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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 TUESDAY, 17 NOVEMBER 1998, AT 9.35 AM

Continued from 16/11/98

MR BANKS: Good morning, ladies and gentlemen. Welcome to this, the second day of the commission's hearings here in Sydney for its inquiry into Australia's gambling industries. I'd like to welcome our first participant this morning, Mr Norm Hooper. Could I ask you please just to give your full name and tell us in what capacity you've come here today.

MR HOOPER: I'm Norm Hooper. I come here basically as a member of the public, but I am a gambling consultant. I do it free of charge and I have great success with what I do.

MR BANKS: Thank you, and thank you for taking the time to come along here today. You've given us quite a number of publications of yours as well as a handwritten submission which we've gone through and looked at, and I notice that you make a particular emphasis on the importance of education in relation to gambling and gambling problems, the need for people to be educated, and you also have some points to make about tax levels in relation to gambling revenue and how levies should be used for education. I think health is another area where you see an important role for that revenue to be used.

MR HOOPER: Basically gambling education and hospitals are the two things that actually - I think it's the most specific thing that we all should consider. See, gambling is a tax that people pay readily. The government doesn't have to screw your arm to get you to pay it. You don't realise you're paying it but when people realise that - it can be worked out beforehand, you know, and this is why I specifically make so much emphasis on the mathematical probabilities that relate to casino two-up which is a practical gain, which I never realised until I went into it, against where if you played the same simulated game on a computer or with dice it is a spiritual gain, the spiritual university, a separate probability. Once at university where no-one can get any advantage - and no matter whatever you do, as Einstein said, if you can't win at level stakes you can't construe your figures up to win at all.

But on the practical side of it where variables bring into it, Einstein's wrong - or he's not wrong in one respect but he's wrong in relation to that, because I can prove as I gave you figures there that anyone can go down to the casino if they want and just take the results and they will see that five by ones or five by evens will come up within every forty examples within the tosses. So therefore 40 samples happens within an area of 13 spinners' turns to toss and of those 13 spinners' turns they average three spins each, which means a person that could back odds or evens, you can back both ways and by probabilities you should be where everything is equal proportion pro rata. The person that is backing on the anti-Martingale should be giving the Martingale person 1.6.

Now, this happens in businesses but people don't understand because they think that in business it's all spiritually related. I can assure you it's not and what occurs then is the average person that is involved in the practical side of it at casino two-up - the reason why I'm saying that, because it's something that is set in and nothing changes. There actually is a standard procedure. If you change any of those

procedures that they went to, you'll come up with a different probability expectancy altogether. Now, with spiritual probabilities you can't change nothing because once you change a spiritual probability it becomes a practicality of a practical event which is physically related and which happens in the real world phenomena.

This is what people had to get in regards to education and I can assure you once people know and realise this and are educated in relation to gambling they are still going to gamble but they will do it in a more responsible manner for recreation. You know, it's fun to gamble but (a) is not very funny when you go to gamble and you realise, "Oh, I've lost a few bob. I'll just have to Martingale and get my way out of it," or if you want to win money after a while you say, "Well, I've lost but all I have to do is double up. Instead of having one vulgar fraction unit I'll go to two vulgar fraction units or I'll go to a table that the maximum's higher, and the minimum's higher and also the maximum." But it doesn't work that way.

You know, the only way you can win in gambling is in the short term. You can win at the spiritual probability side of it but in the long term when you meet your boundaries you can't go any further and every time you meet your boundaries you should break even. That is what probability expectancy is all about. It's not winning or losing, it's about breaking even, and once a person breaks even then you say, "Hold on. Now we have to pay your commission," and I can assure you commission actually erodes and decays any bank, even in Kerry Packer. If you decide to back on a spiritual probability event - see, baccarat and blackjack is not spiritual related because they are physical contact and there also is a physical, practical probability in relation to it.

I could tell you that actually if you followed the - well, I will tell you actually. If you followed baccarat and you could play at home and you backed on the banker's side, the advantage you've got is 1.9¢ and actually your gambling dollar, every time you outlay your dollar you get \$1 and one-ninth of a cent back, which means overall you've got a 1.9 per cent advantage. People say, "Gee, I'm going to go to the casino and I'm going to play baccarat." But when you go there the tax is 5 per cent, so therefore automatically you're 3.1 per cent behind. Do you understand what I mean there? See, this is what - look, what I'm saying it should be with those young children at universities. Universities are not interested in what I'm saying because what they think, "No, we have got spiritual probabilities," and that is the basic principles of probabilities that are taught within all educational systems in Australia, in New Zealand, America, France, Germany, England and even in Scotland.

What they do, when anyone leaves school they think they're a clever little dick. But all they know, all they have learnt while at school, is the basic principles. They think they can do this and that and take an advantage of the unfortunate. Now, you can't take an advantage of the unfortunate in a spiritual related probability. All you've got is the weight of money. But when you go to a practical probability expectancy you can do it because your knowledge and awareness is just another means of cheating.

Now, one thing I'd like to state when we get to spiritual probabilities, there is a formula known as Formula F, which states that I can give you two to one against an even money chance and as long as you bet on the Martingale method, 1 per cent of your bank and your winnings on each bet and go until you win 1000 units that I'll pay you two to one about even money chance and you have got very little chance of winning because once you get to the sixth bet, after you've lost that, after six in the subsequent against you, you've only got probably about 34 vulgar fraction units left, if it's a \$1 vulgar fraction unit or a \$10,000 vulgar fraction unit. Once you get to that, you put it on the seventh and once you lose the seventh your 100 per cent's gone.

See, now people have to understand these things and this is what happens when you gamble. You gamble in the small term and you basically think, "Oh, good, you win in the short term." Sure you win in the short term, but I believe that all of us have got a probability related expectancy into us. You know that when you gamble you gamble different with a pocketful of money than if you've only got a few bob. When you've got a pocketful of money you look for the sure things and you put more money on them. When you come to a losing streak and you put your hand in your pocket and you've only got a few coins left, as for example in roulette, you're not looking for the even money chance or the six to four on chance and backing two columns. You're looking for the individual numbers to try and get your money back.

This is what happens through life actually. People start off, it doesn't matter how long you can win. Then you might say, "Oh, gee, we've lost on that. I'll go to Martingale and I'll up the ante. Instead of going to one vulgar fraction unit I'll back two and go on. Instead of reaching my maximums at \$400 I can go to \$1000." Now, incidentally actually what eventually happens, you lose a game when you meet your boundaries. See, there's boundaries - this is why casinos win. They've got boundaries that they keep you in, the minimum to maximum, and what happens: every time you meet your boundary you should be square less the 2.7 on roulette, the 5 per cent on casino two-up. But the boundaries within casino two-up, as I've mentioned earlier, they come up within 40 whereas in roulette it comes up within 64 if you're going for five wins in a sequence or if you're going for five consecutive.

Now, once casinos used to allow people to bet on five consecutive ones I recall, because actually I had a few wins on it. The reason why you have a win on it is because they were prepared to give you 30 to one against what is a chance of one in 20, you know, and they wondered why they couldn't win on it. In Western Australia - I never went over there but I heard when I was a member of the National Association of Gambling Studies - after I gave away gambling, because I believe in gambling the only way you can win is by luck or by being a cheat and none of us want to be looked upon throughout life as being a cheat.

Actually, unfortunately to say, I won at gambling. But the reason why I won at gambling, because the knowledge that I had was basically cheating other people, you know, and that's all it comes down to. You know, you've got people that are professionals. They know if you've got the knowledge and you win at gambling it's not cheating. Well, why isn't it? What's the difference of you having the mathematical

knowledge than you've got a dice or a penny that you got it doctored to suit you by mechanical means. Overall in the long term both are identical to each other.

Basically why I came here today is, I want to see in relation to Sir Laurence Street - I addressed Sir Laurence Street's inquiry and I made two recommendations or more than two recommendations. But the main two was that profits from casinos should go to hospitals. Now, Sir Laurence accepts that and also that there should be a levy placed on casinos to establish gambling education - and it was precisely what I'm saying to you today about the difference in casino two-up is why he could see that I was correct, because before I spoke a professional gambler, a Mr R. De Ville - I have only run into him once afterwards, but he got up out of the blue and he said professionals will not bet on casino two-up because the commission is 5 per cent.

Well, when you've got 5 per cent into 100 it's 20, so one in every 20 you lose in relation to head and tail and when you combine head and tail together, which is evens, it means that actually there's only 20 odds to 20 evens to each one by five. So once you come up to one by five, if you follow the Martingale method you're going to pay out 32. Even though you're going to win on 19 times you're going to win 19 by one vulgar fraction unit, but on your one out you're going to pay 32. Now, this is what the casinos were doing. They were basically allowing you to collect a 31 return on every time five by ones came up. The only thing they can do - see, because casinos are there to make money. They're not there for a benefit to society. The only reason why they pay money to society is because they have to. If they could get away with all that money in their pocket they will keep it in their pocket because that is the name of the game and they are just another business.

Now, due to what Mr R. De Ville said and what I said in my submission to Sir Laurence Street - as you people will realise, no matter how educated, qualified a person you go to, they'll say, "No, he's wrong. It's 3.125 per cent. The fifth power of 2 is 32 and it's 3.125 per cent," and that is the spiritual related probability. When you get 32 it's 32 of evens but then you've got the 32 odds. So therefore to get five odd ones on the computer you have to come up with 64 outcomes whereas in casino two-up you only have to come up with 40 and within that 40 - see, you have to win and lose to get five. You know, actually gambling is - when you go to the normal probability people say, "Oh, yes. Well, now the fifth power of 2 is 32. You win and you lose on everything." It's not specifically that easy. It all depends how you relate to - if you're relating to as in roulette where you've got the points, the 32 plus, all into the zero, the results or the events are compounded. Do you understand that?

When they are compounded they come up with 1, but when you go to bet on, just say for instance 1, on even money chance and you win - which is 1 and 1's 2, 4, 8, 6, then 32 - that is the spiritual related. But within casino two-up what it should be, I naturally - I would bet on the anti-Martingale method. I should give you 1.6. Now, when I give you 1.6, when you win - I'm sorry, when you win I give you the 1.6. But when you lose, you keep my 1.6 but you put 2 up and set 2 up on the next and by the time you get to the end you come up to - actually the probability of it's 40. When you get to 40 you divide it by 2, which means I specifically outlay 20 by 1.6 is equal to 32

and on the one that you lose, you lose 1 by 32 which means basically I picked up 12 vulgar fraction units profit.

This is educational, because once people are educated they will say, "Hey, I'm stupid. Here I am prepared to pay out 32 on one in 20 and I only want 1 vulgar fraction units over 20," and that is where the education comes out. People start to think, "Hey, I could win money on this." But the more people start to think and the more people know, they can't win money because everyone knows the same. Now, within some of that there I've given you - well, I might have there that I'm going to give you afterwards - there's means. I could actually play banker with you under certain conditions. I won't touch the guards and you would be 100 per cent certain of losing.

You can toss with fair coins, as I'm saying now, in casino two-up, and if you've got set-down positions you can own the coins. You can spin the coins and other people can spin it and I don't have to go anywhere near them and I can win because I've got the knowledge and the awareness of the mathematical probabilities. Once we can teach this to our children, they will become aware of it.

You know, people think that, just because you've got a coin and toss it, it's even money heads and even money tails. The only time that a coin is even money heads and even money tails if you pick it up at random and toss it at random; you don't have to spin it. But once they say, "No, here, get this bit of wood, put one head and one tail and you toss it and if they're not both spinning we go round the bar then." You come up to what you know as a practical real world phenomenon. This is the reason why: basically what it works down to is if you multiply 1 by 2.1 to the fifth power, you come to 40.84. Naturally enough, that is the probability of that eventuating and, naturally enough, we know if you're aware of it that within that 40.84 you're only losing half the time or you only lose on round about 0.95 to 1.05 - all depends which way you go.

If I had university students I could explain that more fully, because they have to sit down and take notice. If you've got people in gaol they have to sit down and take notice. But when you've got people out in the real world phenomenon and they want to win, they're not worried about what you want to say about gambling because they've got their own set mind and they know how they can win because they've seen it. As I state there, they win. 19 out of 20 on the one out that they lose, they put out 32.

Why I'm so involved in gambling - I've been involved in gambling nearly all my life. I've been an SP bookmaker; I've been a racehorse trainer, owner; I've been a greyhound breeder and raced greyhounds; and I've been successful in nearly everything I've done. But what I realised, when I was at Oberon and I used to run the two-up game over there, there was only 2000 people - that's man, woman and children and a few dogs - in town. That was the population, 2000. Yet the money that we used to get in boxes and commission at that game was more than what it cost to run the local hospital, in two nights a week.

People say it's unbelievable. They don't realise that when they go and gamble - they say, "Well, we're only going to gamble," but they go to these 1-cent and 2-cent machines, which are good things for clubs, because people like myself - I play them at times, but I don't play 20 by ones or 20 by twos; I play one by one. I get my fun out of it and I do get my wins, because what I do, I go for - I lose, don't get me wrong, but I get my entertainment value because I go to see how long I can go and double up to five. I don't want to educate people how to gamble, but when people become aware of how to gamble and they realise that (a) they only way that they can get a tax out of a poker machine is before you gamble but (b) when you gamble it's even money. But you have to lose your money beforehand. You have to risk your money before you get that, and that is one good thing about it.

Incidentally, even though casinos at one stage lost heavily on the five by ones, clubs also lost on poker machines legally. A girl that I was actually - I wasn't counselling her but she used to come to me if she ever wanted to know anything about probabilities. She said, "Norm, I believe I can win on these 5-cent scatter sevens." I said, "No, you can't," the same as I said to everybody else. But she said, "Hold on," and I listened to her. I got my calculator out and I said, "Yes, probably, when the jackpot is over \$80-odd the odds are in your favour because it escalates as the money goes in, but someone else can also win it as well." "No," she said, "I go down when it's quiet and everyone actually has nearly gone and there's no-one playing." Within 2 weeks she won \$2000.

But then what happened is once the club realised that this one person was getting all these scattered sevens they withdrew the bank of machines, because they can't allow a person to be able to win. All she had to do is put in - if she put in 5 cents she got the same value back as a person that put in \$1.75. So the person who put in \$1.75 gets \$600. The odds are straight. Events through life - I trained a dog that won at Lithgow, where they used to have a tote. It was seven to two second favourite. It won, but it was 200 to one on the tote. No-one backed it. Why I'm saying it was 200 to one on the tote, they had to pay out the second dog. If anyone had put 50 cents on it they would get their \$100 back for the 50 cents, but if they put \$100 on they would have only got even money.

See, what people have to understand, "Gee whiz, you can win. Not this thing, it's 200 to one or it's 66 to one." You read of these people that offer these systems, and they can show you books and records, "This thing won at 16 to one." That's our method, but if you had 50 or 60 people putting \$50 each on it that 30 to one chance would probably only start at six to one. This is what people have to learn in gambling.

MR BANKS: Yes. We've talked quite a bit now about the educational side of it. We've got another 5 minutes. I thought if you could just talk a bit about your ideas about the amount of tax that should be taken from gambling and how that revenue should be used.

MR HOOPER: Yes. I believe that gambling expenditure, that is, the money that people lose, is God's gift to society. I believe that actually at present in some areas the 60 per cent commission that the government allows the gambling institutions to take as a commission to collect the 30 per cent themselves is not big enough, because when the government gets 40 per cent or even as high as 45 per cent - in 1930 when machines were first introduced to clubs, the government hospitals used to get 45 per cent. The operator got so much and so much, but it didn't last long because it was illegal, but they did allow them in about if you read *It's a Mug's Game*, John O'Hara, you'd find that. I don't know what page. But actually with this money governments can do something. That money should be specifically earmarked.

Basically, to tell the honest truth, I believe that the \$20,000,000 a year that probably the casinos are paying for gambling education - I'm glad to see it go to the government because it's less that the casinos get, but it's not a necessity to have that much for gambling education. If we started in schools - those little books that I've got there, those books could be printed and if we could have double that size - I could put sufficient information in a book double that size and if the government would say, "We'll print this and we'll give everyone in Australia one of these books and we'll get the post office to deliver them free of charge," they could be done for about \$2.50 a book.

What we need is the media. We cannot have education within society at the present time without the media actually being involved, because whatever we hear, whatever we see and that, it's media controlled. I believe that, even if the government paid as an advertising for papers to print what the government wants people to know and not fairy tales, the real occurrences and the real facts - eventually I would say that actually people are going to get away from horseracing, because when people invest on horses the money is going into grandstands and racecourse tracks. If they bet on let's say lotteries and lotto, which are not as compulsive, the money goes into hospitals and education and people feel good. They don't feel so bad if they know they've lost \$100 and that \$40 of that is going to go to education or hospitals. But when they go to the racetrack and they lose \$100 and they know that the government is only going to get about \$8 out of it, the professional punters are going to get 3 or 4 or 6 per cent out of it, they don't feel so good, especially when they know the realities involved. There are 140-odd questions there you could relate to.

MR BANKS: Yes, we saw that.

MR HOOPER: That is out of Sir Laurence Street's inquiry. On 4.9 you've got there that:

New South Wales could perhaps initiate a joint program with other states and territories financed by casinos revenue from across the nation. The social service responsibilities of the Commonwealth could well result in its active support for such an initiative.

The only unfortunate thing that I've got - I'd say that is the correct way to go about it, but then what do they do? They give it to the charity organisations, and we saw one here yesterday. What he was concerned with is looking over your shoulder to see where the next 12 months' funding was going to come from. Actually, to tell the honest truth, I do all my gambling consultancy free of charge because I believe that, once money comes into it, you eliminate the purpose that you went about it in the first place.

All the people that I've consulted - the majority of them - have been to Lifeline and these types of things and they come back to me. I've got one person that consistently comes back because he keeps breaking out, but when he breaks out the only relief he's got is coming back to me. I even have to tell him - I won't mention his name - "Do you want your wife and children?" You know, I have to get realistic with him. "Yes". I said, "If you keep on going the way you are, one day you're going to go home and there will be no wife and children there for you." He said, "But I must win." He had won, fortunately, 200,000 on a \$5 scratchie when he wasn't a gambler. Unfortunately for them, he went into the building business and Skase got away with \$90,000 of his money.

This is what happens when these people like Skase and all these big entrepreneurs milk these people. We laugh and say, "It's good to see them do their money on the stock exchange," and all that, but it's not. There's a lot of little people get hurt at the same time and then, once they get hurt, their attitude towards life changes. One thing that I'm concerned about is if ever we get a credit squeeze in this country and a lot of people that own half a house find that they've got no job and no way other than the alternative that the bank is going to repossess their house, the only alternative they've got today is to gamble to try and get out of it, because if they lose so what? They're going to lose in any case.

MR BANKS: Good, thank you. Perhaps one more minute, if there's any point there that you still want to emphasise on the public transcript. I remind you that we've got your written material here, which we'll certainly go over.

MR HOOPER: Yes. There's one thing I wanted to bring up which I haven't brought up there which should be of interest. Over in American they've got their American Indians reservations. They've got the biggest casinos in America. Are you well aware of that?

MR BANKS: Yes.

MR HOOPER: I believe that similar should be done in Australia by Aboriginals. I married a part-Aboriginal girl. I've got 40 grandchildren or 32 grandchildren coming up. There's not much hope for them because everyone looks at them as dole bludgers. Everyone thinks that they haven't got the education. When they go to school they're brilliant when they're young, but when they get to the second-year term of their schooling the racial discrimination comes into it. We had it when we were children. I went to Catholic schools, and actually when I went to Protestant schools the religion

came into it. Actually, that's the reason why most young Catholic kids could fight so well. They had to fight.

But what I want to see and would like to see - over in America there was one instance where there was one reservation - big money people get behind it, because they lend them the money and it's nearly a certainty of getting their money in return. Within 12 months I think it was \$250,000,000 - that they built it and paid with in 12 months. What they do over in America, the Indians, the money they get from gambling, they provide their own government - like, there's no dole for the Indians. In fact, there's one tribe over there there's 150 and they're all millionaires.

But actually I wouldn't like to see that same thing come here. I believe that there may be four or five in Australia but I believe that the 500,000-odd Aboriginals or the people that are actually classed as Aboriginals should all learn. I do believe that a lot of money - irrespective they get it - there should be within the constitution that a certain amount of that money has to go into education - not so much gambling but education and hospitals. These are the two areas.

MR BANKS: I think that's a very good note to end on. Thank you very much for your contribution. As I said, we appreciate your giving us all this material that you've collected over a long period of time.

MR HOOPER: Now, I know that you haven't read that before this morning.

MR BANKS: No, we've gone through most of it, and if you have any further questions - - -

MR HOOPER: No actually, but what you will find when you go through it a bit further, if you want to get back to me I'm quite willing to do anything, because my Holy Grail in life is to get awareness as to what gambling is all about, to allow people to gamble, and clubs.

MR BANKS: Okay, thank you. I think we'll just end it there for the next participant.

MR BANKS: Our next participant today is Access Systems Pty Ltd. Welcome to the hearings. Now, could I ask you please to give your names and the capacity in which you're here today please.

MR TODHUNTER: Thank you. My name is Tim Todhunter. I'm the chairman of Access Systems Pty Ltd and I have today with me John Moss, who is the marketing director of Access Systems Pty Ltd, and Daniel Moran, who is the product manager of Access Systems.

MR BANKS: Good, thank you. Thank you very much for providing the submission; we've read it. It raises a number of interesting issues and I think usefully provides information on some of the things that others have raised with us so we may have some questions for you on that. But as indicated, why don't we start by you outlining the key points?

MR TODHUNTER: Yes, thank you. The company background of Access Systems is as a systems developer and the company has been in this area of Internet commerce and Internet software development for the last 7 or 8 years. We have some expertise in running Internet gaming on a points-based system for about 3 years. So we have quite a good understanding I believe of the issues with respect to security and playing and we have some experience in the volumes that are involved. We are not an operator as a casino or lottery operator. Our business is to service and to develop systems that provide what we believe will be the responsible, transparent, auditable and secure arrangements that are going to enable proper regulated and licensed gambling to be developed in this country.

We are specialising at the moment in developing in the licensed regulated gaming parts of the world. We are certainly not interested in having customers which are in the unregulated and unlicensed part of the world and we have three customers at the moment, one of which is in Europe. So our interest is also in exporting Australian technology to as many parts of the world as we can, but in licensed and regulated arenas.

MR BANKS: I understand from your submission that most other sites at the moment that are actually operating are in the more unregulated regimes. Is that correct?

MR TODHUNTER: That's correct, and I'll ask John to talk about that just in a moment, in his introduction. So our business we believe here today is in assisting or in facilitating an understanding on the part of the commission as to what is involved in Internet gaming and how it works, and what the capability is of the system to control, to be regulated, to enable proper security, to avoid under-age gaming and so on. So any questions you'd like to throw at us we'd be delighted to answer. I'd like to just ask John to talk about the current international activity which you referred to just now and then to go on quickly, briefly, to Daniel who can talk about our experience at this state in the regulation and the security and the audibility aspects, and then we go to questions which are the questions you'd like to ask us.

MR BANKS: Good, thank you. Perhaps I'll just let you know that this is background footage, not live video. Okay, thanks, John.

MR MOSS: Thank you. Gambling on the Internet has been available for some 2 years and there are currently about 200 sites where you can gamble on the Internet today and you can play casino-style games or lottery-style games, or also bet on the sports and horseracing. These sites are nearly all located in jurisdictions in the Caribbean and Costa Rica and places that apply different standards to probity and regulation and privacy to the ones that we're used to in Australia. Estimates of the current market size do vary. We're typically not dealing with publicly listed companies that have to accurately report figures. But the most recent estimates would indicate that the expenditure or revenue in 1997 was about \$US300,000,000, this year \$651,000,000 and next year \$1.2 billion. So we see an approximate doubling of the market every year and that's in line really with a lot of Internet and electronic commerce growth.

MR BANKS: That's despite the lack of regulation?

MR MOSS: That's despite the lack of regulation, and certainly the statistics indicate that the actual market potential is very much greater than that, but there's very significant levels of player concern over the fairness of the games, over the legality of what they're doing, whether they will get paid when they win and whether the operators are still going to be in business when it comes time to getting your money back. There's a number of examples of directly misleading behaviour on behalf of operators pretending to be people who they're not and so on, so there's a lot of player concern.

So what several governments and legitimate operators in Australia are trying to do is basically to provide a regulated, taxable, fair alternative to whatever is going on and this clearly gives them an economic opportunity on a global basis, but also provides the right level of player protection and fairness that we've really come to expect from professional gambling industries. So what we've tried to do in our system is provide those tools, and I'll let Daniel speak to some of those capabilities.

MR BANKS: Thank you.

MR MORAN: Thank you. Access is a development of the Internet gaming systems and technology - are performed in conjunction with regulators, operators and also third party testing agencies in order to provide the security that's needed, the audibility and the fairness to the player. Some examples of these aspects are encrypted which enables the scrambling of the data between the player and the system to reduce fraud or stop fraud, the ability of players to exclude themselves - and unlike Star City we don't need to concern ourselves with people wearing wigs and sneaking under the cameras - and the ability for players to, say, get detailed accounts of their activities in both the games they play and information about those games. I'm more than happy to explore any of these issues or other technology issues that you wish.

MR BANKS: Thank you. I think there are a number of issues there. But could I just ask your impression from your side - and I know that you're not an operator and you're providing the assistance, but do you see this form of gambling tapping into a new market, a market that isn't necessarily currently actively involved in gambling, because it's a technologically more sophisticated market?

MR TODHUNTER: Simply the matter of communications is going to enable a wider geographic spread of gambling. At the moment the physical gambling casinos and lotteries are dealt with through either the local stores or through the main cities. Obviously Internet gaming is going to be available to those who have a PC, anyone who has a PC and an account on the Internet, and they will have through their browsers all sorts of advertisements which will come through, as John has indicated, from 200 internationally managed casinos in these Caribbeans and so there will be nothing that's going to stop that. But it is probably going to spread geographically. Can you imagine there will be people who are geographically out in the sticks who would have that capability now and they would be initial customers? It wouldn't necessarily be a great quantum extra but it just spreads the communication capability.

MR BANKS: What about under-age gambling? I'll give you the opportunity to talk about this because whenever the question of the Internet is raised people almost invariably see that as a major issue that needs to be dealt with and as you may know, reports have been written and - - -

MR TODHUNTER: It's a very good question and it's one that has exercised the minds of the regulators here in particular, and I'd like to hand over to John just to give you a description of how it's done.

MR MOSS: Clearly both the governments and the operators have two things that they're very, very sensitive about and one is under-age gambling and the other one is people getting into financial difficulties. I'll just talk you through the under-age gambling and some of the measures that are being put in place to prevent that. The way that the system is currently configured for the operator who will probably first use it is that there are three levels of registration required for the player. The first level is referred to as on-line registration and what a player at that stage has to do is to identify them themselves by name. They have to say where they live in some detail. They have to put in a date of birth. They have to declare that they're over 18. They have to establish an account which typically they would do, a player account, and then identify some form of putting funds into that account, which may be a credit card and they have to identify - the address of the credit card is registered too.

They're then allowed to gamble only with very small amounts of money and those amounts of money may be as small as 20 or 50 dollars. So they can spin the wheel or do whatever it is that they want to do, having been through that level of check. What they're typically not allowed to do is to get any winnings back. So although you're allowed to play you're not allowed to get any money back and you can only play with very small amounts of money. To get to the stage where you can

have slightly larger amounts of money or to get any winnings back you're required to go through a stage which is known as age confirmed. So the player has to provide some physical form of identification, typically a driving licence or a passport which they would photocopy and they would have to fax that to the operator. It would contain their photograph, it would contain their address, it would have their signature, and they would have to countersign that document to say, "This is indeed me," and send that off.

What that then gives the operator, apart from the original "Here's my age, here's my date of birth", for a minor to sort of slip through the net they'd then be required to take a driving licence and forged signature and so on, and even in that case winnings are only made available via cheque and they're only made available to the address that has to be the same as what was originally registered, also the same was what was available on the credit card, also the same was what was available on the driving licence, and that can be independently checked by a means such as the electoral roll. So only the physical transfer of cheques to those players and if any more sort of exotic types of payment are asked for, like transfer to bank accounts, you have to go through a full 100-point check and identification by physical people.

MR BANKS: So what you're saying is then your system - if you'd allow these various hurdles to be gone through what they would provide for them. So it's technologically possible. I suppose you're giving the possibilities in terms of what could be done.

MR MOSS: Yes, this is the way the system is currently configured. It involves a series of manual processes and physical checks as well as what the system does and the physical checks are used in combination with the system checks to provide a high level of certainty that the player is of age.

MR BANKS: So in a way what you're saying also is that if a young person did manage to crack all that, in the end the cheque would go to his or her father or mother.

MR MOSS: Yes, that's right. There are also other methods. For example when you log into the system you can see - you are informed when the last time you played what. So if someone has been stealing your user name and password you can see when the last time they played was. When you transfer any money into your account you get an electronic mail. So someone using their father's account would have to intercept the mail for the winnings. They'd have to intercept the electronic mails. They'd somehow have to hide the fact that they were on the systems, a very high level of hurdles there to be overcome.

MR FITZGERALD: How different is that from the current arrangements generally around Australia with phonetab and what have you? Are these significantly higher-level threshold levels than currently apply to phone betting?

MR MOSS: I think there are some differences between different states on the phone betting so I can't give a concrete answer. But my impression is that the level of age verification in Internet betting is probably higher than that of phone betting agencies.

MR FITZGERALD: Just in relation to that, we've got the overseas operators and some legislators are talking about having, as you've described, a regulated environment in which Australian based service providers and/or other providers can access Internet or provide Internet gambling services. How do you actually exclude overseas operators who do not comply with this regulation from operating?

MR MOSS: It's really not possible to do that, there are so many of them and there are so many sorts of tricks and techniques. I think perhaps what we should rely on is the reputation of probity that Australian service providers have. I do not think it's technologically possible to disallow access to the existing sites.

MR FITZGERALD: We've heard a number of proposals from people indicating that this type of activity should be banned, and the response to that is what you've just given, that it cannot be actually physically banned. One of the suggestions has been that you would have to moderate the activity by way of control over the financial transactions, that is, to actually stop the capacity of a provider from suing for a debt through bankcard or MasterCard or what have you unless they were actually authorised in Australia. Do you have any other techniques by which you could moderate the activities of non-authorised providers?

MR TODHUNTER: The answer that we give on page 9 of our submission - and this is a sort of collegiate response from the members of the company that are involved in the technical side - is that there's no way basically that one can prevent a non-regulated gaming site from entering the Internet communications within Australia. There's just absolutely no way of doing that. There are jurisdictional proposals being put in the States which attempt to ban or attempt to declare illegal certain activities, but you can't do it.

It is recognised generally when John and Daniel and others have been to international conferences that this is just puffing in the breeze, because there's just no way that you can really prevent somebody getting on site. It's an international communication medium and you just cannot prevent people being offered - and if they wish to participate, if they wish to buy a book internationally from Amazon dot com they can buy a book, they transact that. If they want to buy a PC they can transact that internationally. If they want to play a game, they can transact that. There's basically no way of preventing it.

MR FITZGERALD: In that environment regulators may say that the conduct of the player is therefore regulated, is therefore made illegal, as is the case in Tasmania. Whether or not that is enforceable in any factual way is an issue, but we have lots of laws that are often not very practical in terms of enforcement. Therefore regulators who wish to moderate this activity via unauthorised suppliers would then have to turn on the player to try to moderate that behaviour?

MR MOSS: Yes, and the view of many of the regulators is that gambling is legal in many places throughout the world and telephone betting is legal, but to say something is legal over the telephone but illegal over the Internet to the extent that you'll prosecute the player is simply not reasonable.

MR BANKS: I believe that this is still an issue in the United States to be resolved, just the legality of it.

MR TODHUNTER: This is the Carle bill situation?

MR BANKS: Yes.

MR TODHUNTER: John, perhaps you can comment on the current status of the Carle bill. It's frozen at the moment, but our discussions, again in international fora and at conferences particularly between people who are the regulators in Australia and the regulating community internationally - privately they say there's just no way you can do it.

MR MOSS: Possibly the most reasonable - and I'm happy to provide you with it - was the justice department response to the Carle bill, which injected a note of sort of sensibility in some of the things it was suggesting and told Senator Carle that the prohibition by technological or making it legal means just wasn't practical and that they, the justice department, were not going to treat as high priority something that was legal over the telephone or legal in a physical sense but illegal over the Internet. It makes for a very interesting and a sort of sobering assessment of some of the more protectionist views. We can provide you with that.

MR BANKS: We would be grateful for that, yes.

MR FITZGERALD: I just want to push a little bit further on the protection side. I understand you're coming from a different angle but it's a good opportunity to ask someone who has some expertise in this area. In relation to the promotion or advertising of unauthorised services in Australia - and we haven't checked this - it is possible for the Commonwealth government to make regulations in relation to the broadcasting of materials. Do you have a comment in relation to the capacity of the Commonwealth government to legislate in respect of advertising and promotion of sites through the Internet - not the actual provision of the site but the actual advertising and/or promotion of it?

MR TODHUNTER: It's not really an area of our expertise, but my view would be that, in the case of broadcasting, broadcasting tends to be local and therefore the communication source is local, the communication site is local, and therefore it's within the Australian jurisdiction. In this case the site can be anywhere and the communication can go round the world twice before you get to the Australian ultimate consumer. Therefore one's in an order of dimension greater difficulty in the issue of authorisation or unauthorisation.

MR FITZGERALD: Undoubtedly these are the issues they're looking at in terms of pornography and other issues as well, which we'll be getting advice about.

MR TODHUNTER: Sure.

MR BANKS: We've talked a bit about under-age access, and I guess what you're saying is there are two dimensions to that. There's the initial logging on or becoming a customer and there are a number of hoops at various levels to do that, and then there's the second stage of pinching your dad's credit card or getting into the system somehow. I suppose people have typically talked about the second rather than the first. If you had to say, which of the two do you think is more watertight in terms of precluding under-age access?

MR MOSS: We try to put as many hurdles as possible, as I say, whether it's the provision of on-line information or the provision of physical information or the stopping of any payments if people win or the various warnings that go to the legitimate owner of the account. There are really so many barriers to under-age gaming there that you might question whether if someone under-age seriously wanted to gamble on the Internet they could very well be attracted to several of the sites that operate today that don't provide any such protection. So where there are no barriers put in place why would they try and overcome the very substantial barriers put in place by legitimate operators?

MR BANKS: It's sort of a rock and a hard place for them in a way, because if they gamble domestically any winnings would go to the parent, but if they gambled offshore the guarantee of getting any winnings anyway would be relatively low.

MR TODHUNTER: Yes. I'd also like to raise this issue of the two different physical means, which is very important. There's not just one single channel where you get the authority through; there is the physical faxing and photocopying of legitimate documents which has to back up that security of going directly through the Internet. So there are two means, in other words, of proof that the individual who's actually doing the gambling is that person. There's the physical side of having to fax something through to the source, to the operator, as well as being required to go through the probity within the system itself.

MR BANKS: Just to get back to my earlier point, would you see these provisions being regulated? I mean, they're obviously in your system but there may be other systems available. To what extent should these things be required by regulation as opposed to sort of self-regulation?

MR MOSS: I think that our experience is that the operator and the regulator in the different jurisdictions in Australia spend some considerable time and effort thinking about these regulations and put very high standards on us as a supplier to make sure all these types of features, both for control of the financial aspects of what goes in and out of the system, and the registration and identification replace. So I think they are a

matter for regulation between the regulator and the operator in the individual jurisdiction. We also are required to go through probity procedures in the jurisdiction that we're supplying software into and we accept and agree with that level of probity requirements and think that all participants should go through both the probity and proper levels of regulation.

MR BANKS: Okay. If I can just come to the second part of that. As you know, we're looking at the economic and social impact, so clearly under-age gambling is one important social issue. Another one simply is problem gambling and, if you'd been here yesterday, we had quite a bit of discussion through the day and no doubt will continue to have on that. A lot of it is in the context of gambling in physical facilities rather than on line, but generally people raise concerns about on-line gambling as perhaps an even greater danger to problem gamblers than other forms because they don't even have to leave their home. There's less scrutiny, less discipline, less constraint. So I'd be interested in what you think the features of your system are that relate to this issue.

MR TODHUNTER: Can I just comment before handing this over to the others? Firstly, the issue of scrutiny and discipline is I think a misleading impression of Internet gambling, because the system we have developed together with the regulators here and the operators has, we believe, a much higher level of preparedness in terms of scrutiny and discipline, both discipline for the operator as well as discipline for the individual - self-discipline and self-control. We are not experts in problem gambling, although we do understand that the significant proportion of problem gambling tends to happen at the pokies and the social and physical environment of the ambience within a pub with the pokies and within a casino is important in creating that temptation to go a little bit further than you would normally do. But we're not experts in that. But getting back to the question of the issue of security and discipline at home, so to speak, can I hand over to Daniel.

MR MORAN: First I'd like to make one pretty strong distinction between normal types of gambling and gambling on the Internet, and that is the amount of information and control that you have over play on the Internet is far greater than you do through an anonymous person betting in the casino. Some of the features in the systems that can help control these issues are things such as bet limits - a player can only bet to a certain limit. You could also call them loss limits, but this is a regulator issue and a regulator can stipulate a maximum loss limit of \$100 a week, for instance. The player can then decrease that limit by himself but he cannot increase that limit. They can apply to the operator to increase the limit, and the operator could then go through verification. They could review some of the data that's been collected on the player's habits to determine that they don't have a problem.

Another issue is self-exclusion. Self-exclusion is available to the player. The player can self-exclude themselves and once they self-exclude they can no longer play games on that site. They can be self-excluded by the regulator. So in some jurisdictions - and actually within the draft national model, the ability for the regulator to exclude players is available. So the regulator informs the operator that this Joe

Bloggs no longer wishes to play on your site, and that information is put into the system, and also there's automatic exclusions for - for instance if someone does try to break into an account and they put the password incorrectly a number of times or a credit card and they put in a fraudulent credit card and that's checked on line to ensure it's cleared funds, that would also cause an exclusion.

MR BANKS: I think the point earlier about the wig was once excluded, pretty hard to put a wig on and get back into the system.

MR MORAN: Yes, exactly. There are other methods such as player history. A player can determine over time their playing habits. They can see exactly what they've played, what they've bet, what they've won, what they've lost, where they've been playing, and likewise so can an operator. Though we don't have the functionality in the system at the moment, we do have all the data. So we could go through looking for certain patterns and act on that information.

There are also software products available which is more aimed at the minor issue that a parent could put on the PC to ban their children from getting to certain sites, and these sorts of products are typically used for sex-related sites, but they could also be used for gambling. So that is an education/parental issue. They are some of the issues that we are dealing with.

MR TODHUNTER: Just a very brief addition to that, the power of analysis from the data that is collected of who can play what games when, over what time, how much they've bet enables a much more extended capability to do some research into what is the cause of gambling, what are the games that cause people to be addicted, and Access Systems would be very interested in participating in this sort of research because it really I think can enhance the capability of understanding the issues of problems gambling beyond those that are available at the moment in normal casinos and lotteries.

MR FITZGERALD: Can I just raise a couple of issues that have already been put to us over our informal visits around. One has been that the actual control the gambling product, the actual software is not able to be secured in the same way or to the same extent that the physical capacity we currently have, be it in lotteries or be it in poker machines or anything else. You assert in here somewhere that in fact that is not an issue; that in fact the integrity of the actual game - the gambling product - can be as secure if not more secure. Can you just explain to me in simple terms why you assert that and others assert differently?

MR TODHUNTER: I don't know what others were asserting. I presume that they would be asserting that when you download a game onto your own PC then you have the capability to manipulate that software to your own advantage or change it in some way, and the security of that particular game is therefore lost. Can I hand that situation - - -

MR MOSS: Can I tell you the sort of intro? Most of the people who would make that assertion, clearly it is a fundamental tenant from the operator and the regulator and ourselves that the games can be made secure. So we have been working with regulators and operators for about a year and a half to make sure that that is indeed the case. All of the game determinations take place in secure environments, and we have had so far just this year five independent security organisations review that integrity and security of the game, and it's a non-trivial task to make sure that that is indeed the case, and it also has to be continually reviewed in the light of advancements in some of the people who would try and break this. So I'll let Daniel talk a little bit about the technology aspect of that.

MR MORAN: One of the key points that was just mentioned is the game determination. The game determination actually occurs in what I'll call the back end system which is behind devices called fire walls. Now, the fire walls stop people from being able to get to that side of the system. If someone did manipulate the front end or part of the program that is actually on the computer, they could not actually affect the game result or the game determination.

We have in place mechanisms, as I said earlier on, to encrypt the data, and the specifications that we use are similar to if not stronger than what banks currently use on the Internet, and that effectively stops me from eavesdropping or listening in and trying to modify information as it goes between the player and the back end. There is also security aspects inside from the operator's side of the system, and we also have to take into account what we call access levels. So if I'm a clerk, I should not get access to the financial information I should not be able to modify someone's purse or their account to give themselves a little bit of a top-up.

At the same time, sensitive functions within the system may need dual authorities. So two people have to actually put in their own individual passwords to gain access to those sorts of functions.

MR FITZGERALD: To what extent have the regulators currently dealt with that issue because part of it is not only what the player can do or what an outsider can do in terms of manipulation, but part of it is a distrust to the service provider. I put that in the context that if you go into a casino at the moment, 90 per cent of the controls are about making sure that the provider is in fact playing a fair game, not just the gambler. So far what has been the position in relation of that security against the provider manipulating the system?

MR MOSS: With the licensed operators that we're dealing with now, they clearly have to go through probity in their own jurisdictions and the additional staff that they have working on this have to go through that. The premises where they actually operate the computer systems were under camera control. The fire walls are in locked rooms which in some cases can only be opened with joint passwords with the government, and they are very sensitive to the potential of internal staff manipulation of the system.

MR TODHUNTER: Also there's the additional issue of auditability. There has been very extensive work done within the functionality of the system to ensure detailed auditability of exactly what goes on, when it goes on, how it does on, what the results are, being able to analyse those results and match them with what should occur, and those reports are provided regularly - monthly I think - to the government regulators, too.

MR BANKS: So the gambler could have access to information about their own gambling activity?

MR MOSS: The gambler has access to - if you play a game of blackjack 2 weeks ago, you can see to the second what you originally got as your first set of cards, what the dealer then got as their cards, what your next card was, what the dealer got, what you then chose to do, and what cards you got and what the dealer revealed and whether you won or you lost, and every single one of those transactions is recorded and available to the player, and they can see by the second every move they've made and every game they've ever played.

It can be a little overwhelming for the player to sort of think that every single thing they do is recorded. One add-on to what Daniel mentioned before is that every single transaction that goes through the system by a player as well as being recorded in the system is also transmitted off-site typically to a government department. So the government have got an independent record of every transaction that has ever gone through the system on their own systems and computers which they can look at and analyse in the event of any dispute.

MR BANKS: This point about extensive records, I think that has relevance to the under-age gambling problem as well, doesn't it, because presumably the parent could log in, see what activity they have been involved in over a period of time. They might discover there was a bit of activity that they don't recall and take it from there.

MR TODHUNTER: That's right, yes.

MR MOSS: Mr Fitzgerald, did I answer your question before?

MR FITZGERALD: No, that's fine. It's an area which we need to explore further because as I say you get contrary views about that level of security, so that's fine.

MR TODHUNTER: We'd be happy to continue dialogue because obviously when you get referred a question, we may not be answering the right question, and if you'd like to cover that later, we'd certainly be happy to do so.

MR FITZGERALD: No, that's fine. I just want to talk about regulation generally, and it's not in your submission and you may not have a view on it, but do you have a particular view about where regulations should sit in relation to Internet gambling? If I just preface that, it strikes me that with Internet gambling we're talking about an international marketplace, certainly a national marketplace. Gambling Australia has

traditionally been territorially based, state based. Do you have a particular view as to where regulation should sit in relation to Internet?

MR TODHUNTER: Our belief is that one shouldn't distance the regulation from the practical control, and the control is in the territory. Whereas it is very important indeed for there to be commonality and very strong liaison between the various territories that are licensing and regulating, our belief is that you get better ownership and therefore better control, and it is better therefore to retain the regulatory aspect within the territories of control and licence and certification.

MR BANKS: Are there aspects of the draft national code or agreement that you would like to comment on? I don't believe you made much comment in your actual submission. We have another submission from the On-Line Gambling Association of Australia. There's a couple of pages on that, and we will discuss that with their representatives, but just give you the opportunity now if there were any - - -

MR TODHUNTER: It's not really our expertise. I think it's more a legislative issue for people to have that bit of background, and I think we'd prefer to leave it at that.

MR BANKS: Could I just ask you though in relation to use of credit cards with your system, would that significantly increase the security risk or could systems be devised to make that as safe as sort of the bank account-type approach that you're using?

MR MOSS: Yes, the system does allow - the matter for what types of payment into the player account are allowed is a matter for the regulator and the operator. Our system does allow for a transfer from cleared credit card funds which are cleared on line to the account if that's required, and that transaction which we do through the National Australia Bank secure system using a secure Telstra network is absolutely secure.

MR TODHUNTER: You can never say absolutely secure.

MR MOSS: It is absolutely secure as Telstra and the National Australia Bank and ourselves and the regulators and the operators and everyone else can make it.

MR FITZGERALD: You mention in your submission at 5.3.1 about the payment systems, and you refer to a number of them. If I can just ask questions. You mention here pre-paid parts. One of the concerns in relation to one of the reports presented on Internet was that anonymous for example - and you're not suggesting this, but anonymous smart cards or pre-paid cards should not be allowed in relation to use of the Internet. Just in relation to smart card technology and that generally, what risks does it pose particularly having in mind I suppose the problem gambler on whom obviously a lot of our focus is given - of those various transactional forms, are there some of those transactional forms that should not be encouraged or permitted with the Internet or are more risky than others for the player?

MR TODHUNTER: Our answer would be that we will fit in because we wish the system to be absolutely top quality, transparent, secure, auditable, and if the banks, the regulators and the operator or any one of those three are unhappy about a particular form of credit transfer into the electronic purse, we would not touch it.

MR FITZGERALD: All right. But can I just ask another question. In relation to these various forms you can achieve all or any of them if the regulators and others require them within your systems technology?

MR TODHUNTER: Yes.

MR FITZGERALD: But again, are there particular risks in any one form of those transactions that should be of concern to the commission - and again you may wish to just leave it to the answer you've already given. But are there particular issues in relation to any of those that we should be aware of, from your point of view?

MR TODHUNTER: I wouldn't say that we can comment on that. We can certainly tell you what we have done at this stage with the regulators and with the operators and with the banks, so we can tell you where they are at. But in terms of commenting on the security of others we are willing to go to those, but only if the others are - - -

MR FITZGERALD: Yes, I understand.

MR MOSS: I should perhaps point out that the reference to prepaid cards in this context was not smart cards.

MR FITZGERALD: So what is it with reference to? What is "prepaid cards - - -"

MR MOSS: The reference in this particular case for a client in Western Europe who are a lottery provider and sell lottery tickets, what they wanted to be able to do was to have prepaid cards available with lottery tickets in physical newsagents that you would use as a sort of form of putting a payment into the system.

MR FITZGERALD: So just explain that to me more fully. The punter buys a prepaid card similar to a phone card for X amount?

MR MOSS: Yes.

MR FITZGERALD: What then occurs?

MR MOSS: They then use - if you buy a lottery ticket today for example you may not notice there's a very long number on that lottery ticket which you use for sort of identification type of purposes - is if you bought a prepaid card for \$5 or \$10 you then enter that number with some form of verification to the system and that would effectively give you a credit for that number.

MR TODHUNTER: That could be a junior, could it?

MR MOSS: It's a very much simpler form than smart cards. There are a number of issues involved with smart cards which we have not yet addressed and they're not an accepted form of payment at this point.

MR FITZGERALD: So that prepaid card would be in a sense what I've just referred to, which is almost an anonymous form of payment. Ignoring all the registration processes you buy it. It's almost anonymous and that you simply can use it.

MR MOSS: This particular client, although it's a somewhat anonymous form of payment it can only be used in conjunction with an account which is verified in a number of other ways.

MR FITZGERALD: And it's that to which I was referring before. Then going to your payment limits, your payment limits or your bet limits, sorry, you're saying that the technology is already available for you to be able to restrict a player to, for example, a \$100 per week loss and it can actually cut that person out once that limit is reached.

MR TODHUNTER: That's right.

MR FITZGERALD: Can you just give me any examples of what the regulators have done in relation to bet limits so far? Have they imposed bet limits?

MR TODHUNTER: In our first practical example, yes, they have and it's not clear to me whether the regulator has imposed that on the operator or they've just agreed it between them, but between them we've been requested to put in a particular default for those bet and loss formats which is quite low.

MR FITZGERALD: And the only way that a player can overcome that bet limit is if they go to a new level of authorisation, if that's put into the system or alternatively it cuts out until a certain period of time has elapsed.

MR TODHUNTER: The way the system is currently implemented is that the player can only reduce their bet or loss limit.

MR FITZGERALD: Yes, they can't go beyond it.

MR TODHUNTER: Can I make an observation on something you said before, about it being an information market?

MR FITZGERALD: Please, yes.

MR TODHUNTER: And that is very much the case. There are some 120,000,000 people using the Internet today, of which about 3,000,000 are in Australia. So there's very much an international market and some of the overseas operators understanding the standards that Australia is putting in place are even trying to pass themselves off as being Australian-based operators where they clearly are not and one of the more interesting sites is called Casino Australia dot com. It has a picture of a koala bear and an Australian flag and a Sydney backdrop on the front and it is clearly trying to pass itself off as an Australian site. In fact it's based in the Dutch Antilles and run by a nominee company that you can't get to the bottom of who owns it. So this is happening now.

MR BANKS: That's very interesting. Could you make a copy of that available to us? I mean, it raises that bigger issue that we touched on earlier about the extent to which regulation is important in this area. I mean, there are pluses and minuses about all forms of gambling but what some people are saying to us is there is in a sense a competitive advantage potentially for Australia if we get regulation right in this area.

MR TODHUNTER: That's right.

MR MOSS: We can also provide you with some research that essentially says the introduction of Australian operators to this market and the level of trust and protection that that will bring will grow the market quite substantially and the vast majority of that growth will be from overseas players.

MR TODHUNTER: There are two advantages that we see as a company. One is that the market will grow in terms of exports for our customers and another is that it brings to Access an opportunity to export the system as an authorised, certified system. We see the company being potentially an international company in this particular field.

MR FITZGERALD: Just in relation to taxing then of this - I don't believe in the submission, although I may have missed it, you've mentioned the taxation of this, other than as a heading. Do you have any views about the way in which Internet gaming can be taxed or the problems that are associated with it?

MR TODHUNTER: No, that's not our expertise.

MR FITZGERALD: No, that's fine.

MR MOSS: We do provide the data so that the tax departments can organise that how they wish.

MR FITZGERALD: Obviously at the moment we already have this issue in relation to phone betting and that generally. You can clearly record where the bet is made as well as where the bet is received; in other words, where provider exists and so on and so forth. So yes, that can be tracked. Okay, thank you.

MR MOSS: All right. Well, I have no other comments. Thank you very much.

MR BANKS: Thank you very much participating. It's an area that I think we will be focusing on and we may well want to get back to you as we learn more about some of the questions themselves.

MR TODHUNTER: By all means.

MR BANKS: Thank you very much. We will break now for a moment before the next participant, thank you.

MR BANKS: Our next participant today is the Australian Hotels Association of New South Wales. Welcome to the hearings. Could I ask you please to give your name and your position with the association.

MR CHARLES: My name is David Charles and I'm the chief executive of the Australian Hotels Association in New South Wales.

MR BANKS: Thank you for coming along today and providing the submission. We've both read the submission and there are a few things there we would probably want to discuss with you, but we'll give you the opportunity to highlight the main points that you want to make first.

MR CHARLES: Thank you, Mr Chairman. If I can just outline some points that we think are of vital importance to this inquiry and give you a little background to where we've come from and where we think we're going. Gambling in New South Wales has a long history dating back to the arrival of the first settlement. Gaming also has a long history, with the introduction of the first legal poker machines in New South Wales in 1956. Total gambling turnover in 1999 will exceed 40 billion and will probably be closer to \$45 billion, although the actual spend figure or loss will be around \$5 billion.

New South Wales is a very mature gambling and gaming market. Indeed, it is the second-biggest gaming market in the world. Unfortunately, after the introduction of poker machines in 1956 we saw the development of a club movement in New South Wales that wasn't foreseen and is not duplicated anywhere else in the world. The explosion that we have seen in particular over the past 15 years will see registered clubs gaming in New South Wales turn over approximately \$26 billion, with around 10 per cent of that figure being retained as gross profit. The club movement has used this massive amount of money to cross-subsidise their businesses heavily so that much of the club movement's food and liquor is sold below cost, and also advance moneys into businesses to compete against the private sector while virtually paying no tax. I'll say more about the club movement and it's role in the gaming industry and the taxation issue generally later.

The hotel industry in New South Wales was granted what are now known as the card machines back in 1984. This was a very minor operation compared to the 60,000-plus poker machines in registered clubs. Indeed, it is over 66,000 today. In November 1996 the state government made a decision that allowed the introduction of poker machines into hotels, albeit in a very restricted way. Poker machines commenced in New South Wales hotels on 1 April 1997.

This brings me to why the Australian Hotels Association New South Wales has placed a submission before the inquiry and sought to appear today. Hotel gaming since April 1997 has increased dramatically from a declining annual turnover of around 1.9 billion at the time to near 11 billion in 1999. The turnover figure in New South Wales hotels is substantially higher than registered clubs. This relates to the niche market created by the hotels and the general entertainment provided to patrons,

which includes a quality gaming experience. However, it is with the interests of our 2000 members in mind that the \$11 billion turnover figure already mentioned and the approximate half billion dollar refurbishment that is present under way in New South Wales hotels that compels our appearance before you.

Whilst there are a number of aspects before this inquiry, the AHA (New South Wales) believes the two major issues for the inquiry are taxation and the social aspects of gaming generally. The AHA doesn't believe that the different state and regulatory requirements are necessarily at issue in this inquiry. The state of Victoria operates under a duopoly through Tattersalls and Tabcorp. However, New South Wales on the other hand operates under a different system altogether, with the club or hotel owning the gaming machines. I would think that the states will not want to revisit their basic gaming structure, and the AHA in New South Wales doesn't think that the basic state structures of operation are necessarily at issue during this inquiry, although I will touch on it a little later.

The social aspects and problem gambling on one hand, and taxation on the other, whilst quite different issues, are also interrelated. The taxation or lack of it of a club or hotel can directly relate to moneys available to government, the amount of money that the industry reinvests in itself and the community at large. May I look at the question of taxation. As stated in our submission on page 12, the registered club movement in New South Wales will turn over some \$26 billion in gaming in 1999. New South Wales state gaming taxes for clubs are substantially below those in other states and the hotel industry in New South Wales. Indeed, if the club industry in New South Wales paid the state the same state gaming taxes as hotels, the state government would collect a further \$307,000,000.

As you can see from our table on page 12 of our submission, the major state and federal taxes paid by the clubs will still see them with a near \$2 billion net profit. The hotel industry, on the other hand, from its \$11 billion turnover after various taxes will net only \$171,000,000. Indeed, our table on page 8 of our second paper, titled The New South Wales Club Industry, gives the stark reality of a New South Wales hotel and club with a gross profit of the same figure. A \$1,000,000 gross profit in a club will see that club retain \$780,270 after the state gaming tax and federal company tax, whilst a hotel will retain only \$443,200. The massive difference of \$337,000 for every \$1,000,000 profit must go somewhere. Indeed, it goes into subsidising the clubs' other activities. As we show in our 1996-97 survey of 30 top registered clubs in New South Wales, the Bankstown District Sports Club lost over \$1,000,000 on their food operations in that year.

How does any food operator, be it a hotel, restaurant, cafe or caterer, compete with the club down the road is deliberately losing that amount of money on its food operation? The short answer is they don't. Trying to find good restaurants in Penrith, Bankstown or Canterbury is a full-time job. In other words, the hospitality industry has been put out of business by unfair competition.

Further, these billions of dollars are received annually, I must say we are talking about amounts of money over a decade equal to the size of the entire New South Wales budget expenditure or about half of the combined budgets of the countries of ASEAN. The massive amount of money has not been put back into servicing the community, charitable community organisations or research into problem gamblers and like issues. These vast billions have gone into bigger and better marble staircases within the clubs and the branching out of many clubs into other businesses. As we state on page 10 of our submission, and it is worth repeating here, Mr Chairman:

Many clubs have entered the commercial world by operating businesses in accommodation, gymnasiums, hairdressing salons, butcher shops, cinemas and a range of activities that have sent many small businesses in the state of New South Wales to the wall, whilst their external community benefit has been minimal.

Indeed, Penrith Panthers has an application presently before the Penrith City Council to build a multiscreen cinema complex. This application is being fought by a number of people, but the first time a major corporation is involved, that is, Hoyts. Hoyts have a multiscreen complex operating already in the Penrith area, and basically the figures show that if Penrith Panthers are allowed to operate a multiscreen cinema complex the Hoyts complex will probably not survive. Of course, you don't need much imagination or wit to understand that some screenings at the proposed Penrith Panthers complex would attract free entrance.

There is no magic wand for a better world, Mr Chairman, and the Penrith example typifies that exactly. All we have seen at Penrith is the slow decline of the Penrith CBD and a shift of resources to the "Penrith Panthers CBD". At the end of the day society is no better off. In fact, the community is worse off because many small businesses have gone to the wall and many of their employees are probably receiving federal government unemployment benefits. As part of our submission you will note the short paper from Mr Kevin O'Rourke from Firmstone and Feil, who by simply placing the club tax against the hotel tax minus community donation from contributions, determines that rather than obtaining a community benefit from the club industry we in New South Wales are seeing a massive community subsidy to the club industry. It is also worth noting that the 11 clubs surveyed by Mr O'Rourke - their community contributions total 6.07 million, the subsidy in taxes is 20.33 million and the net community benefit, or should I say loss, a loss of 14.3 million - just from 11 clubs.

One of the attachments to our New South Wales club industry paper is an article by Colleen Ryan, writing in the Financial Review of 7 June 1996. I must apologise, Mr Chairman: in the slip-up of getting the CD ROM from the Financial Review they left off - and we didn't pick it up - the last page, which is about the last four or five paras, and I just table that. There are copies of the last couple of pages. I think you have informally received our submission to the state inquiry. That one is intact but unfortunately there is an extra page missing from Ryan's article in the submission we've given to you. Indeed, the last four or five paras are very

illuminating. I recommend that the inquiry members read the whole article, as it's most informative. However, the last couple of paras are most enlightening when Ryan having interviewed the former chief executive of the Registered Clubs Association, Mr Keith Kerr, states:

Kerr also claims that the clubs make community donations of up to \$700,000,000 a year. This figure appears extraordinary until one looks at the registered clubs' definition of "donations". It includes any buildings, refurbishments and renovations.

Further, the last paragraph of the same article is compelling reading for everyone when Ryan shows that the external grants given by clubs a few years ago was \$8858. The top 20 clubs averaged \$30,427. I repeat that: \$30,427 from some clubs turning over up to \$100,000,000. At the same time they spent on average 213,000 on new buildings, 251,000 on refurbishment and 237,000 on poker machines annually - and, of course, Mr Chairman, it's all for the community benefit. All of this now leads to the mutuality principle and the fact that most clubs pay little or no company tax. I suppose the last point of our submission on page 17 summarises the position very well when we say that the clubs, "run food, beverage, accommodation and other businesses and services at massive losses to minimise taxes for state and federal governments."

In 1996, Mr Chairman, the situation can best be illustrated by once again looking at Penrith Panthers Leagues Club, with a total revenue in excess of 66,000,000, yet they only paid \$73,000 in federal tax. That was in 1996-97. This year Penrith Panthers will turn over around \$100,000,000, but I can assure the federal government that they won't get much more than the \$73,000 mentioned previously. The hotel and hospitality industries, however, had a breakthrough in 1995 when the House of Representatives Standing Committee on Banking, Finance and Public Administration released a report titled Taxing Relaxing. The committee's recommendation at 3.57 of their report stated:

That the treasurer should examine the mutuality principle as it applies to the club industry.

Further the committee recommended that the treasurer refer the matter to the Industry Commission. This was in 1995. The report stated:

That the mutuality principle has benefited some clubs to a degree where they are able to compete unfairly with businesses which do not have a similar taxation advantage.

Another interesting point of the committee's focus was on tourism and the registered clubs movement. The committee stated:

Many clubs are operating in such a way as to disadvantage bone fide tourism businesses.

Now, we would like to present more evidence on this matter at a later stage with the concurrence of the inquiry, Mr Chairman, if we may. However, it should be stated that registered clubs are private clubs and as such should not be part of the general tourism network. Clubs operate for the good of their members and their guests. However, we see massive advertising campaigns being undertaken to attract tourists and others to individual clubs throughout New South Wales. Indeed I'd like to present you a copy, in fact two copies of the Armidale Express, November 11, 1998. There it is in full, living colour, Mr Chairman. I'll leave it here for you to look at. This carried a double-page spread advertisement for Penrith Panthers. How many members of Penrith Panthers live in Armidale which is nearly 500 kilometres away in Northern New South Wales?

Mr Chairman, this is a blatant abuse of the advertising legislation in New South Wales and clearly demonstrates the major clubs like Penrith have overreached themselves and are now desperately trying to attract business from all over Australia and indeed internationally in some cases. In the tourism supplement in the Armidale Express many hotels and other tourist businesses had an appropriate advertisement. However, no-one placed a full-page ad, let alone a double-page colour spread, and this was November 11, just last week.

We even see part of the advertisement - Mr Chairman, you will see there - is to attract young children. The relationship between the attack on the tourist dollar and related tourism businesses and advertising is very close. Indeed why do several of the major clubs spend what I would call a small fortune in television and radio advertising to merely advise their members and potentially their members' guests of events taking place at the club. Indeed one club actually - part of their advertisements say, "Don't go to the casino, come to us." I think the principle of the registered club has gone out the window when you see ads like that. What community benefit has these massive subsidies, massive subsidies through the mutuality principle, lower level of state gaming taxes and other measures put in place to assist the club industry - what have they brought to our society? The answer is very little and in some circumstances none.

The club industry has not fostered the highest professionalism in providing its services to the community either. Cheap food, cheap drink, mediocre hospitality and the general equalisation of facilities across the whole club industry has left the club industry as the beacon of mediocrity regarding services that people of the coming millennium desire. The economic impact of hotel gaming in New South Wales of course, Mr Chairman, has been substantial. Now, in this financial year New South Wales Hotels will provide \$392,000,000 in taxes to the New South Wales government from gaming alone. The total gaming taxes for New South Wales will be 1.554 billion and this is a massive amount of money for any state government budget and is a significant contribution to the state's major services such as health, education and transport.

Employment has also increased since the introduction of poker machines into hotels in New South Wales. The increase is between 10 and 20 per cent. It's hard to quantify exactly. However, the inquiry has before it, in our submission, a number of testimonials that have been taken directly from metropolitan hotels. The increase in the number of employees range from 30 to 100 per cent in those testimonials. This could not have been achieved without the introduction of gaming, considering all the other circumstances of the club movements, operations in the past 40 years. Other industries have also affected in a very positive manner.

The AHA believes that around half a billion dollars is or has been spent on renovations and refurbishments in hotels throughout New South Wales in the past 18 months. Around 20 per cent of those renovations were costed at over \$1,000,000 with the average renovation being \$630,000, as we point out in our submission, and that excludes one renovation of around \$50,000,000. Other testimonials in our submission support and give evidence to the facts that I have just put before you. Indeed the construction industry believes that between 5000 and 7500 positions have been created through the refurbishments presently being undertaken in the hotel industry.

The economic impact on the individual, however, is harder to gauge. The Victorian Casino and Gaming Authority has undertaken extensive research on this matter and in particular household savings and the retail sector generally. Whilst savings decreased dramatically from the late eighties to the early nineties it should also be noted that right at this precise time the Victorian economy was travelling through what would commonly be called a depression. It would appear that most of the savings didn't go on gambling but towards maintaining household lifestyle. It is true that gaming revenue has continued to increase in our state. However, it is also true that savings have also increased in the last few years.

For the overwhelming majority of people a good gaming experience is all about entertaining. People may have had dinner, a couple of drinks, then decide to spend a little more time with friends and that is achieved through gambling a little on the sophisticated games that are now in operation in gaming machines. Also we all see the social interaction for many people, particularly senior citizens, who like a few hours out enjoying themselves with their friends, playing the gaming machines. Sometimes they win, sometimes they lose. But generally the whole experience enhances their life without an excess of losses. The successful gaming operator is one who understands that gaming is entertainment and provides the facilities and services to his or her patrons appropriately. It therefore can successfully be argued that the greater turnover per machine for New South Wales hotels is possibly because hotel operators understand the very subject that I've just been speaking about far better than the majority of their club patrons.

Mr Chairman, I'd now like to turn to responsible gaming and problem gambling. The hotel industry takes its responsibilities very seriously and in the short time we've been in the gaming industry we have put together a number of programs that are of long benefit for the community. 2 years ago the AHA (New South Wales) put

together, and has obtained, state accreditation for responsible service of an alcohol training program. We have led the way in New South Wales with responsible service training and programs for the industry. Now, already some 10,000 hoteliers and their employees have passed through this important program.

In a similar vein the Australian Hotels Association (New South Wales) recently completed a training syllabus for responsible gaming service and patron care course. The AHA has presented this to the chief magistrate and chairman of the Liquor Administration Board, David Armati, and to the Department of Gaming and Racing for their comment before we seek final government accreditation. Initial comments from the department have been very favourable and we expect formal state accreditation in the new year. Mr Chairman, once again I've got three copies of the training syllabus and program. I'm quite happy to hand that to you. They're commercial in-confidence documents, as you probably understand, because of the nature of them.

As well as this important course, which we believe to be the first in New South Wales, the AHA continues to deliver statewide training programs for gaming operators including the identification of problem gamblers and associated issues. As you can see from our submission, the AHA (New South Wales) is developing a comprehensive program for patron care which includes initiatives such as self-barring or exclusion programs, a complaints action program, and we are continuing to hold discussions with the Department of Gaming and Racing regarding signage and advertising.

This is one of the most important initiatives that this state has seen in the gaming industry. The hotel industry recognises that it has a responsibility for delivering high quality and professional entertainment for its patrons. In this regard the AHA (New South Wales) will continue its efforts to ensure that this responsibility of service is provided by every hotelier in this state. It is not easy to develop that sort of high quality service and high quality syllabus, but we have done it in what I consider to be a very short time. This work undertaken by the hotel industry is in stark contrast to the registered club industry which has done nothing about the provision of responsible gaming or problem gamblers for 42 years.

This leads me to the next point and that is the licensing of employees in the gaming industry. The hotel industry would like to see the licensing of managers and shift workers and all other employees who work in a separate gaming room. Obviously, Mr Chairman, this gaming licence will enable an employee to work in any part of the gaming industry within the state of New South Wales. The AHA (New South Wales) would be a willing participator in discussions with the government to finalise how a person could obtain this accreditation. However, we would obviously suggest that one way would be to undertake an accredited gaming course such as the one we have just provided to you.

In our submission we have also raised the issue of a community benefit fund. The major question surrounding this issue is what is the fund for, and whilst we are

happy to participate in discussions on this matter with the government the AHA (New South Wales) does feel that the community benefit fund is there to provide funding and research into problem gambling and the responsible provision of gaming. The fund that may create massive amounts of money in excess of that is a different kettle of fish altogether and the AHA (New South Wales) would need to be convinced of its merits before agreeing to establish a massive bureaucracy to oversee such moneys.

I have to also comment here that the registered club movement cannot stand aside from any state or national community fund. Any community levy it presently pays is there to lower their state gaming taxes or is money that goes towards local organisations and sporting groups such as the local football club. Most hotels also provide moneys and benefits to local groups and sporting clubs, Mr Chairman. The AHA estimates that that amounted to \$30,000,000 last year. The community fund that I have talked about is quite different and everyone in the gaming world has to come into reality and provide appropriately, if that is the coordinated desire of the federal and state governments.

Mr Chairman, the gaming and indeed the whole gambling industry is continuing to evolve. Legislation is constantly changing, particularly with the introduction of new technology. Many years ago when the TAB was introduced, major race meetings were strictly on a Saturday and TAB outlets had to be placed away from community and church facilities. Today there are around 1500 TAB outlets in New South Wales including pub TABs and club TABs. Telephone betting has grown at a staggering rate. While on the other hand some in our society are concerned about gaming facilities in our community, home gambling via the telephone continues to grow and now we have the prospect of Internet gambling.

Will society call enough is enough? Are there restrictions around the corner for everyone in the gaming industry? At least the unfettered growth in some parts of the gaming world certainly has to be rationalised. So where to in the future? The hotel industry of New South Wales is quite prepared to discuss all these important matters with government. But of course a fairer and more equal playing field would be a welcome outcome for all those who are attempting to provide responsible and quality entertainment to their patrons throughout New South Wales. Thank you, Mr Chairman.

MR BANKS: Good, thank you very much for that. You've raised a number of issues that we will both, I'm sure, have questions on. Perhaps to go back more or less to where you started in relation to concerns about the club industry and the extent to which funds from gambling are going back into the community, we seem to have a clash of consultants here in terms of the findings of different reports. Could I draw your attention to the Council of Community Clubs of Australia and New Zealand's submission to this inquiry, where they refer to a report by chartered accountants Pannell Kerr Forster? I don't know whether you're aware of that report - and I quote from their submission. They say that:

PKF estimated the value of community support excluding capital investment provided by the New South Wales club industry during 1996-7 -

the same year that your consultant reported on -

to be some \$155,000,000. Additionally an estimated \$280,000,000 was reinvested by these clubs in non-gaming related buildings facilities and equipment. Pannell Kerr Forster commented that the figure of 155,000,000 is perhaps best regarded as the lower bound of the real cost to clubs of providing community support.

So I don't know whether you want to comment on that, or you may want to get back to us with any observations on that. Certainly we will be trying to look at these various reports and make some sense of them.

MR CHARLES: We will do both. If I could make a few comments and we may also get back to you with a few more comments. Firstly, I can say that 155,000,000 contribution to the community is somewhat different to what was being touted in 95-96 and as quoted by Colleen Ryan, the clubs were saying they had community donations of 700,000,000. But as I've said, that was for all sorts of things including the buying of poker machines, which I don't think is quite in the scheme of things. When you talked about our consultants - first of all we'd like to see that report to make any further comment on the 155. When you're talking about our consultants, that was basically looked at - you know, a major chartered accounting firm who, all they did was look at 30 of the major clubs' annual report.

There was no other information dug up. It was pulled straight from the annual reports of the clubs from a chartered accountant who went through and, as you would do with any annual report from a company - and the information and the tables we have there are straight from their annual report, what they provided and what they paid in taxes etcetera. So it's not an evaluation of what we think. It's a straight factual information taken from their annual report. If they paid X that's what is in there.

MR BANKS: I guess again I'd have to see those annual reports to know whether for example what your consultant added up under community contributions would include things like in kind, a provision of facilities and amenities and services to members. Some communities may almost overlap because the community is quite large.

MR CHARLES: Yes. I mean, if you look at the hotels, whilst I've said the hotels give \$30,000,000, around \$30,000,000, that is actual money they've actually handed over to local football clubs or whatever but if you look at a range of things that hotels give in kind and other areas, it's massively more if you're going to start counting down that way. Mr Chairman, one doesn't have to be too bright. I'm a former Victorian, and I came here and one and one just didn't make two. So clubs are saying they are

putting \$700,000,000 a year into the community, etcetera etcetera etcetera. If this goes on for every year - this is not a one-off year - you're talking about billions and billions of dollars that supposedly went to community.

Now, as a citizen I say where are these facilities, because the community facilities and particularly junior recreation facilities are far better in the southern states than New South Wales. So where are they? In most - not all, but most cases when you go to Melbourne, you take your son to his junior football match, he's not usually changing under a tree as you're doing up here in many cases. So where are these facilities? Certainly there are some good facilities, but either the club movement is saying, "We've put all this money in, so successive state governments have failed and not put any money in" - and I think it would be argued very strongly by successive state governments that they haven't done that. They've put appropriate moneys in.

So if the state government has put appropriate moneys in and the club movement has put all this money in, we should have facilities abounding on every corner, but that is not so. Our facilities are no better and probably worse than in some parts - particularly in the southern part of Australia. So it's merely an anecdotal thing that you don't have to be too bright to say, "Where has all the money gone?" That's a very good question that the inquiry needs to look at.

MR FITZGERALD: Just around that issue a little bit further, do you acknowledge at all that not-for-profit clubs or mutual clubs should in any way be treated differentially from private-owned gambling or are you arguing that it is this quantum of that differential, the size of the taxation concessions and so on that is at issue. Why I say that is in other states, even where they start off with a so-called level playing field in terms of taxation between hotels and clubs, there has been some movement by governments, and I think the most recent example might have been South Australia but it doesn't matter.

MR CHARLES: Yes.

MR FITZGERALD: So is the Hotels Association saying that there should be no differential at all, or is it the quantum of the differential that poses this problem?

MR CHARLES: It is more the latter I have to say, Mr Fitzgerald. We have never said to the state government of New South Wales that the club industry should pay exactly the same amount of tax, but then again as I have said, there are a number of areas there. It's not that they don't pay the same amount of tax. They only pay approximately half the damn tax. Further they then don't pay virtually any federal income tax. So you can see when you're just looking at the two taxes - the gaming tax and the federal company tax - as the graph shows, I think it was 337 - I think there was a third of a ,000,000 difference in a ,000,000 dollar profit. So it's a massive difference. What that does is, you've seen then clubs just become huge commercial operations.

We have no problem with the original intention of a club and probably the thousand or so small clubs that are around - little bowling club or rowing club or whatever - their problem is they're being swamped not so much by the hotels, but they're being swamped by their own brothers. The big clubs are putting them out of business.

MR FITZGERALD: I want to come back to that point because you raise that in the second part of your submission which I want to deal with. But just dealing with this tax issue, can you break it up for me again? There are two types of taxation we are basically dealing with: income taxes and gambling taxes. Can you give me an understanding of where the Hotels Association's position is in relation to each of those? Are you asking for the removal of mutuality principle in its entirety, or are you simply saying that it should not be used as a means for differential gambling taxes.

MR CHARLES: If I can deal with each one. We'll deal with the federal area first. In the federal area, no, we're not asking for the withdrawal of mutuality because mutuality serves a fairly good purpose to many clubs, whether they be registered little bowling clubs or whether they be the automobile club up the road or whatever. We're not asking for that. We are looking at this matter further. We believe there is a solution, and we would hope to be able to present that to the inquiry, and that is a solution where the smaller clubs and non-gaming clubs are able to maintain their mutuality, whilst the big clubs, the ones who are making massive profits, what we really are saying, we must find a way that they pay federal tax.

If someone is making 10, 20, 30 thousand dollars profit a year, whatever the case may be, then they should be treated equally particularly in - if they're making that amount of money out of gaming or gambling, whether it's the hotels up the road or the TAB or Tattersalls or whoever it might be, we'd all have an objection to having competition from someone who has got this massive amount of money and not paying company tax on those massive profits. So, no, we're not asking for the removal of mutuality, but we are suggesting that there has got to be a way through there. We would hope to be able to give that to the inquiry.

MR BANKS: Could you, in looking at that, perhaps address the categories that I think have been referred to by the clubs when they talk about the three categories of tax treatment in relation to clubs. The tax-exempt community service clubs which would include Apex, Rotary, Lions and so on - I'm not sure that you have too much difficulty with those.

MR CHARLES: No.

MR BANKS: Then the tax-exempt sporting clubs - and you've talked about Panthers - and then the taxable club where the mutuality principle applies and where there is a question about members - income from members versus non-members. I assume it's in the latter two that you have got a concern. Is it more the sporting clubs in particular or are you equally concerned about those two categories?

MR CHARLES: Any club that has a massive income and profit from gambling must be looked at. Now, whether that's a sporting club or whether it's an RSL club who comes under the mutuality principle, we would have a problem with both of those in the sense that quite obviously - you know, if you can parcel it all up and keep it in your backyard there's no real problem because that's impossible, but the facts are that all of the major clubs have taken the money and gone outside - you know, they subsidise their services so that they're providing low cost food and drink, plus then they've gone into business against legitimate private businesses for money that we would say is ill-gotten gains; in other words, it hasn't been taxed. So they grab that money, put it into building a hotel.

So money that should have been taxed is being used to build hotels and other enterprises. Then they get the double whammo. When that earns profit they don't pay tax on it because it all comes back through the club, whereas a classic example over a couple of years ago - I haven't looked at it for a few years, but with the Grafton RSL, a relatively smaller club on issue - turned over a few million a year though. It was a good size for Grafton. It bought a butcher shop and ran a butcher shop and it had cheap meat for its members. Now, I believe two butcher shops in Grafton went to the wall. So there were two small businesses out, people looking for work, and what do they do?

Again when I looked at their annual report about 3 years ago, they had a special section for the butcher shop but surprise, surprise - they didn't pay any tax. They shuffled it all back into the club and they didn't pay any tax, and yet two butcher shops employing whatever - maybe a dozen people between them - are out of work, gone to the wall. That surely is simply not right. I mean, it wasn't envisaged years ago and I think it really has to be addressed now. The whole question - you say about the hotels having gaming or whatever, we say, "Look, it all goes back to the unfettered gaming opportunities of clubs. If they don't have this massive amount of money and cross-subsidisation and venture into other businesses, most other people can compete, but in order to compete, we've been forced into the gaming world, albeit in a very small way.

MR FITZGERALD: You make a comment in the executive summary of the report headed the New South Wales Club Industry: Good Samaritans Or Just Good Profit, and it says:

Small community-oriented clubs are rapidly becoming extinct due to the powerful and wealthy super clubs.

You then quote:

In fact in 10-year period 145 registered clubs have been forced to cease operating or amalgamating with other -

and then you provide a detailed list to this.

MR CHARLES: Yes. That's from the department.

MR FITZGERALD: Okay, the statement. The purpose of making the statement is what? What are the policy ramifications for that?

MR CHARLES: Well, it's basically to show the statement I said before, that a lot of these smaller clubs are fighting to survive and they're being eaten by their own brothers, and that's accelerating with a number of clubs. When I moved to New South Wales under 4 years ago, it's 4 years next January, I remember talking about 1500 or so clubs. Now we're talking about 1400, and indeed it's continuing to decline quite rapidly.

MR FITZGERALD: Yes, but could I ask the point. You're saying that this is unhealthy, healthy in terms of economic or social terms, and secondly what is the policy ramifications for that?

MR CHARLES: It's unhealthy in the sense that the original idea of clubs and look after, you know, the little bowling club or whatever is really coming into question because they just can't survive anywhere. That's a fundamental question. Maybe society is saying, "We don't want you to survive," I don't know. Other states seem to do it differently and get away with it, but in New South Wales I know a lot of bowling clubs are really finding it hard. Is that a good social thing? Maybe. I don't think it is, because they're being eaten by the big money clubs.

They're just eating them up, and I suppose it gets - my other question about the tax because we didn't quite get onto the state gaming taxes. The state gaming taxes, sure, we want an equal a tax as possible, but the hotel industry in New South Wales would wear a differential that was reasonable where right now we think it's far, far from reasonable.

MR FITZGERALD: Can I ask the question, where I was trying to get. In South Australia for example there is now a cap on gaming machines on hotels and clubs, although I understand that there may now be a differential in terms of - well, there is a differential on taxation although much less than in New South Wales. Do you have a particular view as to whether or not the capping of gaming machines generally would have mitigated against what you regard as the takeover by super clubs? Would that have been a policy or not?

MR CHARLES: Years ago - if we can just backtrack a fraction, the state government should have capped machines years ago. I mean, it has got out of hand. The explosion in the last 15 years has been astronomical where you've seen. I mean, why the casino hasn't been jumping up and down and screaming more than it has is beyond my comprehension because basically we've got a dozen casinos in greater Sydney as I said, and some of them advertise that fact, "Don't go to the casino. Come to us."

The point I think is that sooner or later there has to be a cap on machines. You can't just let it continue out of control. There's a cap on every aspect of gaming except the clubs in New South Wales. There's a cap on us at 30 machines. In fact, we're not even allowed to get to 30. Two-thirds of our hotels, according to the Department of Gaming and Racing - in fact, it's 68 per cent of our hotels - have less than 15 machines. So there is cap on gaming in hotels. It is a fairly small operation, albeit a large turnover, but I think the cap in clubs has to come. How you do it is another question. There are a few scenarios, but I think governments have to turn their mind to it.

MR FITZGERALD: Turning specifically to the hotels, what are the Hotels Association saying in relation to their quota of EGMs? Do you believe that the current cap is reasonable? Are you requesting an increase? How should governments determine that capping, if there is to be capping?

MR CHARLES: Right now we have a mishmash of this card machine which is called an approved amusement device - this is the only jurisdiction in the world where an approved amusement device exists. It was created specifically to give the hotels this machine in 84. Basically we want to see that go so that we have access to whatever machines we want, because it's only a technology, only a computer chip, whether you play a card game or some other game. I think in the hotel industry, at least in the short term, one never says never, as Malcolm Fraser used to say, but 30 machines across the board in New South Wales for hotels - we would be quite satisfied with that and it would be an appropriate number. 30 to 40 machines sits in a nice little gaming room. Once you get beyond the 40 to 50 mark, let's say once you get beyond 50, you start to get a lot bigger, which is why I think in South Australia we have 40. In the 30 to 40 mark you can put in a nice little gaming room where people can go in and enjoy and the publican, the hotelier, knows most of the people who come in and out etcetera. Beyond that you get into substantial gaming.

MR BANKS: Just on this question, as you would appreciate, in every jurisdiction we have different limits and regulatory requirements. I've just recently come back from Darwin, where the limit is six machines per hotel and not a lot of those are being used. So questions from the providers' point of view - what's a nice critical mass of machines, I think is something on which there are different points of view. But I suppose it sort of gets into this other area that we need to talk about in terms of the social impacts of gaming. What we've had people talking to us about, including the clubs, is to what extent the accessibility of machines is a problem in problem gambling itself. I guess a number of people have said to us, including from South Australia, that it has been the extension of gambling through the hotels that has led to a lot of the apparent recent escalation in problem gambling. I'd just ask you to comment on that.

MR CHARLES: Thanks very much. I would actually. I just happened to buy a Sydney Morning Herald this morning where, if the report is correct, the president of the New South Wales Council on Problem Gambling, Mr Laurie Bowe, was here yesterday. One can only go on the report, where he says you can't go to a pub and

have a quiet drink - which is nonsense because most of them are in separate rooms now, separate gaming rooms - and the recent arrival at every hotel was a big problem. He basically talks about hotels. Again, he doesn't talk about the fact that clubs have been in operation for 42 years and they've got 66,000 machines. All that sort of rhetoric we heard in the recent New South Wales inquiry. Indeed, when I spoke to that inquiry I said, "We appear to have a situation the whole state's going to hell in a hand basket in the last 18 months because the hotels have got 15 machines and just in the last few weeks have got up to 30 machines." That's just absolute nonsense.

Let's look at it properly. It's a campaign to try and stop the hotels developing a little gaming niche and to try and again monopolise the market from the club industry viewpoint. The facts are, we've created a little niche market. Sure, it's gone extremely well. As I've suggested, it may be because the hoteliers are doing it better, in better surroundings. So we totally reject the situation that the state's going to hell in a hand basket and social problems have gone through the roof because the hotels have just come on the scene in the last 18 months. Some of the quotes that you'll get from the New South Wales inquiry and, indeed, if you look at this, where this person Mr Bowe talks about how in the last few years things have gone through the roof - if you trace back, hotels only had gaming in the last 18 months and probably by the time you get all the machines in you're only looking at the last 12 months, where people defeat themselves by their own rhetoric.

Sure, there are problem gamblers gone into hotels. I have no problem with that. Maybe they've come from the club movement, I don't know. They've come from all over. It is a very difficult problem which we do not walk away from, but don't just say, "The hotels have caused it all." That's fairyland stuff. It's not true and it's not getting to the base problem that I'm sure you and Mr Fitzgerald want to talk about, and that's problem gamblers, how do we solve it, how many of them are there, how do we recognise them, what do we do about it, what research needs to be done, what's responsible gaming? How do hoteliers and others provide responsible gaming? We've looked at a course to put every hotelier through that if that's what the government wants, and we want to pursue it anyway, whether the government legislates it or not. If we get it accredited we want to really - as we've done with the liquor.

It's not law that we provide responsible service of alcohol courses in New South Wales. The government legislated and then put all the detail into regulation in 1995 and has never introduced the regulations. But it hasn't stopped us because I'm a firm believer, the executive of the NSW AHA is a very firm believer, that we have to be responsible, we have to look at all these problems, put money into them and research them through. But it's a furphy to turn around and blame the hotels for any increase in problem gambling.

MR FITZGERALD: But let's assume for a moment that at the end of this inquiry we actually decide that or find that access is an issue relating to the increase in problem gambling - accessibility. How would you expect public policy to handle this issue? At the moment in some senses it's battleground between the hotels and the

registered clubs in New South Wales but, more broadly, let's assume for a moment that there is significant evidence that accessibility is a problem. How would you therefore handle it? Do you cap the number of venues? How does one deal with this issue? Is your approach that you don't cap the number of venues but you improve the patron care programs and so on with responsible gambling? What's your approach?

I have to say that the vast majority of counsellors that we've spoken to nationally indicate that accessibility, be it in clubs or hotels or casinos, is the issue, not the number of machines. That's exactly what we're looking at. How would you approach that if that were confirmed over time?

MR CHARLES: You've asked a very interesting question, Mr Fitzgerald. You can get all sorts of evidence to suggest that if you cap the number of machines it helps. You could also argue that if you cap the number of venues it assists. The argument about venues falls down a little if one considers there's a problem in Victoria, let's say. If you consider that there's a problem in Victoria, then the argument about venues falls down, because they have a very restricted number of venues in Victoria under the Tattersalls, Tabcorp situation. Only a few hundred clubs and hotels have access to it, which is part of the problem. You've got two hotel industries, one with gaming and one not. Again, it affects the problem where the ones with gaming get richer and better facilities and the other ones start to collapse. So that in a sense creates a problem, but because of the vastly restricted nature of access to venues in Victoria, if there is a problem in Victoria, as there may be in New South Wales or Queensland or anywhere else, that argument then starts to fall down a bit.

I do think you have to look at the capping of machines. The way it is in New South Wales, particularly in hotels, I would argue that the number of machines and particularly for example in the recent department's figures, just on 25 per cent - 24.95 per cent - of hotels only had five machines. 25.95 only had five machines had five machines or less, and 24.72 had between five and 10. So if you're looking at that you've got half the hotel industry having less than 10 machines. So you've got to look at is that a problem or is that mainly recreational people coming in and out and having a game and a bit of fun etcetera? It's a very hard question, and for the federal government it's particularly hard because you've got different jurisdictions: how do you cut across those?

MR FITZGERALD: That's actually an advantage in one sense because we can actually get some comparative data, although that's hard. But just related to that, I want to ask a question and you might be able to clarify. We've heard that in New South Wales you can actually transfer the licence on the machines in the hotels. Is that so or is that not the case? Could you clarify - - -

MR CHARLES: Transfer the EGM licence?

MR BANKS: The context is we had a round-table in Goulburn I think where people were saying that hotels were being bought up and then essentially the licence

transferred to the Sydney urban area and this was being used essentially to set up a gambling operation with some minor hotel legitimacy.

MR CHARLES: Yes. Firstly, to put in perspective, you have always - for 200 years - been able to transfer hotel licences throughout New South Wales. Indeed I was just last week talking to the deputy magistrate specifically about this point. He argued very strongly to keep it, because there were ebbs and flows where licences went. If there's a town out the back of Bourke that had 10,000 people and only has now 1000 and the number of hotels needed is far, far less, you can go in and buy the licence. You need to run a court case at that end - that's not easy - to say that they don't need it.

MR BANKS: A court case?

MR CHARLES: Yes, in the licensing court. You need to run a case before a magistrate that that area doesn't need that licence, that it is over licensed. Normally if the hotelier knows what he's doing he would win that, but you have to run that. In fact our president bought a licence from somewhere away in the outback where there were four people and he still had to run the case, because all four of them objected to the licence being shifted. He brought it into the Gosford area, where there was no licence. At the other end you then have to run another case on need: is it needed? For example, if you wanted to bring it to Sydney one of the objectors - about 20 objectors you'd get from the other 20 hotels that are around the city area. So your own people would object to another competitor, and sometimes that doesn't succeed. So, yes, you can bring them from one end of the state to another.

MR FITZGERALD: Including the gambling licences?

MR CHARLES: There's no such thing as a gambling - the gambling is part of the hotelier's licence, it's a right. A hotelier under the Liquor Act has a right to 15 poker machines plus various other things. But, to add onto that, just as we speak it is in the parliament now, with our concurrence - in fact, we brought it to the attention of the government - that there has been a number of people trying to set up what you call gaming rooms.

I brought this up with the government in January 1997, that this would happen. The department at that time felt it was a bit too hard and they just couldn't get around it, but all of a sudden in the middle of this year it actually started to happen. We've worked with the department in recent times and legislation was introduced last week. It will go through the parliament this week. That will make it very difficult for someone to have a gaming room. The essence of the legislation is that the primary purpose of the establishment - we'll call it that - must be the service of liquor retail on and off. So therefore it will be up to the Licensing Court of New South Wales, but basically the Licensing Court of New South Wales must determine that the primary purpose is to be a genuine hotel, and if they don't think they don't get the licence. So there are quite substantial restrictions going through now at this minute, quite a number of amendments.

MR FITZGERALD: You might be able to help me on this then. At the moment we start off with clubs in New South Wales who gained the rights to EGMs, to gambling activity, poker machines. The Hotel Association hotels were able to lobby and indicate that they wanted a fairer playing field and also on viability. Why should governments not extend EGMs into gaming parlours, into restaurants that want to have a gaming room. What is the rationale that says, "Clubs should have it, hotels should have it, but nobody else should have it"? Why, if everyone in the industry says it's entertainment, should we not be extending this into any industry that can put a case for viability?

MR CHARLES: I don't think you would argue that, Mr Fitzgerald. But having asked the question I will answer it.

MR FITZGERALD: There's many questions I ask which I wouldn't argue.

MR CHARLES: It's a bit like liquor. We would argue that not every corner store should sell liquor. Indeed when they did that in Victoria initially they had a lot of problems with retailers selling it 14-year-olds and all sorts of - no, but they took it out of the liquor industry mainstream, away from hotels and clubs etcetera and restaurants. The same with gaming, I think if you're going to have gaming it has to be in casinos, clubs and hotels. Restaurants are there for food and they've had quite a narrow focus. They're major food operators. Motels are there for accommodation. A lot of them don't have - there's quite a number that don't have any licence at all.

MR FITZGERALD: Yes, but if I could just interrupt. I mean, hotels were there for liquor.

MR CHARLES: Correct.

MR FITZGERALD: You argued the point successfully that you should be given the rights to gambling machines.

MR CHARLES: Yes.

MR FITZGERALD: Where I have difficulty nationally is that every industry argues why it should be contained to theirs.

MR CHARLES: I'll answer that, because the clubs - although they're starting to affect some of them now with the massive money - weren't putting the motels out of business because motels had a set market over here with their accommodation. The restaurants, they weren't putting - apart from out at Penrith and such places they weren't putting restaurants in and around Sydney out of business because they had a set market. But the hotels, when I came in 95, were practically on their knees because they couldn't sell alcohol to compete, they couldn't sell anything to compete, because the clubs were selling absolutely everything below cost, subsidised by a monopoly of gaming money.

MR FITZGERALD: Can I just take that - - -

MR CHARLES: So to backtrack, if you're going to take it away from hotels then you say, "Righto, then we take it away from clubs," and you eradicate gaming altogether. That's the logical - if you're going to do it that way.

MR FITZGERALD: But I'm concerned about - if that is the public policy, that in order to sustain a particular industry that is affected by another industry - you're affected by the clubs, right?

MR CHARLES: Yes.

MR FITZGERALD: You've already identified in your report the massive subsidisation of clubs of food and liquor.

MR CHARLES: Yes.

MR FITZGERALD: And you have some very startling figures in relation to that in your report. Why would it therefore - and just supposing that the restaurant sector could say, "We are being badly affected by the clubs, we've badly affected by the hotel dining rooms. Government, please provide to us a licence for gambling," how would you argue against that proposition or for that proposition? Because in one sense I suppose many people, we've heard, are concerned that that's exactly the pattern that is now occurring, that governments faced with the viability argument of any industry and/or the government's need for gambling revenue, will simply continue to move until saturation is complete.

MR CHARLES: First of all, no-one is arguing it right now and I would argue with the restaurants, if they came forward and said, "Well, we need it to survive," I'd say, "Well, obviously you're not providing the restaurants because, you know, you've got one business." We have about five businesses - you know, food and beverage, gaming, entertainment and accommodation. They have one business. So no-one is arguing that. I know it's a very hypothetical question. If, however, one was to go down that track, I don't see how you could argue that. If, however - I think the answer is rather than go down that track, we would say, "Look, if you tax the clubs appropriately and we're all in a fairer competition, not only will the hotels be able to compete in a fairer way but the restaurants" - you might actually find a restaurant in Penrith actually start up and you won't have problems with motels or whatever, because you won't see this massive accommodation - I mean, for example Penrith were bringing tourists in from Taiwan and Korea at massive discounts into their accommodation out at Penrith some years ago. I think it has stopped now, because there was an uproar about that.

You've even got some of our major five-stars worried about that sort of operation because they don't know if they put a resort up the north coast for example or the south coast, is there a club going to put another four-star 300-room facility

down the road and just wipe them out because of the tax advantages? So I think if you tax the clubs properly on one hand, I think you fix all the problems that you'd just raised. If I can just say one thing - I suppose we're running out of time. If you're looking at problem gambling there are some councils - I mean, we've spoken to a number ourselves. There are some - but I won't name them because I haven't said I would so I won't at this time. But there has been one important organisation said they haven't seen any growth in problem gambling just in recent times.

I know this is an interesting report and we quote from it, the Casino Community Benefit Fund Trustees 1997 Study 2 Update. It was prepared for the New South Wales government and presented this year, June 98. Part of the criteria - and that is questions out of that and I know some of the people and it's a good report, there's a lot of good work in it. But the South Oaks Gambling Scheme, or SOGS criteria that they go through, I mean, it's questionable and even one of the members I was talking to who wrote the report questioned it the other day with me and said, "Look, it's questionable."

Indeed I did the survey and found I was one of these - as it says in the Sydney Morning Herald this morning, I was one of these 1.3 per cent of adult population and I was at risk. I mean, you know, and I've only had about 12 bets at the races in the last 12 months but I was considered at risk under this scheme. So we're not saying it doesn't exist but we're saying there needs to be done a lot more research into it. We need to really find out the facts about what federal, state and the industry should be doing.

MR BANKS: I think if we can beg your indulgence for another 5 minutes or so and eat into our own lunchtime we might just do that. We've got a couple more questions. We moved on from the tax issues and I just wanted to say while I remember it that if you could address this issue that I know we've talked about once before in relation to mutuality and so on, and that is just simply the practicalities of changing that regime. I mean, you've already talked about some clubs that obviously warrant preferential concessional treatment and so on, and others that you're concerned about. If you or your consultants have any views about how a regime could be implemented so that it would be effective and how it would avoid the obvious problem that a non-profit organisation can move things around to ensure that it doesn't make a profit - and you've talked about marble staircases and so on. So whatever you could provide to us on that would be quite useful.

MR CHARLES: We're working on that and we think we will have something for the inquiry. Originally we did look at should you remove mutuality? As I stated earlier, no, because of all the things I think we all agree on. But I think there is a way through, but we'll come back to the inquiry with that.

MR BANKS: I mean, there's a core concept and that's why I think you need to refer to that in anything further you provide, I suppose in an almost common-law principle.

MR CHARLES: Yes.

MR BANKS: Which, as it said here, "A taxpayer cannot derive income from him or herself in terms of the tax law." So there's a sort of bedrock principle there which is a bit hard to get around. So then we get down to questions of where do you draw the line. I know in other jurisdictions, in fact overseas, there's a concept of related income that applies I think in the United States - so I suppose anything you do to help us get our heads around those various issues.

MR CHARLES: I think we can, Mr Chairman. That will be just a little while but we will be able to get it. I think we can get something to you.

MR BANKS: Thank you.

MR FITZGERALD: Just a couple of very quick points in relation to patron care or responsible gambling, yesterday afternoon we had submissions from a group called BetSafe which represent 10 of the most substantial clubs in New South Wales in relation to a patron care program. One of the issues that has arisen, and it arose yesterday, was whether or not hotels, given their size and disparity and what have you, can in fact deliver effective patron care programs. I notice in your submission you've given us some fairly substantial details in training. I appreciate that, but there is concern and it has been expressed from a number of sources, that the hotels because of their size, because of their nature, pose particular problems in relation to responsible gambling programs, self-exclusion and so on, simply because of their size, simply because of the way in which they operate. Do you have a particular view or response.

MR CHARLES: The industry, the hotel industry in Victoria, has a self-exclusion program which seems to work. We're looking at that. We're not convinced it's the ideal one but it seems to work effectively. But I think contrary to what has been put to you, if for example you have a club with 500 machines and it's a very substantial club, the club manager will simply not know everyone and will simply not know who's on the premises at any one time if there's a lot of people coming through. It is far easier, one would have thought, in that sort of situation out of anonymity, to someone to slip in and lose a lot of money without anyone really noticing. In the hotel for example you've got 15 or 30 machines. It's a smaller set-up, in a set-up as big as the room from here to where you are.

The hotelier would know most people who walked in and the gaming room staff would know most people who walk in the door because it's more of a - and indeed I believe the hotel industry is turning everything on its head. The hotel industry is going to be the local community area. Why don't you go to the casino? You go to the casino once or twice a year, but if you want to go to have a gamble etcetera you can go to a small hotel. It has got 15 machines. They know your name. You can get a cup of tea or coffee or a beer, or whatever your favourite drink - whatever, and I think in that you're much more inclined to know if someone has got a problem than if you're in a big operation. It's exactly the opposite to what I think has been put to you.

Admittedly there are 2000 individual businesses and there's a lot of work to be done by people like myself to say, "Hey, listen, you all have a responsibility and you must all adhere to that responsibility and do the right thing." But I think we can do it.

MR FITZGERALD: Specifically related to that point is my last question. You have done the route, as everyone else in the industry has, of codes of conduct and codes of practice or whatever you want to call them. How can Australians be sure that the hotel industry will in fact deliver on those codes and if so, what sort of measures will you have in place in New South Wales to ensure compliance with this code - because the codes are fine but they're only as good if people actually abide by them. So the Hotels Association, what assurances can you give that they will actually be implemented and enforced?

MR CHARLES: Codes are statements of principles of what is written in legislation, what is the law, and maybe one or two other points that you want to push, concerns etcetera, etcetera, which of course is not in the law. But for example - and I'm just looking at codes - the liquor industry collectively was looking at codes just last week and indeed if you've got in it that you can't have under-age people on the premises for example, if that's the law, then you don't necessarily even need to reflect that in your code. You have to be responsible etcetera. So I think codes are statements of principle.

What has to be maintained is that the law - and effectively we have a lot to do with assisting the government in writing the law and agreeing to make sure that - you know, whether we have juniors, minors on the premises, or whatever it might be - they do the right thing, that you can't bet on credit, all those sorts of things. You're always going to get mavericks, whether it be the hotel industry or the clubs or the restaurants or whatever. You're always going to get some mavericks. But effectively we have I think done a fairly good job, as we've shown in the responsible service of alcohol, and the state government is very pleased with the outcome and is surprised at the outcome from the hotel industry. But I think that just sees a new approach of the hotel industry in New South Wales, where it's going.

You know, I don't see the hotel industry's future in New South Wales generally speaking - and of course one of the beauties of the industry is it's so varied. But I don't see the future of the industry generally speaking being where it was in the fifties and sixties. I see it providing high quality care, services, entertainment, food etcetera, up at the top end, providing high quality to people like yourselves who want to go and have a drink or want to go to a bistro or a restaurant within a hotel etcetera, not at the other end of providing the most mediocre services and cheap drinks and all that, which is why we have steadfastly continued to say to our members, "Sure, you can give away the odd glass of beer, as everyone has done and has done for years and years and years. But no, whatever profits you get from gaming, we don't want to go down the club paths of offering dollar drinks."

That is not the way to go, not the way to provide better services, not the way to provide better product, and in the long run, as we've shown, not the way that we will

go, as we have shown today, that there's presently half a billion dollars' worth of refurbishment and I'd like to see that to continue to provide better entertainment facilities for the people of New South Wales.

MR BANKS: Thank you. Normally I'd like to let you end on that strong, positive note. But there's just one issue that struck me as I went back through my notes and that was that yesterday the clubs were saying - made the point, and I'd like you to comment on it because it's a fairly basic one. They said that broadly they didn't see their clientele or market in competition with yours or overlapping very significantly with yours. They were putting a case that to some extent they were separate markets. Implicit in your own concern about the tax treatment and so on I guess is a contrary view, but I just give you an opportunity to comment on that, because obviously lots of markets overlap, but to what extent do those two markets overlap in your case?

MR CHARLES: It's a little bit of both. In some ways they're right. You're talking about some of the biggest clubs. You're looking at the very big clubs. Sure we can say, yes, they don't compete with them. The hotel down the road has got 15 or 20 poker machines. On the other hand of course, over time, if I'm right, and the hotel industry spends \$1 billion in upgrades, if it provides high quality services, people won't be looking to go into 500-machine establishments. They'll be quite happy to go into an establishment that provides a nice bar and food and 30 machines, if that's what they want to go and have a go at. So you may see a shift. Indeed, I think you're seeing that shift already to some extent, because the 18 to 35 group is very well represented presently in the hotel industry, particularly in the city and inner city metropolitan areas. They're people who are going there rather than out to the major clubs.

So on the one hand in a bold sense no, they don't compete, but I think over time there may be an inroad. If we go one way and the clubs go another, people will decide for themselves. But I think what is getting squeezed in the middle are all the small clubs, the time where old Bill or Harry from his seat in the lounge ran around and poured the beer and then ran back and finished his own beer and all that. Whilst they may have been ideal and we may feel sorry that they're about to go, I think they are about to be squeezed out of the market altogether. That's in some respects a pity, but that's the way it has grown because the massive clubs really have their own agenda. I know there's a difference of opinion within the club movement about the direction of the club movement.

MR BANKS: Thank you very much for putting in so much time. We appreciate it. Any further information that you have that you want to put forward we'll be happy to receive.

MR CHARLES: If I can just say, Mr Chairman, I think I got the figures right eventually but if I can just present this to you. It's the number of gaming devices in hotels and the percentages that I quoted before, and that's straight from the department about 2 months ago.

MR BANKS: Thank you. We'll receive that. I'd now like to break until 1.30. We'll resume after lunch at 1.30.

(Luncheon adjournment)

[Sections of the following presentation are off record pending the resolution of an existing court case]

MR BANKS: Our next participant today is Marea Donnelly. Welcome to the hearings. Could you please give your name and capacity in which you're here today please.

MS DONNELLY: Yes, I'm Marea Donnelly. I suppose I'm representing myself and also the rest of my family who have been severely affected over the 10, 20 years that this has been evolving, particularly the last 10 years. My essential concern - my greatest concern I suppose, is with the inability - certainly in New South Wales but I believe this also applies in Victoria and South Australia. Can I go on now or did you want - - -

MR BANKS: Yes. No, please do - and I should say that you provided us with some material that I think you provided also to the IPART hearings. Is this a public document, by the way?

MS DONNELLY: Yes, that can be made public, yes.

MR BANKS: It is, okay, good. So we will make this a public submission.

MS DONNELLY: That was on the IPART Internet.

MR BANKS: Okay, thank you.

MS DONNELLY: Our concern is that while it's all very well to argue that in New South Wales, South Australia, Victoria - I can't speak for Queensland or Western Australia. While it's all very well to argue that the government has in place treatment programs, counselling services etcetera for problem gamblers and their families the huge failing in all of this is that there is absolutely no way under law that you can force somebody with a gambling problem to access any of those treatment programs and there's no way under law that the family can in fact apply the advice given by the counselling programs.

Now, the advice my family was given was that - well, look, I'll go back to - I wrote into Dr Peter Macdonald in May of this year about this very issue. I received a reply from the Minister for Gaming and Racing, Mr Face. I'll just read out certain sections of that letter and from that the degree of the problem is very clear. It says:

The government is committed to minimising the harmful consequences associated with problem gambling behaviour.

It goes on to say:

To this end there is a range of regulatory measures in place of commercial gambling activities in this state which are designed to achieve the government's overall harm minimisation objectives.

Then it goes on to talk about funding for education, treatment etcetera:

Among the services funded is a free 24-hour telephone help line -
number given -

for those who may be adversely affected by problem gambling including family members. This very important service known as G-Line provides confidential, free crisis and other counselling in a variety of languages as well as referrals to counselling services. As you mentioned in your letter there is little family or friends can do when there is an unwillingness on the part of a problem gambler to seek help.

That is the crux of the whole matter:

There is little family or friends can do when there is an unwillingness on the part of a problem gambler to seek help. In view of the devastating impact that problem gambling can have on individual family members I would encourage you to contact G-Line who will be able to refer you or members of your family to a problem gambling counselling service for assistance.

So this is fantastic. We're sitting in counselling services listening, getting a sympathetic ear, that's lovely. But it's doing absolutely nothing at all to stop the tremendous flow of money - and that's the other thing with problem gambling. The only upper limit of the cost of problem gambling is the money available. Unlike alcohol where if you drink 40 or 50 thousand dollars a year you will be ill, you will have to see a doctor - shoot up 40 or 50 thousand dollars a year worth of heroin, chances are you'll be sick, you'll have to see a doctor.

Gambling, you can leave one establishment, go to the next establishment and the next establishment, 24 hours a day, 7 days a week, and there is absolutely no physical impact. You can spend tremendous sums of money. I doubt there would be many individuals who can afford that money. So I think that's one thing that has to be recognised with problem gambling, is the exponential - it's almost like a snowball effect. You know, it starts with a few thousand, 5, 10, 50, and on it goes.

So my problems with this are this letter from the minister confirms the inherent impotence of New South Wales law to protect families and individuals from the worst extremes of problem gambling. Therefore I have problems understanding exactly what harm minimisation means. I also believe it's misleading for any state to suggest they have a harm minimisation objective which is unenforceable. I can go to Gamblers Anonymous, Wesley Mission and the New South Wales Health Department. The advice we were given was that relatives cut off a problem gambler's access to money. The argument is while ever a gambler has money they will gamble. Solution: take away chequebook, take away credit cards, take away EFTPOS cards and don't give them cash.

I was then told - although this doctor had agreed or it sounded as if the person had a compulsion, he then said, "It's their choice how they spend their money." I'm no doctor but I don't understand how you can have a compulsion and a choice co-exist. So then I was sort of told, "Well, surely it's that person's choice and why is it your problem?" Well, it's my problem because it's the family who are providing the means to this problem and we seem to be the only people not entitled to keep our hands on any of this money. The clubs can have it. The counselling industry can get it. The hotels can have it. But the family has no rights at all to limit how much goes out.

The other thing is that as far as providing counselling to family members, in the case of my family it's all very nice. You get a sympathetic ear. But really, why bother consulting a counselling organisation? How is somebody going to make me feel good about my family member gambling 6, 7 hundred thousand dollars? I mean, what does it take to make you feel good about that? I defy any counsellor to say they would feel confident and comfortable with one of their family members doing that and probably letting themselves - going from having a house, being able to live comfortably for the rest of their lives to finish up on a Housing Commission place on a pension and maybe not even eating properly. I mean, how do you feel comfortable with that? It's a very difficult situation.

MR BANKS: We've heard when we've talked to some counsellors that they see family members as a way of getting to somebody, effectively getting to somebody who has the problem, where that person may not otherwise admit it, and therefore the counselling of family members could help them develop strategies. Has that been - - -

MS DONNELLY: If you're fortunate. But admittedly with the person in my family, as soon as you mention gambling or poker machines they just erupt and make all sorts of accusations, fly out of the room and just don't even want to know about it.

MR BANKS: Is this a long-standing problem?

MS DONNELLY: 10 years ago.

MR BANKS: So it's not something that's recent or associated - - -

MS DONNELLY: 10 years we've been trying to get through.

MR BANKS: Yes, and it is associated with one particular form of gambling?

MS DONNELLY: Poker machines.

MR BANKS: Yes.

MS DONNELLY: Only poker machines. I mean, that's the other side of it. I don't think managing gambling any more though is as simple as just being able to sense a poker machine problem, because you're probably well aware that Internet gambling is

on the way and I know I've seen a draft policy of the Queensland government's strategy on this. There's no mention at all of protecting people against excessive gambling. There's all sorts of ways of making sure the government gets some of the money but there's nothing to say somebody can't spend 12 hours a night or a day Internet gambling, and what happens to the significant others in that house when mortgages aren't paid, bills aren't paid, taxes aren't paid?

MR BANKS: What we heard this morning, however, was that - we heard that with the Internet technology, however, it is possible for them to easily police things like betting limits and exclusion policies.

MS DONNELLY: Who would be setting the limits and the policies?

MR BANKS: That's the question, you see. If we'd thought we would have asked them about that, to what extent that has to be initiated by the person. I suspect it does because ultimately it's an account that's in the name of a particular individual. So we probably still get back to your problem about to what extent significant others can constrain the gambling activity of others.

MS DONNELLY: And the thing is that a lot of gamblers seem to be quite unrealistic about the damage they're doing. I mean, they will deny that they spent this money. They will deny there's a problem with it. I don't know, I've given up trying to understand why people gamble, what the motivation is. To a large degree now I don't really think it matters terribly much. What you're left with is a hell of a financial problem and that has to be managed. But there tends to be this dramatic unreality or detachment from reality or whatever, which also is fostered by the club and hotel industry with the lights and the dimness and no clocks and, you know, the very nice atmosphere they set up to deliberately cocoon people from reality.

But that's the problem. If you have somebody gambling \$300 a week they will probably tell you they gamble 100. But ask their partner or their parents or whoever is picking up the bills for them how much they gamble and you'll probably get a totally different answer. I know it's not terribly difficult with poker machine gambling to prove the extent of the gambling, how much money is going out. You can get attendance books and records from the clubs. I mean, it's a little bit of concern that hotels don't have this. I do believe they have jackpot books but you don't actually have to sign in to a hotel to play the poker machines at all.

But you can from that - you can get statements from people who work in clubs. You can get cheque details from the clubs as to how many cheques are cashed for what amounts of money through the clubs. So you can trace them, you can put a money trail - I mean, if somebody is earning \$50,000 a year and somebody is gambling 25, if they're the sole breadwinner that family has a problem. The gambler may not say so, but speak to the partner or the kids. You know, there's a problem. Eventually the money is going to run out.

I also have a bit of a bit of problem with the current attitude towards counselling, which seems to me - I have a problem in that there doesn't seem to be a lot of hard evidence as to exactly who goes into counselling and when and for what reason. I'm concerned a lot of gamblers themselves only finish up in counselling when the money's all gone and sometimes once they've actually been convicted for embezzling or committing some other sort of financial crime. I would say that once a gambler has no money they no longer have a gambling problem. They have another problem that is not gambling. So therefore it's not really the counselling that's stopping people gambling. It's no access to money that's stopping them gambling.

So you're really waiting until - you know, it's like bolting the door after the horse has gone; it doesn't matter any more. The damage has been done. The money is not there. The family has probably lost their house, their furniture, their car. The marriage has probably gone. The person has probably lost their job. Then they go to a gambling treatment service. Well, what are you treating, you know? You're trying to pick up the pieces. I think that might be nearly it. There may have been just one other point.

MR BANKS: You had a number of points to make about possible solutions to this, in terms of empowerment of family members. If you wanted to summarise those briefly I think that could be - - -

MS DONNELLY: Look, I'm not a solicitor. I have discussed this with a solicitor and a barrister and, you know, just tossing ideas around we haven't really been able to see any other way of doing it. Sorry, that is the other point. In New South Wales it has been put to me by some people working in the gambling treatment and investigation business that we should be able to have my family member seen under the Mental Health Act. Gambling is not recognised under the Mental Health Act. The other point is that if you go to the Protective Commissioner or the Guardianship Board you need to have at least one and preferably two psychiatric examinations. A psychiatrist will not see somebody against their will unless they're scheduled.

So that brings you back to the Mental Health Act. So it's impossible - like my family member was actually - a GP advised they see a psychiatrist 7 years ago. Immediately they left hospital and didn't ever go back to that GP. So there's just no way of getting the person with the problem to address the problem. Everybody else is left in turmoil. That person with the amount of time they spend gambling does nothing about making any money, but under marriage laws, family laws - and the other thing I've heard too is some parents who finish up bailing out their kids, in fact taking grandchildren in to live with them, because their children develop such a gambling problem. There's just no way for them to limit that person, the damage they cause.

The idea I did have was if somebody - either you go before the Guardianship Board or a magistrate and if a family could prove that gambling was causing financial or undue financial hardship, if you were going to lose your business, if you were going to lose your house, if the mortgage hasn't been paid, if you can prove extreme

financial irresponsibility as a result of a gambling problem - and like I said, given club attendance records, poker machine payment records, affidavits from staff in hotels and clubs, it's not - they all know who has the gambling problem - they're extremely limited as to what they can do about it but they all know.

If you show your income is X amount of dollars a year and there's this amount of money going out over here because of gambling, then a magistrate or the guardian can actually take money - I don't know if "garnishee" is the right word, but similar to under the Child Support Act. Money goes out of the gambler's earnings and is used to pay a mortgage, to pay rent, to pay taxes, to pay rates, to cover essential bills and costs. This can be negotiated with the gambler's partner, the gambler themselves and an independent third party and the third party administers that. The gambler can then have the rest of the cash that's left over and gamble it if they wish. I think it would be very difficult to deny all their access to money, but at least you're protecting them against homelessness, you're protecting families against homeless.

I also think there should be caveats put on jointly-held property that until a person has been in gambling treatment for 2 years or whatever they don't get access to a lump sum. That lump sum will go into management through the Guardianship Board or a protective commissioner or something like that. There have been people say that this is an infringement on people's civil liberties. Perhaps it is, but civil liberties rely also on a degree of responsibility and, when you have as many gambling opportunities as you have in New South Wales now, I think that people have to accept that some people can't always exercise that responsibility adequately, for whatever reason, whatever leads them to having a gambling problem.

I have more opportunities to gamble when I go to my local supermarket than I do to drink. That's the degree of gambling. You know, there's scratch lotteries, there's the club, there's the TAB. If you're going to put gambling under everybody's noses and then promote it as a good time as well, then chances are the number of people with a problem is going to dramatically increase. There has to be some legal change where government legislates to provides some protection for the financial damage that gambling causes. I think while it's good that the clubs are talking about exclusion policies and all those sorts of things, I don't know legally how they can be upheld. I don't know what you do about clubs. It also may not just be poker machines. It could be TAB, it could be scratch lottery tickets, it could be Internet gambling. How do you limit somebody's access to all of those things all of the time? So I think that's a little bit simplistic. Thank you.

MR BANKS: Thank you very much for that. As I said, I think you've raised an important issue that we've had raised with us by others. But, as you say, the nub of a particular dilemma is where someone won't recognise the problem. You refer in this letter here - and you've just mentioned it - to this question of trying to find a money trail and so on. Would it be reasonable to say that currently that is a rather difficult trail to follow? One of the issues we're looking at is in fact whether more information, more disclosure, could be made available. We were thinking primarily I suppose available to the gambler, because gamblers probably need to have a better

understanding of how much they're spending anyway. You've brought in another dimension. You're saying in a way it's the gambler's family and to others who may want to constrain that behaviour. In this family difficulty that you've got, have you found it difficult just to find out how much money is being spent on gambling?

MS DONNELLY: Yes, we couldn't put an exact figure on it. The clubs were talking about approaching problem gamblers or their families. I think that could be a good starting point if it was integrated with something like this, because if they've already had three approached and have still done nothing about addressing the problem, it means that somebody outside the family has also recognised a problem here and that gives extra credence to taking it before - but certainly improving it.

I know with the person in my family, if you said, "Look, there's been pulled out of this machine here," they'd just say, "No, there wasn't." I don't know how they do this, but that's what they would say. You say, "But look," and they say, "You're just making it up. You've just got a problem with gambling." That is another problem, I think: a lot of the so-called strategies for managing this are very rational and you're just not dealing with a rational problem here. A lot of the time the people may appear rational but as soon as you mention the naughty G word they're just not rational any more.

(Proceedings off record)

MR BANKS: You make a point here where you express concern that to some extent perhaps the counselling services are on the verge of becoming an industry in their own right. One of the issues we're looking at is effectiveness in counselling and how it's funded and organised and so on, so any views on that are obviously relevant. Do you have any basis for making that judgment other than you feel that they aren't able to deal with your particular problem?

MS DONNELLY: The first reason for that is that I know of at least one institution which has received a significant amount of government funding to research gambling. Neither of the people involved in the research there - one of them couldn't see why it would be a problem having people in a club going up tapping somebody on the shoulder saying, "Excuse me, I think you have a gambling problem." I said, "What's that going to do for somebody like my relative?" They said, "What do you mean?" I said, "They'll just tell you to mind your own business and never go back there again." I think they said, "Can't you take it up with the Guardianship Board?" I explained why you couldn't, and the colleague at that place suggested we have it dealt with under the Mental Health Act and I then had to tell that person what the New South Wales Mental Health Act had in it. That's one problem.

Secondly, when I have suggested things like a financial limit for gamblers it meets quite a lot of objections from the counselling industry. I don't think it's any threat to counsellors because we're still going to need them. They're going to have to see the gamblers, whether the gamblers want to or not, then, if you can actually force people to do something. It does to a degree limit the problem.

The other reason for suggesting this - and there was actually a story which you have seen in the Herald the other day. I've been trying to contact this gentleman for a copy of his report, but Dr Walker at the University of Sydney has just done a study which shows that 80 per cent of people who go into counselling for problem gambling finish up gambling again after they come out of counselling. That's the other concern. I don't think it's the counsellors' fault; I think it's a government problem in that while ever the government can say, "Look, we're giving money to counselling. Look, we've got a counsellor here, a counsellor there and a counsellor there," they think they're doing something about the problem. I think it's a very, very poor panacea. It doesn't really achieve anything, and there's also no limit to the amount of counsellors you can have. There's no limit to the amount of money you can put into counselling but, if you're not ever getting to the person who's doing the gambling, then why bother? That's my concern. If there's more money coming into this benefit fund there are more counsellors out there wanting funding, so the two go hand in hand.

MR FITZGERALD: Just taking the point that Gary has raised and just elaborating on what you've just said, you seem dissatisfied with the counselling services, but I guess the real problem is that you can't actually get your family member to anything.

MS DONNELLY: No, you can't.

MR FITZGERALD: In other words, they won't participate. Therefore I just want to clarify, is it reasonable then to say it's the counselling services, or is it in fact in the other areas that you've identified, the fact that there's no mechanism by which anybody, including yourself, can actually get that person to any treatment?

MS DONNELLY: I think firstly, yes, the fact that there's no mechanism to actually get the person with the problem in to even see a counsellor, so I can't say whether it would work or not. There are a lot of different opinions out there as to how successful it is, but I must admit I do have a problem in that I haven't actually seen any hard evidence of just how effective counselling is. Personally I'm a little sceptical about counselling alone being the solution to this. I'm not sure that it is, especially in extreme cases. I think that in some cases you can have underlying medical problems. I think actually that my relative could have a mood disorder. Because of the gambling problem you can't get to the mood disorder. A counselling session is not going to help. I think you need medication as well, but you can't get into the medical system.

So I think it needs to be a dual thing. I think it needs to be between GPs and counsellors to make sure that there isn't an underlying severe depression or psychosis. I was just talking to a gentleman before I came in here. His father has Parkinson's disease and developed an extreme gambling problem after the onset of it, which they struggled to manage, and in May he was diagnosed with dementia, which apparently goes with Parkinson's. But because of the gambling they struggled for 18 months to get a doctor to see him to have the dementia diagnosed. Some people in counselling say, "No, there's no other mental problem." I'm not a doctor, I don't know, but I

think that that should at least have to be ruled out before you simply say counselling is the answer.

MR FITZGERALD: I was wanting to move off that just if I can. Can you just describe the way in which that's being gambled. Is it through one particular club or hotel or venue?

MS DONNELLY: No, not fussy at all.

MR FITZGERALD: Does the person move around?

MS DONNELLY: Moves around, yes, has a very nice time, so we pay for petrol as well.

MR FITZGERALD: In that case I just want to explore, in terms of the venue, the operators. In your letter you've not made any recommendations in relation to that, but do you actually have any views about the way in which venue operators could act or harm minimisation programs they could have put in place which would have ameliorated the difficulties with your relative?

MS DONNELLY: I do think that things like refusal to - I don't think people should be able to cash cheques in licensed clubs and hotels. I think EFTPOS machines should be removed etcetera. But if somebody progresses to having the degree of problem that my relative has, then I don't think there's anything club operators can do. Sure they can say, "We're not going to let you in this club," but the city they're in now there are probably about 12 clubs. There are three towns within a half-hour drive. They all have about three clubs. There are also hotels. I don't know what code applies to hotels with poker machines. I don't know that there's any at all. I mean, the logistics of making a ban stick, unless you sort of have a photo ID on the wall, and then you've got privacy - I just don't know. I can't see how that could be made to work.

MR FITZGERALD: Your relative moves around.

MS DONNELLY: Yes. I understand that a lot of gamblers just like one machine in one club, but that has never been my relative's way of operating, no, as long as there's a poker machine. I know in my home town about 25 per cent of the shops are closed down and I was back there about 2 months ago and the RSL club's four times what it was when I left 18 years ago. So it's a pretty fair indication as to where the money's going.

Another thing I'm concerned about is advertising. I don't think governments should advertise gambling at all and also especially, I notice my children were watching television at 10 past 6 one afternoon when there was a keno ad. Keno is also allowed. There's screens and cards in the dining area of the licensed clubs in New South Wales and our children are in there. I just don't think that's appropriate at all. They're not allowed to be near the poker machines but you can have people sitting

there filling in keno. So there seems to be some anomalies in what's allowed and what isn't as well.

MR BANKS: Thank you very much for that. We appreciate that and we will certainly take into account the things you've said and think about it in this broader picture, I suppose, that we're trying to develop of problem gambling and the question of reconstruction.

MS DONNELLY: Thank you for your time. I know that it raises, like I said, some really serious issues. But the point is, I don't think that you have harm minimisation unless those issues are thoroughly investigated and addressed. But thank you for the opportunity. Thank you very much.

MR BANKS: Thank you. We will break for a moment now, please.

MR BANKS: Our next participants today are from GAME. Welcome to the hearings. Could you please give your names and your positions.

MS FERA: Yes, thank you. My name is Eva Fera. I am the director of therapy of GAME which is a gambling counselling service. It's a program for gamblers and their families with problems. We are under the auspices of St Vincent de Paul and we are fully funded by the Casino Committee Benefit Fund.

MR BANKS: Perhaps I'll get both names on the - - -

MR BORHAM: My name is Dennis Borham. I'm the senior financial counsellor and I'm also with GAME.

MR BANKS: Thank you very much for participating in the hearings. I know that you weren't intending to do so but you've been sitting through, I think, the last couple of days and have some points to make to us. We do have a submission from you and we visited your premises, I think, early on in the inquiry. So we look forward to hearing what you might have to say.

MS FERA: Yes, I just wanted to raise four points. It's in my submission but I really think we should sort of elaborate and plus all the submissions we've been listening to in the last couple of days, there is one article constantly mentioned which was appearing in the Sydney Morning Herald on 10 November and based on this article it is clear that the current research into problem gambling is focusing on strategies based on quality of behaviour of therapy. While this approach is believed to be effective, there are other approaches that are equally effective and more efficient, thus making the approach very cost-effective.

I would like to tell you a little bit more about the model and then I have three other points I raise which are shorter. The model taken in this approach is based on the work of Steve de Shazer and Insoo Berg, American therapists who have developed their competency based model over the last 15 to 20 years. It is also informed by the work of Australian therapist, Michael Durrant. These theorists and clinicians have moved away from pathologising models of behaviour and placed an emphasis on working with clients to achieve their goals as opposed to the therapist. This is an important distinction as it means that we do not necessarily advocate abstinence of gambling behaviour. It is, however, a change model, in that change is seen to be within the person's own resources once they can be utilised.

Change behaviours are more likely to be noticed by the clients and their families if they are encouraged to watch out for small differences that tell them they are on track with their goal. We are on the lookout for differences that make a positive difference to the usual way of living with or thinking about the problem. The bottom line is to find ways to effectively jam the circuit or the response to gambling as a habit as opposed to an addiction. By giving the client a sense of the possibilities of their lives in the future, we dwell only on the past as it is relevant to the present situation. Clients are often bowed down by the effort of problem maintenance, maintaining the

lies, the deceits to family and friends, maintaining the money flows, struggling with the battle of wills, avoiding detection from predators etcetera, that they often don't give serious consideration to what life might be like without the problem. This is particularly the case when their social life is inexorably entwined with their gambling behaviour.

At the more generic level we always invite family members with significant others to sessions and offer education about the nature of the gambling industry, strategies the industry employs to increase profitability, the odds of winning and losing and strategies designed to protect themselves or other family members while the client is in transition. This has proved particularly helpful in the case of gambling and poker machines. The agency also offer seminars to other agencies on the nature of brief solution focus therapy and its approach to working with the problem gambler. We have been guest speakers at G-Line seminar in Sydney and have also been requested to talk to many agencies and their clients.

At our agency, GAME, we found that this positive competency based future oriented non-medical approach works best with the clients affected with problem gambling behaviours. The comprised statistic over time show an average growth rate of 56 per cent on a monthly basis with a very low attrition rate which is about 7 per cent - something quite unusual about gambling agencies, given the reputation of this client group as notoriously flighty.

MR FITZGERALD: Can you just explain to me, the 56 per cent figure, what - just explain that?

MS FERA: A 56 per cent increase of demand on our services per month.

MR FITZGERALD: Thanks.

MS FERA: We also found that we have a client self-report, which is 85 per cent approximately success rate, which is really in contrast with what you have probably read in the Sydney Morning Herald.

MR BANKS: Over what period is that based, because I think he was talking about the need to even look after 2 years.

MS FERA: Yes, I will go back to that later because we are a new agency.

MR BANKS: That's right.

MS FERA: We haven't got the resources to go back 2 years but definitely - - -

MR BANKS: But is that point right, that it's hard to tell until some significant period has gone by, whether you really have been successful or not?

MR BORHAM: Yes.

MS FERA: But it is really the finish that the client comes up with. When the client feels that they're okay, they manage now, and they're doing okay, they can leave gambling alone. They don't need it.

MR BANKS: Yes.

MS FERA: So this is what we're talking about at this stage.

MR BORHAM: If I could just answer that question to a bit more detail. Funding for gambling, as far as any form of therapy, research or treatment, has only been available for at the most 18 months. Most of what people are talking about that are in the helping industry or even in the gambling industry where it started to matter, is hypothesis that's based on a very, very short period of time. If we look - and there was a reference made to the size of clubs now compared with 20 years ago, the growth rate has been so big, I doubt if anybody bar the government and bar the treasurers of these clubs know exactly what's happening. In the emotional, the psychological and the social aspects, I doubt if anybody really knows what's happening and this is why it is wonderful that gambling as far as working with, is very, very new and already government are taking responsibility and placing inquiries both at the state and federal level but all of us are working with very, very new data. Many of our clients have been gambling for in excess of 20 years but looking at gambling has really only been in the last couple of months and I think that's very important to highlight.

MR BANKS: Good, thank you.

MS FERA: Just to continue on with that, our success could be contributed to the fact that we have a two-pronged approach and that we use solution focus therapy as it's relatively brief, consequently cost-effective. By focusing on the positive and their competencies, we offer them help. This in turn motivates them to change and we also offer stress management through both hypnosis and acupuncture. As we are a new organisation we feel the need for more research of brief solution focus approach to make a more substantive claim about the therapeutic efficacy. We would welcome the opportunity to participate in a comparative outcome study with other approaches. This is very, very important. I just have this fear that it's going to be just one sort of approach which will be the preferred method and this will be mandated on the agencies, and I don't want that to happen. I think it is very important that we will do this study, comparative study, among the different approaches that seem to work. That's my first point.

MR FITZGERALD: Sorry, if I could just stop you there, Eva, for a moment. You're recommending a comparative outcome study across various treatment methodologies. When we were in one of the states recently we met with a group of counsellors. They were very much of the view that different methods for different clients. In other words, I was trying to come to whether there was a particular methodology used in their agencies. They virtually said it's, you know - to use the

expression we've used, "horses for courses". So if you do a comparative outcome study, do you do it of the agency or do you actually need to break it down and do it on some sort of methodology and how do you do that? Because if I simply take GAME, Break Even, in different states - in fact, say, for example, Break Even, as I understand it there's no program. It's really a name given to a funding arrangement. So a comparative outcome study is likely to show the outcomes for agency. It's not likely to show the outcome for treatment of methodology, is it?

MS FERA: No, it can be.

MR FITZGERALD: It can be?

MS FERA: Can be, yes, definitely because there are agencies are preferring one type of therapy over another and if you compare the work of the agency with another agency, for instance, if they control through all the other variables then of course that needs to be worked out and I already had discussions with - I noticed Prof Brian Innes from the University of Western Sydney who runs the clinic there and also Mr Michael Durrant. I already discussed this issue with them and they said they're quite prepared to prepare something where this study can be carried out and controlled for all variables. But it needs to be done. It definitely needs to be done, otherwise some other approaches, apart from CBT, will be just scraped off and we shouldn't allow that to happen.

My second point I'd like to discuss is, gambling therapy agencies are criticised for the lack of valued data - this is coming back to what we just talked about - about clients and vigorous outcome studies into various treatment approaches. CCBF must provide extra funding to each agency to enable that organisation to keep meaningful statistical data individually and also to encourage cooperation between agencies to pool data on a national basis instead of the competition that exists today. We heard that over this inquiry about the competition. We are all hiding behind our walls and trying not to share our findings because maybe somebody will take it, they will get funding next year that we want. We don't normally do that, but agencies do do that and it's understandable why. So I think this sort of competition for funding, this whole method of funding, needs to be looked at because it's definitely counterproductive.

MR BANKS: Yes, we've had others raise this with us, including the Wesley group - - -

MS FERA: Yes, it's definitely counterproductive.

MR BANKS: - - - who see this sort of annual contest as a problem for their own planning and keeping staff and so on.

MS FERA: Yes, that's going to my third point. Our work has just begun to scratch the surface of this problem and we need more effective agencies, more funds to plan long-term strategies and programs. In our opinion, the current rounds of annual

funding is inadequate and counterproductive and we would refer a 3 to 5-year funding period instead of the current annual system. We also believe that the top-up funding scheme is useful - I'm sure that you are familiar with that scheme, the top-up funding. It was done by CCBF. That was something that you got extra funding for work you've done beyond and above what you have contracted to do.

MR BANKS: Yes, sort of on a catch-up basis?

MS FERA: Yes, you had to supply statistics to the fund and based on how many clients you saw you got extra funding so they called it top-up funding. As I said, we also believe the top-up funding scheme is useful as it encourages agencies to stay zealous - so don't slack off. It pays off if you work hard.

MR BANKS: What is the rate of top-up funding? Is it comparable to your base funding?

MS FERA: No, it is per person and you get \$80 each.

MR BORHAM: It's complementary to the base funding.

MS FERA: Yes, \$80 per person for four visits.

MR BANKS: So how do you know when you're into top-up funding territory? I mean, is the base funding defined in terms of a broad number of people or - - -

MS FERA: Yes, you have contracted when you put your application in. Your contract says, to look after 200 clients. If you are above those numbers then you get the extra funding.

MR BANKS: What if you're below?

MS FERA: Nobody would - - -

MR BANKS: There's not subtraction funding, is there?

MS FERA: No, I don't think there is. But it is definitely very helpful because it allows people to get extra things. It allows people to have more supervision, buy extra books, you know, sort of anything to aid successful counselling. There is one more point I'd like to make, I think you just mentioned not long ago. Furthermore, the current structure will not attract skilled workers as they could be only assured for a few months employment. This is a real problem. I have tried to get extra people and when I mention to them that I can only offer for sure 3 or 4 months' work they're not prepared to leave their permanent employment and that's understandable. So it is very, very difficult. We do our own training. We have currently training nine counsellors but it's not going to be enough and it's going to need far more training than that.

MR FITZGERALD: These are volunteer counsellors?

MS FERA: Volunteer counsellors, yes. The last point I would like to make is that there is an urgent need for responsible advertising and I think you heard that before as well. Our agency is currently producing an advertisement to increase community awareness of problem gambling. We would greatly appreciate both commercial and government TV channels considering to give us free community time. Now, this is our own initiative and it's no cost to anyone. We try to pool all our resources and call in favours to try to prepare this and this ad is hopefully going to be ready soon. It's a television ad.

MR BANKS: Is this a sector wide initiative or just for your - - -

MS FERA: It is to target awareness of problem gambling and at the end it says, "If you have a problem come and see us."

MR BANKS: Yes.

MS FERA: But it virtually can be adapted to any other agency or as a global statement. It's a very, very clever ad.

MR BANKS: What's your view about G-Line and whether that has been helping?

MS FERA: We found G-Line extremely helpful. We found 41 per cent of all our referrals coming from there, which is about 20 per cent higher than mentioned in that article we all talked about. We found that their referrals were very quality referrals. I encourage my clients to seek out G-Line between sessions or after hours in case they need to, and they do that. So we have a very good relationship with G-Line. I have really no complaints whatsoever.

MR BANKS: I might just ask you, you would have heard the last person who was speaking here and - - -

MS FERA: It's very heart-wrenching, yes.

MR BANKS: Yes, and perhaps just because we have now a financial counsellor here with us as well, I'll get you to talk a little bit about the strategies that you employ with your clients and in particular whether one of those strategies might be simply tying up their funds in a way to limit the scope for them to dissipate funds that they need for basic needs of life and so on.

MR BORHAM: First and foremost, where you have a non-compliant problem gambler the law is against me or the family of that gambler acting in any way whatsoever. There are only two jurisdictions that can help. One is the Family Law Court jurisdiction which is no blame, separation, irretrievable breakdown. The other is the bankruptcy jurisdiction which is winner takes all. Everything gets liquidated. So whereas spouses have a house together and one of the persons is forced into

bankruptcy because of the debt, you can't sell half a house. So both people become displaced, and we know that if you've lived in Leichhardt for example all your life and you had to sell a house in Leichhardt, half of the price of Leichhardt is not going to buy you anywhere this side of Penrith.

So this is the great tragedy: if somebody does not want help you can't make it. Now, the government, the state government, is a very great beneficiary of gambling and yet all their institutions and departments in this instance are toothless tigers. The police can do nothing in this situation. If it was physical violence you could. Because it's emotional and economic violence - and it is. To force your family, no matter how into poverty or to even jeopardise your income, I believe is economic violence to the max, or whatever the politically correct terminology is. The Department of Child Welfare, well, if the children are grown up it doesn't come into play. So that's useless and no other government department can do a thing about it.

The courts can't do a thing. Again, if it was physical they could see the evidence and there would be charges. There has to be laws brought in. Under the old Moneylenders Act, which disappeared in 1985, for example there was a wonderful clause in that. The wife was the agent of the husband. Now, I don't want to bring this into a gender thing. But where there was shown to be dependent and where there was shown to be abuse economically, it could absolve one party completely. So we did have laws. It was the credit industry that had that wiped because we often employed that act under these circumstances. It didn't cost a lot of money. Now to invoke any part of the legal system is going to cost a fortune. Legal Aid is not going to touch it and if it did, it's going to put a caveat on the property.

If I had a spouse and the spouse was gambling I can put caveats on the property. But remember the caveat only protects the title. It doesn't actually protect the house and when it gets forced to be sold I'm ordered to lift that caveat anyway. So where there is a non-compliant partner at this stage there really and truly needs to be law and we don't need to make gambling a disease for this to happen.

MR FITZGERALD: Can I just talk that through? You're identifying a situation where you need to protect the asset of the non-gambling partner from creditors. Effectively you need to be able to, you're saying, quarantine the financial assets of one partner viz-a-viz the gambling partner from creditors.

MR BORHAM: Yes.

MR FITZGERALD: The mechanism by which you believe new law needs to be introduced to achieve that, similar to - your act was the Moneylenders Act which you say was repealed when, 1984?

MR BORHAM: About 84, 85.

MR FITZGERALD: The previous participant was also talking about the situation of a family member being able to take action in respect of the gambling partner, which

is slightly different. In other words, to garnish part of the wages or what have you. Have you got a particular view about - - -

MR BORHAM: You can do that under the Family Law Act. You can still do that.

MR FITZGERALD: So at the moment you can access that through the Family Law Act?

MR BORHAM: Yes, but it has to prove dependency or need of that income. But yes, that can be done. But it means you have to invoke the Family Law Act.

MR FITZGERALD: Can I just clarify - sorry, I just need to understand something. You can access the Family Law Act whilst the relationship is still intact?

MR BORHAM: Yes, the same as a husband and wife may break down, the marriage may break down, but live jointly under one roof. But there are all sorts of ranges within that act.

MR FITZGERALD: I'm just trying to understand. So basically a spouse who is still married and living with a partner can access the Family Law Act to some degree?

MR BORHAM: Yes. The maintenance clause is there for anybody.

MR FITZGERALD: So in respect of the comments of the previous participant where they say they - they're referring to the Family Law Courts I presume in proceedings where there is a divorce or a separation in contemplation. But you're saying you can access it in advance of that.

MR BORHAM: Prior to the breakdown, yes. But then again you will have to find a solicitor who's going to charge very little to give you that information and the Family Law Court solicitors are very expensive to even get a 10-minute phone call with. So it can be prohibitive if you don't have the money. Free legal advice stopped in New South Wales a long time ago. Cheap advice is very expensive. Good advice is more expensive - or less expensive but you've got to put the money up-front. This again is a government jurisdiction and again - you know, I would like to see it, and I know I have a prejudice. If I ring up somewhere and say, "A member of my family is problem gambler. I would like all services of the state government being made open" - and I think it's that crucial because so much is not available to families of problem gamblers and they are the innocent victims. The number of people that do not know their spouse is a gambler or have been a gambler for 10, 15, 20 years is frightening. The people whose credit card is taken by their spouse, not knowing that they're a gambler, is frightening.

MR BANKS: You are good people to ask about some of the harm minimisation strategies - and it may well be in your submission, I don't have it at hand. But are there particular strategies that you believe are most effective? I'm talking now about venue-based strategies. We had yesterday, I think you would have seen, the BetSafe

people talking about their approach and so on within the clubs. Others have told us that signage makes a big difference, that they've observed signage about facilities and so on in the venues has helped. Are there any comments you want to make?

MS FERA: Yes, there is no signage and as you guessed it, we have some in the publication here. Our clients are virtually flying blind. If they go to, like for instance, TAB they have an idea that they have a five to one to 10 to five, whatever the odds are, chance to win on that horse. When they go to see the poker machines they have no idea what the odds are. They have no idea how the poker machines operate. They know nothing about it and everything, as the previous submission mentioned, it is designed to take away reality, to create an artificial surrounding where time and everything is just unreal. It's not fair and they do this very effectively. They are employing psychological knowledge to do that. They have everything at their disposal because they have the money to do so.

MR BANKS: Yes. So information about the odds, information that was information rich, if I can put it that way, about the odds, the real odds, you think would be very helpful to the sort of people who come to you?

MS FERA: Yes, definitely. Put odds on, that's one thing. Put something like a warning. I know that even the cigarette warnings are not very helpful but still there is a warning. It might help some people. They should put some credit limit into the machines, as for instance in the casino. They have the cards. They use their cards to get access to the machines. There should be a limit on it. There are many, many things they can do. They said they cannot do exclusion, they can. For instance in the clubs if they issue a club card, a swipe card, they won't be able to get in the club.

MR FITZGERALD: Could I ask a question just on that? Of the clients that you see who are using EGMs, poker machines predominantly, would the majority of those people have club cards, loyalty cards? Would they access those? Because it has been put to us that heavy gamblers don't use those because they don't want to be recognised. Others have said to us yes, they will use it because, you know, there are benefits to be attached.

MS FERA: Yes, there are bonus points to get with some of the cards and people do use them.

MR FITZGERALD: They do.

MS FERA: The only problem is that they use their spouse's credit cards as well.

MR FITZGERALD: That's the credit card, but the loyalty cards, not those.

MS FERA: The loyalty cards, yes.

MR FITZGERALD: They will use them?

MS FERA: People do use them. They protect their identity. When we asked them if they would like to take part in a group therapy session they're not interested.

MR FITZGERALD: Sure.

MS FERA: And I find it very, very difficult to sort of try to convince anyone. None of our clients ever said that yes, they would love to do it - and that was very strange.

MR BORHAM: Just adding a little bit more to that question, if you have somebody who has been a member of a club for a long time - and I want to take particularly for example the RSL clubs where there is more than just the club atmosphere in the RSL and to the leagues club to a lesser degree, but there's that same brotherhood. There is that, "We went through some trauma together," whether it was the army, whether it was the war, whether it was the 1956 grand final. That type of brotherhood will indeed use every allegiance with the club and will spend their fortunes in that club. The younger problem gambler who hasn't had that affiliation will use the club occasionally and use the pub.

See, this is one of the things that I said time will disclose. To some the club is their family. Some of the big losses that we've heard about - a point I wish to make here, there are people where the staff members know the people by first name and they're playing the wagers every day and when they don't come any more they say, "What happened to Charlie?" "Oh, he ran out of money." He has just spent their life savings. They've just spent the insurance from their deceased partner. They've just spent the superannuation or in three cases we know of, the whole lot, and they went to the club every day until they finished. It took 4 years or 3 years or 2 years. Nobody knew that person had a problem till they stopped coming and they could not afford to come any more.

MR FITZGERALD: Do you believe they did not know the person had a problem, or they chose not to acknowledge the problem?

MR BORHAM: You're asking me with my prejudices. I know damn well they knew they had a problem but it was paying big divvies. But I'm not going to say that in a commission. I'm going to believe them. Clubs and hotels do give community service and they need to be congratulated for that. But the idea of supporting a junior football club or a gymnastic team or a barbecue out the back does not help the family of problem gamblers and this has to be identified. There is not big research. I have a PhD from the University of Hard Knocks. I probably am fairly street-wise.

But what's happening in the gambling fraternity and what's happening in the money market? There has been no mention of the illegal practices around gambling and indeed the illegal gambling that's going on. The pool halls are still making a roaring trade. The moneylenders, the sharks, are still hovering around both the casinos and the big clubs. We have one client who's on the run at the moment. He got bashed up because he didn't find the money. The parents have got the money but it's a day late. He has been bashed up and he's on the run and we're talking 25,000

unsecured. You borrow 25,000, you pay back 25 and a half thousand and you do it over 3 weeks. He did it for 15,000, he made the grade.

MR FITZGERALD: Can I just pursue this because it has come up in other hearings? The issue about illegal - or access to questionable money, illegal money, has come up. People have been reluctant to talk about it in any great detail. The story you just told, how rare or how common is this?

MR BORHAM: We've had a number of people who told us they know about it. I have three clients. We are a small agency. We've had how many this year? 130, 150 clients, and we've got three of them that are involved in this sort of money market. So that's three to 150, so that's a small percentage. But we're talking big issues here. I think it's more common than people are letting on. I don't think that practice ever stopped from the twenties. I think it has just kept going. There is a lot of underground gambling.

MR FITZGERALD: In relation to that, just to explore that for a little bit further, the advice we have is that access to legal gambling has significantly reduced the level of illegal activity. What do you say to that?

MR BORHAM: I think it has significantly changed it. You can certainly get better odds at the illegal gambling. There are still some SP bookies still going. You can be there for business rather than the trim and hype and the noise and everything else. You go there strictly to gamble and somebody said to me, "Saving money is good. Winning it is better and naughty money is better than honest money." There is still very much a part of that in the fabric and it is, I believe, very common.

MR BANKS: You mentioned pool halls. I mean, if there was illegal gambling and you had to rank it, what sort of category of activity is most likely to be - - -

MR BORHAM: I think because of geographically where we're appointed in East Sydney, I think we get a large share of it. In the city, in the Cross, there are a number of pool halls, but in the suburbs there are pool halls. In the Hills district there's a couple. In Fairfield there's another one. Kelly pool is very, very popular and it's up to \$4000 a game. So yes, it is still prevalent.

MR FITZGERALD: In relation to those illegal gambling venues, is there any evidence that they are producing a disproportionately high number of problem gamblers or do most of the problem gamblers that you're seeing access legal venues?

MR BORHAM: I have a number that access both, but most of our problem would be legal venues. But it's the illegal ones where they've got nobody to turn and nobody to talk to. The reason - and it's rather a funny anomaly. The reason I got introduced to the players of the illegal venues is, the job I had before this was working in Long Bay Gaol. So the people know me, so they refer and that's I suppose to a degree part of that brotherhood and that's why we get to know about it.

MR FITZGERALD: If I can just come back, Eva, I just want to understand - the methodology you were talking about in terms of treatment is what you refer to as competency based.

MS FERA: Yes.

MR FITZGERALD: As distinct from cognitive behavioural therapies. Can you just explain to me the most fundamental difference between those two approaches? What is the major difference or differences between a cognitive behavioural therapy approach and your approach?

MS FERA: Just very briefly, cognitive behaviour therapies is based on thinking.

MR FITZGERALD: Yes.

MS FERA: Now, as we heard from the previous submission, rational thinking has sort of went out the window by the time they come to see us. So what we deal with is virtually a mess and we need to find something they know they can do well, to give them some sort of hope, because the people who come to see us, they feel guilty. They feel ashamed, and they think they're no good. They very often try to commit suicide. I had one particular client tried twice before he came to see me. Now, after nine sessions he said he didn't think he needed to come any more. He is a mandated client and we talked about it before. At the present I have three mandated clients, one from another agency, Cedar House.

MR FITZGERALD: Sorry, I need to understand. What do you mean by "mandated"?

MS FERA: Mandated, when they have to come. If they don't come they go to gaol.

MR FITZGERALD: Yes, okay. So it's mandated under a sentencing regime.

MS FERA: That's right, yes. So I have three of those clients presently. This was one of them because this particular client embezzled quite a large amount of money. He was an accountant, tried to kill himself twice. He saw me nine times and he is now feeling 100 per cent sure that he is not going to gamble again. Now, he hasn't gambled now for some time but we don't leave him at that. I will see him still once a month and then once every 3 months, and I will probably carry on with that for a while.

MR FITZGERALD: Does your therapy approach have a particular position in terms of abstinence from gambling viz-a-viz controlled gambling or is it case by case?

MS FERA: No. See, the approach we use as far as abstinence is concerned, it's not crucial. It's not like an AA problem. If that's what the client wants, yes. If the client wants just control we work with that. We are not giving our goal to them. They give their goal to us and we work within that framework. However, we do mention to

them that to be able to control it will take some time before they get the skills, what we try to teach them and try to evoke from past experiences. So it will take time before they will be able to control the habit, so maybe initially will be better off if they abstain from it. But it is a decision, it's a suggestion, we make to them.

Now, just you mentioned what is different with our approach. As I said, we are working with the client's goal. One day you come and see my clients leave the door. All my other people are mentioning it. They leave on a high. They're so positive and all of a sudden they see a ray of hope in all that negativity they get. I'm very happy with this approach because it does work and we did do an outcome study last year with the University of Western Sydney, and we had 91 per cent success rate, which is huge.

MR FITZGERALD: Sorry, your success rate would be the client achieving their goal?

MS FERA: Their goal, yes.

MR FITZGERALD: Whatever that may be.

MS FERA: That's right, yes, their goal.

MR FITZGERALD: And at this stage it's too early to tell whether that is maintained over a period of time?

MS FERA: Yes, that's right, yes.

MR BANKS: Would it nevertheless be the case though that - well, I just value your observation on this - the key is still the person understanding that in a sense gambling is not an activity that they can win at every time? Is that still - - -

MS FERA: They don't know that, but by the time they come to see us we explain that.

MR BANKS: Yes. So that is part of what you're doing.

MS FERA: Yes, we do education and I did mention as far as the harm minimisation principles in my submission, that education should be introduced alongside with alcohol, cigarettes, tobacco and other education at schools. It has to be, you know, said that, "Okay, we are not smoking any more," and if you have a look, what used to be happening, say, 20 years ago, if you didn't smoke you weren't in the right society. It was chic to smoke and we advertised smoking like hell, until the tobacco revenue sort of wasn't enough to cover the health cost that was involved. All of a sudden governments realised that maybe this is not a good thing.

Now, we are going down the same road again. The advertising is saying, "We're all having fun." The advertising is saying, "Everyone is a winner." I suggest

we should advertise, "Not everyone is a winner." Very few people are winners. This sort of advertising and education should be introduced to schools, like drink driving is not cool any more. It used to be. With education we can change things. But we have to start at the grass roots. We have to start at the schools, because I have a lot of young people, 18-year-olds, who are gambling. gambling very heavily. There's one young person who is on the run, he's only 20. What a waste of life.

MR BORHAM: Sorry to cut across you there, just another response to the winning side of things. Yesterday there was a comment made that people don't look at winning at clubs. They look at the time they spend in front of the machine. What we've discovered in working with problem gamblers, gamblers gamble to win. Problem gamblers gamble for some other reason. They don't really care whether they win or lose or draw. It's about time in front of the machine and I've never had a problem gambler that has actually gone to the poker machine to win, not when they've had the problem. It's for another reason. That's why it's the problem. The time factor costs money in front of that machine. It's the old cliché: time costs money - and they're living it. When I heard that, that so many people in the clubs are saying, "It's not whether I won or lost but how much time I got out of it," it suggests that there might be a lot more problem gamblers than we're hearing about. It's only one indicator.

MR BANKS: You could argue that that's not a bad thing because if they have a sense that they're going to lose and they're paying for entertainment and it might cost them \$20 an hour if they play at this particular machine, then that's almost a rational approach to it, which the clubs and hotels would say is the way they deal with it and therefore it's benign.

MR BORHAM: I accept that perfectly. If you were to go horse-riding this afternoon the first thing you'd ask is, "How much an hour is it?" If we got told, "To play on this machine does cost X amount per hour if it's running flat chat" - and you could say, "It costs \$60 an hour if you don't take any drops. If you take all drops it could come down as low as \$35 an hour." That would be wonderful and that's very, very feasible it can do it. The machine already has the counters. If you open the machine it already counts how many coins have gone in and how many coins have gone out. It's already there. It's just that the player doesn't know. If you have EFTPOS you know there's a daily limit on your EFTPOS card. You can only take out X amount per day. We can transfer that to credit cards or EFTPOS cards, how much a person is going to take out on the day. There is no reason why anybody has to empty, or can empty, their account or anybody else's.

MR BANKS: Thank you very much for that. I think we've found your information quite valuable and since we first talked to you we've been around the country talking to others and at some point we may well decide to have a special round table on some of these issues that we'd like to focus - - -

MS FERA: Sure, we'd be delighted to take part in something like that.

MR BANKS: Thank you very much.

MR BORHAM: Thank you.

MS FERA: Thank you.

MR BANKS: I just ask now for the record if there's anyone else who'd like to appear at these hearings while we're in Sydney? There being no-one, what I will do now is adjourn the hearings. We resume in Melbourne on Monday morning. People who are interested in getting transcripts, they can get those transcripts by being in touch with us and there are order forms available for it, or these days with technology what it is, you can get copies of the transcripts on the Internet directly. They're being put up as they're available. There's a bit of a lag but eventually we hope all the transcripts and indeed most of the submissions will also be available on the Internet for people to peruse at their leisure. So thank you for that and we will adjourn the hearings today.

AT 3.00 PM THE INQUIRY WAS ADJOURNED UNTIL
MONDAY, 23 NOVEMBER 1998

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