 to engage regularly in healthy sport. That's
what the club industry in Queensland does provide, and it's doing it in a very good
fashion now because it's been able to gain funding through the provision of
community-owned gaming. Those were the main points I just wanted to highlight
15 from the Queensland perspective to complement the national submission. Thank you.

MR BANKS: Thank you very much. Do you have any further remarks to make by
way of introduction?

20 **MR SOMERVILLE:** No, we don't.

MR BANKS: Thank you very much for that. I think you've covered a range of
issues and we could probably be here all day talking about them, but I know you've
got other things to do. Perhaps I could just ask in some ways a basic question. You
25 talked about the entertainment value of gambling, especially in a club-type context,
and that people derived a lot of pleasure and indeed it's a safe environment which
some people have access to who may not have access to comparable facilities
elsewhere. I think that point is well taken. But if we're talking simply here about a
form of entertainment, then why is it so important, as you indicated, that the returns
30 from gambling be cycled back into the community?

MR BALL: I think one of the consistent themes that comes through in talking to
club members over a lot of years is that they have a certain satisfaction in contributing
to a form of entertainment that they feel stays within the loop, as it were. Very
35 frequently you hear the term, "What goes round comes round," and the feeling that if
they're getting reasonable entertainment value, if like today across the state the
average is about 91 per cent return to player, they're getting a reasonable number of
spins - as I said in the report, \$100 on average will provide about \$900 of turnover
before it eventually erodes. But they feel that, even so, it's going to do some good for
40 themselves basically in the facilities and maintenance of their club and that they are
making in a sense a donation to their own community

MR BANKS: Your point about the sort of return that they get, 91 per cent overall -
I guess what we're hearing from a lot of people who play is that, while in a sense
45 there's a theoretical return, many club members or others who are playing gaming
machines discover that in fact on an average night they'll lose a certain amount of
money over time. Getting back to the entertainment theme, would you still see them
as sort of accepting that as in a sense the price they pay for a good night's
entertainment?

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5 **MR BALL:** Yes. Very frequently when people wander away to have a play on the
machines, when they return the comment about whether they've had a good time or a
bad time is not about how much they've won or lost but how long they've played for.
So they'll say, "I'll go and put \$20 through the machine," and if they can put \$20
10 through the machine they get an hour or an hour and 20 minutes or an hour and a half
and they come back very happy that they've played for so long with the club's money
as they put it, because once it comes through the return cycle most people regard that
as playing with the club's money. It's a failure, I guess, to recognise that they're
playing with their own money but it's just the way the game is played. They don't
look it as if, "I'm going to win \$50" on the machine; they're going to spend \$20 is a
15 most frequent comment.

MR BANKS: Would you say that most people had a fair idea about what the ticket
price of that night's entertainment was going to be and broadly how much they would
lose over a particular period of time in a club on an average night?
20

MR BALL: No, I think that would vary widely, but I do know that most people -
and this is an observation from over 40 years around the clubs - do set themselves an
amount of money to go and invest in the machines. Little old ladies might say \$5,
others may say 10, others may say 20, but they do have in their mind a fixed sum and
25 that's it. When they've done that, that's fine. That's what they bought - they bought
that time, that blue sky. Of course, if they were to strike a jackpot that would be
wonderful. If they come away after an hour and a half when they're tired of the
machine with money still there, that's great too, but the primary principle is a regard
that, "I have \$20 to risk."
30

MR FITZGERALD: In some senses the machines create a false illusion in relation
to that figure. Many of the machines are now actually only showing credits rather
than actually giving drops and so on. The multiple lines, which are almost unique in
Australia, and so on actually create an environment where one can spend very quickly.
35 You are getting returns but there's almost no break in play. What's your view about
the current sophisticated style of machines in terms of their encouragement of
increased consumption of gambling by patrons?

MR BALL: I'm not a psychologist so I don't pretend to know what goes on
40 necessarily in the player's mind. I do know that the ability of people to vote with their
fingers, if you like, would indicate that the developments of machines - which you're
quite right in identifying has been technology which has been developed in Australia
rather than in America or Europe, and I believe that the twin factors of lots of lines
but also a vast reduction in the stake unit down to 1 cent has given people a feeling
45 that they are in control of their gaming activities. So they can play one line for a cent,
or if they want to play five lines and they want to multiply it by two they can. If they
want to stake even higher, the machine provides that ability and flexibility which
people seem to appreciate. Quite frankly, most clubs find that the 1 cent machine is
the machine that has obviously by far the most players but also is the most popular in
50 terms of usage and numbers of machines that are available.

5 **MR BANKS:** To what extent is the clubs industry looking at the design of
machines, or are you simply responding to supplier-driven technology changes? In
other words, do you believe it's a responsibility of your clubs, given you have the vast
majority of EGMs in Australia, to actually be looking at the issues that dominate
player behaviour? Are these issues that should be of concern to you or are they
10 basically driven by the suppliers of those machines?

MR BALL: I think obviously the commercial aspect of the whole thing is the
primary driver. What poker machine manufacturers do and have done, albeit with
encouragement from the clubs to provide machines that are more attractive to their
15 members - they have produced machines of differing styles, then the patrons put their
stamp on what sort of machines they find attractive. Quite frankly, machines that
perhaps we think in the club movement might be attractive when they first come out
don't prove to be so, and the same for the manufacturers. In the end it comes back to
patron choice and entertainment.

20 **MR BANKS:** Is the Registered Clubs Association of Australia looking at or
prepared to look at design features of machines? This is an issue. Some people say,
"The design features are really not an issue." As you are well aware, many people
have put to us already that there should be some design changes - the capacity to set
25 certain limits, the capacity for the machine to actually cease at a certain function for a
short time, the capacity of the machine to actually raise questions of patrons. To what
extent is the Registered Clubs Association open to those sorts of notions?

MR BALL: We're open to those sorts of notions in respect to the wishes and
30 desires of our members in relation to entertainment. As I said in answer to the
previous question, it doesn't matter what sort of games we might think up or the
manufacturers might think up; in the end it's the players who put their stamp on what
they find entertaining. Believe me, they will walk away from a machine and never go
near it again if it doesn't live up to the psychological stimulus of what the game does
35 and how it happens. I understand the European developments, which are designed to
perhaps slow down play or modify behaviour. I think that that is social engineering. I
think that that does to an extent take away from the public their right to choose the
form of entertainment that they enjoy.

40 I would suggest that with the large number of entertainment forms - and I don't
restrict that to gaming or wagering or anything less, there are an enormous number of
entertainment opportunities for people and if restrictions are placed on the patron in
relation to what they can and can't do with machine gaming, then I think there's a very
real risk that they will simply say, okay, they'll go somewhere else for a more
45 entertaining form of gaming and activity.

MR BANKS: Yes. You used the word "social engineering" and, I mean, some are
probably arguing that in some ways the machines are engineered to encourage the
gambler to continue. They're quite interesting in some respects, the graphics are
50 improving all the time and I suspect we'll see further developments on that. What do
you say to those who would say that there should at least be more and richer

5 information available to the person? I mean, if we describe it as a form of
entertainment - if you go to the cinema you know that it costs you \$14 to see a movie.
What about information that would more accurately tell your patron how much on
average he could expect to spend on this form of entertainment for a given period of
time?

10

MR BALL: I really don't think that that could happen, commissioner. Obviously to
somebody on very, very limited resources, \$5 spent on a 1 cent machine is a
reasonable amount. To the likes of Kerry Packer, it wouldn't matter how high. There
are people out there who have resources and who find machines entertaining to whom
15 100 or 200 dollars at a time is not unreasonable. How you could possibly devise
some form of statement which would cover the broad spectrum of that, I couldn't
imagine.

MR BANKS: Are you saying that technologically it would be too difficult, given all
20 the combinations and so on of play on a given machine? It would be too hard to say
"on average if you played at this rate you would lose this amount of money over a
particular period of time"? It couldn't be done?

MR BALL: It couldn't be done. The machine runs on the normal principles of
25 permutations and combinations. It's a normal, statistical, mathematical argument.
There's no weights, there's no measures, there's no changes to it, it's just a
permutation of those symbols which trigger pays. So they operate within the normal
bounds of probability. Sometimes a machine may get - in club terms - hungry.
Sometimes you come upon a machine which is a dream, it just pays and keeps on
30 paying. That's the thrill, that's the excitement, and that's why players move from
machine to machine. They migrate. Some of them have their favourite machines,
some of them just try and gauge the mood of the machine and move.

MR BANKS: Yes, but they're not totally random, as you said. The regulation
35 requires a certain proportion returned. I mean, you couldn't achieve that unless the
machines were configured to bring about that result over a period of time. I guess all
I'm saying is if they can do that then there would presumably be some other rules of
thumb about player loss rates.

MR BALL: Player loss rates - it's interesting. In the old days when machines were
40 probably paying 80, 85 per cent, they were not entertaining and people didn't find
them entertaining. What happened in the very, very early days, clubs found that - I'm
talking about the fifties now - with the advent of machine income, their positions were
improved and they started giving little bonuses away which of course is another form
45 of increasing the return to player. The more entertaining they made the machines, the
more the players responded.

MR FITZGERALD: Can I move beyond the machines. I want to talk about
50 inducements. One of the clear messages in the submissions we've received so far from
those who have problems with gambling is a major concern about the increasing level
of inducements by clubs and others and this is a consistent theme that the inducements

5 that are now being offered right across the industry are of concern. What is your view
as a registered club association to the use of inducements generally?

MR BALL: I think probably what is meant by inducements is interesting to look at.
I've had it suggested that a club sending out a birthday card and suggesting that if the
10 member were to come along, the club would be happy to buy them a drink on their
birthday - that's been suggested as evil, scheming way to winkle people out of their
homes to come down and rob them of money. Quite frankly, believe me, it is viewed
by the members as quite an opposite situation. Very, very many of our members are
elderly. More of our members these days than men, in many instances, are women
15 and they're widows. To get a card from somebody when perhaps even members of
their own family don't care for them - and certainly the church doesn't send them a
card - you know, there are so few people seem to care about other people today and
the fact that they get a card from the club, they really feel that they're an identity.

20 **MR FITZGERALD:** Let me put it another way then. Are there inducements that
you as a registered clubs association believe are inappropriate and if so, have they
become part of your code or what action would you be taking to curb those practices?

MR BALL: I don't know of any that I would class as being inappropriate
25 promotions. We certainly are rigorous in our division between providing liquor and
gaming - certainly free liquor. We are responsible, I believe, in our promotion of
gaming by trying to provide breaks by having free tea and coffee either in the gaming
area or just outside the gaming area. We don't have people coming around from the
club offering to buy drinks from the club. Because we are not for private profit, we
30 don't suffer from those sort of pressures. So I don't know of any that would be
classed as - the major promotions these days are fun promotions like meat tray raffles
and the sort of things that are run not-for-profit and they give great pleasure. Many
people go there and they just enter in the meat tray raffles and come away and they
never gamble. I really honestly cannot believe that there are any that you would class
35 as being unfair promotions.

MR FITZGERALD: Your point about the birthday card, if people are somewhat
sceptical about that, it might be, not that they're Scrooge-like or something like that
but that they think in a sense that once people get into a club - and I'd ask you to
40 comment on this - the first thing they see is the machines. So in a sense - and this is a
perception that we've had expressed to us - that a lot of the clubs now look pretty
much like gambling institutions with other things attached, rather than the other way
around. I know from personal observation, I've now been into a number of clubs, and
I could see why people may feel that and I can see why from a commercial point of
45 view you may want to take people past the machines, indeed through the machines, to
get to other aspects of the club's facilities. I suspect that that may be a reason that
people feel that once they get into the club, they're primarily getting into a gambling
environment rather than the other aspects that clubs have traditionally provided.

50 **MR BALL:** Commissioner, I don't think we deny the fact that gaming is a function
of club life; to do so would be quite stupid. We did some research a number of years

5 ago, so I can't vouch for its immediate validity, but we found that even then there was
less than 15 per cent of people who came into clubs and played machines. They come
in - and the machines may be placed in the best possible position for the comfort of
the people who want to play them, but there are other considerations why you haven't
got food at the front door or a ping-pong table at the front door. Even to people who
10 don't play machines, there is a certain level of brightness and excitement from just
looking at a poker machine with the lights and the signage that's around a gaming area
that people don't find unattractive. I suggest also that it has evolved by clubs over the
years because when they first came out there were no poker machines near front
doors.

15

MR FITZGERALD: Thank you.

MR GIBSON: If I could just comment also on that question and make two points.
We have commissioned major market research this year of Queenslanders' attitudes
20 towards clubs and reasons for going to clubs etcetera. That market research showed
that 65 per cent of people come to a club to socialise with their friends and
60 per cent - we asked what were their first two or three reasons for coming to a club
and the second-most important reason was to dine with their families. Like the
president, Jack, said, something like under 20 per cent actually expended any money
25 on any gaming activity when they visited the club. Clubs are community centres - are
becoming very much community centres. I'd also remind you again of the point I
made before about the vast majority of clubs have very small numbers of machines.
They put them in a position where people know where they are and, yes, we are
making sure that people are aware that the machines are there because they're part of
30 the colour and vibrancy of the club environment. But most clubs have and rely on a
small number of machines to generate some income that helps them provide whatever
their facilities are.

MR FITZGERALD: The clubs have consistently maintained that the gambling has
35 become a major part of their viability and yet the reality is that clubs both existed prior
to gambling in most other states and do so already. In Western Australia there are no
gambling machines in any clubs and yet there is a club industry. In South Australia
they're restricted to 40 machines and yet there is a club industry. In New South
Wales, there are unrestricted almost limits. Is it not true that in fact clubs would
40 survive without gambling, however, it is the nature of services that couldn't be
provided? In that view, we've just come from Western Australia where both the
opposition and the government have both said that there will be no extension of
gambling machines at this stage.

45 Isn't it true that clubs could and can survive on a small number of machines or
no machines at all, it is simply the size or the range of facilities that is in question?
The second point of that is, if the vast majority of clubs only have a small number of
machines, why would it not be good public policy to limit the number of machines as
they have in South Australia to a small number across the board so that you don't
50 have super clubs against very small clubs, in a sense, almost cannibalising each other?

5 **MR BALL:** The last remark I don't agree with. To my knowledge there is no
cannibalisation of clubs. As one who came into club movements before club gaming
was legal in New South Wales, I'm aware of the style and size of clubs that existed in
those days. If you want to see what they were like in 1955 and prior, go to Western
10 Australia and you'll see them; they're there. They're run by willing amateurs on an
honorary basis for the good of the members to provide a bowling facility or a golf
course. They're poorly funded, they're poorly resourced. I would suggest that
although they existed and were actually developed in those early days in New South
Wales, the culture of people today is such that they are not as oriented towards
community activity as my generation was. People today want to pay for what they
15 want. They don't want to give up their time to commit themselves. Everybody is so
much busier than they ever were.

MR FITZGERALD: But, Jack, one of the points that's been put to us has been that
in fact that the extent of gambling, not only in clubs but elsewhere, has in fact caused
20 that. They have actually indicated that there has been a decrease in voluntarism, a
decrease in community funding because of the extent now of gambling activity in
clubs. Do you have a particular view on that?

MR BALL: I have a very distinct view on that and I have very distinct evidence on
25 that. If you believe that that is the case, how is it that Rotary and all of the service
clubs, all of the other community activities are similarly affected? It's not a function of
gaming. That's a convenience to attribute that to it.

MR GIBSON: Gaming is a very popular kicking horse at the moment. We're
30 blamed for every social ill that occurs in society. We're blamed by the retailers for
declining sales in shops, we're blamed for everything, because it's nice to be able to
target somebody and we happen to be the target. No-one is able to provide any
evidence whatsoever, any quantifiable evidence to justify it. All of the groups that
have used gaming as the kicking horse have been challenged to provide that evidence
35 and have yet to be able to substantiate any. The retailers are a perfect example of
that.

MR FITZGERALD: Could I come back to the first point that I made: what should
guide public policy in terms of the extent of gambling within the club movement, and
40 given that Australia now has all of the examples available, that is zero-40 variations
and as you have described to Jack laissez-faire, what is good public policy in that
environment? The second part of that is, why should the clubs be differentiated from
the hotels in terms of the numbers of machines which we see in certain states and not
others?

45 **MR BALL:** Because - and I don't want to develop an economic treatise here - the
matter of circulation of money is vital to the economic health of a community. If
money is made to go around and around and around, it provides economic activity
which would otherwise be missing and certainly was missing in those early days.
50 There are many communities who really - all communities derive no real economic
benefit from their club. They were purely a drain, if you like, a drain on the time and

5 the resources of the members who worked in a voluntary capacity. The New South
Wales model, which we have stated to be our preferred model, has provided an
economic system which has provided maximum benefits we believe to all aspects of
the stakeholders, to every form of stakeholder.

10 The government for instance has been a massive beneficiary. Between 1992 and
1997, a period of 5 years, without any increase in rate of gaming taxation government
revenues doubled. Now, that's purely because people found this form of
entertainment was attractive because if they didn't find it attractive they would go
elsewhere and that's what has happened in other states. In South Australia where
15 there are less than favourable circumstances where taxation has been extremely high,
so high that the government has had to bring it down, gaming machine revenue is
falling.

MR BANKS: Just in the second part of what Robert was asking as in relation to
20 clubs versus the hotels - and I'm quite conscious that in New South Wales as I
suppose in other states there are different points of view, if I can put it that way, from
those two institutions - well, a number of things could be discussed around that topic.
I think Garrie Gibson was saying that there's no evidence that clubs have in a sense
diverted spending from any other activity but wouldn't it be surprising though that
25 their clubs wouldn't have been able to draw activity away from hotels in particular,
given the tax arrangement that they have relative to the hotels - now, this is an issue
that the hotels will raise with us so I give you an opportunity on the record just to
respond to that - and therefore why should the clubs have preferential taxation
treatment?

30 I know you have addressed that in your submission. I'm just giving you the
opportunity to say it on the record. One of the points that was made to us in
Queensland actually by a researcher in this area was that the mutuality principle and
so on was quite important for a number of clubs which were of broad public benefit,
35 but he was making the point that there is a reasonable case that in some of the clubs
they've simply become very large commercial enterprises where the main business of
the club has almost become the gambling rather than anything else and where there
are questions about the extent to which that is in fact benefiting the community. So
perhaps we should at least provide you an opportunity to raise whatever points you
40 feel you need to raise.

MR BALL: I think in view of the remarks that Garrie made of the actual statistics
of numbers of machines and all that sort of thing, I'd say that that research was pretty
flawed in drawing a conclusion that there are a number, a significant number of clubs
45 that fall into that category. But let me answer your main thrust of your question
about privately-owned versus community-owned gaming. As I said, I was around
when there was no such thing as gaming in clubs. If there was, it was very, very small
and illegal, as was SP bookmaking in those days as well. In those days hotels had a
virtual monopoly of that form of socialisation. What did we have? We had concrete
50 floors. We had conditions which were less than satisfactory for the vast majority of
people.

5

It was because of that vast dissatisfaction, if I may say, with conditions that when the clubs became viable through the government deciding to provide an income stream for clubs, that the club movement boomed. In bowls for instance in 1954 there were 54,000 bowlers. Within 7 years there were 200,000, simply because people
10 found that they had an opportunity to be involved and to socialise in satisfactory conditions. So we have a very simple - and I'll put it shortly because I know we're running out of time - philosophy about this. Clubs with gaming and other activities we believe enhance the economic health of the overall community.

15 In New South Wales we have in the superannuation fund, which is an industry fund, we have 105,000 names and 55,000 people in work at any one time. Those employees have about \$310,000,000 of superannuation, all since 1987. The amount of economic health that is provided to the circulation of money, provided that it stays within the loop, is massive. We believe that privately-owned gaming does not
20 contribute to the overall economic health of the community to that extent because an amount is sucked out like a sponge for the private wealth of individuals.

MR FITZGERALD: But how far do you extend this? I mean, if you just take that view then any activity you undertake, provided the money stays in the loop, would
25 grant you a preferential right over and above a private operator. If you went into the conducting of motel rooms, which some of your clubs now do, if that money stays in the loop are you therefore saying that you would require a preferential treatment viz-a-viz other motel operators, or is it the nature of gambling itself - if I can just use an expression which you may disagree with, the questionable nature of gambling that
30 makes it different? Where do you draw the line on that argument? Is it every activity that a club does is entitled to preferential treatment or is it only some activities such as gambling that requires preferential treatment, both in terms of tax and in terms of the privilege to operate, a licence to operate?

35 **MR BALL:** Lindsay would like to make a comment.

MR FITZGERALD: Sure.

MR SOMERVILLE: One observation I just make about accommodation is, I think
40 there is a little bit of a myth about whether in fact there is preferential treatment and I'd just like to pick on accommodation perhaps as an example. The first one I would like to make is that I understand there's only a very minor percentage of clubs that are engaged with the accommodation. The other point I'd like to make is that when we talk about principle of mutuality and when we talk about the income of a club that is
45 the subject of taxation, we know that it is the income from non-members of the club that is the subject of taxation.

I think you would find that when you looked at the books and the tax records of those clubs that do have accommodation that it would make sense that most of the
50 guests of the accommodation are in fact visitors in the region. They wouldn't be members because members live in the region where the club exists and therefore I

5 think what you will find is that the revenue that a club would earn from the
accommodation would be returned as assessable income so there is no preferential
arrangement with that income.

10 **MR FITZGERALD:** Other than for that accommodation which is used by the
members themselves.

MR SOMERVILLE: Yes.

15 **MR FITZGERALD:** But the point was not about the accommodation, which is a
particular issue for the tourism industry I understand, but the more general principle.
Where does this notion of special advantage, if I can use that expression, for clubs
commence and end?

20 **MR BALL:** I would point out to you also that there is widespread across
communities the practice of mutuality in a wide range of activities. People have
buying groups. They go and buy groceries. They go and do all sorts of things in a
mutual form and clubs do that too amongst their own members. I believe that the
principles of mutuality and the way that the taxation system works by strictly
measuring non-member income and taxing it at full commercial rates is quite adequate
25 to the situation. I believe that the old Industries Commission found that although
there were slight distortion in the accommodation and tourism section that that
distortion was not sufficient to constitute a substantial effect from commercial. I
believe that both systems can work side by side and can provide competition and
stimulus go each other.

30 **MR BANKS:** We're conscious that tax is a big issue and I think it's something that
we probably - having gone through your submission and the submissions of others we
may find an opportunity to talk to you again about it. I'm conscious that time is
running by fairly quickly here. I think what we've got into when we've been talking
35 about some of the aspects of regulation and so on is without really talking about it
explicitly, is the question of problem gambling. I wouldn't mind just spending a
moment to talk about that. Clearly this is an issue - there has been another review
going on in New South Wales that has addressed this and I know that you've made
submissions to that.

40 We're conscious also that there's a group of your members who have chosen to
systematise their approach and they will be appearing later today, some of the larger
leagues clubs and so on. Some have said to us that in fact the clubs have taken a long
time to do anything about problem gambling and that they've more or less turned a
45 blind eye to it for many years. But recently with these inquiries going on and so on
they have decided they need to do something about it, rather late in the piece. Would
you like to comment on the extent to which problem gambling has ever been dealt
with as an issue in the clubs and then we can talk a little bit about how it might be best
to have it addressed.

50

5 **MR BALL:** I'd very much like to talk about this because this is another matter
which is grossly distorted by people who have a particular axe to grind. As I
mentioned on a number of occasions, I've been involved with the club movement since
before poker machines came in. In all of that time, part of which I was secretary and
licensee of a club, right from those very, very early days clubs and committees and
10 boards have been very conscious of the protection of their members and I believe that
this is an area which is either ignored or denigrated, or call it what you like. But since
those very, very early days there has been a continuing responsibility felt by the
management and boards of clubs to make sure that their members who may be getting
into trouble are protected.

15
Since earliest times people have gone around, whether they be honorary officials
or whether they be employees, and put their hands on members' shoulders and said,
"Do you think that you need a break?" or, "Do you think really you need some help?"
and it has been going on. Sure, it has not been documented formally but believe me, it
20 has been done in the most effective of manners, because although I recognise the
formal notices on walls and brochures and all those sort of things look as if you are
really doing something the most effective treatment that people can get is sympathetic
advice and help at the time.

25 Sure, we didn't have professional psychologists available in those days and
down the years. That has been a very late development. That has been something
that has had to come from welfare sources or something like that. But I would
strongly assert that we always at club level have not been ignorant, have not closed a
blind eye, have not been insensitive to the needs of our members, and we have taken
30 the best practical means that we've had to discourage people from over-committing.
We have always had systems of restrictions, on cheque cashing and matters like that.

MR FITZGERALD: One of the issues that has been raised everywhere we've gone
has been that - just take the clubs for a moment and this applies to casinos and hotels -
35 has been a large body of people saying to us that it really doesn't happen, that in fact
self-exclusion is very difficult to achieve through clubs, that the staff really don't want
to be involved in it, that it's there in principle but it's not there in practice. Why
should Australians have confidence that the industry codes that are currently being
developed will in fact be applied in practice, not just in theory. The second question
40 is, what's your view about many of these codes being converted into regulation over
time?

MR BALL: I believe that those who criticise gaming minimise the difficulties of
dealing with that very small percentage of people who cannot handle gaming as an
45 entertainment and within their resources. I believe that they fail to give proper
weighting to the fact that you can see a drunk; you cannot see somebody who is
spending more than they can afford. There are important matters of privacy in
relation to people trying to deal with other people. I understand the great sensitivity
that staff would have in trying to get involved with other people's lives. I think that
50 some people might be happy that the staff care; I think there would be a considerable

5 number of people who may respond violently and excessively and I can understand the
staff reluctance to do that.

I believe that even more than with alcohol, gaming requires an involvement
from the individual. At the round table we heard that the really serious problem
10 gambler - and this is from the social welfare people - is probably beyond redemption.
How do you deal with them, because they'll promise anything, they'll lie and do
anything. It's an extremely difficult situation and requires great sensitivity on behalf of
the practitioners but also on behalf of the critics. I believe it is not valuable for people
not to want to work together with both sides. So we've tried to do that with our
15 policy-forming practice which is going on now.

MR FITZGERALD: With these codes of practice - and you've identified in your
submission quite a range of them that have been developed and I want to give credit
where that is due - how will a club be reprimanded if these codes are in fact not
20 enforced and how do you as an association across Australia deal with complaints from
patrons in respect of the conduct of clubs relating to these codes?

MR BALL: I was just in the course of mentioning the fact that we are at the
moment spending a lot of money with Prof Jan McMillen in developing a policy which
25 we have done at the behest of the state government. We are now developing the
strategies necessary. But I'd be less than honest if I didn't say "I don't know" to a
number of these questions because we are researching them. How do you deal with
somebody who comes in and self-excludes and then goes down the road to another
establishment and gambles? How do you deal with somebody who self-excludes and
30 in a larger establishment where there are shifts of workers, comes in with a group and
goes and gambles? It's an extremely difficult matter.

It requires enormous cooperation from the person who has the problem and
we're still working through how to do it. Even the psychologists don't know the
35 answers, so I wish I could be firmer and stronger in that one. But we're trying and I
think that that's what is important to the commission that there are very strong
motives now being evidenced. Yes, we have now moved away from the informal to
now embracing, not only the informal because that will never stop, but we are also
embracing the formal.

40 **MR BANKS:** You've talked about the ability of clubs to recycle income through the
community and my implication that other private enterprise don't achieve that.

MR BALL: Not with the same level or anywhere near the same level.
45

MR BANKS: Would you draw a similar distinction in terms of the capacity to deal
with problem gamblers between clubs and, say, hotels?

MR BALL: I really don't know the hotel scene. I believe that there are two classes
50 of people. Hotels provide a totally different ambience, a totally different set of
circumstances to clubs. One of the ones which is probably most evident is the male

5 versus female aspects. Hotels are much more masculine, generally, and clubs are
tending much more feminine. You've only got to look at the decor and the way clubs
have been renovated, to see that. I believe they are distinct and separate. I believe
that there is not a great deal of migration between patrons of both. I just don't really
10 know what hoteliers would do and it would be wrong for me to either praise or
criticise hoteliers as to their attitude to problem gaming.

MR GIBSON: Can I also just make a comment because through the line of your
questions you have concentrated on clubs and hotels. In Queensland, much more
money is expended in casinos and in the TAB and in the lotteries, yet you have
15 seemed to have ignored that area of gaming. The fact is that in marketing and
promotion of gaming activity on electronic media and in newspapers etcetera, it is the
casinos, the government-owned TAB and the government-owned lottery corporation
that spends many billions of dollars on advertising as compared to the club industry or
the hotel industry. I think you need to draw that distinction that the clubs are only
20 one part of Australia's gambling industry.

On the point you've made about trying to deal with problem gamblers, one of
the things I've found in working with clubs throughout the state of Queensland is that
I've found the vast majority of clubs' managers and boards are very much wanting
25 assistance and direction and help in helping those few members of their club that have
a problem. Often they have gone to the agencies and sought that assistance and a lot
of the agencies can't help in identifying who the problem people are until those people
come to the agencies and identify themselves. It is a very complex and very difficult
issue. The club industry demonstrated to me in the last 18 months or so since I've
30 been working with clubs in Queensland that they are very committed to trying to
address this issue and they would like assistance but often aren't able to achieve it.

MR FITZGERALD: Just the point in relation to all the others, the TAB and the
wagering in the casinos, they'll have their day. It's just that you're the clubs. I only
35 have one last question but it goes back a little bit to funding. I fully appreciate that
the not-for-profit sector, the community clubs and what have you, put a great deal
back into the community and I don't think that's in dispute, even though the figures
are obviously very difficult. One of the things that is not a requirement of the
registered clubs is to actually contribute to a particular fund and in New South Wales
40 there's particular taxing arrangements that you have to demonstrate you spend
X amount for the community.

But in broad terms, one of the things that is of concern is that given the clubs
represent a very large portion of the gambling dollar, there is no requirement on the
45 clubs to contribute to community awareness campaigns, to gambling research, to
gambling support services, in the same way that, say, the casino is. It would seem fair
to say that if the clubs are in fact gaining this particular privilege, yes, they are
contributing back to the community, is there an argument that could be put that there
should be a special levy applied to all forms of gambling, including clubs, for
50 contribution back into those services and areas of activity?

5 **MR BALL:** Let me say that at the moment we are funding a substantial amount of
money for our association, research and development into problem gaming and how
to handle it. Unfortunately, the matter of contributing to a central fund, we believe,
has not achieved the sort of results that we believe would be best. It seems to us in
10 studying the casino fund - and this is as an observer looking in - that it has allowed a
distortion of researchers to absorb much of the funds that have been provided from
this thing. It may well be argued in the long run that will be the way that someone
will come across a magic formula. But it seems to us that the difficulty always must
be in devoting funds to particular problem gaming solutions rather than some of the
esoteric research projects that have been going on.

15 **MR FITZGERALD:** Understanding that there may be criticisms of the way in
which these various funds nationally - and there are a plethora of them all operating
differently - would the association have an objection to the provision of - and in some
states this may well apply anyway - some funds being allocated specifically in relation
20 to the areas that I've talked about, particularly community awareness advertising of
gambling and the associated difficulties - - -

MR BALL: We propose to do that but not by way of a fixed levy but by virtue of
the strategies which we are developing which will provide exactly the same thing.
25 We're concerned about the fixed fund matter being set at a level which is not
appropriate to the actual - we believe that the measure of success should be, is there
support at the venue level appropriate to the help that is needed by people with a
problem. That should be the measure of whether or not sufficient funds are being
diverted, that that happens.

30 **MR FITZGERALD:** My very last question is, you've already made submissions in
New South Wales and to the IPART inquiry in relation to the formation of a
commission. Does the association nationally have a view as to the nature of a
regulatory authority that should in fact be overseeing gambling generally? Do you
35 have a sort of a national perspective as to the ideal model of regulation that should
apply?

MR BALL: Yes, we do. We believe that the New South Wales model - because it's
been around longest and it has been refined and refined - does constitute the best
40 model. We believe that - - -

MR FITZGERALD: Sorry, do you mean the current New South Wales
arrangement?

45 **MR BALL:** Yes, the current arrangement. We believe that the matters that you've
been talking about have been addressed and are addressed in what is going on today.
I don't know what more I can tell you.

MR FITZGERALD: Jack, can you just clarify for myself and others, what is that
50 model that you're proposing - that there not be a gambling commission but rather - a
thumbnail sketch.

5

MR BALL: I guess I jumped. What we submitted in our IPART paper was that there should be a commission but that it should be devoted towards compliance and ordinary, everyday regulatory control of gaming. We believe that gaming being the social issue that it is, it is appropriate that it should be the function of elected officials - the politicians, if you like - to do policy matters as to where gaming is placed, how it's limited and other functions of that nature, because that's politically sensitive and that will be the only opportunity that the people can vote for what they want and not have imposed upon them, with the greatest of respect, some economic concepts as an independent body might look at it in a purely theoretical sense in terms of competition and all of those aspects, because there are many, many more issues involved.

MR BANKS: Just taking that one step further. If we concede that this obviously is inherently a political issue and that elected representatives therefore have a significant role to play, would you nevertheless believe that those processes by which decisions should be made need to be well informed by community consultation and assessment of impacts?

MR BALL: Absolutely, and the government of New South Wales has recognised that. I mentioned the working party. That is an ongoing commitment from the government to maintain that - from both parties to maintain that - and to give regularity and consistency and to recognise that the club movement, its access to gaming and wagering and to liquor and all of those sort of things, is as much a government concern. The stakeholder concept is very, very important in the whole of this thing. The recognition of NCOSS, the recognition of our thing, the regularisation again - just like we've come from an informal to a formal recognition of problem gaming, we've come from an informal to a formal recognition of the need for us to publicly demonstrate our community support and we've started off in a small way with the 1 and a half per cent.

We're spending much more than that but it is - and the other thing that we believe also is in the retention of a state basis. We believe it is appropriate to the various states. We believe that Tasmania is quite different to New South Wales. There is a very powerful argument for giving the people of the particular state the form of gaming and other privileges that's appropriate to what the people want, rather than an overall national one.

MR FITZGERALD: My very last question then is - because you just raised it and we've got to stop - if you see it as a state-based issue, one of the issues that has arisen and we wish to explore further is the role of local government. A number of local government authorities have indicated to us that they feel powerless in being able to deal with anything relating to gambling, that is, that it doesn't matter what they think, the clubs, the pubs, the casinos or whatever it is, the state will determine the policy. Others on the other hand have said to us they're quite happy not to have any role at all, leave it to somebody else. Does your national association have a particular view of the role of local government in the extension of gambling?

5 **MR BALL:** I believe that it is appropriate that local government should have some
involvement. I believe that that involvement should be limited to the sorts of things
that local government does best in relation to the siting of venues, noise control -
those sort of alleviations that local government should be pursuing. I believe that it
would be fairly chaotic and very, very difficult to administer if we started to have local
10 government area votes on liquor, such that certain areas can vote themselves
liquor-free and that. I think that would be extremely difficult and would lead to more
abuses and problems than it would solve.

MR BANKS: Would you nevertheless concede though that the extension of
15 gambling could have differential impacts on different communities, depending on the
nature of those communities, the socioeconomic mix and so on?

MR BALL: I think that in terms of the club movement, you'd find that the clubs
really are the community. They're comprised of the community in the total broad
20 spectrum of it. I don't think you can regard clubs as being a separate elite group
where you would have a community which would be in opposition and a small elite
group who would be in there doing things which would be antagonistic to the
interests of the community. We elect our club officials, the clubs have very many
members and it's democracy working in a fairly transparent way, a very transparent
25 way.

MR BANKS: We'll let you end on that very positive note.

MR BALL: Thank you.
30

MR BANKS: Thank you very much for coming today, we've appreciated the time.
We may well want to get back to you as issues arise, as others make comments and so
on, to in turn seek your comment and input if that's okay.

35 **MR BALL:** We're always available, thank you.

MR BANKS: Thank you very much. We'll break for one moment now please.

40

5 **MR BANKS:** Our next participant this morning is the New South Wales Council on Problem Gambling. Welcome to the hearings. Could I ask you please to both give your names and your positions.

10 **MR BOWE:** My name's Laurie Bowe. I'm the president of the New South Wales Council on Problem Gambling.

MS LUCKETT: I'm Wendy Lockett. I'm the treasurer of the council.

15 **MR BANKS:** Thank you very much for taking the time to come here this morning. I'm sorry that we've detained you a little bit. As discussed, why don't you go through the main points. It's a fairly brief submission, and if you'd like to go through the main points and then we can talk about some of the issues that you raise.

20 **MR BOWE:** Thanks, Gary, and thanks for the opportunity to participate here this morning. Just briefly an overview of the council. The New South Wales Council on Problem Gambling is a non-profit, non-affiliated organisation whose only form of funding is through members' fees. It takes a neutral stand on gambling. It advocates and promotes responsible gambling. Both the executive and wider membership offer their expertise and time on an honorary basis. There is currently a membership of 40
25 consisting of psychiatrists, psychologists, counsellors, financial counsellors, academics, researchers, clergy and community workers. The New South Wales Council on Problem Gambling has acted as the peak body in New South Wales and has been at the forefront of community awareness and political lobbying since its
30 formation in 1986.

Aims and objectives of the council are to promote responsible gambling; to take no position either for or against gambling; support the need for problem gamblers to receive recognition and treatment; assess trends in the gambling industry; promote community education aimed at government and community awareness on the nature
35 of problem gambling; actively encourage the development of appropriate programs and when required offer expertise for treatment of problem gamblers and their families; promote the awareness of problem gamblers as a treatable disorder; to inform individuals responsible for the administration of justice of the existence and effects of problem gambling; to conduct seminars, meetings, conferences and
40 awareness campaigns; to disseminate printed information about problem gambling and its effects; to gather statistical information relevant to problem gambling; and to provide information on services and referral facilities.

45 Thirdly, I'd just like to touch on the effects the members have conveyed on the family and extended family. These are some of the problems that arise: one problem gambler may affect up to 10 people; there's always a loss of trust; family denies that the problem exists, tends to minimise addressing the problems; extra jobs to compensate loss of earnings; lies, deceit, marriage break-up, financial chaos, family breakdown, power and control issues and family illness.

50

5 Fourthly, I'd like to touch on bankruptcy. 20 per cent of clients seen at one agency for financial counselling filed voluntary bankruptcy due to their gambling addiction. These statistics will never show with Insolvency and Trustee Service Australia due to bankruptcy legislation section 271, due to the possible ramifications to the client. Quoting section 271:

Gambling or hazardous or speculations. A person who becomes a bankrupt after commencement of this act and:

(a) within 2 years before the presentation of the petition on which or by virtue of the presentation of which he or she became a bankrupt, whether the petition was presented before or after the commencement of this act, materially contributed to or increased the extent of his or her insolvency; or

(b) during any period between the presentation of that petition and the date on which he or she became a bankrupt lost of his or her property;

by gambling or by speculations that, having regard to his or her financial position at the time and any other material circumstance, were rash and hazardous, being gambling or speculation not connected with a trade or business carried on by him or her, is guilty of an offence and is punishable, on conviction, by imprisonment for a period not exceeding 1 year.

10 I'd just like to go further on to some of the quotes from the daily scribes on bankruptcy. Printed in the Daily Telegraph on 16/4/98, headline Bankruptcy: Go for Broke:

In the first 3 months of 1998, 6000 individuals filed for bankruptcy. Insolvency and Trustee Service Australia stated that provisional figures released yesterday showed that 18,095 bankruptcies were reported in the 9 months to March. Last year, 1997 figures, 21,846 were recorded. Bankruptcy in New South Wales and Queensland accounted for 55 per cent of the national total.

The second article in the Daily Telegraph, 10 July, written by the economics reporter:

13 per cent jump in bankruptcy on 1996-97. 500 Australians declared bankrupt each week. Insolvency and Trustee Service Australia estimated personal bankruptcy accounted for 80 per cent and that the remainder related to business collapse. The NSW stake climbed by 18 per cent. Pointed out the main problem areas were equity home loan dealers offering shoppers goods for 12 months' interest-free periods and gambling has emerged as a key problem area for bankruptcy, according to anecdotal evidence received by ITSA in the past 12 months.

15 The council sees that there is an urgent need for this legislation to be reviewed. Moving on to item number (5), crime. The increase in demands for agencies to assist gamblers who have committed a crime such as fraud, theft, embezzlement to feed

5 their gambling addiction. This in turn becomes costly to both government and the
community.

Often victims of these crimes are unable to receive any compensation, as the
problem gambler is either in gaol or declare themselves bankrupt. Examples of this:
10 one agency reported that one of their clients received weekend detention 1 year for
embezzlement. The cost to that agency alone in man hours from the time of arrest to
the time that they went to trial, which went from December 97 to September 98,
included 18 individual counselling sessions by a gambling counsellor with the client,
15 legal representation, five court appearances plus attending police interviews with the
client, one full day in court, one sentencing day involving a counsellor, court report,
psychiatric assessment for presentation to the court. This agency is funded to provide
counselling and legal representation free of service. There was approximately
50 professional man hours for that agency for that one client. That's just one
example.

20 Secondly, the council members raised the point of the need for specialised
counselling within Corrective Services for the urgent need for training of their existing
staff, to look at some of the following points that have come out: (1) incorrect
assessment prior to or during court; (2) offenders are allowed to go bankrupt, no
25 change of any restitution; (3) if gambling addiction is used as a reason for offences,
does not always show up when specialist workers ask for an assessment. Gambling is
used for diversion when other means of disbursing the huge sums of money - no real
rehabilitation for offenders in gaol. Gambling by inmates not seen as a problem and
allowed to go unchecked within the gaol system.

30 Moving on to number 6, the council's role. In the past the council has put
submissions in to gain a position for a person on a full-time basis to gather statistics
from all agencies, doctors, Gamblers Anonymous, Gamanon, on a confidential basis to
monitor trends and social impact. Information circulated to all providers and others
35 with an interest. The need for more reliable form of gathering accurate statistics will
influence funding bodies to meet demand of the local government areas and the needs
of the community. The need for a full-time projects liaison officer, independent of all
government and community-based programs. This person would be available for
government inquiries such as this and have up-to-date information for the media. As
40 I've previously pointed out, the executive of the council do all their work voluntarily.

An example that an officer employed by the council would be to explore the
study just recently carried out by Michael Walker for the CCBF - Michael Walker of
the Sydney University. That raised many disputable points in the Sydney Morning
45 Herald article on 10 November, written by Arden Bernhov, that needed addressing
urgently. Points raised were the inaccuracy, how information was gathered and
training of gambling councillors - the main three points that need urgent clarification.
The council has asked the CCBF for a full copy of this report as late as Friday the
13th of the 11th. A copy has been found and will be forwarded to the council for
50 perusal. We have grave concerns on some of the things quoted in the Sydney
Morning Herald.

5

(7) Advertising. Balancing: government needs to be seen as caring and more balanced in its approach, that is, legislation to put in place measures to show that gambling is not a win-win, rather a win-lose; restricted advertising in line with tobacco and alcohol; touch on in-patient treatment. The council is presently looking at some health funds. We've written to all the health funds asking are they withdrawing support for their members who may have a gambling problem. We have heard that one health fund in question has already done that, so we're investigating that. Talking on in-patient treatment, the council has put forward over the years the need for specialised programs. We still see that - that funding to be made available for a specific 6 to 8-week program designed specifically for problem gamblers to enter either a halfway house, these type of things, already set up with people say with alcohol problems. These programs in turn will be part of an overall model.

Ideally assessment prior to referral would be by agencies already offering specialised counselling and upon completion of the 6 to 8 weeks the client would then rejoin the referral agency for after-care and continued counselling and group therapy. Alternatively outpatient type program such as the Holyoake Perth model, where clients participate in a 14-week program that is tailored for all family members, including the addicted person. This could be another cost-effective way of treating a person and family with gambling problems.

Moving on to (9), council members have put forward an urgent need for hotels and clubs that all gaming outlets to be held responsible and enforce legal age gambling. We're seeing too many under-age gamblers coming forward unchecked, especially now the hotels have got an influx of poker machines. I think that needs to be urgently looked at. (10), it was mentioned in Michael Walker's article back to the CCBF study looking at the lack of training in counsellors. So the council are moving that counsellor's accreditation, the need for specialist training in the gambling addiction field, such as VTAB accreditation for gambling counsellors.

On that note I'd like to say that there is a need for specialised training in this area and one agency has been funded to do this. Our concern is that some of the people seeking the basic training are going out and hanging up their shingles and saying they're experts in this field. We see that the need to look at some of these people that are offering themselves as gambling counsellors perhaps need to come into some form of training that is more specific than just a basic so many weeks' training. It is a specialist area of expertise. On that note, that's it. Thank you.

MR BANKS: Thank you. I think there are a number of questions that we have to ask you, but perhaps if we could go back to the council itself. I notice that you said that it was formed in 1986. Can you tell us a little bit about how it formed and why and the extent to which membership has increased over that period of time?

MR BOWE: I think it was round about the time that there was a need seen that gambling was a problem, and I think some of the members that started were of the likes of Dr Clive Alcock, Kim Connolly, Alex Blaszczyński, and I think at the time

5 that they got the TAB to put signs up in the TAB. I think that was the instigation of
that - that there was a need for some form of treatment for people with problem
gambling other than Gamblers Anonymous. Initially it was DOCS funded and I think
that has been ongoing in some areas since that, back in 1986. I can remember I came
10 on board around about 87-88 as a part-time worker to one of the agencies. I think
the three initial agencies were Life On Credit Line, Salvation Army and Centrecare -
were the three in New South Wales and in those days little was known then and I
believe Centrecare were given the role of training, which they knew nothing
whatsoever about gambling.

15 So over the years there has been the expertise that has been put together by
people who have worked in the field and as gambling has expanded so the need for
specialised workers in the field and over the years they will carry on. But people in
the early 1990s, myself included, were taken interstate to help set up the break even
20 service in Queensland and I was initially taken - because no-one had the expertise and
I hired a person from Geelong in Victoria to go to Rockhampton. So over the years
from the 90 to 93 we have started to expand. There has been acknowledgment that,
"Hey, there is a problem out there," and especially I think in 92 when Mark Dickerson
reported that - I think it was 1.3 per cent or something like that may have a problem
25 with gambling in Australia. So then things started to take up and Queensland I know
in those days, it was brand-new to them and so it was very hard to sort of establish a
service from scratch. Over the years it has been - for a lot of us the expertise in
addiction expanded into the gambling area.

MR BANKS: Good, thank you. I noticed that you didn't actually cover the
30 question of funding of the problem gambling services and I know this is an issue that
some of your constituent members have raised. Does the council have a view on
current funding arrangements for problem gambling in the state or generally?

MS LUCKETT: I do financial and gambling counselling for an agency and we are
35 getting funding from CCBF. At the moment one problem I see is that the funding is
only for 12 months. So it's very difficult to continue, knowing that, okay, that funding
may go. It would be great, I think, to have the security of knowing that that funding
could be there for, say 3 years, something like that. But you're looking over your
40 shoulder and you try to get councillors on board and you get them on board, start it
up, and then the 12 months is almost up; so it is difficult.

MR BANKS: What about the allocation of funding, are there some counselling
services that are missing out of funding or not getting enough funding, in your view?

45 **MR BOWE:** I just answer from my point of view, where I work. As an agency
we're employed to expand a service to fit the geographical nature of - and the
frightening aspect is that to go out and advertise your agency too much, you're
frightened of the response. I'll give you an example. I'm in the Penrith area so we
cover from Katoomba one way, Windsor, Richmond the other way, and I've applied
50 for funding ideally for one full-time counsellor to try and cover that area. But as far
as resourcing and advertising in those areas I've played pretty low key. I'm frightened

5 of the response. So at the moment I do a 1 day a fortnight service to Richmond and
already Gamblers Anonymous have seen the need to start up a meeting in Richmond
on a Tuesday night.

10 So they're there, the people with the problems, and so what Wendy said I
brought up at the IPART, that really we need some security in working in this area,
that (a) we've got definite funding to carry us through so we can make plans. There's
so many programs we can implement - as I pointed out, outpatient care and whatever,
and I have the premises where I work - I've already started to do some of these things.
But I'd like to have the knowledge that I can go 100 per cent rather than just
15 tippy-toe, so to speak. We're not even scratching the surface.

MR BANKS: Some people have said that - well, they've raised questions about the
extent to which problem gambling has in fact increased and what they've said is in a
way a bit related to your point, that to some extent it has been flushed out by the
20 greater provision of problem gambling services. Would you like to comment on that?
Do you think there has been a trend increase or has it been that we now acknowledge
this phenomenon and therefore have facilities to treat it or deal with it, that the
numbers seem to be greater?

25 **MR BOWE:** I think it's a bit of an each-way bet there because - yes, would you like
to comment on what the source - - -

MS LUCKETT: From my point of view what I'm seeing now is an increase in
gamblers, particularly since the poker machines have come into the hotels, because
30 they're on every corner and they've got at least 15 or more there. So the gambler
knows he has only got to go just down the corner. So yes, there is and we're not
getting all those that fall through the safety net. We just don't have the people to do
that.

35 **MR BANKS:** Are they coming for general financial counselling and then it's
observed or apparent that it's gambling behind it, or are they going specifically to get
financial - - -

40 **MS LUCKETT:** No, they've come to me for gambling and there is a financial issue
there, which can be bankruptcy. It can be they're losing their home. It can be that
they're starting on court proceedings for debt collection. So I'm involved because I
do both but they've come to me with a gambling problem.

45 **MR BOWE:** We're seeing more and more of that, Gary, that since 1992 when some
of the financial counsellors were brought on board - I found this in Queensland, that
we had to give them plenty of training to switch roles from being a financial
counsellor to then look beyond what's being presented by the client. Over the years
since then the right questions are being asked, similarly when I touched on that
bankruptcy: if we know to ask the right questions and what to look for, the problems
50 are there and you generally find the financial problems that are there need to be
brought out, because it's detrimental to the gambler's recovery or help for the family.

5

So the financial counsellors have got a dual role and it's a pretty big one, and it's very time consuming, that I think emphasis - when people put in for funding that they look at the hours involved just for one client and the clients are - I've been around for about 10 years doing this work. The clients are there, one agency averages 20 new clients a month and that's brand-new without ongoing clients. So it's frightening how it's getting out of hand.

MR BANKS: I had the impression in New South Wales that while various counselling services collect information of one kind or another it's not systematic or coordinated in any way. I notice that your council has a role in relation to statistics. Is there scope to get more coordination and system into the collection of statistics, because it's a very important part of understanding what's going on?

MR BOWE: I came on board as president in September and I've just written to Gamblers Anonymous to - see, we've always had a problem of being - you have to take into account that Gamblers Anonymous are anonymous and unfortunately we can't get the statistics. But I've gone cap in hand - again I hopefully have a good liaison with them. We definitely need to get the statistics and as the council's role, I see that all agencies once a month - I'm hoping to get them on board and all the people working in the field. Let's put forward something so as we can build a platform so that we can be helpful to hearings like this rather than have to go to newspapers to find out things when we should be saying, "Well, this is how it is," rather than depend on a meeting once every 2 or 3 months to sort of get together.

So it is very hard when everyone is on a voluntary basis. But I could see - well, I've said it already - the definite need for some form of accountability. I haven't seen Michael Walker's submission yet or study but I agree that accountability per se funding is a must and if there's problems there I see the council's role as, "Let's be part of sorting some of those problems out rather than read about it in the newspaper."

MR FITZGERALD: You've indicated in one of your submissions or parts of the submissions the need for inpatient treatment. Can you just explain a little bit further about your comment about health funds withdrawing support for members who may have a gambling problem? Can you just identify where this concern has come from?

MR BOWE: It was raised at a council meeting last week that Medicare Private had withdrawn funding for someone that wanted to go into a private hospital with a gambling problem and that has raised me to then generate some letters to all the health funds now saying, "What is your stance on this, because this is news to us and I think we need to sort of have some clarification?"

MR BANKS: Just on that, we've had sort of conflicting messages. I suppose we've settled on the term "problem gambling" as an expression that everybody can agree on, but in some ways it's a lowest common denominator and not all that informative because the way we understand it is problem gambling is, if a person has a perception of a problem they're in that group. But people have said to us that it's not an illness.

5 We're not dealing with an illness here. Now, is that in a sense backfiring now, if the private health funds are saying, "Look, it's not an illness. We're not going to cover it in the hospitals"?

10 **MR BOWE:** A very interesting point, yes. It's something that needs to be thrashed out. I wouldn't like to comment at this stage.

MS LUCKETT: No.

15 **MR BANKS:** Would it be that indeed - I mean, within the domain of problem gamblers you may have some who have symptoms much closer to illness or even mental illness than others. Is that - - -

20 **MR BOWE:** Yes, and we do see people even with the disorders which can be part of - each individual with the problem gambling or the excessive gambling problem are different, even though some of the patterns are the same. But that's where it's more complex. Dealing with gamblers I find is far different and far more complex than, say, dealing with someone with an alcohol or drug problem. Would you like to talk on that?

25 **MS LUCKETT:** Yes. We're finding too that there is no in-house program at all for gamblers. For example Herbert Street, McKinnon, Wysteria House, have inpatient programs for drug and alcohol. They used to be able to get a couple of gamblers into Wysteria but funding was withdrawn for that. So there is no public thing for gamblers per se, so to get an inpatient program at the moment you have to have either an
30 accompanying alcohol problem or an accompanying drug problem with the gambling tacked on.

MR BOWE: Also on inpatient - the only outlet it will really have are long-term programs of note: William Booth, Salvation Army, say 9 to 12 months. Ideally, as I
35 indicated, 6 to 8 weeks would be great and I have knowledge of the Holyoake program that operates in Perth for alcohol and family - co-dependency family problems. That would work ideally in New South Wales. We did bring it over and set it up at Burwood in I think 1989 and I see that model and some of its components working very well with any agency that offers the specialist and expertise that it
40 would fit in - they could go in for 6 weeks, into a setting which offers the same as to, say, William Booth rooms only it would be more concentrated. I think that would be cost-effective if government are looking for cutting back on inpatient treatment.

45 It can be met out in the community but we do see a minor percentage of people that we'd call - need to get off the streets, that they're out of control and they need to get in as soon as possible and address their problems, and there is a need - there has always been a need - for that. Some of them unfortunately - or more fortunately for some of them - have gone to the likes of William Booth and have been quite successful because they then are assessed into categories and the gamblers are sent to
50 one location where they can be specifically looked at and that is via a halfway house set-up. So what I'm saying, we have got the halfway house places in place now for

5 alcohol, a bit of funding to digress a bit and specialise with gambling could be seen as a cost-effective way out.

MR FITZGERALD: In your submission you've raised the issue of crime associated with gamblers and the increase in demands. Can you just talk through a little bit
10 further about what you've seen in relation to criminality and gambling and how is that being dealt with at the present time and what should we be doing about that in terms of assisting those people?

MR BOWE: It's something that really needs looking at because I think, firstly, we
15 are seeing more people present with hold-ups, embezzlement, fraud - you name it, it's there. We see them coming through the doors because they're made to go, perhaps by probation, parole, perhaps by someone that said, "Look, you'd better go and make out that you seem to be doing something about your problem." So it is escalating and thing is, as I pointed out, the man-hours involved in some of the cases is quite
20 substantial. I did mention we have got access to legal services that provide a free service who have the expertise. This is something we've struggled with over the years to educate people in the legal system - Legal Aid and some of the solicitors - that to represent your client, please have a little bit of knowledge of what gambling is all about. We're slowly starting to make inroads into that.

25
But counsellors are now being seen as the specialist and are being put into the court system to comment and make a prognosis on outcomes on clients that have perhaps embezzled large amounts of money. So again the counsellor's role, the psychologist's role, is broadening again because to say to the courts that a person
30 wouldn't re-offend again is a pretty big statement. So in some way we've got no way of knowing that. But looking from the other side of the fence where I've worked the other side of the fence in many gaols working with gamblers, that while I've raised some of those issues that I see that some of them are slipping through the net, conveniently saying that the money has been lost due to gambling and in some
35 respects, it hasn't. It's buried or it's in other names or it could be drug-related.

So I think from my own experience that some of the gamblers that I've been asked to do assessments on by Corrective Services, they do not show up as having a gambling problem, that it's all one big joke. So I see both sides of it that I'm there to
40 help the client and I've been the other side of the fence where the people are saying, "I'm just here because it's on my file that I've got a gambling problem." So are we asking the right questions or do we need to train people in the right areas of expertise of how they be conned by the gambler.

45 **MS LUCKETT:** Just turning to that, when I see a client from the court and they have embezzled money, they see it as borrowing and they'll pay it back from their winnings. That's because they're at the end of the line, they've gone to nearly every bank and got some sort of card - MasterCard, bankcard, whatever. They've got that up to the hilt. So then they have got personal loans and they keep renegotiating that.
50 So this is one thing that will give the gambler away when we're doing financial counselling. The history of continuing to pay out debts and get loans and that. There

5 comes a point where they can't get any more funding from financial institutions, so
that's when they think there's other ways of getting it. The gambler has one thought in
their head at that point and that is where they're going to get the money to gamble.
That's when they start to think, "Okay, I can take money from work or issue dud
cheques or whatever because I'm borrowing and I'll pay that back when I get the next
10 win."

MR FITZGERALD: Does your council have a view as to the extent of gambling?
We've heard various statistics about 60 per cent of people fronting the counselling
services have participated in some sort of criminal activity, be it stealing from family
15 or friends or what have you. Those figures have not yet been verified but have you
got a particular view as to the extent of criminal activity in the lives of problem
gamblers?

MS LUCKETT: Most of the clients I see have taken money from parents, partners,
20 whatever, and they're very good liars. So they can cover that, because unlike drug or
alcohol there's no chemical intake so it doesn't show and they're able to hide a lot of
these things. But for most of the gamblers there has been some sort of taking - maybe
even a small amount - from mum or dad or partner or work.

MR BOWE: On that too, with the percentage of 60 per cent, I think we need to
throw in there - when I pointed out about bankruptcy, we don't know that answer.
We'd better throw in suicide, we don't know that answer. So they are the grey areas
that need to be really statistically looked at. Suicide is one that slips through because
25 you asked the question of intake for people with a gambling problem and most of
30 them have contemplated suicide at some stage. That's similar to the question Robert
asked regarding the crime. At some stage they would have thought about doing a
crime or committed some form of act to gain money to feed their addiction.

MR FITZGERALD: You've mentioned just previously in terms of an increase in
35 the number of people seeing you and in need. Can you just talk about the different
forms of gambling. Do you have a particular view as to the different types of
gambling that are available - wagering and betting and casino gambling and EGMs
and lotteries. Is there an area where you believe greater attention needs to be given or
is it across the board.

40
MR BANKS: I think we've seen that since the poker machines have gone into
hotels a significant increase in people coming forward. The main theme is that once
upon a time it was go and have a quiet drink in a pub and "now I can't", so it is
increasing and the forms of gambling are probably - the percentage is shooting up.
45 Poker machine players are the ones that are presenting more than, say, any other form
of gambling or they can be poker machine/TAB. Depending on the area where you
work or wherever the agencies are, I think that would vary - say, the distance to the
casino etcetera. So my area is as high as 80 per cent poker machine players.

50 **MR BANKS:** Because of accessibility. That's the main form - - -

5 **MR BOWE:** Yes, and we're seeing a lot of under-aged now which is a huge
concern. But I think when we talk about clubs and hotels and we look at signage, one
club has incorporated signage in my area and the response to that has been good.
They put signs - I remember the legislation I think up in Queensland that all change
outlets within clubs had to have a sign in view and that was done. One club in New
10 South Wales out our way has done that and they've put signage on every cash outlet,
on the back of toilet doors and on ATM machines. The response to the agency within
that area has risen significantly with people coming to get help.

Also I think you asked a question to the previous body of people regarding self-
15 banning. This club has instigated that on a confidential basis and were looking into or
referring people as - it's a good tool for us as counsellors to say, "Are you really
serious about giving up gambling?" where we have got a tool to say, "The club is
prepared to confidentially look at self-banning. I think that instrument should be used
right throughout and if hotels can adopt some similar screenage for that and
20 under-age, I think that needs to be looked at urgently.

MR FITZGERALD: What is your view about the increase in home betting, both
Internet betting and phone betting through the TAB? We're talking about exclusion
from clubs, we're talking about signage within clubs and in your submission you
25 indicated grave concern, as you've just done, about under-age. What do you believe
the trend will be as gambling in the home continues to increase?

MR BOWE: It's an interesting parallel when you're asking that because I think -
remember drug users in different countries, it drove them further underground. So
30 the thing that floats into my mind is would we drive them further into their lounge
rooms and bedrooms and be able to bet with mum's credit cards and whatever. So
not knowing a great deal about it, I could envisage that that would happen.

MS LUCKETT: I think the trend would be to encourage family members - the
35 young - and they see how easy it is for mum and dad to do it, so I would envisage that
they would be encouraged to try too.

MR BANKS: You think it would open up new markets, in a sense, to gamble?

40 **MS LUCKETT:** Yes.

MR BANKS: You made the point about under-age problem gambling, I guess.
These are people who are coming for problem gambling counselling - under-age
45 people?

MR BOWE: Or the parents of. We see a lot of parents that are coming with
concerns about their kids and quite often we might see them before we see - some of
the ages are being put forward as 15 and I just wonder to myself, how on earth do
they get in the damn hotels? What sort of policing is being done? They readily skite
50 to their mates at school, you know, it's so easy.

5 **MR BANKS:** Do we have verification though that they are getting in? Is it only hotels or is it clubs also?

MR BOWE: Some of the clubs have really put in strict measures to counteract that. Whether the ID is working for the clubs - I'd say it probably is. I'm just wondering
10 whether the hotels and other forms of gambling establishments need to perhaps police this more thoroughly.

MR BANKS: One of the arguments for combining gambling and alcohol which some would say is a lethal combination is that it allows ready-made screening of
15 younger people out because of the alcohol laws. But what you're saying is that isn't necessarily working.

MR BOWE: Well, you look at the establishment - kindergartens and playgrounds for kids being - the encouragement to get the family in, "Come down and have a
20 family dinner for 5 bucks." The kids can play outside while the parents gamble. It's there and the next generation and the next generation after that are being educated far more early and we tend to believe that the majority of our clients that come forward that it stemmed from learnt behaviour. So the platform is being set at an early age for these people to get involved and witness what goes on and see how mum and dad
25 react when they have a win.

MR BANKS: On that, it depends on your view about the extent to which problem gambling is a problem and how much of the population it covers. That's an empirical issue that we're grappling with and there have been lots of studies done, as you know.
30 I mean, you could argue, for example, in Europe they have a long tradition of children being exposed to alcohol in a family setting and that's not a bad thing because it allows a perception of responsible use. So depending on your view about gambling and what proportion of it is problematic, you could say the same thing. I'm just trying to challenge you on that point.

35 **MR BOWE:** Yes, that's true. Prior to clubs and hotels etcetera it was still learnt behaviour within the family structure, I agree with that. But I think it has expanded and accelerated since people have been exposed more to going to the local and having a family day out.

40 **MR BANKS:** Okay. The other question I was going to ask you - you talk about bankruptcy, and others have raised that with us, and obviously it's an issue we need to think about. It's not straightforward in a way but I was wondering whether you had any bottom line on that as to what you might recommend.

45 **MS LUCKETT:** When the bankruptcy forms were changed about 12, 18 months ago there was a specific question in there about gambling - "did you gamble". Now, there's not.

50 **MR BANKS:** In New South Wales?

5 **MS LUCKETT:** No, this would be Australia-wide. The forms are Australia-wide, they're not just New South Wales. So now the client only needs to say, "No, it's due to circumstances that I can't pay the debt," such as, you know, "I've lost income," or something like this. There's no question on gambling. But gambling could have been the major reason why there's no funds to pay the debts.

10

MR FITZGERALD: That's because if a gambler - currently under section 271 - actually declares that he's gambled, he suffers the risk of conviction and imprisonment.

15 **MS LUCKETT:** That's right. But in New South Wales we are pretty lucky in that George Caddy, the official receiver, has said that he looks okay on people who say they have a gambling problem if they're receiving treatment. So, yes, that's not in other states, that's in New South Wales. But that doesn't mean to say that any debts caused through scams or embezzling or something can't face criminal charges.

20 **MR BANKS:** So you're recommending that this provision be removed from the bankruptcy laws, this connection to gambling?

MS LUCKETT: No.

25 **MR BOWE:** No, I'd like to see perhaps if it can be changed so as we do get an accurate statistic on why the person went bankrupt.

30 **MR FITZGERALD:** But if you don't remove it why would anybody declare that their bankruptcy is due to gambling, if the provision remains that it's punishable by imprisonment? Why would they ever acknowledge it?

MR BOWE: That's right. Generally I think some of the workers in the financial field might pre-warn them that it might be an offence to say that, so that negates that. But we'll never get an accurate statistic unless we do something about it.

35

MR FITZGERALD: No, that's fine, I understand that.

MR BANKS: Thank you very much for your help, that's been useful.

40 **MR BOWE:** Thank you.

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

5 **MR BANKS:** Our next participant this morning is Wesley Gambling Counselling Service. Welcome to the hearings. Could I ask you please to give your names and your position with the counselling service.

10 **MR BRADING:** Richard Brading from Wesley Community Legal Service. I'm their principal solicitor.

MS SHELLEY: I'm Barbara Shelley, the acting manager of Wesley Gambling Counselling Services. We're a division of Wesley Mission.

15 **MR BANKS:** Thank you very much for taking the trouble to come today and to provide a submission to us, which we've read. It's a long and a detailed submission and it will be quite valuable to us. We also benefited from visiting with you on site and having a good round-table discussion with you at your premises. We have a number of things we'd probably like to discuss, but why don't we start with you
20 perhaps outlining what you think are the key points.

MR BRADING: Thank you. I'd like to just highlight some things on the legal side of things. Our service is in fact funded by the CCBF to provide legal advice and assistance for gambling counsellors and gamblers and their families state-wide, which
25 is perhaps an advantage in New South Wales over other states. There is a tremendous need for specialist legal advice in this area because of the complexity of some of the legal problems that arise.

30 Just by way of introduction, I think it's very important to differentiate between recreational gambling and problem gambling for the purposes of this inquiry. Our work is with problem gamblers and those affected by them, and obviously they are small in number by anyone's statistics but can create quite a lot of problems and certainly I think have a significant impact on the economy. Problem gambling we see as being the inability to stop gambling, and that causes financial hardship or ruin for
35 problem gamblers. It's similar in some ways to addictions such as alcohol, tobacco and other drugs but without the chemical element.

40 We believe that the federal system of government creates problems in this area because of the differences between states. It's clear that state governments in varying degrees are addicted to gambling revenue, and in the past federal governments have perhaps played the Pontius Pilate role and washed their hands of responsibility. However, at this stage we would like to congratulate the federal government on initiating this inquiry. In general terms, we would see a desirability of uniform approach to gambling throughout the country and as much as possible between the
45 different gambling providers. The confusion between states and between forms of gambling is not in the interests I think of the consumers of particularly problem gamblers. In particular we would urge a uniform approach to harm minimisation, which varies tremendously between the various states and territories.

50 Gambling provides a high level of profit, and clearly on an economic basis it's different to many other commodities in our society. It's therefore appropriate to

5 impose a high level of taxation. Clearly there is a significant level of social harm for
problem gamblers and those affected by them. Gambling does not feed, house or
clothe a family, so government must take responsibility for providing basic levels of
financial support where substantial amounts of family income is gambled. One reason
our society accepts a high level of gambling may well be because of the social net,
10 which is seen to catch those people who are the losers in the economic sense, and that
is often the innocent victims of families of gambling. It's different perhaps in other
cultures such as America, where the individual is seen as being more responsible for
their own destiny, and of course in most American states there is a high level of
control of gambling. Problem gamblers probably pay more tax than anyone else on a
15 percentage basis. Not only are they contributing substantially through their gambling,
but there's a strong correlation between gambling and drinking and smoking, which is
also heavily taxed.

20 In the submission we listed a number of expenditure areas, and many of these
are federal areas such as unemployment, health, welfare, social services, housing and
counselling and other treatment in some ways. It's clear that, despite the fact of
gambling providing revenue for states, many of these forms of expenditure come from
the federal government, so there is I guess a net subsidisation of the states by the
federal government. It may well be that a state such as New South Wales, which has
25 a very large gambling revenue to the state government, is in fact getting a larger
subsidy from the federal government than other states which have a low level of
gambling revenue.

30 There was some discussion about crime before. This is an area where we do a
lot of work representing problem gamblers, providing them with advice. While some
of these people are eligible for legal aid, federal cutbacks and state limitations on legal
aid means that for problem gamblers who are in employment but don't have any funds
because they've gambled it away or have civil debts are in a situation where they may
have no access to legal representation in criminal matters. I would tend to support the
35 estimates that have been around of perhaps 60 per cent of problem gamblers
committing crimes. Much of that would depend on where you draw the line as to a
person with a gambling problem, but it is important to look at areas such as theft from
family, friends and employers, bounced cheques, which of course is a crime under
178B of our Crimes Act (New South Wales), and also loan applications for finance,
40 where possibly a gambler is going to lie about the purpose of that loan. Not many
lenders are going to lend money for people to gamble, hence they put a false purpose
down, which is technically a crime - rarely prosecuted but is still a crime.

45 Those sorts of crimes are easily overlooked by the statistics and easily
overlooked by counsellors as well, who are focusing on treatment rather than picking
up what might be a technical crime. They're much more interested in the
practicalities. In New South Wales there is a research project being done by some
researchers from the university of technology here, funded by the CCBF into court
sentencing patterns for gamblers, and I believe that will be available in a few months'
50 time.

5 Statistics in general, I would agree, don't give a true picture because of the
secretive nature of problem gamblers. I believe you will be hearing some today, and I
would say they would be exceptional people to be willing to come forward in public
with the possibility of the likelihood of media exposure, where we have a strong level
10 and treat and assist are very anxious to remain anonymous, particularly where they
feel that there would be shame to their family from being exposed as having a
gambling problem. The secretive nature of gambling is such that when speaking to
family members, perhaps about family law issues or other legal issues, they say that
they might well have been unaware either of the existence of the problem gambling or
15 the extent of it for some years. It's the sort of addiction that you can hide, where
something like alcoholism is virtually impossible to hide.

 Protecting family members is an important area for legal intervention. Crimes
occur against family members and although, for example, we have good legal
20 protection where there is family violence, many family members are unwilling to take
those legal steps because they're scared of the gambler or they live perhaps in the
fantasy world of the gambler stopping gambling. So we need to look at the area of
making protection for family members in a legal way more accessible. There are all
sorts of powers say under the Family Law Act to obtain injunctions, spouse
25 maintenance, that sort of thing, but they are complicated, usually require legal
representation and perhaps a high degree of evidence to convince a court that quite
substantial sanctions should be imposed on a person where there may be little or no
evidence of gambling.

30 Once that money is gone there are no records. You can't subpoena a club or a
hotel or whatever to prove that a person has been gambling. You can, for example,
subpoena the TAB phone betting service, who do keep records, but certainly many
forms of gambling leave no trace of where the money has gone. I think the Family
Law Act remains in need of changes to make it more accessible. I know this is an
35 area the attorney-general is looking into and making some quite radical proposals, but
clearly we need to have access at a very simple, straightforward do-it-yourself level
for family members to the Family Court to obtain perhaps quite limited orders but
orders in an informal, cost-effective way. The few matters that I get involved in in the
Family Court always involve a lot of time. They're a very procedurally-minded
40 organisation and it can take an awful amount of time to get quite a simple order or to
deal with quite a simply issue, and of course they have a substantial waiting list, which
grows longer every day.

 On the point of bankruptcy, I'd certainly support what's been said about
45 section 271. It seems to me that the offence would be better to simply deal with
disposal of assets, and that's dealt with elsewhere in the Bankruptcy Act. In that sense
it would need to be disposal of assets with the intention of avoiding a power to
creditors, so that someone who had a gambling problem and could prove that they
had been gambling heavily for some years would not come into that criminal regime.
50 Someone who didn't have a history of gambling who suddenly went out, gambled all
their money away and then went bankrupt a short period of time afterwards might

5 well be in a position where they could be charged with an offence. Certainly at this
stage the level of prosecution is very low, but it's very difficult to justify to people that
participating in an activity which is lawful, government-approved and participated in
by the vast majority of the population will perhaps 2 years later turn them into a
criminal.

10

In the area of Internet gambling and offshore betting, I trust that you would
have looked at the activities of the one-stop betting shop associated with a former
prime minister. It provides a form of gambling which I guess robs the various
governments of revenue. Very simple - all you need is a telephone - but the most
15 important thing with that form of gambling or other offshore forms of gambling is the
transfer of money. There will always be some people who are organised enough to
actually transfer funds to a Vanuatu bank account or something like that or even,
perhaps if they're wealthy, they can fly to Las Vegas to gamble and that can't be
stopped. But for the vast majority of gamblers they're looking at payments by
20 electronic transfers, say through credit or charge cards, or through cheques.

If the government is serious about protecting its revenue, it seems to me that's
the first area of defence - to simply say to these Visa, MasterCard, other companies,
25 "We're not going to permit you to use the court system to collect these debts in
Australia if the money is gambled overseas." Initially they would say that they have
no idea what the money is used for, but in fact they have very sophisticated systems
of computer tracking of the various transactions. They have specific merchant
arrangements, that sort of thing.

30 We are investigating one of these companies in litigation that we're carrying out,
and it's clear that they do have capacity to say to some merchants, "We're not going to
allow you to use the card for that function." So, for example, with the Internet
casinos, say, in the Caribbean, you would simply find that a person would dial up that
Internet casino on their computer. One of the first things the Internet casino says is,
35 "We want credit card numbers, that sort of stuff, so we can get paid." If they can't do
that, then they don't have the access to the funds. They could say, "Look, you could
transfer money to our bank in wherever," but very few gamblers are going to do that.
They want the instant action of being able to simply put in their credit card number,
PIN number, that sort of stuff, and gamble to their hearts' content. So controlling it at
40 the payment level seems to me to be the best and most cost-effective way, at least at
this stage.

The interactive gambling is something I think does require further research, and
I think you have a speaker tomorrow who has more expertise, but I'm aware that, for
45 example, in London they now have digital television and it seems that the technology
is now available there for them to have interactive gambling in the same way as home
shopping has now become popular here. Just with the press of a button people will be
able to gamble, and that clearly needs regulation, because in the home it would be
virtually impossible to work out whether it's adults gambling or children gambling,
50 plus we have the demonstration of children in effect watching television with their
parent suddenly stepping in and saying, "I want to put a bet on the election. I want to

5 put a bet on a particular sporting event," and that means that the children then become involved in the gambling process. That's a large step beyond the current situation, say, with clubs and hotels we've been talking about this morning, where the children are forced to remain outside the gambling area.

10 In the area of racial discrimination, I just mention that fairly briefly because I think ethnic groups haven't quite realised the area they could be lobbying for the protection of their specific communities. We have at least a small number of gambling providers targeting certain ethnic groups in our society. It appears to be legal to me under the Racial Discrimination Act, but in the broader definition of racism it's still
15 saying, "This group is particularly vulnerable, therefore we will target them. We will put advertisements in the ethnic press, we will have special activities at cultural or national ways. We will send buses to their local shopping centre to pick them up and take them long distances to our gambling venue." It's an area that is perhaps targeting groups that are less able to make rational decisions, simply because they might be
20 refugees or come from a culture where gambling is very popular.

As far as New South Wales is concerned I think we need to be aware that New South Wales is a world leader in gambling as far as the domestic market is concerned and you would have seen the statistics there. If it's the case that the gambling market
25 is at all approaching saturation point in New South Wales that will lead to increased competition not only between the gambling providers but also to increase the gambling market itself, and that must mean turning the recreational gambler into the problem gambler and that's something that I think was not addressed earlier and must be addressed by all of the providers - is the extent they will go to get a person to
30 gamble more than they would otherwise gamble. The technology I believe provides the future answers, particularly with the player tracking systems.

Many of the large providers with poker machines now use player tracking systems so they can accurately record, for example, how often Richard Brading
35 attends a club, how much he gambles on average. All sorts of information can be put in that player tracking system. Now, it seems to me that a person with a gambling problem is most likely going to be involved in that sort of procedure, where they want to put - you know, "I want to put my card into the club machine because I've got the opportunity of winning a car or a special prize," and that club has accurate
40 information as to the amount on gambling, how often I gamble, and it would not be difficult to have a preset limit, say, \$200 a day and I would need to make a special arrangement to exceed that with the club.

Beyond that, we could well have a player tracking system linked between all the
45 various providers in the state or even nationally, so that once I've got my preset limit I can't go to the club or the hotel down the road because in effect I'm limited to losing \$200 a day. That would obviously only want to be applied to that small amount of problem gamblers. You don't want to necessarily interfere on the freedoms of ordinary people. But I don't think there will be many citizens, say, who would be
50 gambling more than \$200 a day and the few that do, obviously they would be entitled to special arrangements. But I couldn't imagine anyone has ever seen Kerry Packer

5 on a poker machine. It's the sort of form of gambling that is utilised by ordinary
Australians - and I think in my paper there are some other points about harm
minimisation, as in other documents.

10 **MR BANKS:** I should say just there that we did visit one casino that had a time-out
room for high rollers and the time-out room had a television in the corner and then it
had very expensive poker machines where you could lose quite a lot of money with
one push of the button. But I don't know whether the gentleman you referred to has
ever used that kind of facility. So thank you very much for that. There are a number
of issues that you've raised there that we will come back and talk about.

15 **MR FITZGERALD:** Can I ask this question?

MR BANKS: Yes.

20 **MR FITZGERALD:** Richard, you referred to a paper. Is this part of the
submission?

25 **MR BRADING:** The submission, yes. They're separate submissions by the legal
service and the gambling service. Barbara, did you want to make some comments as
well?

30 **MS SHELLEY:** I just thought I'd make some brief comments from the family point
of view because when I first joined Wesley Gambling I was the first family therapist in
New South Wales in the area of problem gambling and because of that background I
began to look at the effects on the family and I just thought I'd briefly outline a few
that are in my submission on page 8. The families caught up in the cycle, they're not
just thrown into chaos when the addiction is revealed. There are underlying issues
before that, that they're left wondering what's going on. But they end up being
handicapped financially, emotionally and physically. The whole normal family system
35 is broken down, so that when you're looking at the problems with gambling you've
really got to look at it as a family scenario, the effects, very much like domestic
violence. How does this impact on the whole family system?

40 Apart from missing out on quality family time there are severe emotional
disorders, especially in children, and the whole family is endeavouring to survive in an
environment that now has no system, no togetherness and no quality family living. So
in answer to the gentleman this morning with the clubs, you know, no wonder the
families want to go out for an activity when they're not enjoying their family life at
home. So I don't really argue for going out to the clubs for family time. But the
45 effects on the relationship are pretty deep. When we offer at our service the option of
having family and couple and relationship counselling people snap it up, because often
when you ask the gambler when did they commence to have a problem it's usually an
underlying issue.

50 So you need expertise in the counselling field as well to be able to recognise
that, because often when we deal with the underlying issue the problem gambling

5 ceases to be such a big problem. There's a lot of trust destroyed in a close
relationship. Gambling by its very nature is isolating from family and friends and this
leads to a loss of social skills, and it's the isolation that allows the gambler to continue
without interference, because he or she can go down to the club and not be missed
after a while because they've become so isolated from the family. Family members -
10 the end result is they're robbed of self-esteem, intimacy and motivation.

The effects on children - that was page 11. I come from a background of many
years spent in domestic violence work and I started to make the comparison on the
effects of children whose parents are involved in problem gambling. Some of them
15 are - you'll find it on page 11:

Increased levels of anxiety, psychosomatic illnesses, headaches, stomach
complaints, asthma, stuttering. They're nervous, withdrawn, depressed,
few interests, social activities, low school performance. The understanding
of social situations is markedly reduced, especially in their thoughts and
feelings about the gambler.

We've got a family under therapy at the moment and the children are coming in and
it's quite interesting to see that it's very difficult for them to express their real thoughts
about the gambling. What they're lamenting is the loss of the - in this case the father
and the relationship that they had, and eventually we will bring the whole family
20 together because when you explore deeper into that, the children are coming out with
all sorts of problems at school. The mother has noticed difficulty with disciplining
them and when they start to look back it started when the whole social interaction of
the family broke down.

25 Some learned coping mechanisms for children who live with problem gambling
in the home, they can learn that it's okay to lie and keep a family secret. They learn
not to acknowledge their fear or angry feelings. They learn to be accommodating and
cooperative to keep the peace during a tense family time. They learn to put off
satisfying their own needs, taking responsibility on their shoulders beyond their years,
30 and they learn to identify with the problem gambling and to deny the reality of it, and
a lot of the gamblers that we see from 20 years on state that they learn to gamble with
mum or dad when they were young. So it becomes a learning experience for them
too, which I find is quite scary when you look at the family situation. Metro Toronto
1997 stated:

The effects of gambling on children are phenomenal. Although children may
not be aware of parental gambling activity they will notice the absence of a
parent and will pick up on marital tensions. They can become victims of
physical or emotional deprivation and they may attempt to cope by early
involvement in smoking, drinking or other addictive experimentation. They
are four times more likely to become involved in gambling activities than the
children of non-gamblers.

5 That was in last month's Consumer General Magazine from Melbourne. So the impact on children cannot be ignored. Another area, families of partners and partners of the problem gambler, page 13:

Partners are constantly saying how traumatic it is when they turn on the television and watch the inducements to gamble -

10 because there they have gone through the whole problem gambling scenario and then on come these ads saying, "Come and have fun," etcetera, and they're constantly asking us the question, "Why isn't the government or the media doing something about putting some warnings on there as well?" just like you have with cigarette smoking etcetera:

In a home that is reeling from the emotional and financial effects of problem gambling the last thing they need is to be reminded constantly on every avenue that gambling is good for you.

Some of the things families and partners have had to deal with:

The loss of their home because the problem gambler has forged the name on the mortgage, break-up of the relationship, painful divorce including loss of children and incomes, the endless process of working two jobs in order to pay back massive debts that have been incurred by the problem gambler, losing precious parenting time in order to work harder and increase the family income. This cuts out effective quality family time when the family is needing to cling together and rebuild a relationship even more. How can children talk to mum or dad if they are out working or gambling? What message is this giving to the children, that they are not as important as the work or the pleasure of the activity? These dysfunctional values once adopted into the children's thinking system will in turn be passed down to future generations unless the issues are addressed.

15 We also gave you a breakdown of the cycle of gambling. I don't know whether you want me to go into that. Most people would be familiar with that.

20 **MR BANKS:** Yes, I think you've depicted it quite well pictorially here so we will take that on board. In fact we might even pinch it and use it in our report. It's a useful way of looking at it.

25 **MS SHELLEY:** The other issue that I have that is of great concern is the suicide. At least 60 per cent of clients when asked admit that they've either attempted or thought about it, and what about the person who's never asked the question? We need some detailed research into that. I personally, from working within our agency, would like to see more qualitative and quantitative research undertaken where we've got the information that comes almost from the horse's mouth if you like - pardon the pun - and we could actually put that together with what the researchers are doing in

5 the universities and actually make some correlations on the finding, which I think would be very valuable nationally.

MR BANKS: Good, thank you.

10 **MR FITZGERALD:** There are lots of questions from all of that.

MR BANKS: Yes.

15 **MR FITZGERALD:** I just want to - with a broader one if I might, just to start with. You've mentioned a couple of things. One is you've said that you almost believe there's a conditioning with young people, particularly in families of problem gamblers, and you've given a picture that there's four times more likely to be problem gamblers. I just want to talk about conditioning generally. Have you got a view in relation to the way in which problem gamblers are conditioned over time? For
20 example there are some people that would say that the increased activity of lotteries whilst in and of itself don't show up statistically as being a high level of problem gamblers is in fact a conditioning exercise and we know in one of the states, for example, they're going to daily lottery draws now.

25 Some would say that home phone betting and what have you is conditioning in a way that we haven't previously seen. Others of course say there's very little conditioning. So do you have a particular view about the way in which gambling is being promoted and developed and what's its impact?

30 **MS SHELLEY:** Well, clients will often say when questioned about the subliminal effect of the poker machine, the pictures on it, the colours and everything - and in fact one particular company had made a poker machine which had little kittens on it crying and when they tested it out in the market the women wouldn't use it because this pathetic miaowing put them off. So there is a form of conditioning that takes place, a
35 message that says, "This is fun. This is good for you. You may be a winner," and it's just like advertising across the board. You can go into a shopping centre, there's certain music that's being played to encourage you to feel relaxed etcetera. That's why we had argued in the submission why can't we have some machines just for entertainment that could take a little bit of responsibility out of the condition?
40

MR BRADING: I might add I wouldn't necessarily just pick on lotteries. I think it really starts off at the level of competitions at the consumer level. If you go to your local shop the number of competitions to get you to buy particular products is enormous. There's no other society in the world that is so underpinned by gambling
45 as our society and so children are applying to win prizes in a competition off a breakfast cereal packet or off a chip packet or off a soft drink bottle, they're everywhere, and I'd love to see someone collate some statistics on the number of those sorts of competitions.

50 That's what gets us into a gambling frame of mind. We don't want to become wealthy because of hard work. We want to do it the easy way. We want to win

5 wealth. Socially we talk about perhaps financial difficulties we might be in and say, "Well, look, you know, if I win a lottery tomorrow that will solve the problem." It's a cultural thing and you'd have to change the whole social ethos of our society to deal with it at the level of children.

10 **MR BANKS:** They're just taking some background shots. You don't have a problem with that, do you?

MR BRADING: No.

15 **MR BANKS:** Okay. It comes back to the question of what is gambling which is the sort of first question that we asked, I suppose, and you've raised in here including playing the stock market. To what extent would your clients, those who at least are receiving problem gambling counselling as well as financial counselling I suppose - to
20 what extent would they be involved in activities like the stock market, or would that be very much a minority group or fringe activity?

MR BRADING: They don't often go and seek counselling for their problems but it certainly is a form of gambling - the attraction of the stock market is it goes up over time. So it's a form of gambling where the odds are in favour of the investor or
25 something like - - -

MR BANKS: But isn't it a pretty fundamental difference?

MR BRADING: That's one fundamental difference but there's clearly people where there is a stock market crash who have the same sorts of problems that conventional forms of gambling suffer. So after the stock market crash in 1929 there were heaps of people committing suicide. Even in 1987, there was all sorts of social problems as a result of people who had lost large amounts of money very quickly on gambling on the stock exchange and we'll probably see that again in the future, particularly where
30 it's legal and often encouraged to borrow money to gamble on the stock exchange. So in the situation where shares or other forms of commodities, currencies fall, there's a financial crisis.

MR BANKS: But you would accept that the stock market itself is a different industry in a sense to the gambling industry, given the laws of chance and how they favour the provider. I mean, the stock market, essentially you're becoming part of the ownership of the company and it not being a random event as to whether you would actually get some value out of that.

45 **MR BRADING:** There are all sorts of varieties that we're talking about - options in risky mining companies or are we talking about blue chip industrial stocks. I mean in any form of investment there's a risk. But clearly the sort of investment where you put your money on a poker machine is guaranteeing to lose. That's the fascination of it to all the researchers that for just about everyone, except the statistical aberration,
50 people who put their money into poker machines or to other forms of gambling we're talking about in this inquiry are going to lose and that's why there are so many social

5 problems. If you're a sensible stock market investor and you follow the rules, it's very
difficult for you to lose all your money because over time you will get a positive
return.

10 **MR BANKS:** If we talked about that context in our report but in the end ended up
focusing on perhaps the orthodox gambling industries of, say, lotteries, gaming and
wagering - - -

15 **MR BRADING:** It's difficult enough just to deal with those generally accepted
forms of gambling without dealing with - - -

MR BANKS: Okay. It's just that you raised it, so I wanted to check that you
nevertheless thought that that's where most of the action is in terms of this inquiry.

20 **MS SHELLEY:** It would bear looking at later on because in the last few months
I've had a couple that came in for counselling and he was playing the stock market and
she was going to the casino and her statement was that he was losing as much as her
and that she considered that a gambling activity. They were a non-English speaking
background couple. They never resolved the issue of whether this was gambling or
25 not but he seemed to have appreciably more losses than he had wins and yet he could
not see this as gambling. So perhaps it needs to be looked at and studied as to how
many losses and mini losses, if you like. But it raised the issue of just how much
gambling is involved in the stock market.

30 **MR BANKS:** Apparently there's a competition in one newspaper in Victoria which
is pitting various investors against each other and the fellow who is tipping the races -
the racehorses - is actually ahead, so he's doing better than the stock market pundits.
Okay, thanks for that. The other fundamental point that I wanted to come back to is
in terms of the definition of problem gambling. You said at one stage "an inability to
35 stop gambling", but would you broaden that to an inability to control gambling? In
other words, would you see a solution to a gambling problem as being a control rather
than simply stopping?

40 **MS SHELLEY:** We offer the problem gambler when they come in for counselling,
we can help them to stop if they want to stop or we can help them to slow it down or
teach them responsible gambling. Again there's a lot of arguments about using
cognitive behavioural techniques. We can use solution focus, Gestalt and the
psycho-dynamic process to see how that client copes with other addictive type of
behaviours. You can actually work with a client's thought process. We have had
45 clients who have come through the service who have been able to cut down and have
been happy with that; others who have stopped for a time and then maybe a couple of
years later they'll come back, something triggered it off. So exploring the underlying
issue for that person helps them to refocus their thinking. So you've not only got to
get to understand the person's thinking but the way they control other areas of their
50 life.

5 For example, "Why don't you poke your tongue out every time you go outside
in public?" "Because I've been trained not to do that. It's good manners." They then
retrain themselves. For example, with multicultural clients, the shame aspect is very,
very strong. So with some clients what works for them is put a picture of your loved
10 one in your pocket, put that up on the poker machine and see if you still want to
gamble. They stop. So it's looking at the personality of the person presenting, asking
them what they're looking to do and then using their own techniques for them.

MR BANKS: That means it's a very complex and personal approach really that's
needed, rather than some template that will fit everybody.

15 **MS SHELLEY:** Yes, I believe it's a highly specialised area. We have four
psychologists and a psychotherapist in our team and we are trying to get some
research done as well. But it really involves looking at the whole person. That's why
I think the comment that Laurie Bowe made earlier from the council was very, very
20 important that anyone who just does some training in problem gambling and sets up
their shingle may not be able to help that whole person. They might be able to offer
some temporary thing but that the whole person has to be dealt with.

MR BANKS: The question has been raised in relation to Dr Walker's recent
25 research which we've not yet seen, but as I understand it he's raising concerns about
the effectiveness of some problem gambling counselling techniques. This raises the
question as to what extent individual agencies are actually following through in
determining how effective their own approaches have been and whether there are any
policy implications from that. Would you care to comment on that?

30 **MS SHELLEY:** Actually we've asked for a copy of the report as well because we
found that interesting. CCBF is one of our main sources of funding and a small
portion from DOCS. We have to provide quarterly reports, 6-monthly reports and in
there we put all our credentials and all of that because we feel that that's a part of the
35 answering to the organisation that's funding you. I do believe there should be stricter
measures. There should be some kind of policy laid down so that the problem
gambler who's seeking help will get the legitimate help that they need. I think this is
where, as I mentioned before, the universities and the agencies willingly share of that
information and come up with some policies for that as well. I would dearly love to
40 see that happen.

MR BANKS: Would there be a perverse thing happening at the moment, that you're
actually getting individual services, keeping their techniques sort of secret because it's
a competitive advantage in terms of getting funding, rather than sharing it in a
45 cooperative way with other services?

MS SHELLEY: Not with us, you've got it all in there. I personally believe that if
you share it and it's across the board, then the measures that are taken to put in
policies and practices will become more efficient and more professional and then those
50 precedents that are set up to select counsellors will also be of a higher value. So
really when I'm sharing my information, I'm giving it to you because this has helped us

5 in our work. Perhaps someone can improve on that and we can generate something that's across the board which can be utilised and changed to suit the individual.

MR BRADING: I think it's fair to say there has been tremendous growth in counselling and rehabilitation services for problem gamblers, not only in New South
10 Wales but Australia-wide in very recent terms, particularly in this state, a long-established gambling industry. So obviously there would be variations in those newly established services which will improve in time. Clearly there's no guaranteed proven way of treating or curing problem gamblers. Many problem gamblers don't want to be cured. They're quite happy to continue with their gambling and it's a free
15 country. Some of those might still want to receive some form of counselling, perhaps for family issues or financial issues, without making the decision to either stop gambling or enter into a controlled gambling regime. It's a complex area. But I certainly couldn't imagine the counsellors I've spoken to from many agencies being secretive with their forms of rehabilitation. They might argue about the merits of
20 various forms for long hours but I don't think there's that level of competition between the agencies.

MR FITZGERALD: You're currently funded from the casino benefit fund. Do you have a particular view as to whether or not funding should come from other sources
25 in the gambling industries?

MS SHELLEY: We have also some DOCS funding - just a small amount - which finances two counsellors. I think the CCBF - the statement that was made earlier about, you know, on a yearly basis, it's fairly traumatising for an agency because
30 we've just recently hired another two psychologists part-time and if you've got to wait each year for that funding to justify that payment there's this underlying tension which is going to affect the person who's counselling with the clients. The DOCS funding is less formal and much more easily filled out by way of forms and that. The CCBF one is pretty strong in the reports and things like that. I think my only grumble there is
35 just the effort involved each time you make a submission and also put in the reports.

We would like to see at least a 3-year funding. For example, we just received funding at Wesley for training of other gambling counsellors and that was on a 3-year term. That gave the team enough time to plan for the whole 3 years as to where they
40 would outreach and train etcetera. So it would actually be more viable for any counselling service to have the safety of that net over them, rather than think, "Are we going to get it this year or next year?"

MR FITZGERALD: Can I ask you some specific questions. The Bankruptcy Act,
45 can you just explain to me your position in relation to section 271 of the Bankruptcy Act. Are you asking for it to be removed or amended or what?

MR BRADING: Yes, that it should be removed.

50 **MR FITZGERALD:** For it to be removed, yes.

5 **MR BRADING:** Those issues of the rare number of people that gamble heavily just before bankruptcy with the intention of defrauding creditors, should be prosecuted under a more general section. I didn't bring those with me but I can give you information about those or at least those sections beefed up.

10 **MR FITZGERALD:** So you would capture it by general fraud provisions rather than a specific provision dealing with gambling or hazardous speculations?

MR BRADING: Yes.

15 **MR BANKS:** Just on that though, I mean, I take it from that that you don't see much logic in the provision as it stands. I mean, why did the provision get there? Is there something special about gambling that's a bit of a hazard in a business sense for people who are buying shares or putting money into a venture? Shouldn't they know of the possibility of sanctions for somebody who might use their money in that way?

20 **MR BRADING:** In the past our society has viewed gambling in a very condemnatory sort of way and seen gambling as evil. Let's face it, the churches were moving in that direction. So to say that gambling and other forms of speculation should be picked on, whereas, for example, heroin addiction which is heavy
25 expenditure on an evil product does not get you any form of special prosecution, is just unfair. So if I'm illegally buying heroin and I need to go bankrupt, which may well be the case, I don't get picked on. But if I'm gambling which is legal, I may well be prosecuted. If on the other hand someone who perhaps wants to make sure there's
30 no return to their creditors might well decide that they would take their last few hundred dollars cash down to their club or casino and gamble it all away to make sure that creditors get nothing. In that sort of situation where it's intentional to defraud creditors, then there needs to be some sort of sanction against them.

MR BANKS: So in a way you're saying that provision is almost an anachronism
35 now, given the change in government's own attitude and regulation of gambling generally.

MR BRADING: Yes, and it means that people are not disclosing that they have a
40 gambling problem and clearly in the report the trustee usually wants to identify the cause of bankruptcy. If I'm a gambler, I'm going to be exhausting all forms of revenue generation which typically means I'm going to borrow from every possible lender to my heart's content. That money gets gambled. When I go bankrupt I'm simply going to say, "Look, the reason I'm bankrupt is I've got all these civil debts, all these credit
45 cards, bank loans, unsecured loans and I can't pay them back. My income is too low. So that's the reason for my bankruptcy." The gambling might be the root cause but it's not disclosed and it's not necessary for me to disclose the gambling. The ones who are perhaps more honest are the ones that are likely to get caught out by this section.

MR FITZGERALD: The second question I have is access to illegal funds. We
50 were somewhere recently and one of the agencies was extremely concerned about the amount of money that was provided through illegal sources to the gambler. What's

5 your view about that from your caseload? I'm not talking about stealing, I'm actually talking about what would otherwise be called loan sharking.

MR BRADING: There's no doubt the loan sharking exists, particularly within certain groups in society. But the fact is that loan sharks bypass the legal system for their debt recovery. They're not issuing statements of claim to recover the money, they're going around and physically threatening people, and whenever we get the chance we try to get those sorts of gamblers into the civil arena by declaring themselves bankrupt by perhaps seeking an apprehended violence order against the loan sharks. It's impossible to know the extent of that, but certainly within some groups, particularly those groups that are not very familiar with our conventional financial system, they do turn to loan sharks.

MR FITZGERALD: Has that been an increasing or a decreasing problem or is it just impossible to actually tell the extent of it?

MR BANKS: Possibly increasing, simply because the level of gambling is increasing, but at the same time access to conventional forms of credit is liberalised a lot as well. So in percentage terms of problem gamblers only a small minority, I would say, would be accessing that sort of credit.

MR FITZGERALD: You made a reference in your comments about Internet and digital TV about the control of the credit - credit cards and what have you. Can you just talk that through a little bit further. There is a view by some that Internet gambling is inevitable and unstoppable and all you should do therefore is try to reap the benefit of it. Others take the view that it should be banned entirely. Could you just clarify your own position on that and then talk to me a bit further about how you would actually control it?

MR BRADING: The Internet was specially designed I think to provide communications in the event of some enormous war between the great superpowers, so it's specially designed to be impossible or virtually impossible to regulate. That's why I feel it's the credit or the forms of payment that need to be controlled. If I want to go over on the Internet to some offshore gambling provider - there are plenty around - how on earth is a regulator going to stop me? Are they going to be sitting in my lounge room watching who I'm dialling into? We've had the same issue with pornography as well. It may be that there will be software that can be developed that will eliminate access to all those providers, but it's going to be very difficult to absolutely prevent that.

MR FITZGERALD: But your technique for controlling the Internet if we wished to was to say to a credit provider - Bankcard, Visa card, whatever, the card providers - that you would deny them the right to sue for the repayment of that debt.

MR BRADING: For offshore providers, and obviously we already have Centrebet, which I think is now owned by Jupiters Casino, and the other states are following suit. If we have a form of domestic Internet betting, which we already do, that sort of

5 regulation is going to turn the majority of people who would otherwise bet offshore to domestic Internet betting.

MR FITZGERALD: What's your view about domestic Internet betting. Some people have put to us that they understand the overseas aspect but does it make it better if it's simply Australian providers, or is there something more fundamentally problematic about Internet betting generally?
10

MR BRADING: It at least gives us the opportunity to (1) get some tax revenue from it and (2) to regulate it. If it's offshore there's no guarantee to the person who's betting on Casino Royale or something in the Caribbean that they will get a guaranteed return. It could just as well be that they lose all their money without even a chance of winning. At least if we have it ourselves we can regulate it, but at the same time we also need to have education and ideally we need to have software so, for example, parents can prevent their children getting access to it. I think that's very important.
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MR BANKS: In some discussions I've had with Internet providers or potential Internet providers, they've actually said that the Internet could be a much more transparent and accountable gambling mechanism than some others, and they've talked about for example providing - I mean, everything is recorded, so the regulator can see all the activity that takes place, but also individuals' own transactions are recorded because they build up a credit balance, they draw that down, they use their credit cards. That's all recorded, and indeed one credit provider would send out accounts periodically to let people know what they'd been spending and so on, and we talked quite a bit about various safeguard mechanisms for screening out under-age gambling and so on.
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But just on this question of providing accounts so that people know how much activity they've been involved in, do you think that's something of broader applicability? Would that be useful for example for people you deal with who may have a gambling problem? Is part of it that they don't fully understand how much they're spending, or would information of that kind help them assess their habit?
35

MR BRADING: Absolutely, yes. You probably want to speak more about this, but there's a whole process of denial of the level of gambling to family, friends, everyone externally, and denial to oneself. I mean, if you've just gone and lost \$10,000 gambling it's very hard to admit it to yourself. Much better to go home and tell a lie to your family and tell them you won on gambling even if it's untrue, because at least you then get a positive reaction from them, positive feedback. If you go home and tell your spouse that you just lost \$10,000 gambling you're going to get a very negative reaction. So the gambler lies to themselves as well as to the family.
40
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MR FITZGERALD: At the present time do any service providers, for example in terms of the loyalty cards, the TAB accounts and what have you, provide a statement on a regular basis of the amount of net spend?
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5 **MR BRADING:** The TAB can provide statements. I'm not sure of the regularity of how often they do, but certainly they keep detailed records of phone betting, not if you just go down to your local TAB agency. Obviously, many gamblers are very concerned to ensure their privacy, so phone betting might well attract them to do that.

10 **MR FITZGERALD:** You mentioned - and it's the first time it's been mentioned - the Family Law Act. Can you just clarify - and it's obviously in your submission - what changes there are you suggesting?

15 **MR BRADING:** The change of the whole structure of the remedies to make them cheap, simple, accessible. I don't want to bring down the wrath of the Family Court on me, but the fact is that it's cumbersome. There are very few people who feel competent to go and apply for some form of injunction to freeze family assets without a lawyer, which is going to cost them an awful amount of money, and the reason they want to freeze those assets is because a lot has already been gambled, therefore they can't afford the lawyer. Even if they do go to the Family Court and say, "I want to freeze the assets," let's suppose, "I want to stop my spouse incurring more and more personal debts, because the end result is the spouse is going to go bankrupt and the house will be sold, even if it's jointly owned say, unless I can buy out the spouse." The Family Court is going to say, "It's a free country, Mr Brading. Why can't you let your spouse go and incur these loans and gamble?" There's no law against it, so it becomes a very difficult hurdle to protect family assets.

25 **MR FITZGERALD:** So the specific changes that you're seeking are to make it easier to obtain injunctions in relation to financial assets and other assets generally?

30 **MR BRADING:** Yes.

MR FITZGERALD: Right. We've had meetings with you previously. I just wanted to touch base. The vast majority of the clients presenting to you at the moment, according to the charts you've given us, are from poker machines or EGMs. Can you just talk to me about your clientele that are coming from the casino, TABs and others as well? Are there any particular issues or trends emerging in those areas?

40 **MS SHELLEY:** All this year as we've been doing our statistics - we're actually changing the way we're collecting them now because we're looking for more trends as well, but it's been consistently the highest in poker machines. That's kept up. That was back in May. It would be very, very similar still now, because I'm just preparing another report for the CCBF, and TAB comes in second, which I think the council mentioned as well. It's usually together, but a lot of clients come in then and say, "But I ended up on the pokies." They ran out of the big money and stuff like that, but the trend still is the highest is poker machines. We're getting a few more ethnic clients come in because they don't want to access their own service because of the shame basis. We'd like to do some trends on that. The second page on that is actually a random sample of 30 that we had conducted, and there we found that even there the Anglo-Saxons were still the highest. The next one was the English. The Europeans

5 were the third highest and the second highest were the Asians. That is because they come into our service because they don't want to go into their own environment.

MR BANKS: Would you say that there was much difference between venues in terms of problem gambling? For example, are some venues less prone to exacerbate
10 problem gambling than others?

MS SHELLEY: Not from what clients say. It can be a hotel or a club. A lot of people talk about the casino as such and they're the ones getting free bus rides in, but generally the problem for them is getting into the venue and just being surrounded by
15 the machines and then starting to play. It doesn't really matter, the reason that they went there in the first place. Once they get into the venue and they see that there, the addiction just takes over and that's it.

MR BANKS: What is your perception about the extent to which signage or
20 guidance is available between different venues?

MS SHELLEY: We feel it's very inadequate. In fact, we've got a problem gambler who's now stopped gambling visiting all her own haunts with our card and saying,
25 "Why didn't you have this up and why didn't someone tell me?" A lot of clients are willing to do that now, because they state this is one of the big problems. They had no idea there was help. They would get into a spin or whatever and go home and then go back the next day, and suddenly inadvertently they heard someone had got help or they rang up GA and were referred. But over and over 90 per cent of the clients say, "We didn't know there was help for the problem. We knew where we
30 could go to make the problem but we didn't know where the help was." Over and over they'll talk about the venue where they played, and they say there is nothing there other than, "Bet with your head and not above it," that sort of thing. So we've come up with a lot of slogans, but getting them published and put into these places is fairly difficult. But it ought to be across the board, because harm minimisation is just so
35 important.

MR BANKS: Would you agree with the point that was made earlier by Laurie Bowe, I think, that where he's noticed signage being placed and place appropriately there's been an immediate reaction in terms of people coming to the service and so
40 on?

MS SHELLEY: I've actually visited that venue and it's true: it's there on the machine. People are noticing it and, according to his statistics of this area, yes, there's
45 been an increase of people accessing. I don't think the specific counselling service is mentioned but he mentions that there are services available and to go and seek help. Even that is important, because a person who may not think they've got a problem sees that and says, "I wonder if that's me."

MR BANKS: That's one form of signage, telling people where they can find help,
50 and we've been talking today a little bit about other information that could be provided about odds and so on. I just give you an opportunity to comment on that,

5 whether you think that kind of information is adequate at the moment or useful or
could be made more useful.

MR BRADING: It's clearly not, because many problem gamblers labour under
misapprehensions about, for example, how a poker machine works. They believe that
10 eventually if they keep playing the particular machine it must pay them back.
Obviously we are talking about machines that are little computers simply programmed
to be random in their payouts, and that sort of fallacy means that you have a person
spending hundreds, thousands, tens of thousands of dollars on playing a single
machine, just waiting for it to pay back what put into it, and of course it might not do
15 that for months or years or never at all. So to have that sort of information about
how the machine itself works is very important. It's easy for people with a
mathematical education to understand how it works, but they're off investing in the
stock market instead of into poker machines.

20 **MR BANKS:** That's a different gambling habit.

MR BRADING: There's nothing on the machine that says, "This machine on
average will pay back 90 cents in the dollar and just because you keep playing it
doesn't necessarily mean you're going to get a payout." I know one woman, for
25 example, I spoke to last week spent a huge amount of money at one particular club
and she was determined to keep playing the particular machine until it paid her back.
She asked the club at the end of each day that she wanted to go home, "Can you
switch this machine off so no-else gets my payout?" and they obliged her by doing
that. They've switched the machine off and then she came back the next day and
30 they've switched that particular machine on. She had a nice home unit in an expensive
area and other assets and went through the whole lot. She says that the machine
never paid and she wants the club investigated.

But that's the sort of fallacy that people labour under. Even if you were
35 completely objective about playing poker machines or other forms of gambling you
wouldn't do it. Staff who work for poker machine manufacturing companies don't get
on the machines because they know they're going to lose in the long term.

MR BANKS: So do you find people are genuinely surprised when they come to you
40 and you explain to them that they fundamentally can't win on average?

MR BRADING: Yes.

MS SHELLEY: Especially university student, who you just assume have got a
45 brain. They'll come in and say, "I'm going to beat that so-and-so machine." You say
it's only a machine and it takes them a while to realise that this isn't a persona in front
of them; it's a competition between a human being and a machine. So the need to play
and to win is very strong. They're usually highly competitive too. We're finding an
increasing number of students who are having problems with gambling because they're
50 not coping with their studies etcetera. Off they go and do something else for relief.
But I think earlier this year - Richard can correct me if I'm wrong - it's not the amount

5 on the machine either. I think we had someone access our service who'd lost over a million on 5-cent machines. It must have been over a period of time, but you just don't count up the amount that you're spending.

10 **MR FITZGERALD:** Which reinforces the fact that they don't actually know what they're losing.

MS SHELLEY: No.

15 **MR FITZGERALD:** One of the views that have been put to us several times is that punters are basically very well informed, that they actually understand how much they're losing and all that sort of stuff, but with the problem gambler that's not so.

20 **MS SHELLEY:** No. Once they're entrenched in that cycle and once they're hooked - is probably the better term - psychologically the process is, "I've got to win it back," and the worst thing they can do is either win or lose at the beginning of the cycle, because, "If I lose I have to win it back so I've got to keep playing. If I win, well, there's more there," so then they start to chase until finally they go round and round in that circle. As you'll see in the diagram, we call it the decycle because there's the death in the end of the bank account, relationships etcetera. But that first game is what hooks you in and, like any other nasty little habit, you can do it once or twice
25 and you're entrenched. It takes a long time to break the habit.

MR BANKS: Thank you. I think we could keep talking and raising more questions. You've provided a lot of information here, which we'll take on board. You might
30 allow us to get back to you if you've got any further questions later. But thank you very much for participating today.

MR BRADING: Thank you very much.

35 **MS SHELLEY:** Thank you.

MR BANKS: We'll just break.

40

5 **MR BANKS:** Our next participant today is Mr Don Beggs. Welcome to the hearings. Could you give us your full name, please, and then tell us in what capacity you're presenting today.

10 **MR BEGGS:** Thanks very much. My name is Don Beggs. I'd just like to give you a little bit of background information actually. I worked for 10 years from 1956 to 1966 in a private organisation, and then the next 30 years for the Department of Main Roads/Roads and Traffic Authority and that was 40 years, and of those 40 years, because 35 of those years I worked on relief staff. That was travelling all throughout the country of New South Wales. Right from the start I was influenced and
15 controlled by gambling. I'd go to all race meetings and all those sort of places.

I was right into that type of thing. I'd be at Grafton when the Grafton Cup was on and Tamworth when the Country and Western Festival was on; Broken Hill when the Silver City Cup was on or whatever it was called. So I was sort of involved all
20 the time, but my gambling goes back further than that. We've had eight speakers before me this morning. Four were the council for the clubs, and then the second two lots of people who I agree wholeheartedly with. Everything that the second gentleman said - the previous lot said, I have been there, I have done it.

25 I have actually - I'll go a little bit further. I'm 57 years of age. I'm a compulsive gambler. I feel I'm of average intelligence. I've got a great family. I come from a town in New South Wales called Narrandera. I've got a lovely mother who can't understand why I've had this problem for so long. I have gambled since I was 8 years of age. As I said, I have cheated, I have missed work, I have lied, I've stolen. I've
30 twice attempted suicide due to my disease. GA, Gamblers Anonymous, has a 20-question test, "Are you a gambler?" and I can answer yes to every 20 of those questions.

I was very, very fortunate in 1991 I met a lady, the lady behind me who is now
35 my fiance, and she asked me to look at gambling for a month from a realistic point of view, to look at the figures and carry out research, etcetera, because of my computer background and mathematical and that type of thing. So I did, and I sat down from 1991. I stopped gambling on 3 April 1991, having gone to hypnotists, counsellors, GA. I tried everything, and I could never get off this disease that I've got in me.
40 Anyway, thank goodness for her. She got me to look at myself, and in 1991 I gave away gambling on 3 April, and for the next 6 years I looked at statistics, and in 1997 I've written this book called Walk Away A Winner. It's absolutely full of statistics on racing, on poker machines, on most gambling, and I've got a computer full of all my statistics.

45
What I'm looking at now is if I invest let's say \$10 and I can be assured that I will only get \$8, I won't gamble, and I've just stopped myself from gambling purely on that knowledge. What I would like to do is - I mentioned a minute ago that I have been to GA. It could never work with me. I've actually called up G-Line once, and
50 the lady wouldn't give me her name when I said, "My name's Don. What's yours?" So I realised if she wouldn't give me her name, there was no chance of her getting my

5 gambling problem out of the way. She could have said she was Kelly from the Tele. I would have accepted something, but she just wouldn't - anyway that didn't work. I don't say all counsellors are like that, but I realise that that was no good.

10 I have now wasted 40 years of my life, and I would like to dedicate the next 20 years of my life into helping other gamblers in my situation. I can see a tier level whereas we've got the gambler - and I'm going to say what my statistics and everything I've found out is not addressed at all and sundry of punters. Most people can have a bet of 10, \$20 and walk away, but a lot of us can't, and up till now I haven't been able to. Now I have gone from the worst gambler in Australia to one of
15 the best because I still - sorry, last year I resumed gambling because I understood - I will only bet in horseraces 13, 14, 15 starters. So that cuts out all dogs, trots, big races, etcetera.

20 I might only have a couple of bets. I can actually answer a question - a short while ago someone mentioned Vanuatu. The TAB send you accounts on request, and Vanuatu is actually a company down in Mentone in Victoria, and I had an account with them, and I sent Visa card details which should be outlawed straightaway because I could gamble within 5 minutes, and I rang up on Melbourne Cup day for a bet and I wanted to have \$15 on a horse. They said the minimum bet is \$20. So
25 fortunately I had a \$20 bet and it won, and I rang back next day and I said, "I want to cancel my account." So they sent me a cheque and I'm finished with those people.

30 The point I'm getting at here is I'm looking at control gambling. I want to control what I do with my money. I want to be completely in control of myself. I've missed out for 40 years of my life where I haven't been able to control it, and now with the help of Judy, the help of me and my statistics, I'm getting there, and I'm getting a lot of telephone calls because a lot of people have bought my book, and a lot of people have actually asked me - it's called Walk Away A Winner, but the next best thing to winning in racing or any sort of gambling is not losing. The next best thing to
35 winning is not losing.

40 A lot of people ask me, "Can I win? Can I become a professional punter?" I said, "No way in the world," and I've turned away probably 200 people who have tried to buy my book, and I've forgone by \$39 profit that I might get on it because I've said, "Look, if you've never gambled before, don't start now. I've got a fairly good mathematical brain, I've tried to work out 40 years how I would win, and I've never been able to do this." The gentleman this morning, Mr Jack Ball, actually said they had - what were they called - honorary people going down and tapping hands on
45 shoulders and saying to people about their poker machine playing. I actually played the poker machines from 1960 to 1990 and probably did hundreds of thousands of dollars, and not once was I ever tapped on the shoulder and said, "Hey, you'd better give it away," and I would have been about as bad a gambler as anyone. Therefore I refute a lot of the things that the earlier club people said.

50 **MR BANKS:** Don, what would you have done if someone had tapped you on the shoulder, because one of the points that the clubs would make is they're never quite

5 sure whether they're infringing personal liberty or whether they might get a black eye if they do it?

MR BEGGS: Actually it's a bit hard - and I do admit this now. I was on relief staff and I was in different towns, so they probably didn't know me anyway, but I did do it
10 one time - you can probably do a hundred, \$200 back in 1960 which was probably a lot of money. Yes, I don't know. I probably would have told them to go to hell.

MR BANKS: Okay.

15 **MR BEGGS:** I've wasted this time and now I look to help other people in this situation. As I started to say about a tier, we have the gamblers who are okay, and then we find the problem gamblers, the people who can put up their hand and say, "My life has become unmanageable because of gambling. Can you help me?" and I try to help them with the statistics and that type of thing out of what I'm looking at here -
20 how to gamble intelligently.

I'm a compulsive gambler, and I've never, ever taken Lotto except for a birthday present. I don't play keno, I don't do scratchies, nothing at all, just my racehorses and I stick with that, and I play poker machines from time to time when Judy and I do a
25 little bit of research. That's another thing, I'm completely convinced that these 1 cent machines are the worst in the world because you're actually playing nine by five by one which is 45 cents or 90 cents a pop, and I met a lady who did \$4000 in 2 hours at a recent thing. I spoke to a fellow from Gamblers Anonymous who told us about it, and he said, "How could she do that much money?" Apparently she was hitting the
30 \$2 45 times which was \$90 every time she pressed the button, and that's how she was doing that. She went along to Gamblers Anonymous for her problem.

I sincerely believe that most gamblers would prefer not to actually stop betting. I feel a lot of them who are like me would feel like their right arm is cut off if they
35 were told, "You're never, ever allowed to have a bet." I'd like to get them to come into a meeting similar to GA where we meet and we talk about their week in betting whether it has been a good or bad week, whether they adhered to controlled ideas or not, have other people who are able to control their betting like I can now pass that information on to other people, whether they bet more than they should have, whether
40 gambling is creating further problems at home.

With the gammon inside when you've got the spouse and the children of the family - instead of a separate meeting, I'd like them to come along too to sort of more sympathise more with the gambler to understand what the gambler - it's a disease.
45 There's no other word for it. As I said a couple of times, I'm fairly intelligent, but for some reasons - I'll get to honesty in a minute; anyway I'm getting there - and if so whether their home situation has improved with their control or whether it has declined.

50 The next step if they did have a problem with the controlled gambling and weren't able to go further is to move on to a type of GA at home whereas they got

5 their family to - let's say it's a man in this case; his wife and the two little kids, and
they talk about exactly what they do in Gamblers Anonymous whereas they read a
few stories out and realise that their gambling father is not as bad - he's not a person
with leprosy. There's a lot of other people like him. If spouses could share it a little
bit more - but we've been talking about this morning we don't want to have children
10 further involved with gambling, and I talk about this in the book here where I saw a
bloke who used to take his child into the TAB a lot, and that bloke is a pathetic
compulsive gambler today, and it's the father's fault, no-one else's fault.

Anyway moving on to - yes, from experience and speaking to other gamblers, I
15 feel that they don't want to join GA at that point. I'd like to see them go through from
a problem gambler to the controlled gamblers association that I talk about to - if they
can't handle it there, to move onto a GA situation there from the home-type thing. So
there's four steps there altogether. All throughout my book I continually warn against
gambling and against excessive losses. I also point out the realistic situation or losing
20 or betting on the first five favourites. I notice there was an overhead there. I could
have displayed some figures, but there's not much point. The point is I think we all
know the more you bet, the more you lose. That's what we're doing here today.

I move on to gambling and honesty. These two do not go together. I am an
25 honest person in my every day life, and yet up to just a few months ago, Judy couldn't
ask me or couldn't expect to get an honest answer from me with, "How did you go in
the betting today?" If I won a hundred, I would probably say I won 150 or 200, and if
I lost a hundred I would say I lost 60. We really can't be honest people. I can be
honest in other areas, but I cannot be honest with my gambling, and finally I'm honest
30 because I'm actually handing the cash over to her and she can see how we went for
the day. I'm better controlled today. I mean, I might only have three or four bets a
day, whereas once upon a time I would have had 40 bets a day.

I do believe that gamblers can get by without complete abstinence. I think
35 there's too much of a gap. I think if we had this idea of control, I think it would be a
wonderful thing, and I think the previous people have agreed with this - the people
from the council and various have actually said this that - we all gamble. Life's a
gamble, private health insurance. Everything's a gamble, isn't it? A lot of people take
it on and a lot of people don't. In fact talking about the gambling side of it - and also
40 the Australian Bureau of Statistics will be looking for figures from all we gamblers -
very, very hard to get these ideal statistics because they're so often lies. There's not a
lot of truth coming from the gambler. Probably knowing that it's going to be an
anonymous situation you might get fairly close to that.

45 I know two women who are betting heavily on Lotto at the moment who visit
two different newsagencies to place their bets. This is done so that they do not want
to appear to be spending too much money on Lotto. Who are they really fooling, and
would they tell the Australian Bureau of Statistics how much they were spending.
The other side of the thing, too, I think Lotto is a real problem. A lot of people are
50 going into Lotto. If I go into the TAB, people will point the finger at me and say,
"Hey, there goes a gambler." I go into a newsagents to get a birthday card and the

5 people are streaming out there, the night before Melbourne Cup. You couldn't get
your paper because there was so many people putting their money on and they're
betting 3 and 4 hundred dollars, a lot of them. I said, "Are you a gambler?" they'd say
an emphatic no. They don't consider - a bit like the stock market we mentioned a
short while ago. I've got a thing called a complete race analyser that I can put - this is
10 just an example.

If a fellow punter asked me how would I go if I had \$10 on every second
favourite which was placed at its last two starts over 12 to 15 hundred metres, say,
over a period of 3 years, I can put that information into my computer and get the
15 figures and tell him, "Okay, you would have outlaid \$22,000, you would have got
back \$14,000." Straightaway he would have lost \$8000. Straightaway he would
realise that was a losing situation and that's what I now know and there's no way any
sane person would go out and back similar horses in a similar situation, knowing they
were all losing situations. History will always repeat. Favourites win a third of the
20 time etcetera etcetera and they will always continue that way.

MR BANKS: Don, would you see that informational aspect as the key really to
becoming a controlled gambler?

25 **MR BEGGS:** I think so, yes.

MR BANKS: What follows from that? The important part of treating it is really to
provide, wherever possible, better information.

30 **MR BEGGS:** Yes. You asked a question of the previous speaker here this morning
and Mr Ball earlier said that the clubs return 91 per cent on every poker machine.
That's simply - I've got a poker machine and I don't know that it's legal but I bought it
at auction. I've done a poker machine at home and I've done so much research on
this. I've opened it up, I've watched the reel - I'm sick of it actually. I wouldn't play a
35 poker machine for all the money in China these days except for our little research we
do from time to time. All you do is you put a hundred coins in and you get 91 out; if
you put 91 in you might get 85 out; if you put 85 in you get 70 out. The longer you
play you must lose. If we can tell these people that type of thing - I mean,
occasionally a jackpot jumps in there but very, very rarely.

40
Actually, I've worked it out for every 12 times you play you put a hundred coins
in, you're always under - 11 out of 12 you're always underneath. Sometimes you go
to the top for a while but not for very long. Anyway, poker machines are not much of
a return either but I do look at a method of enabling people to play a poker machine
45 whereas they play for a 60 per cent profit on turnover or return on investment or a
maximum of 50 per cent loss on investment and then stopping at that point. So if they
went in with \$30 they must come out with 15. I then take the \$15 home, put it in a
jar and bank it at the end of each fortnight and that's a compulsory saving and it's
wonderful.

50

5 If people did this - I've done a four-page thing, I call it Walk Away a Winner
from Poker Machines. The point I'm getting to - getting right down to it, I'm asking -
my submission there is I'd like to be involved in your inquiry into gambling, being a
gambler, because I believe I have a great deal to offer and I'd like to write a book to
help - doctors are becoming more involved with problem gamblers and that type of
10 thing and I'd like for those sort of people to be given a copy of this. The book doesn't
have to be completely by me but all the information that we're going to glean from this
inquiry, I'm sure you'll probably put a report out. There's the Gamblers Anonymous
book. That was written in 1951. I think AA was 1939 and this is 1951. But it's all
about American stories. You know, we live in Australia today and I think we've got
15 to move on with the times and there's no reason why we can't start a controlled
gamblers association in 1998 or the year 2000 where we had this type of book to give
to the problem gamblers to spell out these statistics before they have a bet, what
chance they've got and I think it could be a good stepping stone.

20 One other thing I was going to bring up - racehorse tipsters and that sort of
thing. You hear the tipsters say, "Such-and-such won't get beaten today." Ian Craig
might say that. We all know that 95 times out of 100 they get beaten. But there's
never any remissions or apologies next day and I believe there's a Winning Post
newspaper that actually give their tipsters result on the Internet and in their next
25 edition. I think that would be a good idea to put that sort of thing up because all the
guff that we hear on Saturday morning, if you listen to it again on Sunday and if you
recorded it, it's all - I don't want to swear but it's not worth what you hear, is it? So I
think I've covered everything. I did want to say a couple of things about the poker
machines and what the first gentleman said, but if you'd like to ask me any questions
30 on that.

Can I just - I'd like to write the book, I'd like to advertise the book nationally
called Controlled Gamblers Association or Controlled Investing or something like
that. I'd like to have sufficient copies of the book printed to provide for free copies
35 for members of this association or anyone with gambling problems. I would need
general government support to see the book through and I'm sure that hundreds of
methods and experience would evolve from all these GA races or CGA races. I'm not
saying there's anything wrong with Gamblers Anonymous but I will say this: AA has
got a 75 per cent success rate. When I say that - 75 per cent - they hold from year to
40 year 75 per cent of members and they lose 25 who come and go. GA is the opposite.
They only hold about 25 of the nucleus because a thing happens with Gamblers
Anonymous - I've been to Gamblers Anonymous. You go for a couple of years or a
couple of months and you're really, really strong. But then you fall off and you have a
bust. It's very, very hard to come back in, where it's easier to come back into AA. So
45 that's it. I think I'll stop there because I know time is running.

MR BANKS: Clearly though, the key to what you're suggesting is that group
interaction is still an important part of getting under control as a gambler. Is that - - -

50 **MR BEGGS:** Yes.

5 **MR BANKS:** Do you see it as actually more effective than one-on-one counselling with a counsellor, either with you or with your spouse or family?

MR BEGGS: I like the idea of the home situation but that could break down if the gambler has a bust and lets his wife down. That could be a problem there. It
10 wouldn't happen so much with a counsellor because you can keep going back to a counsellor. I've got a great deal of admiration for counsellors. I really, really mean that. But until a person has ever been in that situation, suffered the degradation of actually picking up a gun and almost pulling the trigger, unless they've ever been there they would never really fully understand, totally understand, how a gambler is, what
15 it's like at rock bottom. But I do admire the work they do, no doubt about that.

MR BANKS: Okay, thank you.

MR FITZGERALD: You refer in your paper to confidence tricksters and the
20 operation of dubious betting, racing systems and what have you. Could you just expand on what your view is of the current situation in relation to these sorts of schemes and that and what should be done about them?

MR BEGGS: That is in the paper and I thought I'd cut that out because time is on
25 the wing.

MR FITZGERALD: That's fine. But just generally what's your current understanding of these arrangements?

MR BEGGS: If you pick up any newspaper, it's got every day 1902 numbers and "win 5000" etcetera. They're all through the papers and unfortunately silly people are believing them. Two people in the last 3 months have actually rung me up and said, "I've spent \$10,000 and \$9000 on a system betting." We've got to get these people out somehow. There's a thing called - and I bought it myself. Selling this racing book
30 I can buy the names of a thousand punters and send my information out about this. I honestly believe this is a genuine attempt to help punters. Unfortunately 99 per cent of this sort of thing isn't spot on. So you've got to get those lists going out to stop for a start, that type of thing. You've got to outlaw advertising, especially in business opportunities and those sort of things because they're all false.
40

MR FITZGERALD: If somebody comes up with a particular system in relation to betting on the racehorses or greyhounds or what have you, are you suggesting that they should not be able to sell that system or that it should be controlled in some way?

MR BEGGS: Controlled. I'd like to see the government - there's a thing called Punters' Choice which is in Queensland. It's actually been outlawed to advertise - it's a wonderful book because it actually - it's like Choice magazine, it goes through all the systems and tells you how you go if you invest on these different betting systems and it says the good ones and the bad ones.
50

MR FITZGERALD: You said it has been made illegal or outlawed?

5

MR BEGGS: The bloke who - Ian Barnes his name is, and he can't advertise in any New South Wales paper. I think he can advertise in Victoria and in Queensland but not in New South Wales. At least New South Wales has gone in the right direction of getting rid of a lot of those advertisements. Maybe if it wasn't Ian Barnes doing that, the government could do something like that, whereas every time you see a new advertisement come out, write to the people, get them to furnish their system and then try it out for 3 months and if it was no good then tell them it was no good type of thing.

10
15 **MR FITZGERALD:** You've taken a lot of the responsibility for your own gambling problems on yourself and you've indicated this in the papers and what have you. Do you believe that any of the gambling providers had any obligations to you or have you got suggestions in any way that they could have assisted - minimised your problem or circumstance?

20

MR BEGGS: No, I don't think so, sir. I was in that position. It was a caught-up position. Saturday morning I'd get up and I'd be at Grafton, the cup would be on that day so I would go along with everyone. But if I had have known that the figures of each of the races type of thing, the statistics that I know now, I would have cut my betting down tenfold, hundredfold. You know, I might have only three bets per Saturday instead of 30 per Saturday.

25

MR FITZGERALD: Explain to me, Don, what that information would now be. In terms of racing one has obviously done the odds in terms of the actual horses or dogs going around but you're actually talking about another form of information.

30

MR BEGGS: I follow a thing called "re-grading" in my book. But I mean, let's say the paper says, "This horse should be 7 to 1," like in the SP betting, for example. Let's call that \$8. I would want one and a half times that price, so I'd want \$12 but no more than 16. In other words I'm looking at one and a half times the odds and I've just figured all those figures prove that over the period of time that I can win that way. I'm looking at value. If a bloke gave me even money and I stopped betting, if he was compulsive, he'd say, "Okay, I'll give you 11 for 10." I don't want 11 for 10, I don't want 12 for 10, I want 15 for 10. That's what I'm saying, I would only bet when I can get 15 for 10.

35

40

MR FITZGERALD: Yes, explain to me - because I'm not sure. That's an information which one can obtain, say, from the book or what have you. Are you suggesting that either the racing clubs or the TAB or whoever it might be have an obligation to provide additional information that they're not currently provided?

45

MR BEGGS: No, no. I think the TAB is a wonderful organisation. I really believe that the 18 per cent take-out is not too - I don't like the Saturday morning tipsters. I think the TAB do a wonderful job and really you can win just by going to the TAB without a newspaper following the money on the screen and that's what it's all about. The professional punters and the bookmakers out on the course, they're the ones that

50

5 give you the most information and that's reflected through all the screens in the TAB.
But having said that, you back the first five favourites but you've still got a loss
situation there. As I say, you would have outlaid \$384,000 - that's page 5 I'm looking
at Gary - for a \$43,510 loss just backing the first five favourites. So when you know
those figures you're not going to bet.

10

MR FITZGERALD: But if you put a book out, would a compulsive gambler
actually buy it or are they really not interested in actually being informed?

15 **MR BEGGS:** I haven't sold this book very well because not many people want to
be told how to bet because they've all got their own systems. But I feel that if a
person put his hand up and said, "I've got a problem," and we gave them this type of
book - I'm not just talking about racehorses, I reckon for - some history in Gamblers
Anonymous problems, horseracing, poker machines and casino games. I've got no
idea on casino games but I'm sure with your inquiry we'd get some people involved
20 who could give little systems whereas you wouldn't lose too much in a casino.

MR BANKS: If you had to sum up a message in the book, is it about not losing too
much or is it about "you can win if you try"?

25 **MR BEGGS:** No, definitely not losing too much and that would be the next step.
The GA - they go hand in hand, the two. I would imagine the book that I'm talking
about would be similar to what you people are going to put out a report on the
gambling situation. There'd be a lot of heavy stuff in there that a lot of gamblers
wouldn't like to read. I would try and make my book a readable experience-type
30 situation of my 40 years around those country traps - different stories, talking about
the good times and the bad times and then the really, really bad times. I've got a lot of
other friends who have been problem gamblers who could give you stories that would
knock your head off - very, very sad stories.

35 **MR BANKS:** Yes. I suspect your book would be a better seller than ours. I think
ours would be seen to be relatively dry and one that's going to be informing
government.

40 **MR BEGGS:** It's just after 1 o'clock. I just wanted to mention a couple of things.
Some of the figures that the club gentlemen mentioned, they said 15 or 20 per cent of
people are playing poker machines in clubs. I refute that. I reckon it would be closer
to 70 per cent of playing poker machines.

45 **MR BANKS:** Sorry, 70 per cent of?

MR BEGGS: People going into a club to play poker machines.

MR BANKS: What do you base that on though?

50 **MR BEGGS:** Judy and I, we go into the club all the time and we've been doing this
for 2 years now - research. We look, we watch and we all say, "That person is only

5 playing one line." One line is played once in every blue moon. Everyone plays
maximum coins, maximum lines. I think I've finished. Thank you very much.

MR BANKS: All right. Thank you very much for that and we will certainly read
10 your book and we may have some more questions, so we could get back to you later.

MR BEGGS: Thank you.

MR BANKS: We'll now break for lunch and we're resuming at 2 o'clock.

15 (Luncheon adjournment)

5 **MR BANKS:** Our next participant today, the first after lunch, is Star City Casino. Welcome to the hearings. Could you please give your names and your positions with the company.

10 **MR HOGGETT:** I'm Jim Hoggett, general manager corporate affairs, Star City.

MR GRIMSHAW: Peter Grimshaw, media director, Star City.

MR BANKS: Thank you very much for coming along this afternoon. Thank you also for the submission, which we've read with interest. It's a long submission, a lot of points in it that we may want to discuss with you but, as we indicated, perhaps if you'd like to highlight the key points to begin with.

MR HOGGETT: Thank you, Mr Chairman. There are really only I think four general points I'd like to elaborate on. The submission is to a major degree self-explanatory and we will be happy to answer any questions that we can in relation to the submission. The first point I wanted to make goes to the nature of the gambling, the gambling transaction, the gambling industry itself. When I heard the announcement of this inquiry and the place in which the inquiry would be made, I was quite encouraged, because I feel that gambling hasn't been studied in any serious way. It represents an enormous mass of economic transactions made daily across this state and across Australia, so it's quite a body of our economy. People have measured it in GDP terms and in various other ways, but it is a mass, millions and millions of economic transactions. It's interesting because these transactions in some areas are actually quite costly to the individuals concerned, even if you look at them as transactions that they make daily. Because of the industry's heavy taxation rate, quite a bit of the value is extracted by the government. So these are a series of economic transactions on one side and, as I say, they can be quite heavily taxed.

They're also social transactions, and I think this a dimension that's been inadequately studied except on one side, what you might call the dark side. These are transactions that people undertake in casinos, they undertake in clubs and they undertake in huge areas that this commission will probably not study. There are card schools in every factory. There are games of chance almost everywhere across the nation. Some of these are without cost, apart from the cost of time, to the participants and some of them are quite costly, because people engaging in card schools can lose quite a lot of money in an unsupervised way. But the social transaction side of it is important and it's generally regarded as a leisure time transaction. It's not something which people do professionally.

So I was encouraged by the mandate of the commission and I'm hoping that, as you go through your witnesses and the various people who will make submissions to you, you'll be able to look in more depth into the actual nature of this industry. The Productivity Commission, unlike most other inquiries, is well-equipped to do this, and I think in looking at problem gambling, which is one social aspect you've been asked to look at, it would be worth looking through the whole industry and trying to understand why it exists, how it exists, what the measure of it is and what the people

5 who engage in it on both sides think they're doing when they go into it. That I think is essential for a balance in the inquiry.

10 The second item on my agenda here was problem gambling, because that has become quite a heavy focus of the various inquiries that have been held, including the state inquiry in New South Wales, which is due to report on 26 November. You'll see their public report on that will be tabled in the New South Wales parliament. In a way we look at problem gambling and we look at the other side, which we call responsible gambling, and it's really like the use of other products, where you can think of people who use chainsaws without guards and you can think of people who engage in risky physical activities of various kinds and you ask yourself, "Where is the problem here and what's the answer to the problem?"

20 As we said in our submission, we don't think the problem is terribly well identified and we think the lines have been drawn vaguely. Maybe that's because we can't do any better than that, and maybe it's because some people like to see the problems rather than the other side and if you enlarge the problem gambling area then it's a bigger focus for concern and for research and for activity of various kinds, and we do like to worry. Usually when there is a problem in the use of a product or the scale of an activity we talk about education and training, and I notice that your report proposes to focus on that somewhat. I think that's a very good idea. Like a lot of people in this room, I got my education in cards from my father around the fire 50 years ago probably playing pontoon, which is blackjack. We didn't play for money because he would have beaten the daylights out of us, but we did learn how to play cards and we did get to enjoy it. But in a way that was a bit like the French drinking. You start early, you train people, they understand what it's about, they know what the risks are and they use the product responsibly when they become adults. So there's something to be explored there, I think.

35 Of course, like any activity - and in my time I've been a bit of a jogger - you can overdo it, and if you do overdo it you may result in a temporary problem like an injury or spending more money than you thought you should have done on the night or it may become more than that. I've met a few running addicts and they don't look terribly well, most of them, but in gambling it's the same. It's a form of addictive behaviour, I think, but it's addictive in a different way and perhaps even on a different scale. Again you can come back to education and training, you can come back to warnings. You can come back to the industry, as I know a lot of people do, and say, "Why aren't you doing something about it?" and there is a sense in which the industry should do as much as it can to contain the problems which its products create.

45 It's an industry of course that raises, as you've said, an enormous amount of revenue. This issues paper discusses that and we go into that to some degree. The revenue isn't applied to the problem; the revenue is applied to all sorts of stuff. Bits of it are but not much. The revenue is huge. The revenue is probably several times greater than any measure of the problem that has been responsibly made.

50

5 I wanted now to turn to my third and fourth point, the casino, because we did
make a particular point in the submission about the regulation of the casino. There's
been a lot of discussion in New South Wales in the last 6 months about regulatory
models that should apply to this industry. There has been the one institution model,
the two institution model and all that sort of stuff. Some of that is smoke and mirrors.
10 The question is whether the regulation is going to be effective in achieving what it sets
out to achieve and whether the costs of it are too high.

The casino is an example of an extremely highly regulated model - extremely
high regulated. The reasons for this, as we've said in our submission, are mainly
15 historical and they don't relate to the relative size of the problems generated by the
casino vis-a-vis other parts of the industry. The people who tendered for the Star City
licence knew that that would be the case. They bought the casino licence on the basis
of the regulatory structure surrounding it, of which they knew pretty well the depth
and strength. So all of our directors and all of our senior managers and 2000 of our
20 employees are licensed and are probity tested to some fairly detailed degree. This is a
sense frees the government of any serious concern about the people who are actually
running this business.

A large number of associates and people who invest in us - Harrahs, for
25 example, that is now our parent company, our business associates of various kinds -
are also probity tested. All of our major suppliers - and some of them aren't terribly
major in our mind - are also probity tested to ensure that no-one who supplies goods
to us has any serious record of criminality or indeed any record of criminality. We are
quite vigilant about that process and we'll turn away people whose relationships with
30 us we believe have become suspect on their side. All of our games are heavily
supervised with detailed 16 books of internal controls. All of our equipment is
approved by the Casino Control Authority. The layout of the casino, the
1000 cameras, even the decor, is prescribed or at least approved by the Casino
Control Authority and supervised by the division of casino surveillance.

35 Some people would at best describe this as an extreme form of quality control.
Others would in their sadder moments describe it as a form of totalitarianism. But,
whatever you call it, it's certainly extremely detailed, extremely intrusive and, as we've
said in our submission, probably in relative terms rather wasteful, because we devote a
40 lot of our resources in New South Wales, our regulatory resources that are applied to
gaming, to this single institution. That's not, I might say, to argue in the least on our
part that we think the casino should not be supervised and well-supervised. We're
very happy with that - saves us a lot of problems - but we'd like a lifting of the burden
in some of the commercial areas and we'll argue with the New South Wales
45 government about that from time to time, and we do. We have become the focus and
the lightning rod for a lot of reasons that we have explained.

Finally I'd like to say something to the fourth point, about crime. There was a
great fear when the casino licence was being debated - and it was debated for over
50 10 years in this state - about the possible criminal influences that might be associated
with the management of the casino and criminal activities at the casino. Again we

5 have a historical problem with the industry here. We borrowed our legislation from
the United States and we've borrowed the most restrictive form of it, which came
from the old New Jersey legislation, which has now been reformed. I guess that was
fair enough at the time, but it was a reflection of the situation in the United States, the
10 circumstances there, particularly through the twenties and thirties and even through
the forties, when organised crime was known to be associated with some casinos.

I have to say that, reflecting on that history and its application to us, I think a lot
of the criminal activity arose, as it does arise, from the restriction on people's
activities. It was the same with prohibition and it was the same with all prohibitions
15 of things that people do as the normal course of things enjoy and can do responsibly.
They'll find somewhere else to do them, and those places are run by people who don't
mind breaking the law. They're not run by people who do mind breaking the law. So
those were the people who ran it, and the reaction of the authorities after the initial
burst of activity in Nevada was to restrict the industry very heavily, and so we have an
20 historical legislative structure there which we will be arguing for reform of as time
goes on. Nevertheless, what has happened is that the criminals in our society know
that infiltrating this industry overseas, in the US, or here is all but impossible. You
cannot come into this industry with a record. They also know that we're extremely
vigilant, as I said, about who we employ and who we deal with.

25 The casino in fact does undertake activities that people can ultimately misuse.
Gambling is not like hard drugs. It's not addictive in that sense, but used to the
extreme it can have bad side effects. So there are good reasons, as I said, for some of
the regulation. A casino of course is an extremely bad place to commit a crime; it's a
30 ridiculous place. If you're a criminal you would have to be an extremely stupid
criminal to commit a crime in the casino because there are 1000 cameras, two or three
of them which will spot you doing it, and another 100 or so will watch you as you
move around the casino and get out of it. So in that sense it's extremely well
supervised and that's good for our commercial purposes because it ensures the
35 conduct of fair play and honest play, and it's also good for other reasons. So I wanted
to enlarge to that degree upon our submission and that was really all I had to add.

MR BANKS: Thank you very much. I think it has been quite useful. Perhaps one
place we could start is in terms of the regulatory burden. I mean, this is something I
40 guess we have observed as we've travelled around the country. We've been to quite a
number of casinos now. In fact the most recent one I've been to is Lassiters at
Alice Springs which was one of the oldest ones and it was an interesting one to visit.
Clearly everywhere the casinos are fairly highly regulated and it may reflect the
historical points that you make. In terms of the regulation I guess there are a couple
45 of dimensions. One is the one you touched on, whether the aspects of the regulation
are inappropriate.

But the other one that you touch on in your paper is to what extent that
regulatory burden should be shared. I suppose another way of looking at that is
50 perhaps to ask you what proportion of your income, say, would come from poker
machines? We've had others here today in clubs and we will have hotels tomorrow.

5 Obviously that's the main difference. They derive probably all of their gambling or a large part of it from those machines. So I guess two questions: one is to what extent is the regulation inappropriate - should it be relaxed? The second is, what aspects of it should be shared between you and other venues within the industry?

10 **MR HOGGETT:** Just to answer the specific question, it fluctuates quite a deal because the card revenue, particularly in the high stakes area, fluctuates a great deal. But by and large our poker machine revenue from our 1500 machines is usually around about 25 per cent of our total gambling revenue. We do have revenue from other sources obviously, from the hotel, from the function rooms, from the theatres,
15 from the restaurants, from food and beverage generally. So it would be somewhat less than 25 per cent of our total revenue for poker machines. As you're probably aware, I think we have something less than 2 per cent of the total number of poker machines in New South Wales.

20 **MR BANKS:** Yes.

MR HOGGETT: So typically that's not the main driver for the business although a lot of people are on the machines. On the question of the relative regulatory burdens and the sort of share in that, I have to tread a little carefully here because we have
25 many colleagues and friends in the rest of the industry obviously. What I think is clear is that the way in which the business has grown up in New South Wales is probably rather peculiar. You have had gaming in relation to horseracing and things of that kind which in a private sense is fairly tightly regulated and always has been, and up until recently the main activity has been a government activity and a government
30 owned and supervised activity. So in that sense the regulation was done almost internally.

Then you have had the club movement which has been a community-based movement which I think, without putting too fine a point on it, because it's
35 community based tends to receive less criticism from governments because people assume that within that movement people are acting responsibly for the benefit of the community. I think it has now reached the stage where for everybody TAB, lotteries, scratchies, kenos, clubs, pubs, this is big business and it doesn't matter where it's done. In that sense one should say in relative terms at least there ought to be some
40 shift in the scrutiny between the various forms of gambling - and we are the most scrutinised and there's not a shadow of doubt about that. You've seen the casino and you've seen the controls, and our belief is that the other organisations probably bear more scrutiny and we probably bear less.

45 **MR BANKS:** What about one specific aspect there that you refer to - probity checks on your staff and so on. Is this something that you should be relieved of or others should be burdened with?

MR HOGGETT: What we've argued is that at the top end of our business we have
50 no difficulty with it. It is a high-profile activity. It is one that the community is interested in and occasionally expresses concern about. So our senior management,

5 has no difficulty in going through those checks, and indeed down to some levels of
middle management, particularly in areas such as the gaming area itself. What we've
argued is that as you get lower down the tree, if you've made sure that the people
running the place are clean you ought to be fairly comfortable with the place. The
10 people who are employed there and who are working as dealers and the like can be
kept pretty clean too, because the management will be concerned to do that.

We felt that in areas such as hotel and food and beverage it's a bit silly to have
probity checks on a restaurant manager. We don't think that's sensible and we have
argued with the authority about that. They have given us their reasons for wanting to
15 maintain those checks and we've given them our reasons for not wanting to do so. So
in certain areas we think there just isn't a point and when you've got well over 2000
people being checked it's quite a costly business, and one of the side-effects of it is
that in some areas of high mobility such as information technology and in food and
beverage, if you've got a licence process that lasts 2 to 3 months you just don't - I
20 mean, those people can go anywhere. They can get another job tomorrow. So we
sometimes had difficulty in maintaining contact at the recruitment end and sometimes
people just don't want their private affairs to be pried into and don't see why they
should be. We've got an argument of degree there rather than of absolute.

25 **MR BANKS:** Is that typically the case, that it would take 2 to 3 months for
someone to get a licence within the casino?

MR HOGGETT: The turnaround times have improved, particularly at the lower
levels they have improved. But, you know, we've had security officers that have been
30 well over that time and these aren't high-level people. We've certainly had marketing
people that have taken that time - and of course all the senior management will take
normally at least 2 months because normally they have fairly complex arrangements.
Down at dealer level it's getting easier and at dealer level it's somewhat easier because
we can train them while they're being probity tested. But it's just one of those things
35 that makes operation of the business difficult and the same is true in relation to some
suppliers where you want something, you need to buy it, and the general threshold is
any contract that in a rolling 12-month period will be over 200,000 is a probity check
case. That's pretty low. In a business our size that's a pretty low threshold.

40 But when you get to surveillance equipment or gaming equipment, the
thresholds get much, much lower - in some cases zero - and that's pretty hard. Now,
we've talked to the government about that and I think they're looking at that. It
makes operation of the business sometimes a bit difficult. We've asked for more
flexibility there.

45 **MR BANKS:** Yes. I learnt when I was in Darwin recently that the casino there is
involved in a significant degree of self-regulation.

MR HOGGETT: Yes.

50

5 **MR BANKS:** I think it's probably the only jurisdiction where that's happening, so an interesting experiment in some ways. But from what I could work out that seemed to be working reasonably smoothly. I mean, to what extent is there duplication, simple duplication that could be avoided in that respect through - and I'm thinking in particular of surveillance - the sort of checking that's going on?

10

MR HOGGETT: We think that duplication can be avoided. Because of the structure of our act we're last in, worst dressed. It's a very tight act and depending from it are a lot of regulations and a great number of internal controls, which the Casino Control Authority believes form part of the regulatory structure, so that if we could as it were lift the profile a bit so that the focus of regulation was more on the people who are running this business, on its people - do they run honest games - then I think we would be much better off than checking down at the level of, "Well, you know, have we got it right to the last halfpenny in the finance area? Has a card been dropped on the floor?" and things of that kind, which can absorb an enormous amount of time all the way up through the Division of Casino Surveillance, Casino Control Authority, and even to the Department of the Minister at times.

25 Now, don't get me wrong. I'm not having a shot here at the authority or the division, or any of the regulatory bodies. They're doing the job they think they have to do. But they're doing it in a structure which has become a bit absurd and wasteful, and I think that's what we're trying to work with and will be part of what certainly my area of the casino will be trying to ameliorate in the year or two ahead. It takes a long time. It takes a long time to take a regulation off. It's much easier to put one on.

30 **MR FITZGERALD:** In your submission about regulatory structures a couple of things: you talk about a more centralised supervision regime at state level, some form of commission or what have you. You also talk about capping poker machine numbers. You say that there should be a cap on poker machine numbers in New South Wales. Can you explain more fully your rationale for that?

35

MR HOGGETT: Yes. I guess in a sense this is not the economic rationalist approach to life which I would constitutionally apply - at my own constitution, that is. We have 94,000 machines in New South Wales which we think is probably something like 10 per cent of the world's machines or something like that. So looked at in the broad there is I think a case for saying, "Well, let's hold here for a moment. Let's stop and there's a lot of concern about this," particularly in the poker machine area a lot of concern expressed. The casino is capped in its numbers, as you know. The hotels are capped in their numbers. There is in a sense a cap already except I suppose in the club area. It's the only area where there's no cap.

45

50 So I suppose we were applying there the logic of the structure as it's developing - that it's moving towards some control on numbers of machines. You could argue that if people don't want to use the machines, well, they won't and then there won't be any more than 95,000 or whatever the natural level is. I mean, I'm not fully comfortable with the idea of the cap but there is a degree of public concern and there

5 seems to be a special concern in the poker machine area, and completely unfettered
licensing of those machines is probably not the right way to go right now.

MR BANKS: You've argued elsewhere though that you don't believe there's any
10 case for saying that one form of gambling is any more problematic than another. That
is an issue that people have different views on, I suppose.

MR HOGGETT: Yes. I think that's a qualitative argument though. I mean, what I
think was in our mind or I think what was in my mind there was that gambling is
15 gambling and it's the proverbial two flies up a wall. In a qualitative sense you can play
a game of cards or you can play a poker machine and what you're getting out of that
in a qualitative sense is somewhat similar. Different people like different things, but
what they're getting out of it is - and I have to say at basic level what they're getting
out of it is an uncertainty, an uncertain outcome that gives them in their daily lives a
thrill that they probably don't otherwise get, in a lot of ways anyway.

20
What we're talking about in terms of a cap is very much a quantitative control
argument: where does the biggest problem lie and where are the most pervasive
forms of gambling? In that sense I suppose we would distinguish there between those
two arguments. We wouldn't say that a poker machine is worse than a game of cards.
25 We wouldn't attempt to argue that for a moment, or a game of two-up or a go at the
big wheel or even bingo. They all are qualitative and they're very similar.

MR BANKS: Would the EGMs be displacing market share from other forms of
30 gambling, for example the other forms of gambling that your company is involved in?

MR HOGGETT: That's an extremely hard one to answer because the statistics -
we're always working off statistics that are at least a year old and behavioural
interpretations that are 2 years old. I would say that from our point of view we're not
dissatisfied with our competitive position. We don't believe that our gaming results
35 have been, as it were, seriously affected by what has happened. What has happened I
suppose is that the environment in which we pay the government a licence fee and the
level of exclusiveness which we thought we had has been altered by the simple fact of
the growth of alternative suppliers of the gaming which we intended to supply. So
there's a bit of if and but there. Certainly if machine numbers hadn't grown as fast as
40 they have, we would presumably have done better on the slot machines. I don't know
that it would have made any difference on the cards side but it does show the perils of
paying the government an extremely large up-front slice of economic rent which they
confer on you by way of monopoly, and an extremely heavy rate of taxation which
they extract from you weekly in our case.

45
MR FITZGERALD: If we just turn to taxation for a moment, which is roughly
related to regulation, you're saying in your submission that you're not supporting
hypothecation of taxation, but if it were to happen, then it should be devoted to
mitigating the adverse side effects of gambling. Now, you pay differential tax rates,
50 but you also pay a contribution to the Casino Community Benefit Fund. Can you give

5 me your view as to what should happen across the gambling industry in relation to the
taxation, hypothecated or otherwise, and specific purpose funding, benefit funding?

MR HOGGETT: Yes. The problem I have with hypothecation is there's a tendency
to equate the severity of the problem and the supply of treatment from the public
10 sector with whatever you collect. It may be too high and it may be too low, and I
don't think anybody has ever worked that one out. Most people who speak publicly
on this matter think it's too low. I'm not sure whether that's true at all in relation to
the Casino Community Benefit Fund which they've had a great deal of expending on
these matters or maybe in relation to other problem gaming. I just don't know, and I
15 don't think anybody has looked at that.

That's the weakness of hypothecation from year to year. You just never know
whether what you've collected and then on-spent meets your problem. Another
problem with hypothecation is it's very rigid, and it tends to be a levy on somebody of
20 a certain percentage, and it feeds in year by year, and it creates its own constituencies,
it's inflexible, it creates its own bureaucracy. It's just not a good way to go about
things. So I'm I guess of the old school that says governments face enormous
problems, and society faces enormous problems, and the best place for governments
to work out what's a real problem and what's a secondary problem is to make them
25 trade off against each other in the political process at the same time.

Having said that we do have hypothecation here, and I have been firmly advised
that we are not going to get rid of it by all sorts of knowing people who say to me,
"Well, if you think you're going to get rid of the community benefit levy, you ought to
30 think again." All that will happen is that other people will pay some. So we think
firstly yes, other people should pay some if that's the case. That in the best of all
worlds might lead to us paying a bit less because we actually pay what I think is a
fairly high percentage of our revenue for this specific purpose, quite aside from
general taxation in relation to gaming and general taxation in relation to income tax
35 and sales tax and all the other things, but whatever.

We've said if everybody paid 1 per cent, you would get in a lot more money and
then people would be sharing the burden which we think would be a good thing.
Having said that, if you are going to hypothecate, then spend it on the problem. Don't
40 make up a reason for taxing us more and then spending it on something else. We are
happy to pay our share of the community charge, and we do that all sorts of ways.
Section 94 is one of them where we beautify Pymont, but general taxation is another,
and we're happy to do that and we do do that, and I've got some critical comments on
that tax regime, too.

45 Don't raise money for specific purposes and then spend it on general purposes.
There probably is quite a lot that can be done in this area, and we probably haven't
reached the bottom of the barrel in spending on it, but we're a long way - I think we
probably only spend, Peter will correct me if I'm wrong, about 50 per cent from
50 gambling of the Casino Community Benefit Fund and the rest goes to very worthy

5 social projects, but they should take their chance in the general basket and not be a submission to the trustees of the fund.

MR FITZGERALD: Related to that, in your submission in relation to advertising, you indicate that you believe the current regulations are adequate and so on. One of the things we've noticed around Australia is the almost lack of money spent anywhere on community awareness of gambling and/or its side effects, even in those funds that have difficulty spending their money. Do you have a particular view about the gambling industry and/or government's responsibility in terms of appropriate community awareness, and how should that be best done?

15 **MR HOGGETT:** I'd like to distinguish ourselves slightly - not excessively, but slightly here from the community-based activities in this area because we are a business and we provide a product, and so we advertise it like other businesses, and you know we do a range of fairly public things to draw people's attention in signage and brochures in seven languages and things of that k, so we try to do that. We also have a specific provision in our regulations that relates to advertising. I haven't got it here with me now, but it tells about some things that we are supposed to do.

25 We also try to act responsibly in this area. If you had seen our opening advertisement for Star City which had a lot of fireworks and things like that in it and went for about a minute, I think, it was quite a good advertisement actually but you might have wondered where the gambling was because there was very little in it about gambling and the joys of gambling. There was a lot about the joy of coming to the casino and the hotel and the restaurant. We try to be a bit careful there but we are selling a product and we're not ashamed of that product. We also are aware - or we believe that the community benefit fund is proposing to do some advertising on its own behalf in relation to problem gambling which is a quite legitimate use of the funds of the casino community benefit fund.

35 Advertising of any kind is extremely expensive, particularly for television advertising and I believe they're going to undertake something of that kind. So we're not averse to attention being drawn to that side of things. What we would say is that it's probably not sensible to ask the industry to do it because they won't do it wholeheartedly and they won't do it in ways that you like. They will do a lot of things for problem gambling. These are our customers and as you know we encourage them to self-exclude from the casino and we do all sorts of things to keep problem gamblers out because they don't do us any good. They're not good for us. They're not long-term customers for a start. It just doesn't make sense having them in.

45 **MR FITZGERALD:** Can I just explore that last statement because that's an issue of some controversy. They may not be long-term customers but as we have discussed previously, the view that a very small percentage of regular gamblers contribute to the vast majority of the gambling revenue or dollar or losses spent - whichever term you want. What's your view about that? There are various figures and part of our inquiry would be to try and ascertain the accuracy of those figures. What is your view - in 50 which case the argument would be in fact the casino, such as many of the other

5 gambling venues, actually does in fact benefit for a period of time from fairly high expenditure clientele.

MR HOGGETT: We're like any other industry that has what you might call a luxury end. There's a sort of rule that says 80:20. You get a 100 per cent of your
10 revenue from 20 per cent of your customers. That's not just gambling, an awful lot of industries will tell you that. They focus on the people that are their regular customers. It would be a mistake to equate that 20 with the problem gambling end of the industry, I believe. The people who are problem gamblers run all the way through from the top to the bottom of those perspectives. I suspect that at the better off end -
15 and I may be wrong here - they lose larger sums from time to time but I suspect that in percentage terms, the damage isn't any greater than it would be down at the level where people are spending more than they should have of the family budget that may contain something that approaches necessities. So I think that would be a false equation there.

20
Certainly we do have people who spend a lot on gambling, just as people spend on Ferraris and various other luxury items. We treat them like our other customers. In fact we probably, I guess, treat them rather better in that they are the people who are our best customers and you always treat your best customers better. In relation to
25 the problem gambler, the problem gambler is not a long-term customer normally because they will in the end realise what's happening to them and in the case of the casino they may well self-exclude, in which case we will try to keep them out because it then becomes an offence for them to enter, or they simply won't be there any more.

30 **MR BANKS:** Can we just talk about this self-exclusion. You said that you actively promote self-exclusion within the casino. Can you just give us some history in relation to the self-exclusion program?

MR HOGGETT: This I think was part of the conditions - Peter was here before
35 me. I think it was part of the conditions of our original licence that we have a program of this kind. So we've run it since day one. It's mentioned in our brochures. There's various means by which people get to learn that this program exists - people who come to the casino - that there is a self-exclusion program. It can be done very, very discreetly. People can approach us. They can approach us from outside or
40 inside the casino. We will take them off and write out the self-exclusion order. We then pass it on to the division of casino surveillance so that they then know this person is excluded. There are something like 360 active self-exclusions at the moment. There have been something over 420, I think, in total since we opened. The number of self-exclusions has increased fairly substantially in the past 18 months or so and
45 particularly since we've opened, although not super dramatically. They've gone up in proportion to the increased activity at the place.

The people who self-exclude are mostly very responsible about it. But we do get people who self-exclude, wish they hadn't, maybe did it on the spur of the
50 moment. Basically we say, "It's 6 months. You're not coming back if you're self-excluded until you've had 6 months to think about it." Some of them will try to

5 get back in. We've got a thousand cameras there. We've got some quite good
surveillance officers who are quite good on picking up the self-exclusions. Almost
every day we will spot somebody who is not supposed to be there. We will take them
to the door. If they do it two or three times, the division of casino surveillance will
take them to court and they'll get fined or told off for doing it. It's very difficult to
10 monitor. We have anything up to 30 to 40 thousand people through the doors in one
day. So even the best camera system doesn't catch them all. They are extremely
ingenious people if they want to get back in. They'll wear wigs, they'll grow beards,
they'll shave off beards, they'll do all sorts of things. Then they'll say to us, "Ha-ha,
you are irresponsible. You have failed to keep us out on your self-exclusion
15 program." We'd like to get them but we don't always. We have to admit it's not
perfect.

MR BANKS: You have the advantage though, you've got statutory cover there, so
they in fact can't sue you for what would be effectively breaking the law.

20 **MR HOGGETT:** That's absolutely right.

MR BANKS: But in terms of how that's applied, is that at your discretion, so you
could choose to get them off the self-exclusion list after some period of time.

25 **MR HOGGETT:** They can reapply to come in again and they do.

MR BANKS: But it's up to them, it's their initiative then as to whether they get off
that list?

30 **MR HOGGETT:** No, we will sometimes - if they have been out for 2 or 3 years or
maybe even less - - -

MR GRIMSHAW: Not for self-exclusions. If people have been banned for other
35 reasons, I might write to them and say, "You've done 3 years now. If you want to
reapply come back in." But those who have been self-excluded, we don't ever invite
them to come back in. It's purely them writing to us and saying, "I'd like to come
back in now," and then we'll consider their application.

40 **MR HOGGETT:** It's a better story than mine. In fact a number have been revoked,
obviously. I think we've got something like 55. The CCA itself has revoked 14 of
those. So people can appeal against their self-exclusion and do, and sometimes get
back in via that way.

45 **MR FITZGERALD:** You've indicated in your submission - and it's related to that -
that there's a number of test cases currently before the courts involving, as you say,
people taking action against gaming operators after sustaining significant losses. You
may or may not be able to answer but are of those involving yourself at this stage?
The reason for asking that is not to ask specific details but to understand your
50 comments where you express alarm and concern about this trend.

5 **MR GRIMSHAW:** We've certainly had approaches but I think don't think there's - - -

MR HOGGETT: Nothing has actually got to the court stage at this - - -

10 **MR FITZGERALD:** So your concern, as you express it here, is based on what? Why would you be concerned about action being taken?

MR HOGGETT: I guess it's a broader concern about the spread of that type of litigation in relation to product liability, I suppose.

15 **MR FITZGERALD:** Where should one draw the line between the responsibility of the operator - I'm not just referring to the casino - but a gaming operator and personal responsibility? Where does this fit?

20 **MR HOGGETT:** I mean, you can draw a number of lines. An obvious one is in the provision of credit. I'm not saying that one shouldn't. I mean all sorts of businesses provide credit to their customers and you can see it in furniture and all sorts of things like that, but I think that's an area where you do have to look very carefully, particularly in activities where people are keeping at the activities for a sustained
25 period. So we're not permitted to provide credit. We think that's probably an area where you should think about things, but I'm not sure there's much thinking beyond that particular point.

MR GRIMSHAW: No, our concern on that point in the submission was purely
30 people who come into clubs etcetera and the operator doesn't even realise that they've got a problem, then they sue them for providing gaming opportunities.

MR FITZGERALD: Just in relation to the issue of credit, a couple of things there. I take it from your answer that Star City's policy is not to cash cheques and to provide
35 credit.

MR HOGGETT: We will cash cheques by arrangement. They're normally by arrangement. We don't do that on the main gaming floor. That's only done in the private gaming room and that's by prior arrangement. It has to be. Just to enlarge
40 slightly upon that, there have been suggestions from various quarters that it would be a good idea if we had something like a responsible service of gaming law, a bit like the responsible service of alcohol. As a corporation that's subject to a responsible service of alcohol obviously and that has been asked a couple of times to show cause why we shouldn't be disciplined for alleged breaches of that, that's an extremely difficult area
45 to administer, extremely difficult. But there are some physical symptoms which provide some - non-statutory, I add - basis for making an assessment of whether people are overindulging. Gaming is very, very difficult. It's a further extreme, and I think we said in our submission that would make detection very difficult by the industry.

50

5 **MR BANKS:** While we're still talking about problem gambling and we
acknowledge that is a big question in itself, is what proportion this accounts for.
There are various estimates of that and so on. One of the things that comes through
to us when we talk to a lot of people who are on the counselling side is that provision
of information about odds, the prospect of winning and so on, is often the key to
10 problem gamblers actually coming to terms with whether they're likely to chase those
losses successfully and so on or not. Do you have any views about the extent to
which more such information could be provided, in particular in relation to poker
machines, where at least the anecdotal evidence coming through to us is that there are
a lot of misconceptions, even about what the overall average rate of loss might be or
15 take might be? Some have said that you could express that in ways that were more
meaningful to gamblers in terms of average expenditure per time at various levels of
spending, and indeed if you regard this as a form of entertainment it could follow from
that, "Why not know more about the real cost of this form of entertainment compared
to others?" I'd just be interested in any reactions you had to that.

20 **MR HOGGETT:** This is a really difficult one because people's time versus money
expenditure on this activity can vary enormously each time they come in. They might
get on a roll and be there for hours and hours on \$2 or they might spend \$50 in an
hour or something like that on a machine, talking simply about machines. So it's not
25 actually very easy to tell people in advance how much they're going to get out of the
experience, because part of the reason they do it is that they don't want to know in
advance. They want that uncertainty, as I said earlier. That's part of the fun. In
retrospect I guess there would be technologies that would enable you to do that if
people wanted to do it. They're not I would think fully developed yet. They're
30 certainly not fully developed on the table games side and there could be possibly
developments I guess on the slot machine side that would tell people what they've
been doing.

The hard thing is what you're going to do is you're going to ask for some sort of
35 statement to be sent to people or something like that, "You spent \$400 and you got
\$3000 a time out of that." Most people who gamble responsibly actually know that.
They know what the odds are. They know how much time they spend, they know
where the good machines are, they know where the bad machines are in their terms.
Those people you're not really interested in because they know what they're getting,
40 they know what they're paying for. You're talking about as you slip over the edge
into that greyish area where people frankly usually don't want to know. They're in
denial when they get to the extreme end. They don't want to know what it's costing
them, so you're talking about advising those people.

45 I'd be very loath to see a structure put in place where you had to advise
everybody that came into your place what they were, as it were, getting for their
money. That would be extremely expensive to put in place, so you'd want to target it,
and this is the dilemma that we always face: who are you going to target? Who are
you going to insult with a statement as to how much they've spent and how little pay
50 they've had, and is that going to do any good? This is the dilemma the industry is in
whenever it takes part in this sort of stuff. It's the supplier it's in a difficult situation

5 in approaching its customers and tapping them on the shoulder and saying, "Hey, we think you've drunk too much" - "Hey, we think you've gambled too much." It's very invidious and quite often the customer takes that extremely unkindly.

10 We certainly know on the drinking side that when we've identified somebody it can get extremely nasty when you ask people to leave. I don't think that would be the same on the gaming side, but you have a difficulty of identification and then a difficulty in putting the industry into that moral hazard situation.

15 **MR BANKS:** Okay. It's a difficult area and I raise it with you because others are raising these things with us and we need to test - - -

20 **MR HOGGETT:** I understand. You can imagine how we feel, because we're under the camera all the time. So we're under the camera on these things anyway and we know that a lot of our competitors are not. So you scrutinise people in the casino - and we do - and a lot of them will go somewhere else.

25 **MR BANKS:** Perhaps if we could have a bit of a discussion about the Internet. You may have heard earlier, in having some discussions about the Internet the point was made that, while people have some concerns about the Internet, in other respects it could be a more accountable and transparent mechanism and indeed the Internet providers could well be providing sort of monthly accounts back to their customers the way I presume Centrebet would do with people who are using - - -

30 **MR HOGGETT:** Yes, TAB.

35 **MR BANKS:** Yes - Internet phone betting essentially through Alice Springs. What's your reaction to that? At one level it looks like motherhood - you know, you're in the entertainment business, your customers are spending money with you, you're providing in a sense a periodic account of how much they're spending. It is relevant in a sense more broadly to the extent that we are talking about a continuum when we're looking at problem gambling, and there are people who I suppose at some point are maybe in danger of moving in that direction and therefore information might be helpful. So a couple of questions. One is a general reaction to providing more information of that kind, and the second is how feasible it would be. A related point really is I suppose to what extent you've got your customers tracked in the sense of them using cards to allow you to monitor what they're doing.

45 **MR HOGGETT:** We do track a proportion of our customers, both in the slots area and in the table games area. It's obviously a minority of them. It's obviously in a sense our better customers, and in that sense I think a fairly large proportion of those, probably most of them, have a pretty good idea themselves what they're spending with us, because they meet thresholds to quantify. Indeed, our marketing program has recently been contracted from a widespread marketing program to a more targeted program to the people who are our best customers. So in that sense that sort of information is already partially with them in their qualifying for these programs. I wouldn't want to add much to what I said before about trying to spread that much

5 more widely, because it is an expensive operation - one which we would find very expensive and one which the rest of the industry might find very expensive.

10 In relation to Internet, we've thought a lot about the Internet obviously. It's a potential competitor for us. It potentially impinges upon our exclusivity because you can offer electronic casino games on the Internet. There are lots of heads in the sand on Internet in various places, private and public. As you will be aware from your own investigations, it's here. People are playing on the Internet already, both with overseas and Australian providers. There are quite sophisticated casino games available through the Internet from overseas. The question you have to ask - and we haven't resolved it internally, so what you're hearing from me now is my opinion, "Does our state, does our country" - because a lot of the states are looking to the Commonwealth on this - "regulate this activity in some fashion?" To my mind it would be very silly to try to ban it in the way that some United States legislators have tried to do, because you can't. It's like banning foreign exchange transactions. That one got away from us 20 years ago. You are not going to ban transactions on the Internet.

25 You could in Australia ban providers and perhaps nail them, and then your population simply plays with overseas providers. That has hazards, because many of them may be unsupervised and you're not even offering them a safe alternative. It's a bit like encouraging people to undertake safe sex, I suppose. If you provide it in-house in the country, you can regulate at least your own providers, and then people have the option to use those providers, whom they know. If you leave it banned here, then people will do it anyway. The risks there are of course well-known ones of, "Who is it on the end of the terminal who's playing this game?" It's a high risk there that it could be someone whom you don't want playing, typically a minor who has got hold of the credit card somehow who has decided to have a bit of a flutter. So you have to put safeguards in there. I don't know what they are. We're still at an early stage. My view is, okay, regulate in some fashion in this country but don't seek to ban it, because it won't work.

MR BANKS: So Star City would potentially be looking at this as a business opportunity?

40 **MR HOGGETT:** We could be a provider. If you want a heavily regulated, highly probity checked provider, we're it. It's about the only plus that comes out of all that from our commercial point of view.

45 **MR BANKS:** We have heard that a lot of the providers offshore, a lot of them in the Cayman Islands and the Caribbean and so on, are actually not all that well regulated and that's sort of counting against them. Someone put it in another submission, adding an element of uncertainty to the inherent risk in gambling about whether you'll ever get your money back if you do, when I think most gamblers find that an unacceptable additional element of uncertainty.

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5 **MR HOGGETT:** Eventually of course countries will allow it and so you will get well-regulated providers out of here, and then it becomes a question of, "Are you in this export market or aren't you?" Then it becomes almost an economic question.

10 **MR BANKS:** Okay. We'll have a quick look to see if we have any more.

MR FITZGERALD: Just one issue, going back a little bit to the area of crime. We were in a particular state and there was a reference by some of the service providers to the issue of I suppose not money laundering but access to illegal funding sources, loan sharks and what have you. It was particularly around one casino that there were
15 substantial comments. Your view about that situation in New South Wales - do you have any particular evidence that it's there, it's decreased, it's increased? Do you have a particular view about it, not necessarily within the facilities of the casino but surrounding the activities generally.

20 **MR HOGGETT:** Am I allowed to ask you whether that was Star City or not?

MR FITZGERALD: No it was not in this state. It was outside this state.

MR HOGGETT: We've put some views in our submission on that issue. Obviously
25 it's one that was in the back of the mind of the people who wrote the licence in the first place, and it refers back to what I said earlier about crime. First, the overt criminal activities. They're very difficult in a casino. It's extremely difficult to undertake overt criminal activity, even of the obvious standover kind or the less obvious standover kind. I'm not saying borrowing and lending doesn't take place
30 because that takes place everywhere and it certainly takes place in our facility. Gamblers do lend money to each other, so I'm not for a moment denying that happens.

Whether the presence of the casino itself generates that crime I doubt. People
35 borrow money for all sorts of purposes beyond what they should. I find it hard to understand why, given the present access to legitimate loan funds in this country, which seem to me about as cheap as you can - certainly it's the cheapest it has ever been in my lifetime. But people do for some reason go to people like that. We have the cameras there. It's well-known that we have the power to exclude people and if
40 we find them undertaking that activity we do. We are expressly forbidden for there to be any prostitution on the premises.

The Division of Casino Surveillance has the power to exclude people and it does. It has done four or five, half a dozen, something like that I think. The police
45 have the power to exclude people from the casino and they did last year. Something like 30 people were excluded, some of whom had never even been to the casino, which was quite interesting. But those powers are there. So in our own behalf we think probably it's a bit overdone now and there's this feeling that the casino is a place for all sorts of criminal activity and it can't - stepping back from the whole question
50 though, I think those sorts of activities are best dealt with by the policing agencies. It is not a good idea to have the private sector engaging in that sort of police activity.

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We, as you know, provide and are bound to provide via our act information to all sorts of agencies, and so are a lot of other people in this state that you don't know about, or I don't know about; but they do. That is best left to the policing agencies and I believe if you asked them that question they would say, "This is for us. We will get assistance when we want it but leave it to us." Peter, is there anything else we want to say about that?

MR GRIMSHAW: Just education that we've tried to get out to communities which seem to become more prone to loan sharking operations, with posters and other materials urging them never to borrow money to bet with.

MR BANKS: Isn't it more problematic for some ethnic communities than others?

MR GRIMSHAW: Yes.

MR HOGGETT: We think so. That's a very broad statement and one that we don't have detailed statistics to back up. What Peter's saying is that we have a program of reaching out to those communities as far as we can and without leaning on them of sponsoring seminars with the community leaders. So we have done that with the Koreans and the Chinese and we will keep that program going, and that I think also allows the community's leaders to stand up and say, "Hey, you know, these are areas where you've got to be very careful." Money laundering I think we've dealt with in the submission. I think it's a furphy.

MR BANKS: Could I raise one thing with you that we did hear about in other hearings and that was concern of one or two people in particular at the 24-hour opening of casinos. Those people again were talking about problem gamblers, so it was from their perspective and almost a personal perspective actually, that they saw that as a particular difficulty. I'd just be interested in any comments you had. I mean, to what extent does your business need to be open 24 hours a day? Any observations about what's peak time or is this truly an around the clock activity?

MR HOGGETT: It is an around the clock activity. We have our dead times and they run basically from 4.00 in the morning to probably about midday. It's a pretty quiet time then although people do come in and play at those times. Our peak times are typically as the afternoon develops and into the evening and then way on to 2 o'clock and it begins to decline after that. Our peak days are typically at the weekend, Friday, Saturday, sometimes Thursday and Sunday, depending upon what's happening. Then you'll get people who are four deep at the tables because we have an exclusivity. We also have a restriction on supply which is a very silly restriction if I may say so, but it's nevertheless there. So when people most want to be there they can't get to the tables, so that doesn't make a lot of sense.

In relation to the 24-hour question there has always been 24-hour gambling in this state. It just occurred - I mean, I go to a restaurant in the suburb where I live and there's a gambling school that goes on there - probably saying this in public here, but

5 we know there's a gambling school that goes on there whenever you want it. So it
has always been here and one of the reasons for the casino was that the people who
engage in that sort of activity will have an alternative to go down and do it in a
regulated atmosphere with proper rules and under the eyes of cameras. So if we ever
close then those people, those few people who are there maybe between 4.00 and
10 12.00 will go off and play somewhere else. There's a number of places like that where
they can play. There's not a lot of that.

For the rest of the time, late at night, that's when people want to play. That's
when they have their fun. They stay out late at night. I don't do that, I'm too old for
15 that. But boy, they'll go on for as long as it takes and they'll do it all over this town -
the nightclubs, the casino, the pubs, as far as they can go late. So the 24-hour thing, I
don't think it really runs. In our case at least I don't think it makes a lot of sense.
We're the one place where 24 hours is a good idea.

20 **MR BANKS:** You were talking about your surveillance before and I have seen how
impressive it is. Would that enable you to pick up this sort of concern that that
person had about the 24 hours which was I suppose the fact that some people would
be there for a very long time, much longer than they expected, and you might have - I
don't know whether you saw in the Courier Mail, the comments were picked up from
25 the hearings where this person said that some people might be there for 3 days and
discover they've got holes in their socks when they take off their shoes. So long bouts
of intense gambling activity, I mean, is that something that does occur that you're
aware of that would be of any concern to you?

30 **MR HOGGETT:** Long bouts that long are quite rare. People do at times gamble
for hours and hours. For most of those people we wouldn't pick that up because they
move around the casino. They don't exhibit any unusual behaviour. They
self-regulate in that sense. Long, long periods in my experience are pretty rare. You
will probably get it when you get the international high-rolling junket players and this
35 is the way they do it. They work 24 hours a day for the rest of the year and then they
come and gamble for 24 hours for 3 days, and then they go home. Typically that's not
something that I think is very common. As you know, we have attached to us a
counsellor who will, when there's somebody distressed, take those distress calls.
Those occur I think about two or three times a month.

40 **MR GRIMSHAW:** Distress calls, they wouldn't happen that often.

MR HOGGETT: Not that often? Once a month, something like that? They're
pretty rare, so there's a backstop there. But the surveillance system wouldn't typically
45 pick that up, I don't think, not in any precise way, because those behaviours aren't
easy to detect until they get quite extreme.

MR BANKS: I only had one last comment and it related to your comment earlier
about the tables and not having enough tables. Is that a problem with your machines
50 as well?

5 **MR HOGGETT:** No, not at the moment.

MR BANKS: Not to the same extent.

10 **MR HOGGETT:** It will be, I guess, as the business grows but it's not a problem at
the moment. That doesn't mean that we wouldn't welcome another 200 machines if
we ever needed them. But in the context of the overall problem at the moment we're
not looking, we're not asking for extra machines. We would like extra tables for those
times when the average punter comes down and can't get near the table because
they've got average times of recreation at weekends. But that's a different question
15 and one which brings in a lot of other considerations. We haven't really canvassed it,
to be - - -

20 **MR FITZGERALD:** Do you have a particular view about the extension of casino
machines into other locations, the virtual roulette wheels and the virtual horseraces
and all that they've now got into the clubs, the actual machine type casino games? Do
you have a particular view?

25 **MR HOGGETT:** I suppose what we said about that in the past is that they weren't
around when we bought our licence but provided the clubs don't try and call
themselves casinos - what we bought was a licence to play table games and electronic
gaming machines of that kind. There is a bit of a loophole and we're a bit sore about
that because if we'd known maybe the licence wouldn't have been worth quite so
much at the time. But who is to tell? So we're not objecting to the clubs putting them
in. That's the clubs' perfect right to do it. We have a bit of a gripe in the sense of the
30 value of the exclusivity which we purchased some 4 to 5 years ago.

35 **MR FITZGERALD:** I mean, what I was getting at when I asked the question
before about the table, there was to a sentence which sort of struck me, where you
talk about the Star City and its effective partner, the New South Wales government,
failing to collect all the revenue.

MR HOGGETT: Yes.

40 **MR FITZGERALD:** In what sense are you describing the New South Wales
government as your effective partner?

45 **MR HOGGETT:** Well, these things have a long history, as you know, and they go
back to salt monopolies in England and France and Europe and they go back to the
tax farming activities of the French governments in the 13th and 14th and even 15th
and 16th centuries. What the government essentially does is say, "We'll give you a
monopoly and then we'll take some of the rent or all of the rent or part of the rent,"
and they call it a tax and part of it is a tax, but most of it is an economic rent. So to
that extent they're a partner in a monopoly, an ongoing monopoly, an ongoing
exclusive right. My colleagues at Star City would probably strangle me for saying this
50 but the truth of the matter is that they do the same thing with Lotto and they do the
same thing with the TAB.

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Recently the New South Wales government has conferred considerable powers on the TAB that it didn't previously have and it has floated that off to the public, and reflected in the price of that float is the exclusivity that they have given. To the degree that they take an ongoing tax out of it then they're a partner in the business and, you know, some people might have a bit of a hang-up about that but that's the way it is. In economic terms it's a clear, if unwritten, partnership.

MR BANKS: Thank you very much for that. You may wish to make further comment to the inquiry depending on what others say and, as with others, you will have information about other submissions that come along and we in turn may want to get back to you at some point - if we could do that, if we have particular questions in this area. I understand that we will receive a submission from the peak body for the casino industry, so we look forward to that.

MR HOGGETT: Yes, there will be a submission from the Australian Casino Association and from a coalition of companies of which we are one, centred at the moment in Melbourne.

MR BANKS: I certainly appreciate your input, thanks very much.

MR HOGGETT: Thank you for the opportunity and we will be happy to answer any further questions.

MR BANKS: Thank you. We will break just for a moment please before our next participant.

5 **MR BANKS:** I'd now like to welcome BetSafe to the commission's hearings.
Welcome. Could you please give your name and your position.

10 **MR TOOHEY:** My name is Tony Toohey. I'm the general manager of
Wentworthville Leagues Club and I speak to you on behalf of the BetSafe group of
clubs.

15 **MR BANKS:** Thank you. We appreciate you coming along today. We've seen a
submission that you've made to the IPART proceedings. Perhaps you might just like
to highlight the key points before we talk about it.

20 **MR TOOHEY:** Thank you, and thanks for the opportunity to speak to you today.
BetSafe is a unique organisation. We are a coalition of 10 clubs now - recently
another club has just joined us - who have collectively and individually recognised that
through the operation of our full business activities these activities, if not carried out
responsibly, can have an adverse social impact on the club patrons, and the club
patrons are the people that predominantly provide our greater revenue. I highlight
club patrons because I certainly don't consider the people that participate in our
sporting groups that are under the age of 18 as club patrons. We have a number of
those people that make up our organisation.

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Whilst the majority of our patrons participate in gambling activities harmlessly
in a socially enjoyable manner, BetSafe have recognised there is an obligation to all
patrons, and therefore those persons who have experienced difficulty through their
gambling activities in the BetSafe clubs we will be able to be respond to professionally
through a network of consulting and counselling services whilst offering a caring hand
in a dignified manner. I think the dignified manner is the crucial point to where we are
coming from, simply because the BetSafe group and the New South Wales club
industry, through its own nature, is recognised as a friendly house, an organisation or
a group of organisations which are synonymous with the social activities of people in
New South Wales and specially our local community, and therefore in most cases we
know people by first name, we know where they live and they've developed some sort
of an ongoing rapport with our staff over the many years that they've been enjoying
our facilities.

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Essentially BetSafe could be labelled as being reactive, and we are far from
being reactive. Through our commitment to training and education and our objective
for best practice, we strongly believe that we can educate our patrons and staff to
gamble harmlessly and enjoy gambling as a socially acceptable activity within
well-presented, secure environments. The New South Wales clubs over the past
50 years have become a part of the social fabric of the greater New South Wales
community. It's probably prudent at this point of time - whilst you've received our
IPART submission there is another submission that has been sent, and it really deals
with the differences between our activities in New South Wales and our development
over the last 50 years and the introduction of gaming in other jurisdictions right across
Australia.

5 Because of our growth and our evolution, we have been through an
evolutionary process and we're still growing, albeit in limited numbers now, our
industry. Our industry activities continue to grow and only recently, some 18 months,
there were one or two new clubs that were opened up, but in most cases there are
10 more clubs closing than there are opening. In comparison to our other states - and as
a direct highlight I'll compare what's happened in Victoria compared to New South
Wales - as we've grown in machine numbers our machine numbers have only grown
and our club sizes have only grown as a direct reflection of demand and capacity. In
Victoria per se there have been great chunks of gaming introduced in one hit, and
15 because of that we believe that the incidence of the harmful activities of gaming has
certainly been illustrated and highlighted.

 We don't think that the New South Wales club industry, because of its
uniqueness - and it is unique. It is not only unique in New South Wales or in
20 Australia; it is unique in the world. There is no other example of the New South
Wales club industry that can be compared to our industry and it's quite clearly
identified again when you speak to overseas people. I have spoken to various
congresses and more specifically the World Gaming Congress in Las Vegas. They
find it very difficult to understand the New South Wales club movement and more
importantly, they find it very difficult to understand community-owned gaming. It is
25 specifically unique.

 Therefore, for anyone to attempt to compare apples with apples or oranges with
oranges from an objective viewpoint is quite clearly impossible, we believe. Even
though our activities can be identified as similar in the physical sense - Victorian clubs
30 and New South Wales clubs from a physical presence would be somewhat similar - it
is the derivative that their activities are certainly not similar. Also the way that those
gaming machines were introduced into New South Wales compared to the other
states, the ownership and the revenue split of the revenues derived out of gaming
machines are certainly not similar, and the controls placed on the two different types
35 of operations are also not similar. Equally, it's important to note when we look at
Victoria as an example and in comparison, one-third of the derivative of revenue goes
back to privately-owned gaming, so therefore you cannot associate community-owned
gaming and compare the community-owned gaming activities clubs for clubs for those
40 states.

 It's interesting to note that as the jurisdictions have opened up over many years,
they have looked at New South Wales and had a really good look at our model, even
though it has grown and evolved over the years and said, "We can all go away and we
45 can create a better model." At the end of the day I think if they had a good objective
look at it, they should have stuck with the New South Wales model specifically for
community-owned gaming. As a direct result of the social acceptance of New South
Wales club movement, the greater community directly and indirectly through the
philosophy of community-owned gaming is through the member, by the member, for
50 the member. So essentially it is an ongoing cycle of revenues.

5 Recently, as an example, in my own club we did an economic impact study for
our local council for a development that we're doing for a carpark. It was quite
interesting to note that about 70 per cent of our revenues that are generated are
retained within a 3-kilometre radius. The other revenues generated that aren't
retained are simply because our suppliers don't exist within that 3-kilometre radius.
10 Therefore, the members through our social and our community activities, it's just one
turning back. Even our staff in itself, 75 per cent of our staff live within 3 kilometres
and therefore a secure job creates a secure environment and has social implications
further on - positive social implications.

15 That's why I stress - especially in the inquiry for the New South Wales
government through IPART - that the terms of reference of gaming were too narrow
and the overall study should include gaming and wagering. We felt that that was
more appropriate because in our environment we are somewhat a controlled
environment. Other forms of wagering are not controlled as much as we are and
20 therefore are open to somewhat abuse. We are the first to concede that we have
somewhat been slow to respond, however, this has not been through effort and to the
contrary, we've all been through our own devices and limited knowledge, we've been
attempting to deal with the problems that have been evident in our own installations
and our own properties. We have, however, recognised our limited ability in this
25 delicate area and therefore have acquired the services of experts and in this area to
assist us has led us to the formation of BetSafe and the commitment to a large amount
of money in comparison to other privately-owned gaming outfits.

 I suppose, as an example, as we have evolved there have been more and more
30 pressures placed on people like myself as the general manager or certainly smaller
clubs which are typically known - the managers there are typically known as
secretary-managers. We end up becoming the jack of all trades. Through legislative
changes we've now got occupational health and safety, we've got affirmative action,
sexual harassment and now we've got the problem gaming and responsible service of
35 alcohol and responsible service of gaming. Over the years we've had to look at those
policies and look at those guidelines and try and make some form of interpretation
and when the problems arise, cross ourselves and hope we've got the answer right.
Unfortunately, this is too difficult for us to handle and therefore the BetSafe coalition
of clubs decided to get together to seek expertise and to have that expertise not only
40 commence the program and develop a policy which in most cases, policy ends up
sitting on the third shelf of somebody's office and they say, "Do you have a policy?"
and they point to it, and it's not a living being.

 We prefer to have this group be guided and steered through the expertise on the
45 floor. I don't need to be fully conversant of responsible service of gaming policy, it is
my people on the floor that need to clearly understand it. They're the people that are
dealing on a day-to-day basis with the customers. The BetSafe group, we believe,
and the BetSafe program, will be the first of its kind in our form of operation and with
the objective of the group to become an international benchmark for patron care
50 within the gambling industry. Through our association with the University of Nevada,

5 Las Vegas, which the BetSafe group have a very close association with, we believe
this is one of the first of its kind and will become a benchmark in the world.

10 We will develop a uniform position in relation to many of the club's activities,
while others may have to be modified to reflect the individual needs and circumstances
of each BetSafe club. An example will be the ethnic strains which may be majorities
in various clubs, we will have to change the way we approach our BetSafe program.
The measures will range from signage; brochures; 24-hour staff management support
service for at-risk patrons; media awareness; cheque-cashing limitations and exclusion
policy; staff and patron training - all of which will be continually enhanced to meet the
15 ever-changing environment we operate in. We are taking ownership for our problem.
We're not asking government to come up with a solution.

20 It's interesting to note that training will be provided on both sides and the staff
training is probably the most important. We are in an environment which is conducive
to educate people if they work in our environment over a long period of time.
Through the staff training, we have already identified that many of our staff do realise
they have a problem; to what level is unknown at this stage. They have used the
training to already address their own problems. We don't allow any of our staff to use
the gaming machines in our environment but many times after our shift is completed -
25 and it may be 1, 2 or 3 o'clock in the morning - they would go to another facility and
in many cases, believe it or not, they travel - in my case from the western suburbs -
into Star City to use those activities; no different to the office-worker finishing at
5 o'clock at night, it is just a different time.

30 We submit to this inquiry that responsible service of gaming can be best
achieved through a combination of both legislative and industry controls. As
commercial entities, we have been established for more than 40 years and recognise
that the investment in the BetSafe program is about establishing a recognised
gambling operation which is accepted by the patrons as a safe gambling environment
35 which has a long and prosperous future. The development of our program and
through its promotion that we have recently commenced, we want to create
recognition - possibly subconsciously - to our patrons, somewhat similar to the Safety
House program that has been introduced for schools. If they had a problem, they
know that we're in a position to be able to assist them.

40 I would be happy to know that if we are the only BetSafe club in our
environment or certainly in our locality, that other problem gamblers could come to
our establishment and use our facilities. I think that's really important. Our staff feel
good about knowing that they can offer assistance to other people. The future cannot
45 be foreseen through the exploitation of problem gamblers. We are not interested -
and we do know that our levels of activities cannot be secured through the patronage
of problem gamblers.

50 Our future can only be secured through patronage that can financially and
physically and morally utilise our facilities and amenities over an extended period of
time. We do not want people to have a bad experience through their problem gaming

5 and therefore lose those customers. We do not rely on those people to assist us in our operational profits.

10 BetSafe recommend the development and the enforcement and performance models where gambling operations must obtain best practice for all activities directly associated with gaming venues. The BetSafe group of clubs don't believe that the number of gaming machines is the problem. It is the number of venues and is the activities of the individual venues that can make or break the activities and set about benchmarking the activities of gaming in New South Wales specifically.

15 I suppose if we try and create an example around that, the more and more venues that open up, the greater the competition, and therefore the greater pressure to possibly ignore the activities of problem gamblers because they are providing a good money stream, albeit through a short period of time. We aren't in that position because our profits, whether they rise and fall, will directly affect the overall
20 community and therefore I think the community have a sense of belonging and loyalty to continue to come back to our organisation. We would through our own philosophy be letting down our community if we don't assist the problem gambler and don't recognise the problem gambler.

25 Venues will then strive to attain best practices and best practice models and strategies which will be seen as a real incentive to continue to utilise the privilege of gambling activities. We believe gambling activities and the operation of gaming machines is a privilege and certainly not a right. Other people through their own admissions believe that now that they have gambling machines, it is a right and not a
30 privilege. We believe we must respect that right.

Most reference has been made to the imposition and the maximum number of gaming machines, and research on the incidents of problem gambling has repeatedly
35 concluded there is no casual connection between the number of gaming machines and the prevalence of problem gambling. BetSafe have concluded that the machine numbers are not the problem. It is the venue and it should be seen as the answer to the problem rather than the problem itself. All the above could be rendered useless if the gaming industry does not have a communication conduit to a body which has an appreciation for the industry activities and has the regulatory capacity with the
40 industry to achieve the state of best practice.

Therefore we believe that there is a clear scope for the development after extensive industry and community consultation for the formation of an independent gaming control board within our own state. At this stage, we are unconvinced and
45 certainly do not support national regulation in relation to that matter simply because of our clear uniqueness and our evolution over the years. Such a body, whatever name it is given, this body would be constituted in a way which would ensure that industry and community representation and participation in the development of regulatory measures affecting the operational structure of the gaming industry.

50

5 It seems to be that whenever the gaming industry wants to do anything - and
specifically the club industry - you have three sides of the spectrum. You have the
community, you have the club industry and you have the government. We are
suggesting in this case that through our operational changes, both community and the
club industry should be seen as one, reporting and making submissions to an
10 independent gaming commission.

 Such operational measures which we're suggesting through the independent
commission would include a problem gaming policy, technical advice on global
technical platforms, jurisdictional communication and reciprocation, data sharing
15 through the CMS, gaming compliance and communication and development of a
national technical standard. This body would also be a logical body to conduct the
soon to be introduced central monitoring system rather than what we believe is a third
party gaming entity such as the TAB.

20 If I elaborate on the central monitoring system and hearing my previous
speaker, we fully support central monitoring. We believe that will assist and create
greater recognition for the integrity of gaming especially in the club industry. We do
not believe and we vehemently oppose a third party gaming operator being the central
monitor. Therefore they have privileged information that they can disseminate to
25 attack our own gaming operations.

 A primary result through such a board - through the structure of an independent
gaming commission or board will be the elimination of the ever-increasing tendency
for the gaming industry for being a political ball tossed from one side to the other
30 without a clear accord for its future. Currently the regulatory inspectorate and
technical evaluation is totally under resourced to the point that our own regulators at
the moment have now conceded that self-testing and self-evaluation for gaming
machines and the technical devices should be carried out by the manufacturers
obviously with severe penalties if found to be somewhat wanting.

35 In conclusion, we do recognise there is a problem. However, through the
initiative that we have taken and the development of an industry community
partnership through the proposed gaming commission, we strongly believe that
specially community-based gaming can exist safely within the greater community of
40 New South Wales. We are the first to admit we don't have all the answers. However
the BetSafe group will try its best. Unfortunately our commitment is not a safe bet.
Thank you.

45 **MR BANKS:** Thank you very much for that. Could you tell me to begin with why
these nine clubs form the BetSafe group; why these are not more or less?

50 **MR TOOHEY:** Well, we've limited it to 10 through our own commitment to get
the program up and running, and we didn't want to stretch our resources too thin, and
therefore the originators of the program would suffer. Even though we are in this
coalition, I am charged with the responsibility of my club, and if the activities of
another club have an adverse effect or their lack of activities, I'm not particularly

5 interested. So therefore we felt that 10 was a good number through the resources
that we had to commence the program. It is our intention that after the first year or
18 months that the program would be open to other clubs to join our group.

10 **MR FITZGERALD:** Just following on from that, why was it deemed necessary for
the 10 clubs to join rather than this BetSafe program be a program on a statewide or
national basis by say the Registered Clubs? As I understand it - and correct me if I'm
wrong - your proposals go far beyond that which are currently contemplated by the
Registered Clubs Association of New South Wales. So why is there a difference?
Why have you gone the next step?

15 **MR TOOHEY:** It's because we wanted to be venue specific. Any statewide policy
is never going to be venue specific. The clubs that are involved all have a
commitment to a professional and businesslike approach. I'm certainly not saying that
any other clubs that aren't in it don't.

20 **MR FITZGERALD:** Sure.

MR TOOHEY: But we saw the policy as too generalised, and we felt that being
venue specific and having the opportunity to train all our staff on a twice a year basis,
25 having the opportunity to speak to the people that are drafting the policy and seeking
ongoing advice, not only through the drafting but after the drafting, meant that we
could quite happily say that our responsible service of gaming program is a program
of reality, not a program of notion.

30 **MR BANKS:** Would it be true to say that these would be the largest clubs in New
South Wales or among the largest clubs?

MR TOOHEY: Amongst the largest. All of the clubs are in the top 50 if you rank
them on poker machine activities.

35 **MR BANKS:** Would it be also true to say I mean in the sense of clubs being a bit
under the spotlight in terms of their I suppose preferential tax status and so on,
probably these are the clubs that might be most seen as being competitors for the
hotels or drawing business away from other areas?

40 **MR TOOHEY:** I think the club industry really has its own market. I think they are
quite clearly people that would go to a hotel, and sometimes those markets, there is a
cross-over, but I think the club industry certainly has its own market. We would like
to take more of the hotels market obviously, but we know that there's club people that
45 go to the casino. I mean, the casino is a destination operation as opposed to - a club
is we pop into the local club. So we have our own personality.

I think it's that personality, the fact that we not only are dealing with the
18 years and over, we're creating an environment which is conducive to an association
50 by a family through our junior football activities, our junior cricket activities, they
myriad of examples. An example being we have got the largest jujitsu organisation in

5 Australia. It amazed me when I first got there. I've only been at this club for
9 months, and it's all kids, and the parents are so proud to belong to that, and the kids
have some sort of sense of belonging. I think it has been shown time and time again
that the majority of people end up living when they grow up - live, and so they
automatically have an association with the club as opposed to - a pub changes hands.

10

It can change hands, and there have been a lot of pubs change hands over the
last couple of years obviously, and therefore they change their personality and
therefore change their marketplace. I think - we're certainly concerned about losing
market share, and that certainly hasn't happened at this point in time, but this is not
about retaining market share. This is about being a good community provider.

15

MR FITZGERALD: You however would see it as providing some sort of
competitive advantage as well, not that that's a negative thing. I would have thought
if you're promoting BetSafe as being something positive, would it be something that
you would use?

20

MR TOOHEY: If our players or if the market recognises they would rather play in
our environment, well, then that becomes a value-added component, but it certainly
wasn't the original intention.

25

MR BANKS: You speak about provision of gaming being a privilege not a right. I
mean, I think that's an interesting way of putting it. Could you just elaborate a bit on
that?

MR TOOHEY: Sure. I think because we talk about being venue specific, gaming is
a privilege, and in our environment, Wentworthville and the people of Wentworthville
have been privileged with the ability of having a club to operate in their local
community, and they are privileged in a way that we can turn the money continually
back to them. So they get that privilege. They get the benefits of gaming revenues
going to better amenities, better facilities, and better community support. We should
respect that privilege, and through respecting that we should demonstrate best
practice.

35

To retain the privilege of gaming, we should obtain and reach certain levels of
operation efficiencies as part of those operational efficiencies and standards,
responsible service and gaming policy, and not just up on the shelf; it's how it actually
affects the floor, and that's why we should respect that privilege, not just consider it as
a right and as a commercial right.

40

MR FITZGERALD: In your paper and in the presentation you made, you
mentioned about the capping on gaming machines. I'm interested just to explore that
a bit further. You've maintained very strongly that the issue is about access, number
of venues and not the number of machines, and I want to come back to that, but the
second point about it is in New South Wales where there is no cap or effectively no
cap on registered clubs vis-a-vis hotels and what have you, is there an argument to say
that we have created an environment where large clubs can become super clubs, and

50

5 in a sense is that in fact a desirable outcome? Is it desirable that we create an environment where we have the super clubs?

I used this morning an expression cannibalising the smaller ones, and is there any evidence that that actually takes place? The reason for asking that is because in
10 other states as you know, gaming machines are capped in various ways, and one of the arguments that they have put to us is that the New South Wales model is all wrong because it has allowed this development of super clubs.

MR TOOHEY: If you have a look at the smaller clubs, smaller clubs find it more
15 difficult to survive not through the bigger clubs. It's through their own status. I mean, most of them are honorary, and therefore they have a limitation for commercial professionalism. Without having the bigger clubs who don't have capped machines or no club has capped machines, we as a community provider are now going back to those little clubs and amalgamating with them, and that's quite clearly recognised
20 through the Department of Gaming and Racing and the Minister for Gaming and Racing's own initiative to fast track the amalgamation and break down the red tape for the amalgamation of clubs.

In our case, a local bowling club some 500 metres or a kilometre as the crow
25 flies, if we don't step in, that club will die and the community will lose that operation. It may be true to say that through amalgamation eventually some of those facilities may be sold off and the amenities will be brought back and expanded into a larger club. I think if we're going to have super clubs as you coin the terms - "super clubs" - I think that the super clubs are a direct relation to community demands, and it means
30 that you can have operational efficiencies, and have a longer future in a more competitive environment.

I mean, as I said, in our case that bowling club would be gone forever, never,
35 ever to be seen again. You've got a case where another large club has taken over another club, that club was 2 or 3 million dollars in debt; nothing to do with whether it had machines or not, it all had to do with its commercial professionalism. If we're not there and we don't have the capacity, the community loses. In real terms, as a clear example, I don't need to amalgamate with this bowling club down the road. It's not really going to have a positive impact on my bottom line. In actual fact it's going
40 to put more than a negative impact. So from a business sense, I don't need to do it; from a moral and a community sense, I definitely need to do it and we will do it and will continue to do it.

MR BANKS: It's interesting in a sense because there's sort of duality to what you're
45 doing and even the language you use, because before you talked about competing for market share with the hotels - - -

MR TOOHEY: Sure.

MR BANKS: - - - and trying to win market share off them if you can, and clearly
50 that's part of how you see your business. You talked earlier about not the number of

5 machines being the problem but the number of venues. Did you mean number of venues or nature of the venues, because you could take that - we had Star City sitting there and they might have been happy to say, "The best number of venues is one."

10 **MR TOOHEY:** Sure. Certainly they would; as long as it was two. Look, from our business point of view we would have rather Star City never existed but the sun is going to rise in the east tomorrow, so it does exist. So we've got to be competitive. However, the nature of our business means that we're in it for the long haul. We just can't pack up and go away. Therefore we're not trying to create profit for shareholder benefit or private benefit for resale value. As an example, I suppose a good example
15 is there are a lot of hotels being bought up at the moment or the purchase of Star City by the Harrahs organisation. I mean, they're not buying it because it's a "feel good" thing and they're feeling warm and fuzzy, they're buying it for a commercial reason. The higher the resale value, the greater the commercial pressures become on return on investment. We don't have that, so therefore what we're saying is, yes, we believe the
20 nature of the venues is somewhat a restriction in itself but the more milk bars on the main street, the less hamburgers you're going to sell.

Therefore, it forces us into a position, I suppose, and certainly the smaller clubs that are somewhat fragile in their financial position, it may force them to do things
25 that they would not ordinarily do. With banks applying pressures for debt recovery etcetera, it would lead gaming operators to probably do things that they certainly shouldn't be doing and in our environment most clubs wouldn't be doing those anyway because they have a social obligation and a social conscience. So I mean, it really boils down to the commercial nature of their business and they always know,
30 especially other clubs always know that the larger clubs are there to hold their hand or give them a helping hand.

MR FITZGERALD: In the development of your BetSafe guidelines which are very extensive - the most extensive I think we've seen - how applicable will they be over
35 time to smaller venues? One of the issues that has come up is that the casinos, in the first instance, larger clubs, larger venues, are able to effectively implement responsible gambling programs. Whether they do or they don't is another issue. Where there has also been a concern is that smaller hotels, smaller clubs, smaller venues, much of this is simply not going to occur. At the moment this is only going to be establishing your
40 10 clubs, but how realistic is it as a set of guidelines for smaller to medium-sized venues, do you think, over time?

MR TOOHEY: I think that really answers the last question too because that creates the problem. It's the venues - the number of venues that are the problem, the size of
45 the venues that are the problem - and of course their commercial nature, and many people will tend to ignore their responsibilities for service of gaming product. You're exactly right; we have the resources to apply our responsible service of gaming program to the fullest degree that we can. Many people will read the document and may pass that document around to a few people and say, "Well, we now have a
50 policy," and a policy is only as good as the time that it's needed, not in document.

5 **MR FITZGERALD:** So in some senses you acknowledge that the BetSafe program, if it's fully implemented, is one that is most suited for larger organisations and more difficult to imply for smaller organisations.

10 **MR TOOHEY:** There's a lot of small organisations that run very profitably. I could cite a number of clubs that run extremely profitably in their own right and they will take on this program and use it in relative terms on a scaled version, because obviously the smaller they get, probably the chance of problem gaming incidents is decreased. But whilst it's there, it's right in front of them, I think they will have the opportunity to be able to mould their operation to suit it. I really believe it's only got
15 to do with the financial viability. Do they have the resources to apply to it?

MR FITZGERALD: Somewhat in relation to that, the BetSafe program has been put together as a voluntary program at this stage. You've mentioned in your submission the balance between, I think it was legislative controls and industry
20 controls. Just explain to me where you think that balance lies. Some people we have heard said - and I made this comment to the Registered Clubs this morning that, you know, really we shouldn't have too much faith in industry codes across the gambling sector, it really needs to be by way of regulation. So where do you see the balance between regulation and industry?
25

MR TOOHEY: It is a very difficult balance and I think it's got to be developed through ongoing negotiation, hence our proposal of saying there's got to be probably three parts to any form of consultation process with a board and that's got to be community operator and the regulators. I suppose the most difficult thing for anyone
30 to put in regulation is how that specifically has an impact, positively or negatively, on a venue. That really comes down to functionality of our gaming operation. We would be quite happy for legislation and regulation to dictate taxation and to possibly dictate the size of the jackpots - even though I'm not convinced that size of jackpots is a need for regulation because we've gone past all that. Our patrons are probably the
35 most advanced gaming patrons in the world and therefore the attraction of high jackpots doesn't exist any more.

I mean, people walk past the \$13,000,000 lotto pool these days. The day before Melbourne Cup it doesn't get too attractive. The hype is gone. So I really
40 think that it's got to stick to machine numbers. Regulation has got to stick to machine numbers and taxation, where from an operational point of view, whether we have bill validators or coin acceptors or hoppers or the way we present our machines; whether we offer a \$5000 jackpot or a \$10,000 jackpot, that's got to be really by market demand than anything else. Setting some of those standards in relation to our own
45 internal operations is extremely important. Ticket printers is a classic example. We are the ones that have forced ticket printers onto the gaming industry - the club industry.

MR FITZGERALD: Sorry, ticket printers?
50

5 **MR TOOHEY:** Ticket printers is where instead of spitting out the coin after a pay
when the player presses "collect", they will get a voucher. We know that it exists in
Victoria but it's been us, the gaming operators, who have forced the manufacturers to
submit it to the government. We've pushed the legislation through, not the gaming
10 operators. That's just about saying to people, "We want to become more professional
and our gaming activity has got to have higher integrity." Through our own activities
these days, we are having a significant impact on the operational control of our clubs
anyway. I think the more control you have, the better the player feels.

15 **MR BANKS:** You make a point here which I raised just because it is one of the
issues that we're looking at. This is on page 8 of the submission you made to IPART:

Research on the incidence of problem gambling is there is no casual connection
between the number of gaming machines and the prevalence of problem
gambling.

I thought that went a little bit against the point you were making earlier about
numbers of machines versus numbers of venues. But my understanding of what
people have been telling us is that there has been a co-relationship there and certainly
20 when people from the various problem gambling services come along, they tell us that
70 per cent of their clients, for example, have a particular problem with gaming
machines. What I thought was in dispute was whether it was gaming machines, if it
was a particularly problematic form of gambling or whether it was simply that they're
much more accessible to people. But certainly the notion of access and gaming
25 machines going together with problem gambling I think is something that we've heard
quite a lot about.

30 **MR TOOHEY:** I believe that access is one thing - and obviously the access to
gaming machines in New South Wales has expanded immensely with the introduction
of gaming machines into hotels of 15 and then to 30 and then the introduction of the
casino. We are somewhat regulated in that fashion because every single person that
walks through the door has to identify themselves. We don't have an open door
policy. Therefore we know how many times Joe Smith comes in. People have some
35 sort of sense of recognition when they walk into our organisation and even to the
point that I know in my last operation, the staff would be concerned if people were
missing and not from a revenue point of view, because they don't know how much
revenue they contribute, if any.

40 I mean, they could be just a bingo player or whatever the case may be. So there
is that social connection and I just think that it all boils down to the freeness and the
access of the number of machines. It would be interesting to try and do the analysis,
and unfortunately our industry numbers have been growing at the same time to
correlate the incidence of problem gaming with the easier access if our industry hadn't
45 grown over that period of time. I'm quite convinced that the incidence would have
increased, whether club industry machine numbers grew or not.

5 **MR FITZGERALD:** When I was speaking to your group on one of those visits, you made that point, whereas in other states they have removed the registration of the patron coming into the club on the basis that it's a bit of a pretext and doesn't mean anything. The view put by your clubs, BetSafe clubs, was in fact it was essential to retain that.

10

MR TOOHEY: Yes.

MR FITZGERALD: Do you believe - notwithstanding the obvious extension of regulation - there is any reason why you would extend that principle that people who participate in gambling have to register if they go into a casino or a hotel or anywhere else? You obviously have it as part of a club, but do you think it should be expanded or - - -

20 **MR TOOHEY:** I think it certainly gives us an opportunity to be somewhat selective in our approach. I think the 5-kilometre rule is a very good rule, simply because it means that if you want to come into my club you have to meet a certain qualification and at the same point of time that allows us a point to have a look at the patron to see their type of dress, their type of presentation. It's good for harm minimisation because we can stop people from just coming through the door. It's not just a blanket path of people and it just allows us to have greater control. I certainly couldn't see any of the other operators wanting to do that because the cost imposition is quite significant. Every time you're putting a cost on, you then start asking yourself, will they readily recognise a problem gambler as directly to their financial pressures. I mean, it's a real catch-22 situation. But for us I think it's a great advantage.

25

30 **MR BANKS:** I don't have any more questions other than to ask you when your information about your program may become publicly available. Is it still confidential?

35 **MR TOOHEY:** At this stage, because we own that information and we're continuing to develop it, I don't believe - I mean, we've got the core of our program. I believe in 18 months' time that core will be somewhat expanded because we are trying to mould our program through our own experience and we're all experiencing different things in our clubs on how to talk, how to address different problems or different situations that may arise; how to recognise and respond to the different questions and queries that are put forward by our staff. So it's difficult to put that out in the marketplace because some people would consider it as the ultimate policy and therefore not suit their organisation. So until such time as we're really satisfied with the program and because it is a living document, it's a living being and we're changing it all the time, we're not prepared to put it out to that public domain at this point of time.

40

45

MR BANKS: So how would anybody know that it's actually being applied?

50 **MR TOOHEY:** Through our own promotion. We've created a BetSafe logo. We've got our own BetSafe brochures going around and through our advertising

5 material that we're now starting to put out. We're promoting it through our various advertising medium at all times.

MR BANKS: Any connections you may have with counselling services and so on, that would have to be known to your patrons.

10 **MR TOOHEY:** Yes, it's part of the brochure and clearly indicated as part of the brochure.

MR FITZGERALD: So just to clarify this. In your submission to IPART there is an appendix 1, I think it's called, which is a 1 and a half page summary, the dot points.

MR TOOHEY: Yes.

20 **MR FITZGERALD:** In and of themselves, each one of those dot points are matters that we've heard of extensively.

MR TOOHEY: Yes, so none of those by themselves are privileged or confidential.

25 **MR FITZGERALD:** But what you're saying is that the notion of a BetSafe program in its totality you're maintaining is your program?

30 **MR TOOHEY:** It's our program and, as I said, once we get it right - and that's what we're trying to do; we're trying to get it right - then we will be happy to open it up to all the industry. I think that's probably the key to its success. I mean, we're having meetings every fortnight with all the 10 clubs to get it right, and that demonstrates the commitment.

35 **MR FITZGERALD:** Just one other issue, which is not in your submission but I just want to ask it anyway. We've spoken about community awareness programs generally and the funding of them around Australia or the lack thereof. Do you have a particular view as to how community awareness programs should be funded?

40 **MR TOOHEY:** I think that we have an obligation in our own community to increase the awareness certainly of our BetSafe program, because I think that's what we're about. We're about telling all the community, and whilst there is a certain element of funds in designing the program coming through our commitment to BetSafe, the actual exposure of that is really at our mercy and we will put as much promotion as we can so that it's quite clearly recognised that Wentworthville Leagues Club and all the other clubs are synonymous with the BetSafe program. Once again it gets back to that subconscious recognition of the safety house type concept, where as soon as you see it you know that there is something happening, and something that is positive to the community.

50 **MR BANKS:** Just a last question on that just so I'm sure I understand. You talk in the submission proper - I don't think this is privileged - about awarding a rating in terms of the extent to which the measures and strategies have been adopted.

5

MR TOOHEY: Yes.

MR BANKS: This is ultimately where you're getting once you've got over this sort of trial of implementation phase. Is that correct?

10

MR TOOHEY: Very much so, and I think it should be stressed that there is a commitment by all the clubs that if any of the clubs don't come up to scratch, even though they may be part-owners of this program, they'll be asked to leave the program.

15

MR BANKS: Who would police that, if I could use that word?

MR TOOHEY: It's really the feedback that we're getting from our external providers coming back and saying, "Look, we're asking this club to do this and we've asked them again," and it's quite clearly affecting the whole notion of our BetSafe program. At that point in time we would sit down with that club and say, "You're really putting the whole program at jeopardy as an international benchmark concept. If you're not prepared to abide by the concepts of BetSafe, why be in it?" I mean, we don't want people to hang the banner up and say, "We're in the BetSafe program," just for the sake of, "We're in the BetSafe program." We may as well just put the policy back up on the shelf. We want them to live it and breathe it.

25

MR BANKS: I suppose what I'm wondering is pragmatically are you going to give somebody a half rating? They're half BetSafe - - -

30

MR TOOHEY: Yes. We're interested in having people working for us - they're not going to tell us what we want to hear but they're going to tell us what we need to hear. We've all made that commitment. There's no point in asking the question of you're not interested in listening to the answer.

35

MR BANKS: That's commendable. Thanks very much for telling us about that.

MR TOOHEY: Thank you very much.

40

MR BANKS: Break just for a moment please before our next participant.

5 **MR BANKS:** Our next participant today is Mr Peter Mair. Welcome to the hearings. Could I ask you please just to confirm your name and tell us the capacity in which you are here today.

10 **MR MAIR:** My name is Peter Mair. I'm here in a private capacity. Over the last decade or so I've taken a bit of an interest in what I would call the public policy and consumer protection elements of the horseracing industry, and at various times I've been associated with some other consumer groups in putting points of view to bodies like yourselves. It's not my primary occupation in a sense but as opportunities present themselves I like to respond to those opportunities and put some remarks on the
15 public record that hopefully will generate a response that will promote horseracing as a better quality product and regulated, managed and operated in a way that is fairer for the consumers.

20 **MR BANKS:** Thank you. I'm glad you did. A lot of the submissions to us have been dealing with other forms of gambling, so it's good that you've focused on this one, indeed in particular from a public policy and consumer protection point of view. So I think it's a valuable input. Why don't I let you perhaps make the key points you'd like to make and then we'll have some discussion after that.

25 **MR MAIR:** The basic general point is that the regulation and administration of horseracing in Australia generally but in New South Wales in particular, which I'm most familiar with, as far as I'm concerned fails to meet reasonable standards of product quality and fairness in terms of marketing to the consumers.

30 Becoming more specific gradually, I just recap some of the main points in my submission. My observations suggest that the concept of product quality management is basically entirely foreign to the existing array of racing operators, managers and regulators. I just am concerned that what on some measures is a major Australian industry and a major Australian activity and form of entertainment is basically run
35 badly. I think it fails to deliver a fair quality gambling product to the majority of the customers. The partnership that's emerged between the licensed organisers of racing, particularly the race clubs and the TAB, and the licensing governments - from a public policy point of view I don't think that bodes well for the majority of gamblers, those interested in horseracing. They're up against a coalition that isn't really going to look
40 after their interests in terms of providing them with a quality, fair product. In some ways you could say that the gamekeeper has turned into the poacher.

45 Within the racing industry I've sought to draw out in my submission that there are basically two groups, and I refer to these as the insiders and the outsiders. Apparently if you can get hold of the data from those that operate horseracing, especially the TABs, it is possible to differentiate two distinct groups of people: a relatively small, well-informed group of insiders that seem to get a different form guide to the one that the rest of us get, and that reflects in a sense the tax that these insiders pay relative to the ordinary small TAB punters, which I call the outsiders.

50

5 **MR BANKS:** Can we just pause on that point, because it's a fundamental point I think that you're making. When I first read that I was having difficulty thinking how to characterise these two groups or who might be in there, and then you talk later about off-course and on-course. I wondered whether that was synonymous with outsider, insider, but I don't think that's - - -

10

MR MAIR: It's certainly a major part of it or a contemporary illustration of what it's all about. We don't have to look much further back than the first Tuesday in November, where on a couple of occasions in recent years it's quite obvious that some people know more than the rest of us. Not surprisingly, it seems that - - -

15

MR BANKS: Some have more money to back their judgment, I suppose.

20 **MR MAIR:** And if you're going to invest a lot of money I guess you make sure your judgment is getting close to being right. I've got no particular problem with people making winning bets, but what I think this points up is that there is a rather different decision-making base for some than for others.

MR BANKS: You're not saying the game is rigged.

25 **MR MAIR:** Absolutely not.

MR BANKS: What you're saying is that quality information is the preserve of a minority?

30 **MR MAIR:** Some seem to have more than others, yes. That's entirely to be expected up to a point.

35 **MR BANKS:** Would you care to speculate on how that information - you characterised it earlier as a form guide but you don't literally mean that. Could you just elaborate a little bit on how they glean that information that's not available to the average punter, if I can put it that way?

40 **MR MAIR:** Being an unsuccessful punter, I'm obviously not sure how you get hold of this information, but I've got a fair idea that you would talk to the connections - the owners, the trainers, the jockeys and whatever - and there are enough stories in the press to suggest how particular people might manage to have a bit of conversation with other particular people. So clearly some discussions go on that suggest that particular horses are fit and willing. But just what the details are I've got no idea. You'd need to talk to - - -

45

MR BANKS: But again you're not saying that it's exactly equivalent to say insider trading in the stock market, or is that a parallel?

50 **MR MAIR:** It's getting close, yes.

5 **MR BANKS:** But the people who are on this inside groove aren't necessarily the people who own the horses and their families and so on, or are they?

MR MAIR: No, but somehow or other there's a connection between those who talk to the horses and those who seem to develop a better informed opinion about those
10 horses' chances than the others. I don't want to dwell on all that especially, but what I would like to shift over to is ways in which the operators, the regulators and the administrators could bring an influence to bear on the way those markets work so that there's more chance that there will be a fairer distribution of whatever information is available earlier rather than later.

15
If there's one particular issue that I'd like to make a welter of today, it concerns the broadcast off course of the on-course betting fluctuations. I don't know whether either of you people have been to the races recently, but when you do go there partly you're encouraged to go because the operators of the racing venues inform you that if
20 you do attend you'll have access to better information in the way of fluctuations in the betting market than if you're off course. Now, in this day of modern technology there's no reason why those on-course betting market fluctuations could not be made generally available around the country to TAB outlets, over the radio and so on. I think it's in a sense rather unfair that of the 3 or 4 hundred thousand people that might
25 have a bet of a Saturday, when only about 10 to 15 thousand actually attend the races, there's a very vast majority of the people that are betting on this product that are kept somewhat in the dark about what's happening.

MR FITZGERALD: Is there a reason why you believe that that information is not
30 currently broadcast?

MR MAIR: Yes, it's against the Gaming and Betting Act, but when these things are within the influence of those that manage and regulate the industry - - -

35 **MR BANKS:** What's the rationale for that? Is that to protect the TAB off course or - - -

MR MAIR: I think the Gaming and Betting Act probably has a long history and some of the provisions would date back many years, and I've got no doubt that this
40 particular provision had something to do with limiting the proliferation of illegal SP bookmaking operations, but I would make the point that if one attends the races these days you can observe people in front of the TV monitors that are keeping the on-course patrons informed of betting fluctuations. There are people there with mobile phones that are calling the fluctuations and sending them off course, not to
45 2KY but to a select group of people that they're serving.

But I don't see why 3 or 4 hundred thousand ordinary people that are basically betting in relatively small amounts and basically doing it through the TAB should be penalised because there may be some others prepared to break the law and run
50 SP bookmaking operations. I don't accept that the broadcast of the on-course betting fluctuations would lead to a great outbreak of illegal SP bookmaking and, to the

5 extent that it did lead to some resurgence in SP bookmaking, I would have thought
the appropriate course there is to detect and penalise those offenders rather than to
continue to disadvantage the great majority of the ordinary people that take an
interest in horseracing and like a bet.

10 I think this is well past time that this particular issue was dealt with. I did put
the point to Mr Temby when he was conducting the inquiry into racing in New South
Wales. I think he had some sympathy with the point but in the event his
recommendation was that the matter be reviewed and he chose not to make a clear
15 recommendation. But that was 3 years ago. The mobile phone issue has become
rather more of a practical reality since then. I just think - - -

MR BANKS: Could you just help me on understanding some of the ramifications of
that. What you're saying is if that information was communicated it may lead to some
illegal activity, in other words, money being diverted from the TAB. Why wouldn't
20 that information be used simply then to bet through the TAB?

MR MAIR: I'm with you. I think it would be. I don't go for this line that it would
stimulate some outbreak of SP betting activity at all. I don't believe that, no. But I
referred to that in response to your question as to why the Gaming and Betting Act
25 might preclude that.

MR BANKS: Originally, yes.

MR MAIR: I believe in Queensland that that restriction does not apply, but in New
30 South Wales and I'm pretty sure in Victoria it does. Now, as to who might be the
beneficiaries of that, I think one doesn't need to look much further than the
bookmakers, the owners and operators of racecourses, who prefer to have people
come to the course rather than stay at home. But if we're talking about a product
that's marketed nationally or state-wide and we're restricting the supply of important
35 information from one group to another, I just can't see how that meets any test of
fairness that might be applied to this product, this market and this group of
consumers.

MR BANKS: So basically what you're saying - and if I could put it other terms - is
40 essentially what I thought was one market is two. There's a segmented market, with
different prices and information applying in each one.

MR MAIR: Right. Irrespective of your depth of knowledge of the racing industry,
you would have read stories a week or so back about the moves on course for the
45 eventual winner of the Melbourne cup and the horse that ran second, and in earlier
years you would have read similar sorts of stories. That doesn't mean that those
particular horses are going to win, but it certainly means that as opinion firms up
about the likely outcome of the race the people on course have got that information,
the people off course don't, and that creates this opportunity for the well-informed
50 insiders on the course to basically knock off the TAB pool that's been contributed by a
lot of people without the benefit of that information.

5

MR BANKS: I see.

10 **MR MAIR:** It affects a redistribution of wealth, money, from the little guys that chip into the pool and it tends to be knocked off by the well-informed insiders. To the extent that can happen to the major race on the Australian racing calendar in terms of popular support, that in itself is salutary. But when you're talking about the same process happening on a day-to-day basis with the TAB covering races in relatively obscure country terms, in states well away from here and so on, the chances of that insider group basically having a lend of the majority of us, rise considerably. It would be less likely to happen or to the extent it happened, it would happen differently, if those oncourse betting market fluctuations were broadcast offcourse.

20 **MR FITZGERALD:** In part of your submission you say that the TAB should be given a broader charter.

MR MAIR: Yes.

25 **MR FITZGERALD:** You say it should be given accountable responsibility for the provision of quality racing. Can you just explain to me where you believe a difficulty arises between the Thoroughbred Racing Board and the TAB? You're saying that there is a confusion there that needs to be fixed.

MR MAIR: My word.

30 **MR FITZGERALD:** Can you just in simple terms tell me what that is?

35 **MR MAIR:** In simple terms, you might say that the three groups involved are the Thoroughbred Racing Board, the TAB and I would say government as basically the gamekeeper and overseer of the regulation. They're the ones that set the law. So you've basically got a pea and thimble situation where when you try to run an issue to ground here, there is no clear point of responsibility. Every time you go to one of them, they say it's the other one. I mean, it's hard to find the person who's responsible for making these decisions. Somebody, as far as I'm concerned, needs to be clearly given that sense of responsibility for making sure that the product is of a certain quality and that it is marketed in a way that's relatively fair to all the customers who are going to buy that product.

40 **MR FITZGERALD:** As I understand, the TAB contracts for the provision of its product, that is the racing from the racing clubs, effectively.

45

MR MAIR: Yes.

50 **MR FITZGERALD:** Why would the TAB therefore not be seeking to obtain the highest quality racing product which it then markets? Why would it not be doing that?

5 **MR MAIR:** For the time being at least there seems to be a preoccupation with
providing a quantity of racing - in my opinion, far too much - without any regard for
the quality. What happened in Sydney yesterday with the Sunday racing is a case in
point. What's happening on a day to day, week in week out basis with regard to TAB
10 sponsored racing in various regional provincial cities in the state, around the country,
one has to wonder about whether that is the sort of quality product that consumers
are entitled to get, especially when it's coupled with a range of private restrictive trade
regulations that have the effect of advantaging a particular group against the majority.
It's just not a quality product.

15 **MR FITZGERALD:** You made another recommendation or suggestion for change
that may be linked to that issue. You called for the privatisation, demutualisation and
the public flotation of major racing clubs. Can you just expand a little bit on why you
think that would deliver a better outcome or a better product?

20 **MR MAIR:** Basically, the major race clubs, whether they're the AJC, the STC,
VRC, Mooney Valley Race Club, whatever, are mutual organisations. What we've
seen with a large number of mutual organisations in this country and others is that
after a certain time and beyond a certain size they become basically moribund. There's
a group of insiders that run those organisations where the chances of any effective
25 change in the board of directors and so on, basically you've got a mutual organisation
that has atrophied, and the race clubs themselves are interested in quantity of racing,
TAB revenue, getting people onto the course and so on.

30 One way or another the arrangements conspire again to basically preclude
quality product offered on fair terms to the majority of the customers. I don't know
what other way there would be of improving the commitment of the race clubs to
serving the interests of the racing public. They're happy to take the money from the
offcourse punters. I think they should be equally committed to making sure that there
is a quality product offered on fair terms to all the people contributing to their
35 financial success. How do you achieve that? Obviously there are a number of ways
but the one way that seems to stand out a bit in the modern society is to bust up those
mutuals, make them more subject to commercial disciplines, make the election of
boards of directors and so on more accountable to the members and whatever - and
the members in this case not being people who basically take a free ride but rather
40 shareholders who have got a financial stake in the directors making sensible decisions.

We're basically looking always in a public policy sense for institutional
arrangements that will give the managers and directors and so on, an incentive to
work in the community interest. I think mutuals in this case has ceased to do that.

45 **MR FITZGERALD:** When you talk about a quality product - can I just clarify at
the moment - in one area you were talking about access to information, very
important. Are you also actually talking about the quality of the races that are
actually being provided - the fields, in other words.

50

5 **MR MAIR:** In a sense, yes, but I don't want to get too far into that. If I could
short-circuit that question and say, if two farmers want to have a race between their
horses, let's go for it. A horserace at the end of the day is just a difference of opinion.
But when we are using the agency of a monopolist - in this case the TAB - to exercise
its discretion as to whether it offers coverage of a particular race meeting and offers a
10 redistribution of money collected in the general public interest back to that race club
in somehow proportional to either the club's existence or the turnover on the race or
whatever, that's a very different kettle of fish. To the extent of gaming in all its forms,
gambling in all its forms, is to some extent part of the gift of government.

15 Decisions have to be made to some extent about a level playing field between
different forms of lotteries, casinos, horseracing, dog racing, trots or whatever. But
at the end of the day I think there's a very sensible question to be raised here about the
way in which public moneys, ie, taxes legitimately collected from gambling activities,
are diverted back into parts of the industry that at the end of the day you could
20 question whether they really add a lot to the total quality of the product. I mean,
wall-to-wall racing, 7 days a week, in obscure locations without proper form guides,
with no commitment to provide proper form guides and no commitment to provide
fair and reasonable markets for people to bet on, this is a commitment to quantity of
racing without any regard to the quality. I think it just points up the basic disrespect
25 for the community shown by the regulators, administrators and operators of the
horseracing industry.

Depending on which economist you might want to talk to, horseracing is
sometimes described as one of Australia's top three, four or five industries. I think,
30 like a lot of our other major industries, there's a lot to be said for ensuring that that's
run properly and to the extent that it's going to be run and financed with the versions
of revenue from the public purse, I think that responsibility to take a close careful
interest in where that money goes to is more important.

35 **MR FITZGERALD:** In your submission you talk about in the area of problem
gambling - you say:

The market of gambling products emphasise the attraction of winning
but does not necessarily indicate the average percentage loss. The latter
should be advertised as clearly as the former -

and so on and so forth. I suppose one of the things that's been put to us that in
relation to wagering, betting, the odds are more clearly understood or more clearly
40 known by the punter than, say, in the gambling machines or lotto or anything else.
What's your view about that?

MR MAIR: In responding to the commission's invitation for submissions, I thought
it would be courteous to make some remarks about some of the issues that you're
45 going to be dealing with. In a general sense, I guess what I'm asking for, both in
respect of my particular interest, horseracing, but more generally in respect of poker
machines, casinos, lotteries, whatever is disclosure. I've had fairly long experience in

5 public policy development, administration and so on, in a different industry. There's
nothing that beats a commitment to disclosure. It takes away from people basically
that excuse that they didn't know, that they thought it was their lucky day or
whatever. But if it was clearly advertised and in close proximity to where you're
10 putting the bets on that your chances of getting more than what you're putting back
are relatively slim but they can be quantified, I think that should be made known.

Talk to Clive Alcock. He's the consumer psychiatrist and problem gambling
expert that I know. But I just make what I would regard as a commonsense point
15 that to the extent that excessive gambling is in some sense a cry for help for some
other problems, the chance of that happening would be a lot less if those people had a
more credible understanding and a less credible excuse in that they thought they could
work their way out of financial troubles by gambling. If it was made clearer to
people, they are most unlikely to be able to do that, I think you would do a lot to
20 reduce the incidence of people supposedly thinking that they can beat the odds.
We've seen this in other little outbreaks of social problems from time to time, that
once the community recognises what it is, the circumstances that give rise to it, the
ways in which the problem can be alleviated, that there's less sort of uncertainty, less
credible excuses for doing it, I think you cut it out, yes.

25 **MR BANKS:** There may also be less activity which I suppose the industry would
see as a downside to provision of that kind of information.

MR MAIR: I was pretty impressed with the fellow you had on just a moment ago.
I'd like to see some of that attitude starting to flow through into the TAB, into those
30 areas of government that are supposedly concerned with consumer protection and so
on that there's a problem there when you've got a government or governments
Australia-wide internationally that are so dependent on the gambling revenue that
their commitment to proper public policies that ensure that it's fair and not conducive
to excessive gambling and so on, I think you've got a problem there. That's why I
35 look to you guys or the Commonwealth or whatever - and I don't think the
Commonwealth government is quite as hooked on gambling revenues as the states.

Whether you've got jurisdiction here or not, there's only one thing that beats
jurisdiction and that is simple truths, simply stated and put clearly to the public -
40 pressure, influence brought to bear properly on those who may think they've got the
jurisdiction. There's nothing beats the truth and simple commonsense statements at
the end of the day and I think a lot could be done to bring some of these state
governments to a better policy position in terms of looking after the people.

45 **MR BANKS:** In terms of the use of funds from TAB and so on, you make some
comments in the document very generally about the wisdom of using what I would
call hypothecated amounts going back to the building of improved facilities and what
have you.

50 **MR MAIR:** Yes.

5 **MR BANKS:** In New South Wales the TAB puts a certain percentage back to the clubs and what have you. Do you think there is a better way of funding the racing industry than is currently the case, or is that not an issue?

10 **MR MAIR:** Obviously the money has to be recycled from people like me through to the people who own, train, ride horses, and part of what I put in goes to the government as general tax revenue and I think that's great. Is there a better way? Of course there's a better way. It's like any other business. You pay the best workers more, and the encouragement to good work is to pay better performance more than poor performance. I think in the racing industry I would like to see a much clearer and sharper differentiation of how much goes back to the clubs according to the quality of the racing they put on. Obviously that's largely reflected in turnover, but that wouldn't be the sole criterion. Maybe you're looking at the second differential of turnover to encourage those clubs that do go out and manage the game, put on proper, better quality races.

20 That's why I come back to the idea that if the operators of the race clubs were public corporations with shareholders, with a commitment to making profit and so on, you're getting the disciplines of economic incentives running all down the line. At the minute they're all able to get their hands in the cash pile but there's no proper incentives as far as I can tell for them to perform in the best interests of the community, either on an individual day-to-day basis or overall, and I would like to see someone bring some influence to bear that would tidy this game up. I've made a fair bit of effort at the state level as opportunities have come up, and that's largely been to no avail. In reflecting on what you people are doing and the likely outcome, you've got before you the example of the Temby report, a very credible, well-intentioned sort of effort to help the government make some decisions, and look what happened: not much.

30 **MR BANKS:** Okay. I think you've given us some food for thought; there's no doubt about that. Are there any points that you'd like to make?

35 **MR MAIR:** No. I wasn't sure just how interested you guys might be in what I had to say, so I'm sort of largely at your disposal. Having said that of course, I guess I've made it clear that I've got a bit of an interest in offering a few suggestions as to the way this part of the gambling industry could operate better in the general community interest and hopefully in doing that be less likely to be responsible for causing social problems. I know there's a bit of a focus on problems, but in focusing on those problems I don't think yourselves and others responsible for public policy should lose sight of the great enjoyment that most people that don't have problems get out of this industry, and it would be right and proper to tidy it up.

45 **MR BANKS:** Thank you. That seems an appropriate point to stop. Thank you very much. Break for a moment before our final participants for the day.

50

5 **MR BANKS:** Our final participants today are from the UTS Community Law and Research Centre. Welcome to the hearings. Perhaps you should be welcoming us because you're from this institution. Could you give us your names please and tell us the capacity in which you're here today.

10 **MR DIMOVSKI:** My name is David Dimovski, I'm an honours student at law at this university and a research coordinator with the UTS Community Law and Research Centre.

MR BANKS: Good, thank you.

15 **MR ASIMACOPOULUS:** My name is Kon Asimacopoulos. I also am an honours student at this university. I conducted research on behalf of UTS Community Law and Research Centre.

20 **MR BANKS:** Thank you. Thank you very much for appearing and also for giving us a copy of an article which has appeared in the Alternative Law Journal recently. Perhaps you could tell us - we haven't had time to read this article, as we've just received it but perhaps leave it to you to highlight the key points and we can talk about those later.

25 **MR DIMOVSKI:** Sure. Essentially, the crux of the article is that we're looking at research that's been done both in Australia and abroad, looking at the link between crime on an individual level, as opposed to organised crime and gambling as well. Essentially, we started off by outlining the point that the gambling industry in
30 Australia is one of the fastest-growing industries in Australia. For instance, we compared the annual average outlay of an average Australian which is \$2073 a head which is spent on gambling, compared with, for instance, only \$900 by Americans and 1750 by the average person in Hong Kong.

35 **MR BANKS:** These are turnover statistics, aren't they?

MR DIMOVSKI: That's correct. We also outlined the fact that casino revenue in particular has increased dramatically since 1985. Obviously the legalisation of casinos has aided that. In 1985, for instance, 200,000,000 was spent on casinos. The figure
40 is now closer to 2 billion and it's estimated to be closer to 3 billion by the turn of the century. So clearly gambling is something that is increasing, in terms of money spent by Australians.

We next turn to the link between gambling and crime. In Australia, Prof Alex
45 Blaszczynski has conducted two studies; the first one he conducted in 1989 and he noted that 54.1 per cent of the pathological gamblers he studied had committed some sort of crime. He followed this up in 1996 where he found that a similar figure - I think it was 58.3 per cent - once again of the sample group he studied of pathological
50 gamblers had committed some sort of crime.

5 He broke this down into specific crimes which they'd committed and I guess it's
not surprising that larceny figured as the most prevalent crime that this sample group
committed. 35.4 per cent of the study group have committed some sort of larceny.
Embezzlement was also a crime that was committed, 40.5 per cent. Other things such
as armed robbery, burglary, drug offences and shoplifting were also other crimes that
10 he noted. Overseas research has also reaffirmed this. Brown, for instance, examined
107 English and Scottish men who were involved with gambling at Gamblers
Anonymous. 82 per cent had committed some sort of gambling-related offence.
Bland, for instance, found that 60 per cent of his sample group of 7214 had
committed some sort of offence as well. So clearly our research and the literature
15 review that we did around it shows that gamblers - and pathological gamblers in
particular - are often driven to crime to support their habit.

We came up with an explanation for this which we've termed the
post-behavioural cycle which we recognised as a four-step process in a gambler's
20 career. The first process we've recognised is a period of elation. Usually it was found
that gamblers had in their early stages of their career a big win. They felt happy about
this, it drove them back to continue gambling and unfortunately the losses started
accumulating because of this. That got them into a bit of trouble. The third step was
that they started chasing the losses. They started trying to catch up the money that
25 they had lost. The final step is the admission of the problem and we term that the
post-behavioural cycle. That does explain to a certain extent why compulsive
gamblers are, I guess, driven to crime to feed their habit.

MR ASIMACOPOULUS: I'd like to move down past the (indistinct) role of
30 government to hidden crime. I feel it is very important - and something that hasn't
been addressed in really any capacity, apart from the people, for instance, from the
Wesley Gambling Counselling Service, and Mr Don Beggs also indicated this, and
that is crimes, such as domestic violence and child abuse aren't reported, simply
because they aren't reported in the crime statistics and therefore aren't acted upon.
35 The research we came up with was, for instance, in 1995 the Illinois Council on
Compulsive Gambling surveyed nearly 200 Gamblers Anonymous members and found
that 16 per cent were divorced due to the gambling addictions and another 10 per cent
had separated as a result.

40 Indeed in an earlier study, it was discovered that 78 per cent had threatened
separation or divorce and half had carried out those threats. Indeed in Harrison
County, Mississippi, the hub of the state's casino industry, the number of divorces
rose from 440 in 1992 to nearly 1100 in 1993, the first full year after the opening of
the local casino. It seems clear from that evidence and evidence like it that gambling
45 does indeed have an adverse effect on the family. One would be ill informed to
consider otherwise.

The interesting studies were the ones concentrating on the effects of gambling
on children. There's no doubt that it points to the effects being, to say the least, not
50 very good. Central City, Colorado, for example, reported a sixfold rise in child
protection cases a year after the casinos arrived. Indeed, a study - and I'll outline it

5 further below - of four California high schools reveal that children of problem
gamblers have high levels of use of tobacco, alcohol, illicit drugs and overeating than
their peers. 58 per cent of problem gamblers' children reported their first gambling
experience before 11 years of age, compared to 34 per cent of their classmates.
Children of compulsive gamblers experience almost twice the incidence of broken
10 homes, due to separation, divorce or death of a parent before they had reached the
age of 15, and that's 37 per cent. When compared with their classmates, children of
problem gamblers rate themselves as "more insecure emotionally, down and unhappy
with life and myself" while reporting poorer school-work performance. These
children also acknowledged suicide attempts at twice the rate of their classmates.
15 Clearly the evidence is there.

The next hidden crime - and suicide is in fact a crime and attempted suicide as
well - compulsive gamblers are also at risk from suicide itself. According to Lesieur,
about half of compulsive gamblers experience problems with alcohol and substance
20 abuse. He also notes that compulsive gamblers are five to 10 times more likely to
attempt suicide than the general population. Despite this, very little has been done to
track the progress of these statistics and these incidences. Indeed, the suicide rate
amongst pathological gamblers, though unknown, is believed to rival that of drug
addicts. Studies have found that 10 to 20 per cent of pathological gamblers have
25 attempted suicide and more than half have contemplated it. This is consistent with
another study by Lorenz which found that 25 per cent of compulsive gamblers
surveyed attempted suicide, while 60 per cent planned on how they would commit
suicide, and the studies go on and on. Indeed, it also mirrors what Mr Beggs said
earlier in the day about him attempting to commit suicide twice.

30 Other interesting and peripheral issues that aren't canvassed in our article are
things such as problems with research itself. When students or research bodies like
ourselves attempt to go to the ethics committees we're faced with a problem in that
we're committing an offence if we're aware of a serious crime. Under section 316 of
35 the New South Wales Crimes Act, if we are in knowledge of a serious offence we
must report it to the police, and this poses in our experience and opinion major
problems for researchers, particularly in relation to gambling and crime and the link
they're in. There's no doubt this has contributed to the lack of research in this area in
Australia, in our opinion.

40 Another interesting issue is the notion of the entertainment problem we discuss
in our article, and that is that crime in highly populated entertainment venues or the
opening of entertainment venues - crime in these areas - is very high. We don't know
the statistics but, for instance, the crime around the Sydney Harbour casino, if it's
45 found not to have increased that much, it may be due to section 48B of the Sydney
regional environmental plan number 26 for City West. To quote section 48B:

The use of any building or place in the Ultimo-Pyrmont precinct for the
purpose of carrying on business of a pawnbroker or any moneylender is
prohibited.

5 So whereas in the United States you might find in certain places pawnbrokers
that people can pawn their products to gain money for gambling might be very close
to the casino and therefore might impact in the larceny in the immediate area, you
won't find that maybe in areas where legislation is enacted. Now, to the untrained
10 person this may seem like a good piece of legislation, but all it does really is disperse
the crime to other areas, more urban areas around.

 Another interesting thing is the ease of gambling and the fact that there are free
buses provided to patrons of casinos. They go sometimes very far west, south-west
to pick up patrons, and often casinos offer meal discounts to entice patrons to
15 patronise their establishments. I think also an interesting issue is that of the
intervention of government and the fact that the Casino Control Benefit Fund - the
use of it should be limited towards research for gambling but, as an article by Vass in
the Sydney Morning Herald on 5 March 1997 detailed, \$100,000 was donated to the
Port Arthur victims appeal from the Casino Control Benefit Fund, \$45,000 was given
20 for a demountable building at Westmead for an after-school care centre, and \$22,200
to upgrade a facility room and buy martial arts mats for the Glebe Police Community
Youth Club. These are very good causes no doubt, but they're not in the spirit for
which the fund was introduced, so things like this should be stopped.

25 I'll outline two of our opinions or recommendations as a result of the research
we carried out. I think there's no doubt that more money should be directed towards
counselling services. I think that not just at certain times of the day, 24 hours a day
certain ones should be established. We think, for instance, that the provision of
people speaking different languages should also be - but not, "Cheryl who speaks a
30 certain language is only available 9 am to 12 midday 3 days a week, so can you call
back then if you've got a problem of compulsive gambling." It should be all hours of
the day. There's no doubt you can't tell compulsive gamblers to ring back.

MR DIMOVSKI: Just on that point, I think that one of the major problems with
35 G-Line is that it's based in Melbourne and it seeks to service the whole of Australia.
By doing that it can't fully grasp the regional issues associated - for instance, there
was a case that a compulsive gambler from Carlton, Sydney, got in contact with
G-Line and that person was actually directed to a counselling service in Carlton,
Melbourne. So I think that by centralising it in Melbourne, regional issues and issues
40 that may be particular to Sydney aren't fully grasped as well. Definitely more money
should be directed the way of G-Line.

MR ASIMACOPOULUS: I think a second one is something that the people from
Wesley outlined earlier, that is, that appropriate signage should be provided at the
45 poker machine - a sign on the poker machine giving a phone number they could ring if
they've got problems, right there and then - and cards and pamphlets, things that they
can take away with them, things like that. Maybe through legislative intervention it
should be compulsory. Just like there are "Smoking kills" things on cigarette packets,
it's probably a good idea to have some sort of legislation making it compulsory for a
50 sign to be placed on every single poker machine - not a poster in the toilets or
somewhere - somewhere then and there when they realised they've got a problem - the

5 fourth arm of the post-behavioural cycle, admission of the problem - that they can ring up there and then. There's two others that - - -

MR DIMOVSKI: Yes, I think that another interesting point is that in Australia, and more particularly in New South Wales, the courts are yet to recognise gambling as a
10 mental disorder. In the United States for instance it's been recognised since 1980 as an impulse control disorder. 312.31 of the DSM-III rating scale recognises pathological gambling in the same bracket as kleptomania, which is compulsive shoplifting, and pyromania, which is compulsive fire setting. That's certainly caused problems. When compulsive gamblers go to court and try and mitigate their
15 circumstances, the court often doesn't recognise the complexity and the fact that compulsive gambling is actually a mental disorder. I think that needs to be looked at as well.

I guess the Casino Community Benefit Fund, turning to a separate issue, also
20 should be streamlined a bit more. They should minimise the red tape. At the Community Law Centre itself we're actually conducting further research, going through court papers for various offences for the last 10 years, seeing how many are actually gambling related. Our experience is that to actually gain the funding is an enormous challenge in itself. I think that should be made more user-friendly as
25 well.

MR BANKS: You've raised a swag of issues. Just to be clear, you've made a lot of recommendations. Are they all based on your concern about the crime dimension or are they much broader than that?

30 **MR ASIMACOPOULUS:** They are fairly wide-ranging. I think our experience in doing the research over a number of months have these sort of recommendations - - -

35 **MR BANKS:** So some of them were peripheral to the particular dimension you were looking at, rather than trying to minimise crime as such.

MR ASIMACOPOULUS: Indeed.

40 **MR BANKS:** The other point is that essentially what you've put together here is a survey, which is good and it's very useful to us, but you haven't done any original research?

45 **MR DIMOVSKI:** Yes, we're currently undertaking that at present. We're looking at publishing our findings within probably the next 6 months, so I don't know when the commission's report is - - -

MR BANKS: That's still okay for us, just; if you'd be good enough to send it along when you've got that. Even if it's at a stage where it's still a bit confidential, we could
50 treat it that way.

5 **MR DIMOVSKI:** We're more than happy to do that. Most of the studies that have been done looking at the link between gambling and crime seek to actually survey gamblers. We're doing it from the back end. We're looking at crime and saying, "How much of this is gambling related?" so it promises to be very interesting.

10 **MR BANKS:** Yes, also quite difficult. That was the other question I was going to ask you. A study is only as good as its methodology. What some people have said to us - there are two things really; one is that the methodology in some of the Australian studies isn't always what it should be, the other is that we should be very cautious about simply translating lessons from studies done in other countries with
15 different regulatory and cultural environments from Australia and drawing lessons from those.

MR ASIMACOPOULUS: That's fair enough. But when there hasn't been much research at all, if at all, done in the particular area of gambling-related crime on an
20 individual level, again as opposed to organised crime, that's the only thing you can do - compare research done in other jurisdictions and attempt to parallel it. Yes, there always are flaws with all research, but that's the nature of research itself, and without research we wouldn't be sitting here today.

25 **MR FITZGERALD:** You just made mention of the study you're currently doing into the various offences. Tell me not the results of that, but what are the difficulties you're experiencing so far in the study?

MR DIMOVSKI: The difficulties are in looking at the nexus between the gambling
30 and the crime. Is gambling a cause of the crime? Is gambling merely a background factor? They're the main difficulties, establishing what crime has been caused by gambling and what hasn't. Usually you find that people that have committed certain offences have background problems as well. This is particularly the case with domestic violence. You can't necessarily say that just because one gambles, that has
35 caused the crime. So that's been the hard part, separating what crime has been caused by gambling and what crime - it's just a background factor that hasn't even contributed.

MR BANKS: You were saying earlier that gamblers provide pretty unreliable
40 testimony as to the connections of their gambling with crime. We heard today that it can be both ways actually, but what's the basis for you making judgments about the gambling dimension? Ultimately surely this information has to come from the person themselves, given that it's not recorded, as we've heard again today, quite often in court judgments and so on.

45 **MR DIMOVSKI:** That's another difficulty. We're only going on court judgments and court papers and bench papers and psychiatric reports. If it doesn't come up there, then obviously the figure will be unstated.

50 **MR BANKS:** All right. You commented on G-Line being based in Melbourne, and we've heard that sort of comment before, about their mistaking a locality and so on,

5 and you could sort of understand that. But it is essentially an information broker, so I suppose the biggest problem might be that they wouldn't know where to direct somebody. But you seemed to be implying that they had a bigger role than that. I just wanted to clarify that.

10 **MR DIMOVSKI:** My concern is the availability of interpreters. When people phone up the G-Line, they want help then. They don't want to be told to phone back at a certain time, and I think that certainly an increased amount of resources has to be pumped into this service to ensure that they get help when they need it. The recognition by gamblers that they've got a problem is a big step in their life, and they
15 can certainly regress if they don't get help at that point. That's my concern in that regard.

MR BANKS: The other point I was going to make, you talked about the recognition of a mental disorder like kleptomania. That's quite interesting and I
20 should have a look at that study, and the court doesn't recognise that. What's been interesting to us, I guess, as we've gone around talking to people is that a lot of people within the problem gambling counselling services don't acknowledge that either and would say that it is not a mental disorder and in fact find a definition for problem gambling that clearly takes it way beyond the realm of the person with a
25 compulsive disorder of a mental kind. That sort of complicates matters, because you're coming down into a subgroup of a broader defined group. Do you think that's having any bearing on the way the courts are looking at this issue or should have?

MR DIMOVSKI: I think you're correct in pointing out that the disorder doesn't
30 encompass everyone that gambles. I mean, I enjoy a bit of a gamble and I'm not compulsive in any way. Certainly compulsive or pathological gamblers are just one minute subgroup of all gamblers. I think what's interesting though is that from my experience, many of the people that suffer from pathological gambling also have problems with other addictive substances, such as alcohol and drugs. So an argument
35 could be raised, I guess - and I have no figures to back this up - that the nature of addiction as a whole is something that these people are suffering from, a compulsive disorder in that - - -

MR BANKS: Addictive personalities generally?
40

MR DIMOVSKI: Yes, sure.

MR BANKS: Okay, thanks for that. You made a point about the Crimes Act which I thought was quite interesting in relation to research and the need to report. There's
45 no time limit on that? I mean, if someone comes in the way of your research and tells you that 5 years ago they committed a crime to finance their gambling - - -

MR ASIMACOPOULUS: On my understanding of the Crimes Act and crimes in general, I don't believe there's a limitation period, but I can't quite be sure of that.
50 I think the answer is no.

5 **MR FITZGERALD:** One of the surveys that you mentioned was the domestic
violence one, and then also one in relation to divorce rates in Harrison County on
page 271. The statement there says that the number of divorces rose. Do you
remember whether there was any actual correlation? Did they make any correlation
10 simply say that after it opened there was this great rise but they didn't actually make a
cause and effect statement? Do you have any ideas?

MR ASIMACOPOULUS: In my memory this was quite a while ago and therefore
I can't give you an answer to that. I'd only be speculating. But in writing that
15 statement it's quite likely - in fact, it's a fact - that people read the research and
therefore - but the methodology itself as to the research, whether they did draw a
correlation or just a long bow - - -

MR FITZGERALD: Just a statement, yes.

20 **MR ASIMACOPOULUS:** But it's the research itself. I presume they did find it on
the empirical evidence. Actually there's a number of factors in every correlation.
Attempting to draw a correlation or causal connection between anything and
everything - there's obviously going to be a number of factors, but I'd have to look at
25 the research itself and get back on that.

MR FITZGERALD: So the studies you're currently doing - is it only the one in
relation to the committed crimes, the offences that have actually been proven? That's
30 the research you're currently doing at the moment?

MR DIMOVSKI: That's right.

MR FITZGERALD: You're not doing any other research just at the moment on
gambling?

35 **MR DIMOVSKI:** No.

MR FITZGERALD: That's fine. All right, that's good.

40 **MR BANKS:** I guess you've also got some study to do as well, being in your final
year honours year.

MR DIMOVSKI: Yes.

45 **MR BANKS:** Thank you very much for that. It's of great value to us, and for you
to have summarised also - just the fact that you've gone through these studies and
brought them together in a useful way will help us. As I say, we look forward -
perhaps if you get that research looking promising, to let us know at that point. We'll
keep it under wraps until such time as you've got it ready to publish or you let us
50 know.

5 **MR DIMOVSKI:** No problem.

MR BANKS: Thank you very much. We'll close the proceedings for today.
We're resuming tomorrow morning at 9.15 am.

10 AT 5.24 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 17 NOVEMBER 1998

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