



## **SPARK AND CANNON**

Telephone:

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

## **TRANSCRIPT OF PROCEEDINGS**

---

### **PRODUCTIVITY COMMISSION**

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

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

### **TRANSCRIPT OF PROCEEDINGS**

**AT SYDNEY ON FRIDAY, 17 SEPTEMBER 1999, AT 9.05 AM**

**Continued from 16/9/99**

**MR BANKS:** Welcome back everybody on the second day of our hearings here in Sydney. Our first participant this morning is the Australian Institute for Gambling Research. Welcome to the hearings. Could I ask you to give your name please and your position.

**PROF McMILLEN:** Yes, I'm Prof Jan McMillen. I'm the executive director of the Australian Institute for Gambling Research. The institute is a research centre at the University of Western Sydney, Macarthur.

**MR BANKS:** Good, thank you. Thank you very much for participating today and you've assisted the commission with a lot of resource material from your own centre and other material that you've been aware of and we've also had other discussions in the course of the inquiry and we're grateful for that. You've provided us with a submission here in response to our draft report, and as we discussed, perhaps you might just like to give an overview of some key points and then we can have a more wide ranging discussion.

**PROF McMILLEN:** Yes. Well, I guess first of all I must start by congratulating the commission for the draft report. As I indicated to you, it's certainly better than I expected. When the inquiry was first established, I guess I was one of the loudest critics. I've been calling for something like this for some time and I was a bit concerned that it actually had been given to the Productivity Commission because of the social implications, and I commend you for the fact that you have done, I think, a very commendable job in relating the social and the economic issues.

It's a very complex industry, as you've discovered, and I think you have done us all a service by identifying that complexity. There are lots of unanswered questions and I applaud the fact that you've identified those. Certainly there's enough research material here to keep people like me happy for a long time but there are some questions that I think could be explored a bit further. Whether you're able to do it in the short time that you've got available or not, I'm not sure, but I notice, for instance, that the issue of market failure has been mentioned occasionally. You mention it, for instance, with the racing industry and the potential there with horseracing and the effect of competition. But I really would like to see a bit more attention on market failure. Government failure you've identified appropriately, I think, in terms of the policy problems that have occurred and the lack of policy rationale and principles, but I think that needs to be balanced with some confrontation and addressing the issues of market failure a bit more systematically, particularly as far as competition is concerned.

**MR BANKS:** I think probably we've tried to avoid using some of the jargon and probably haven't labelled some of our discussion under the heading Market Failure when we could have. I suppose in one sense a lot of the work we've done on social impacts you could say reflects a market failure because they're externalities and so on. The area of competition, in one sense it's a market failure but I think you could also say - I mean, to the extent that you're concerned with - I think you noted in your submission - a misuse of duopoly market power, that is a regulatory construct too.

**PROF McMILLEN:** Yes, it is.

**MR BANKS:** So I suppose there's almost a third concept and a nexus between market and government failure in producing some of these outcomes, but we'll certainly go through, and perhaps a bit more carefully, and make clear which we see is inherent in the market and what is very much within what government has done itself.

**PROF McMILLEN:** That's exactly that relationship I was hoping you might explore a bit further.

**MR BANKS:** Good.

**PROF McMILLEN:** The impacts issue. Even though you do at various stages through the report acknowledge that regional aspects of social and economic impacts are important - and I can understand why you haven't explored those in more detail, because the data just isn't there, but I think that needs to be emphasised much more strongly - there is a tendency in the report to still talk about net impacts and, as you yourselves acknowledge, assessing net impacts is very difficult and problematic; hazardous, I think was the word you used and I'd agree with that. Our own research certainly confirms that.

What needs to be done, I think, is much more comparative regional analysis, and if there's any way you can rework some of the data that you've got to explore that issue. Section 9, for instance, where you're talking about crime and community life and values, that seems to me to be a very big hole in the report and I know the data just isn't there in a lot of cases. We'll try to provide you with some updated information that's coming from some of the projects we're doing. For instance, we've been doing a three-year comparative study of the impacts of the Brisbane and Cairns casinos. Now, that report is not due until next March but I've got my staff working flat out trying to get something for you by mid October. That's demonstrating quite clearly that the impacts are felt at a regional level rather than at a state level, at an aggregate level or even at a national level, and the regional impacts vary remarkably. I think that complexity and specificity needs to be brought out much more closely.

**MR BANKS:** Yes. That is a good point, Jan, and when we were in Victoria we heard that a number of the local government areas have been doing studies of their jurisdiction and there was a Boroondara gambling impact study that we heard a bit about and received a first draft of and that will be helpful as well. I guess we were conscious in our report when we gave those net numbers that, you know, in a sense it was a ballpark number to get a sense of what the dimensions might be in an aggregate but we probably didn't emphasise enough that underlying that aggregate net range there are quite diverse outcomes from one place to another and one region to another, and we made the point that in some regions, you know, you could have quite negative outcomes when you look at impacts of leakage of taxation and profit and so on in those particular regions. But it is quite hard to get a handle on it, other than

conceptually talk about it, to actually get real numbers so we'll try to get more regional or local flavour, I think, into the final report. If we could get access to any studies like that one that you were talking about to help us do that, that would be great.

**PROF McMILLEN:** We've attempted to do it in other jurisdictions as well but the problem is a lot of the studies are snapshot, and impacts vary over time and they vary between different forms of gambling as well. EGMs are going to have a quite different impact to casinos to horseracing and so we really need to, I think - I hate to point out that the picture is even more complex than perhaps your report has suggested and I think if we're going to progress this further - and I think your report is a very constructive contribution to improving our understanding of gambling - I think we have to understand those complexities even though I quite accept that you probably won't be able to deal with it, but if you can identify it it at least part opens the way for people to explore those issues later on.

**MR BANKS:** One of the things that is a bit underdone in this report is our assessment of data availability and so on and research needs. I think for the final we'd like to have a section there that pulls a lot of that together and, in a sense, sets up an agenda of things that we couldn't do but things that need to be done over time, so all of that input of yours would be quite useful for that.

**PROF McMILLEN:** We've just made some recommendations to the VCGA about the types of work that needs to be done ranging from community studies, ethnographic studies, layered analysis using GIS, for instance, and for our responsible gambling program in New South Wales I was quite surprised that government agencies weren't using this for social policy areas in the way that they should be and so we're going to try to gather the data and try to do this, at least in a preliminary way. So I can give you a sort of a hit list shopping list of some of the things that we think need to be done.

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

**PROF McMILLEN:** But certainly I think one of the things that - I applaud the report - is the recognition that there are some areas where the government does need to take a role in the public interest where the expansion of the market is in conflict with public good. I think there is a responsibility on government to take a role in that. We also are submitting to the commission - we have sent you the report of the trial program on responsible gambling in registered clubs which we completed last year and we're now taking that program further and developing it and refining it for statewide implementation. We've also just been commissioned by the TAB to do a similar project and we're negotiating with the race clubs to do it and, as you know, New South Wales is preparing legislation for responsible gambling initiatives. I applaud that and I would like to see the rest of the industry getting involved in this and I'm hoping those reports that we sent you might actually assist with that public health approach which, again, I thoroughly endorse. I think this is the way to go.

In terms of the pattern of gambling, I think you've made some valuable contributions there but I would also like to point out that the official statistics probably underestimate the level of gambling activity in this country. The work that we've done at community levels make it quite clear that there is a lot of informal gambling going on in various communities. You've identified that. They're the groups that weren't caught into your survey. So I think when we talk about the extent of gambling in Australia, I think your figures and the figures from the Tasmanian Gaming Commission are probably an underestimate. But we are missing from those official statistics particular communities and we need more attention given to those.

Problem gambling - you know my views on the SOGS instrument and I think you've done a great job in working with the existing tools in broadening the definition. I actually have some concerns with critics who have perhaps attacked you for that, those findings. I think it's probably not very constructive for industry to shoot the messenger here. I think there is a problem out there and industry and government should recognise that. I think where you have provided researchers and policy-makers and communities with some useful information is that movement towards harm indicators. So we're not relying just on SOGS any more. There is a movement to redefine and develop new measures and I hope that momentum continues. There is a problem and it needs to be addressed.

I'm not surprised that the figures were as high as they were. In fact, I think they're probably higher. I agree with you. I think they're probably an underestimate. That won't be well-received by some members of the industry but the nature of the survey technique and the fact that certain communities were excluded and the fact that we simply do not know what problem gambling is, I think we really do have to be fairly cautious with this and accept that the problem is there. The community recognises that. Their response to the question about gambling doing harm has been overwhelming. So thank you for that.

The other thing was with the referrals and the data from gambling support agencies. Again, I think the data that you've provided is very useful but I think we need to do more work with generic community service agencies. The work we've done suggests that we're really just seeing the tip of the iceberg in the designated gambling agencies. A lot of people are going to other support agencies for help, agencies that aren't getting funded to provide gambling assistance and don't have the time or the resources to collect data and I think it's putting great pressure on those agencies.

**MR BANKS:** We've had it put to us by some members of the industry, including yesterday, that the counselling sector is a self-serving group like many others and that they're into self-promotion and trying to heighten the problem. That's one point I wouldn't mind you responding to. The other is they say that in fact there hasn't been the growth that appears through the activity related to these specialist agencies because it's all been displaced from general agencies; in other words, there's just been a displacement effect from one form of counselling and generic counselling into gambling-specific counselling.

**PROF McMILLEN:** Well, I think that's probably a faulty argument but at the same time I think there's probably some truth in the fact that all welfare agencies are strapped for funding at the moment and in the states where gambling support now has designated funding, it's provided an avenue for service agencies to actually redefine their role and to move into gambling counselling. I think that's unfortunate because informally I have been told about agencies that are using the gambling funding source but using that to cross-subsidise other activities and I think we need to take a good hard look at the funding arrangements that exist for service agencies. I've recommended to a couple of governments that I think what we need is a dual model of support. I think probably there is a need for gambling-specific agencies for people in absolute crisis, but seems to be the best service that those agencies are providing. But I think we also need to make sure that our other broader, more general service agencies are well-resourced because all the service providers will tell you that it's only the people who reach that crisis point who come and are willing to admit that gambling is the problem. Most people will go and get help for emergency relief, for managing their budgets, for a whole range of other issues - health problems.

For instance, last year we developed a program funded by the Casino Community Benefit Fund here. I worked with the NSW AMA developing an education and in-service program for GPs. GPs are often the first port of call for people in trouble. They often know their patients quite well because they see them on a regular basis and if they're well-trained and they're able to recognise the signs that someone may be having a gambling problem, then they can act as a point of referral. I think we really need to develop the broad network of agencies that have the adequate resources, that are aware that gambling is a very complex issue that can affect people in a variety of ways so the community agencies can work in tandem with the designated agencies. So I guess I've argued against just directing funds into gambling-specific agencies. I would like to see a much broader approach, network approach.

**MR BANKS:** Is there evidence though of the growth of these specific agencies simply being a displacement effect, so there's no real net increase in need or demand?

**PROF McMILLEN:** No, I've seen no evidence of that, in fact, quite the reverse. In states that - we've done surveys in Queensland for instance, with the casino study up there, and they do have Break Even centres. The other service agencies are also receiving an increased welfare load demand on their services. So I think it is an exponential growth in gambling problems. It's commonsense. And I think it's flying in the face of commonsense to argue that simply the agencies - it's a self-creating problem, if you like. The problem is there. It always has been there. I've had family experience of a death in the family in the 1950s with gambling problems. But we didn't give it a name in those days and the problem wasn't as wide-spread. It is now wide-spread. People are hurting, and we need to respond to that.

**MR BANKS:** Thank you. Sorry, I interrupted you.

**PROF McMILLEN:** No. Okay, the Aboriginal and ethnic gambling issue, you've

identified that as an area where there is inadequate information. To be perfectly frank, I think a lot of the work that has been done with Aboriginal and ethnic communities is deficient, to be tactful. It's very ethnocentric. The research design imposes certain western values and assumptions on the research agenda, and I think we need to go back to square one and develop much more culturally sensitive research projects that identify and explore the issues. We've done some work in Western Australia with various Asian communities, which was a snowballing ethnographic study, and it certainly showed that their experience of gambling, the meaning of gambling to those communities and their needs for support are quite different and quite specific. To just simply lump Asian communities into one homogenous group is also misguided. We really need to be aware that Australia is a multicultural society and there are different cultures, different practices, different value systems at work here.

The work we've done with Aboriginal communities suggests the same. Just because Aboriginal communities gamble a lot doesn't mean that gambling is a problem for them. The work we've done in the Northern Territory suggests that gambling has very positive meanings for some of these Aboriginal communities. What is a problem for most of them is the impact of commercial gambling. They want self-determination. They've developed their own games. They have a very collectivist approach to gambling. The money is shared. No individual is seen as a winner. If anybody accumulates money after a game - and they play with mineral royalty money, they're playing with big amounts of money - but they spend the money on the community, not on themselves. They have a very different approach to the individualistic approach that western society has. I think to impose western methodologies is not doing them justice.

**MR BANKS:** As you know, we were very cautious in that area. I think we probably heard from you and others early on that investigation in the areas of ethnic communities and indigenous communities is fraught and quite difficult. We're hoping, as you know, to get the results of other studies that have been done. When we were in Adelaide, we had some representatives from indigenous associations talking to us about what we'd said in that appendix. They were arguing that perhaps we were being a bit too optimistic or putting too much of a positive spin on the gambling within their communities, so you might be interested to see what they say from the transcript and the submission. They were broadly agreeing that it's more positive than the institutional gambling where the people are going into the town and often losing money and then being stranded in the city, and all that. But there were also conflicts arising within the communities.

**PROF McMILLEN:** Absolutely. It's changing. There are generational tensions occurring. There are gender tensions occurring. Often women are the ones with money now through what they call "kid's pay" and the women are - so the gender relationships are changing, and also, I think you have to be very aware that Aboriginal communities also are not homogenous.

**MR BANKS:** No, sure.

**PROF McMILLEN:** Some of them have had decades of mission education. Others are still much closer to their traditional lifestyle. So there are different value systems at work there. One of the things we've argued in the Northern Territory is very much along the lines of the public health approach that's been taken with the living with alcohol program, which I think is a brilliant public health program, and they've let each community decide for themselves. So they've been given autonomy and self-determination about the extent of liquor, and I think that is also something that we should be considering for Aboriginal communities. The difference between urban Aborigines and provincial and home community Aborigines also needs to be taken into account. So again, more complexity, I'm afraid.

Gambling impacts. Yes, this is where I think there's a lot of work, and we're struggling with this issue at the institute, and particularly with the economic issues. I've yet to find an economic model that is appropriate to measure economic impacts. We've got to work with the tools we've got but, as you know, most of the data is at an aggregate level, and I've already argued that impacts are felt at a regional level, both positive and negative, and that it varies between one form of gambling and another. Where I think you could do more work, and here I'd support some of the industry submissions, is work on the production side. Again, taking account of my earlier comment that gambling is different - there are different forms of gambling - and the nature, the structure of those industries is very different. So some industries are going to generate more value for the economy than others.

For instance, racing is probably closer - and they may not like this - but traditionally it's closer to an agricultural sector. It has a lot of the ingredients of agricultural production. It's moving towards high tech, but that's been the basis of it. Casinos and EGMs are probably closer to the hospitality industry and sports betting and the interactive gaming of course is closer to IT and telecommunications. So the impacts are going to vary as a result of that. So I think we'd probably need to do more work on those production side impacts.

The role of manufacturing for instance and the export-earning capacity of manufacturing or of interactive gaming should be taken into account. The effects are quite uneven between different forms of gambling, again, depending on the infrastructure that's required and where that infrastructure is purchased or where the suppliers are located. If the suppliers are locally based, that's going to have positive regional impacts. If the suppliers are imported, either from another state or from overseas, then that's actually probably a cost rather than a gain. It's a very complex issue. We've tried to tap into this in Queensland with the casinos. Where do they buy their equipment? Where do they get their marketing? Which PR agencies do they hire? Of course, in Cairns, you're not likely to get Reef Casino contracting to a local marketing agency, so they contract out of the state or overseas. So that doesn't generate local benefits. We need to look at the various impacts at a national, state and local level.

**MR BANKS:** Yes, I agree with that, and clearly the different industries have different multiplier effects and different chains of supplier and so on. I suppose



we've drawn a distinction though between looking at the multiplier effects of existing activity and the question of the counter-factual. You know, if there wasn't this liberalisation and expansion, what would have happened otherwise?

**PROF McMILLEN:** Yes.

**MR BANKS:** When you look at it in that particular light - and we've been a bit misunderstood I think by the industry - then the big gross numbers start to shrink to quite small net numbers and that's the main point we've made. But we may well have emphasised that point at the cost of actually painting a better picture about the actual economic activity related to the different parts of the industry.

**PROF McMILLEN:** I actually agree with your comments on that diffused effect. If you're looking at net effect, I think that is probably right. It may change of course with Internet and interactive gambling, which is a totally different phenomenon but, as I said, I think as a general comment I'd agree with that, that when you get down to looking at regional and local impacts, you get a different picture.

Consumer surplus. I'm watching this debate with great interest.

**MR BANKS:** We're pleased to have brought this debate to the gambling industry.

**PROF McMILLEN:** Yes, so is my economist. It's testing him, I'll tell you. It's a debate that's long overdue and I'm sure it will go on for a decade or more before we get to any sort of resolution. At the stage we're at at the moment, I don't think we can come to any clear resolution of it, to be perfectly frank.

**MR BANKS:** Of the magnitude?

**PROF McMILLEN:** Yes, given the Blandy and Hawke debates. I do incline to some of the points that they have made that there are so many variables and so many assumptions built into the model and we know so little about what is actually going on, that probably we're just playing with numbers here. I understand why we need to develop some sort of quantified figure for policy purposes, but I'm less confident that the figures have any certainty or validity. But I'm watching.

**MR BANKS:** Well, we share some of that concern, and in fact put it forward in a rather tentative way. But, as I was saying yesterday, we felt we had to do it because other numbers were floating around and indeed some of the industry submissions were raising numbers.

**PROF McMILLEN:** Yes, I know.

**MR BANKS:** We'd hoped that we'd still make a contribution though by showing what the range might be and what influences the size of the numbers. Those things are still I think quite interesting. Blandy and Hawke from Adelaide have broadly endorsed our methodology. They're differing though in terms of some of the

assumptions about how far you push the envelope out in responsiveness to price change and things like that.

**PROF McMILLEN:** Yes, it's the effect of the assumptions on the calculations that's critical.

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

**PROF McMILLEN:** And the fact that they are so disparate. I think this is a very constructive debate but I seriously don't think we're going to come to a resolution at this stage, but I encourage you to keep trying.

**MR BANKS:** We certainly won't come up with one number that everyone will agree with.

**PROF McMILLEN:** No. Just as a point there, I have thrown it in as a - I really do think we need to look at a provision of a broad range of social infrastructure as part of our prevention strategy, because a lot of the qualitative data is showing that a lot of people really have very limited options in terms of social activity. I keep stretching the envelope and pushing the boundaries out. Just focusing on individuals is not going to solve this problem for us. We've got to take a broad social policy approach and make sure that in regional communities where services are diminishing, we don't end up with the gambling venue being the only place for people to go. We've got to make sure that there are avenues, particularly for our ageing population, so that they do have valid and viable alternatives, and access to those alternatives for their leisure time.

**MR FITZGERALD:** Therein lies a real catch-22, because what's occurring, as you know, in regional communities is the gambling providers are in fact now becoming the sole providers of those services.

**PROF McMILLEN:** Yes.

**MR FITZGERALD:** They in turn argue because of those services that gambling has an even greater legitimacy for the wellbeing of that community, and we now see the withdrawal by government and local governments, particularly local governments, from any provision in community services at all, because they're now saying it's being provided by those venues. So we've now got the situation where your scenario, which you don't want to occur, is actually now occurring with increased regularity.

**PROF McMILLEN:** We could see the signs of this in the early 1980's. There was a paper by Ken Knoch from Gosford club, which I can provide you with, where he actually said that the clubs were providing facilities that traditionally had been the responsibility of local government.

**MR FITZGERALD:** Yes.

**PROF McMILLEN:** This concerns me. It's an abdication of governments of their responsibility, I think, and while I recognise the contribution that these venues are making to social needs and community activities, I think the lack of options and lack of alternatives is the critical factor. We've got to make sure that there are other alternatives available.

**MR FITZGERALD:** Well, this, I think, is a major issue for female gamblers particularly, and it's come up consistently in all of the hearings, but you say how far the report should push that envelope other than to acknowledge it is an issue which we ourselves talked about, and I think we perhaps need to acknowledge it more without being terribly prescriptive about what then occurs.

**PROF McMILLEN:** Yes, well, given your role, it's very difficult for you to be prescriptive, but I think identifying the trend and hoping that people respond in an appropriate manner.

**MR BANKS:** I think the other thing we might even try to sharpen up is to make clear that those community benefits that emanate from those ever expanding clubs in some of those regions are based on a very regressive tax.

**PROF McMILLEN:** Yes.

**MR BANKS:** So whether that, you know, redistribution occurs in society, whether it should be based on such a regressive tax, or community benefits in a sense should have that kind of base, I suppose, is an important issue.

**PROF McMILLEN:** What we're seeing, I mean, it's the old chicken and egg argument about, you know, what's the cause and what's the effect, but what's happening with gambling, the transformations that are occurring both in terms of taxation and provision of services, is really reflecting and shaping. It's doing both, reflecting and shaping changes in our economy and changes in society. It's just that because gambling does have such a large social role and economic role in this country, it's probably been elevated to a higher status than in other countries, so in terms of those dynamics, it is having a bigger effect than it would have in other countries. Certainly the smaller the community, the more acutely those impacts are felt, and some of those regional communities are feeling this in a very profound way.

Now, in terms of those preventative strategies, and I take the debate that has occurred about the harm minimisation and prevention, I think you need both, and I've made that clear in my - I've been arguing this for a long time. We should be moving towards prevention. The old statement about putting the ambulance at the bottom of the cliff, we've got to put the fence at the top of the cliff. We should be putting most of our efforts towards prevention, but making sure that there is a support service available for the people that get into trouble, in that that support service is appropriate. So I applaud your recommendations for a evaluation of services. We don't know what services work and which ones don't, and that needs to be done, I think, probably in a more open-minded way than has happened up till now.

Most of the evaluation that has occurred has become from a cognitive behavioural approach, looking at the individual gamblers, and again I'd like to push the boundaries broader and start looking at evaluation of services in terms of the effect on families, communities, a much broader approach. So bring in some anthropologists and sociologists to work with the psychologists. I'd like to see a much more multi-disciplinary approach to this. Responsible gambling, I think, well, actually Australia is making some very significant steps in this area, but I have reservations about a purely self-regulatory approach. I applaud the industry initiatives in the area, and some of them have been very innovative, and the BetSafe program is one. The RCA's program for statewide implementation in New South Wales, and now the TAB program, I think those programs in New South Wales actually go further than the Victorian program. It has been criticised for lack of compliance and lack of substance, and I think those criticisms are fairly valid, and of course they don't have any evaluation.

I do have some reservations about the BetSafe program, and I say that cautiously, because a lot of the work that's been done with the broader RCA program mirrors, and we did it without collusion, but I think because we do consult quite regularly, we realise that certain initiatives had to be taken. So they're very similar in a lot of regards. My main concern about the BetSafe program is that first of all it's limited only to clubs that choose to do it, so it's a voluntary program. So it requires commitment and initiative by the club in the first place.

**MR BANKS:** It's really only a specified group of clubs.

**PROF McMILLEN:** Yes, it is. I congratulate them for taking the initiative. I think it's great, and they're certainly setting the bar at a high level, and it's voluntary. The second one is, it's a costly program, so clubs that perhaps are less inclined to get involved in responsible gambling practices, or clubs that are struggling in a competitive environment to meet their revenue targets, that's going to be a disincentive for them to get involved, and I'm very concerned that we shouldn't develop a program that has uneven standards. We should, as much as possible, try to get uniform standards, not only within a state, but across the country. The third one is the monitoring. We really need in this case, because this is a public issue, a public health issue, a social issue, I think we need to make all the information available, and so it really needs to be accountable and transparent, and that's not the case. So we don't know just exactly what's happening.

But I have explained to you what our program is doing, and we're not going to get it right the first time. I would make no claims that we are, but what we want to do is to be constantly monitoring and reviewing the effectiveness and compliance with the programs and revise it. The only way that can be done is if the community is involved. I think this is an important ingredient of all the programs, that there is community input and evaluation through a complaints mechanism or some form of compliance audit or compliance review. It's no good having programs that read well on paper but in practice the community's expectations are not being met, and that I

think is the biggest problem for these programs at the moment, to get some sort of effective compliance and review mechanism in place.

**MR BANKS:** Yes. How much real incentive do you think many of the venues have to enter into the spirit as well as the letter of these kinds of codes and arrangements?

**PROF McMILLEN:** Well, I wasn't encouraged by what I read of the comments yesterday by some of the industry representatives. I think if the leaders of the industry aren't setting an example and recognising that there is a problem in the community, and the community is having their voice heard and expressing their concerns, it doesn't encourage the venues to get involved. The venues, let's be honest about it, particularly small venues, they're in a very competitive market. They are driven by their concerns for profit and for revenue, and that's going to be their paramount concern, and if they see this as something that is questionable, that doesn't have legitimacy, and if they fear that it's going to effect their revenue levels, then they're not going to be encouraged to do it. This is where I think government needs to step in. This should not be arbitrary or discretionary, it should be a requirement that the industry get involved in this and that common standards be set, so that any Australian who walks into a club, a casino, a race track or hotel knows that they are going to be given a fair deal and that there are appropriate responsible practices in place.

**MR FITZGERALD:** Yes, see one of the problems I think we faced is that notwithstanding the assurances constantly about codes of practice and what have you, the lived reality out there when we went into pub after pub, and club after club, was that extraordinarily few had any visible indication at all of any program or any consumer protection or harm minimisation practices. The non-compliance, largely because of competitive pressures, or frankly, as some clearly have demonstrated, they only see these measures as a publicity issue anyway where appeasing people rather than actually believing it's a problem became overwhelming in the end, to the point at which, whilst I am naturally a person who believes in self-regulation as demonstrated through history, at the end of the day, if compliance is simply not occurring, one has to then say, is that actually going to work, given the pressures that exist in these industries?

**PROF McMILLEN:** Well, it can if it has legislative backing, I think, and, I mean, one of the things where I said compliance is the critical issue, I'm not confident that even self-assessment of compliance is an appropriate way to go. I think you need an independent auditor of some sort, some monitor, and whether that is fed into an independent authority that acts as a sort of a review body for this industry or not, but you need some form of independent scrutiny about what's going on. I'm also inclined to believe that it's counterproductive to impose regulations on industry. Industry has to have some ownership of this, they've got to have some commitment to it. I've always been a person who works collaboratively with people and bringing people together around a table where their prejudices and misconceptions are quickly aired and they learn that perhaps there's not so much to fear with the enemy after all, and that you can actually produce better results by working together. That seems to me to

be the way to go. It's worked with our casino study in Brisbane and Cairns, and it worked very effectively with the RCA trial program.

So I would like, I think, ownership by the industry, collaborative working relationship with community groups is important, and that's part of our program. We're going to try and encourage regional alliances to be set up with service agencies so that the service agencies and clubs actually work together and they learn to work in a constructive way. That can be done, not through a centralised agency, that has to be done at the community level. So it's very much a community based program, and then, I think, the community is the monitor. Ultimately the industry depends on community support, and if they lose community support, and public confidence is diminished, that inevitably flows on to revenues and the legitimacy of the industry, and that's the biggest incentive, I think, to get the industry on side.

**MR BANKS:** Your point about national standards, I wouldn't mind just talking - I think we've jumped the gun a bit.

**PROF McMILLEN:** Yes, we have.

**MR BANKS:** But it does seem relevant now to talk about that a bit more. You've obviously thought about this a bit, just whether you want to elaborate on how you saw those national standards being organised, to what extent they would be - well, if I've surprised you with it, we could get you to come back to us on it.

**PROF McMILLEN:** No, I have toyed with the idea, but I guess my hesitation is I don't want to presume to come in at this stage with a solution, because I think solutions are best arrived at through consultation and everybody putting their heads and best minds to the agenda. I've just got my own views on this, but I do think we need some - well, regulators, for instance, have found that it was counterproductive, even in terms of regulation, for each state to develop its own regulatory standards for the integrity of machines. Now, it took us four years to develop common standards for integrity testing of gaming machines, but that was a constructive step. I think the same applies with - we've tended to move from the emphasis on integrity and regulation.

I think your report has shifted the debate to the social issues and I think we now need people to put their collective minds together to work out a way of getting common standards across the industry, between the different forms of gambling and common standard between the states, because at the moment, it does depend which state you live in whether you're getting a fair deal and to me that is just not acceptable. Some states are doing very little. Other states are reacting to reports like yours. Policy does tend to be reactive, so I'd like to shift the focus towards a more proactive approach, one where we set the bar at a level that Australia as a nation can feel proud of. Probably a voluntary agreement is the way to go, if we can get the states to achieve that, and I know how difficult that is. It took us 200 years to get a common rail gauge.

**MR FITZGERALD:** Yes, I suspect gambling might take longer.

**PROF McMILLEN:** Yes, but one way to do it is to have an independent - some body or agency that makes public comment, and that's why I've suggested an ombudsman.

**MR FITZGERALD:** Well, can I take you to page 6 of your report then? You've listed a number of dot points, including an national industry ombudsman, a mandatory code of conduct, national advertising code. Then you come to a national standards authority.

**PROF McMILLEN:** Yes.

**MR FITZGERALD:** So you've actually been quite specific in the issues you think we should look at. Can you just talk to me about this national standards authority?

**PROF McMILLEN:** Again, I'm not being prescriptive about this, but whether it is something like the Press Council or an agency like that, or whether it is one that is developed within government, within the regulatory agencies, there needs to be some authority with clout to establish some standards for the codes of conduct and the advertising codes. What worries me, we did a very thorough review for the RCA on what makes an effective code of practice or an advertising code and none of the Australian codes stand up at the moment. The big issue, as I said, is compliance. If you haven't got some compliance mechanisms - and they can be incentives, as well as sanctions, the stick and carrot approach - you've got to have some independent monitor there to set the standards and to encourage the industry to meet those standards, and to do it through some form of public accountability, whether it's through a public report, an annual report or whatever. Now, I'm not saying that that national standards authority should have powers of sanction because I think we just haven't worked through the issues thoroughly enough at this stage, but we do need to have some body that says what's happening in one state is deficient compared to what's happening in another state.

**MR BANKS:** We've obviously thought a bit about the level and nature of regulation and I guess we felt that to get appropriate regulation at a state level and get assistance in place there was hard enough, but at least it was feasible in the sense of the allocation of powers relative to the Commonwealth, so we could see it happening, whereas anything that was done nationally, as you say, would require co-operation, except in the area of the Internet. There's more scope obviously for the Commonwealth to use its powers there.

**PROF McMILLEN:** That could be the mechanism that actually moves us towards this because there is - you're familiar with the draft national code, the model - and there has been an attempt to at least deal with responsible gambling and consumer protection in some Internet legislation. But that at least shows that the states are starting to think about these issues. It hasn't held together as well as some people would have expected it to but the Trade Practices Act - and I need legal advice on

this - but it seemed to me - I've briefly skimmed through the report by the joint select committee on retail, and some of the issues that are occurring in retail have quite clear parallels with what's happening in gambling. There have been recommendations in that joint select committee report for some amendments to the Trade Practices Act that would allow improvements and allow an avenue for public expression of concern for unconscionable conduct and that type of thing. But I think a collaborative federalist approach with the Commonwealth is probably the way to go.

Again, it concerns me when state governments and industry are basically deflecting. My primary concern is that your report and this inquiry is going to be seen as some sort of vehicle for a vocal minority to express their discontent with what's going on, and I guess what I'm saying to you today is I don't accept that position. I think your report is a very constructive and necessary contribution to an understanding of Australian gambling. I hope that both state governments and the industry respond in kind and that we do move towards a more co-operative strategy to grapple with the issues.

**MR FITZGERALD:** Can I take you to the point that you've just raised, given that we are going to run out of time, although we've got some time? The Internet issue; you talked about that may be a way forward, yet of course we've seen in the senate committee that some states have already taken it at once, so in particular is taking the approach that there's no role for the Commonwealth, which I have to say seems an unusual position, given the instruments by which Internet gambling takes place are in fact Commonwealth jurisdictions. But nevertheless - and we've had discussions previously about your views about the Internet - you tend to be sharing our views in relation to Internet gambling, or much of what we've said about that area. Can you just clarify for me however, at the end of the day, where you think the regulatory arrangements might best sit for Internet, given the complexity of the issues that have been canvassed?

**PROF McMILLEN:** I think we do need some sort of joint agency between the states and Commonwealth. We're never going to be able to regulate our online gambling in the way that we have effectively site-specific gambling, but we've got to use all the resources at our disposal and certainly the Commonwealth is - you're quite right. There are heads of power that only the Commonwealth has and if we're going to use all our regulatory tools, we've got to use those heads of power. So I think it is essential to have a co-operative federalist approach on this, some agency that involves the states and the Commonwealth working co-operatively together. It concerns me. I would resist the notion of the Commonwealth taking over this jurisdiction because we're going to end up with years of High Court cases as a result on state rights issues. That happens. So I just hope commonsense prevails. It concerns me that unfortunately what I've called predatory federalism is driving this. The states are competing with each other, trying to get a head start on the market and also wanting what they see as minimum interference. I don't think it is interference. I think this is a matter of national interest, not of state parochial interest and we've got to address it in that way.



**MR BANKS:** Yes, I think in two areas in particular. One is the consumer protection information side, doing that properly, the question of illegal offshore sites and that's part of that, but also just the question of the erosion of the tax base. I think the states would see it in their own interests to come to terms there, including with the Commonwealth, on that.

**PROF McMILLEN:** Yes, well, already we've got different proposed tax rates widely varying; 50 per cent Victoria and Queensland, 4 per cent in Norfolk Island, 8 per cent in Northern Territory. We've really got to grapple with this and get some standards and agreement.

**MR BANKS:** Especially with something as mobile as cyberspace gambling.

**PROF McMILLEN:** Absolutely. Yes, we'll just end up in a Dutch auction if we don't. This is quite ridiculous. So we've got to use the resources at our disposal.

**MR FITZGERALD:** At the same time the draft report was coming out just shortly before the US presidential commission on gambling made its recommendations about banning of Internet gambling, some people have said how can it be possible that the US would - one committee would indicate a ban on gambling and yet our commission has not given great weight to the banning, although we've canvassed the issues? Do you have any views about those two positions?

**PROF McMILLEN:** I can understand where the American national commission came from. It's a very different environment. This mirrors a lot of the arguments that have occurred in other areas, what they see as vice or sin issues like alcohol. It's either prohibition or liberalisation. But I think simply the nature of this product and the technology precludes prohibition. This is a reality. It's with us now. I'm also sceptical enough to think that there's also a certain commercial imperative there, that some vested interests in the United States are protecting their market in promoting, at least in the short-term, a period of prohibition. But we're never going to prevent this. I mean, a 14-year-old can set up an Internet site in their bedroom. Mum and Dad wouldn't know. If they've got good graphic design skills, they can pretend it's licensed in the Northern Territory or wherever and they can do this anywhere around the world, and there's no international legislation or enforcement processes in place to do anything about it.

So I think prohibition, even through file service - people can move their file server - so it seems to me just flying in the face of the technology. So we've got to grapple with the issues as best we can, using the technology and the regulatory tools that we've got. I support your argument that prohibition is not a realistic option, although I acknowledge the arguments, for good social and moral reasons probably, it would be desirable. But it's just not practicable. One of the things that concerns me, for instance, is the ethical issue of Australia liberalising this form of gambling, and clearly what we're going to be doing if we do establish a global market, we're going to be transporting the problems offshore, probably into Asian markets. I think that is

an ethical issue that we've got to grapple with. But it's not going to go away. It's here, and we've got to deal with it as best we can.

**MR BANKS:** There's an interesting issue there as to where a gambling activity takes place.

**PROF McMILLEN:** Yes.

**MR BANKS:** Therefore which jurisdiction's laws apply. There's some strength to the view that it's the jurisdiction where the player is located, whether it be in the US or Asia or whatever, and it's the local regulations that apply there that would apply to the provider.

**PROF McMILLEN:** And what happens if there's a dispute? Where is the location of dispute resolution? This really needs not only a national approach, it needs an international approach and we need to work towards international agreements.

**MR FITZGERALD:** Sure.

**PROF McMILLEN:** Can I make it even more complex?

**MR FITZGERALD:** Please.

**PROF McMILLEN:** One of the problems is that I think the big market is sports betting. Okay, we can control the gambling transaction and the nature of the product in a casino and in a club. How do you regulate sport that we're all going to be betting on?

**MR FITZGERALD:** Ensuring that that full-forward kicks true.

**PROF McMILLEN:** Absolutely. How do we stop bribery, corruption, manipulation? And we've now got, because this is now a global industry - sport is global - and so we've got parallel developments, the globalisation of sport and the globalisation of gambling technology. You can have - and I've painted this scenario to the senate inquiry - an operator who has an Internet or online licence in one country, there's a media owner in another country and owns a sports team in another country. Where is the jurisdiction, where is the control? It's a major problem.

**MR FITZGERALD:** Some would say to us that those who are actually going to be providing the wagering in relation to the sports betting, it will be in their interests to ensure that their product has an integrity, so some would say the market actually worked that out so the various TABs around the country will want to ensure that the football product or the cricket product has integrity. Others would say that that is simply not going to work over time and that there needs to be regulatory arrangements put in place, similar to what we have for the racing industry itself, which actually looks at the racing product.

**PROF McMILLEN:** Yes.

**MR FITZGERALD:** Where do you see this going or where do you think it should go?

**PROF McMILLEN:** I think racing is a good example where - let's be honest about it, the history of racing has been a very colourful one. It took many decades before they developed a self-regulatory mechanism to keep the industry clean, and we still get occasional problems. The difficulty I have with this notion that the market will set its own standards, it assumes that punters will have information about what's going on. What concerns me with a lot of these programs is the lack of community awareness and community information. What sort of mechanism is going to be in place to inform the public about who is a legitimate operator, what types of regulatory controls are in place so sport is transparent and legitimate and what forms of accountability are going to be there if there are problems? How can Australia regulate college football, for example? College football in the United States is rife with corruption and crime. It's illegal but it's also being very heavily manipulated by the illegal market and the FBI have a special unit just looking at controlling college football. I'm sure very few Australians know that. My own children would quite happily bet on college football if it was available. But do they understand the complexities and the improper practices that are going on? So consumer information, I think, is something that really needs - just as it has, and you pointed this out in your report, it's a very important ingredient that most people are just leaving out of the equation.

**MR BANKS:** Jan, I think I've used up all of your time.

**MR FITZGERALD:** I just want to come back just to one central point which you touched on and we touched on yesterday and no doubt will do so again and this is the attempt to net benefit against cost, economic against social. I just want to understand your point. As I read your submission, you believe you should try to quantify both economic benefit and cost and social benefit and cost but, as I understand it, you believe that trying to then come to a net position is in fact - - -

**PROF McMILLEN:** Very difficult.

**MR FITZGERALD:** Difficult and perhaps should not be attempted.

**PROF McMILLEN:** Well, I think a more useful strategy is to get out and do the hard primary research at a regional level where those impacts are more identifiable. It does mean changing the databases and the way we actually do the research and we've tried to do that. But you can't rely on ABS statistics, for instance.

**MR FITZGERALD:** Sure.

**PROF McMILLEN:** But it's at the regional level that you can actually start recognising what those costs and benefits are and if we do comparative regional

studies over time, I think then we'll get a better picture of what's happening with the industry.

**MR FITZGERALD:** I have a great deal of sympathy in terms of looking at economic and social issues regionally, particularly outside of the major metropolitan regions. But one of the issues there has been that up until now have we got enough reliable techniques to be able to do that at regional level? For example, our report canvasses the notion of local communities and local governments being consulted by controlled authorities.

**PROF McMILLEN:** Yes.

**MR FITZGERALD:** Now, that's one we welcome comments on. But one of the things that has lingered in our mind constantly with that is how do you do impact studies at those very regional or local levels in a way that has integrity? We may well look before the final report to try to give some guidance on that but I'd be keen to - from your point of view do you think we actually have the techniques that give sufficient integrity for local governments, local communities, regional bodies to really do proper assessments?

**PROF McMILLEN:** It varies from place to place. We've completed a study, for instance, that looked at the impacts of the Auckland and Christchurch casino and we thought we were going to find that relatively easy because it's a unitary system, and even in New Zealand we found data gaps. Now, part of this is a result of the cutbacks in government agencies and they've just stopped collecting data over time or they've changed the data categories, so we've got a methodological problem with the baseline data for a start. We have developed a framework that we use in our own impact studies but inevitably, depending on the specificity of the project, we've had to adapt that framework and we've got to get out there and generate our own data. Retailing patterns, for instance - rather than relying on the ABS statistics we've gone out and done surveys of the local retail sector and what we found there was all we get from them is perceptions, not hard data.

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

**PROF McMILLEN:** So we need, I think, to say, "Okay, if this is going to be meaningful at a regional level, we've got to encourage the retail sector to keep reliable data." So it may take us a while but we've got to identify where the data shortfalls are and start rectifying that. You can get a broad picture. The other issue that complicates it is causality. You get correlations and parallel developments and trends but how do you establish the causal links, and you've identified that as a problem, for instance, with crime.

**MR BANKS:** I mean, in a sense the other complexity is the adding up problem, you know, that what you add up on a regional level may not give you the result; in other words, you could have an aggregate plus even though you've got a lot of regional

negatives and how do you balance the pluses and the minuses in terms of, you know, at the state or national level?

**PROF McMILLEN:** Yes, I don't think you can.

**MR BANKS:** No, it's very hard. So then the difficult question is, you know, what scope do you then provide for local input and state input? How do you get the best balance, or indeed as you say national? In the end we're sort of, I suppose, trying to get something that broadly can get, you know, an adequate range of sort of inputs to decisions so that you're getting the balance right. But there's no rocket science in it.

**PROF McMILLEN:** No.

**MR BANKS:** And a lot of it - - -

**PROF McMILLEN:** And I think if we again put our collective minds to it we can improve the methodology and the framework over time. Anyhow we really are starting at the bottom of a very steep learning curve and we've got to be willing to admit what works and what doesn't and that's why I'd like to see us, you know, working together with different universities, different experts, pulling together on various projects. I mean, I really applaud your suggestion that we set up some sort of national cooperative research effort. We're trying to make our institute a clearing house for research and we're asking anyone who knows what research has been done to let us know and we'll put it on our Web site. But, you know, we've got limited expertise and we need our ideas challenged by other researchers and we should be pulling together on this.

**MR BANKS:** And then the other half of it is - and the point you've made is having a mechanism whereby we could get greater uniformity in data, a greater comparability in the data that's being collected because a lot of data is being collected, it's just that it's very hard to compare from one jurisdiction to another - - -

**PROF McMILLEN:** Yes, and there's inconsistency even in official statistics. It seems to me often for quite arbitrary reasons they change the data categories which really makes it very difficult to get trend analysis of some - - -

**MR BANKS:** Yes, that's right.

**PROF McMILLEN:** We've got to be a bit more systematic than this.

**MR FITZGERALD:** That's right. My very last - I just want a clarification. As I understand from this submission, you're going to put in a further submission specifically around accessibility and issues of caps and what have you.

**PROF McMILLEN:** Yes, which has no easy answer, I must say.

**MR BANKS:** Another difficulty.

**MR FITZGERALD:** Another difficulty. Okay, so that's fine. So that will come shortly, thanks.

**MR BANKS:** Well, look, again, we really appreciate your input to the inquiry today and earlier and look forward to those other papers. Thanks very much for participating today.

**PROF McMILLEN:** Thank you.

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

---

**MR BANKS:** We might just start again. I'd now like to call the New South Wales Community Benefit Fund. Welcome to the hearings. Please could you give your name and just tell us in what capacity you're here.

**MR CULLEN:** Yes, chairman, my name is Christopher Cullen. I am the chairperson of the fund and I'd just like to take the opportunity to comment on a couple of points made during Prof McMillen's presentation.

**MR BANKS:** Good. Thanks very much for that.

**MR CULLEN:** The first one was to do with - the question arose about problem gambling-specific versus generic agencies etcetera and I'd just like to comment on that. Last year IPART, the New South Wales IPART inquiry, came to a view that community projects that we had previously funded or in the future should be gambling-related or gaming-related and the trustees of the fund considered that and put a proposal to the minister and the government which has now been accepted which allows this money or moneys in that area to be allocated or granted to agencies etcetera that relate to the cause or effect of problem gambling. This could include drug and alcohol issues, domestic violence, child abuse, unemployment, homelessness, mental health such as suicide or bereavement etcetera and we have, together with our normal round of counselling and treatment application for fund advertising, gone out in August for applicants for funding.

So far we've issued 500 kits or packages to agencies etcetera in the non-problem gambling-specific area and about 252 agencies in the problem gambling-specific area, I think about 800 in total. These applications close about 24 September so we would see ourselves - and we haven't come to a view exactly - allocating some millions of dollars over the next couple of years to those areas which relate to problem gambling either in a cause or effect or indirectly related way. We won't be granting funds to agencies that don't have any relationship to problem gambling. In the past we allocated about a third of our funds to agencies that didn't necessarily have any relationship to problem gambling.

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

**MR CULLEN:** The second point I was going to make in relation to Asian or ethnic gaming, we have nearly three years ago granted some hundreds of thousands to the Ethnic Communities Council of New South Wales to undertake a study in nine language groups on the prevalence and impact of gambling and the problems with gambling in any areas in New South Wales and that report, I think, will be available at the end of this year.

**MR FITZGERALD:** Can I get a clarification on that? I understand from other discussions with the New South Wales government that they were trying to get that report slightly earlier than the end of the year. You're saying it would come out after our report. We were hopeful of getting that report in advance.

**MR CULLEN:** I see, right. Well, I'll have to check that out.

**MR FITZGERALD:** We'd be very keen to get it preferably in October to be able to have an impact into November because it's the one major piece of ethnic community research that might actually give us some real insight.

**MR CULLEN:** Okay. Well, I'll look into that for you.

**MR BANKS:** I mean, we understand that the report is substantially complete - we may be wrong about that - but I know how these things are and it often takes time to do the very final touches and clearance but we would be very grateful. One thing that's come through quite clearly in these hearings is that a lot of people see that as an area, rightly, that we haven't given adequate attention to and I think this study really seemed to stand out to us as one that had been very well thought through and structured to get some interesting insights.

**MR CULLEN:** Yes. Well, I haven't seen any of the results but I have heard that the cultural attitudes to gambling and the prevalence of problem gambling varies quite considerably across that spectrum.

**MR BANKS:** Across those different communities.

**MR CULLEN:** Yes.

**MR BANKS:** Yes, and that's the other advantage of that study, I think, that it's not just focused on one particular community, as some others have been, that it does give a broader picture so whatever you could do in that respect we'd be grateful for. Thank you for that.

**MR CULLEN:** Just one point which, if I could sort of take off my Community Benefit Fund hat and just put on my personal bald head or whatever - in relation to compliance, I agree with what's been said earlier about the need for compliance and I believe that the way to go is a system of audits, what I call quality assurance audits that would be undertaken independently by a club choosing some appropriate organisation much the same as they choose a financial firm to audit their accounts, and that this order would be undertaken and they would publish a certificate in their annual report etcetera. So it wouldn't require any direct government analysis other than reading annual reports, if you like, to see there's a certificate etcetera, and if they don't have a certificate presumably someone might want to take some action. But I've been involved in quality assurance in another area and I think that that's a very simple - under the ISO 9000 - mechanism of achieving that accountability objective.

**MR FITZGERALD:** Just in relation to that, you're saying that, however, the audit would be based on some agreed or regulated set of standards - - -

**MR CULLEN:** Well, in New South Wales I'm saying that there's a new act which will have some regulations which will require all sorts of things to be done or not



done and one could go into any of those venues with that check list and a trained auditor would be able to tick off whether or not all those requirements have been met and issue a certificate accordingly, or a qualified one like auditors in a financial situation might issue a certificate in relation to one's accounts.

**MR FITZGERALD:** The only thing there would be that - just to add complexity to that - a lot of the venue operators are in fact private companies that don't have to have audited statements or don't have to produce them, unless of course I'm incorrect in this and - - -

**MR CULLEN:** This wouldn't be done necessarily by the financial auditors.

**MR FITZGERALD:** No, but - - -

**MR CULLEN:** Because they wouldn't necessarily have the skills. But they mightn't have to produce annual reports. They might have to send a copy of their certificate to an appropriate government body.

**MR FITZGERALD:** Yes.

**MR BANKS:** So in a sense you're saying that function could be contracted out.

**MR CULLEN:** Yes, it wouldn't even be contracted. They would just make a regulation that you have to have an appropriate compliance audit from a quality assurance organisation, for instance.

**MR FITZGERALD:** It's an interesting idea and it has certainly got some merit to it.

**MR CULLEN:** I don't say I've thought it right through, but I think that that way it's a semi self-regulatory mechanism that hasn't got government inspectorate, sort of proscriptive, bureaucratic overtones, and it should achieve the objective.

**MR BANKS:** A compliance.

**MR CULLEN:** Yes.

**MR BANKS:** Good. Thank you very much for that, we appreciate you coming forward. We'll just break for another moment please.

**MR BANKS:** Our next participant is Mr Norm Hooper. Welcome to the hearings. As you know, these are hearings on the draft report and I believe you've got some points you want to make. We saw your earlier submission for the first round and had a good long discussion about that submission so we look forward to hearing what additional points you may have.

**MR HOOPER:** Right. Well, the three things I want to bring to mind is education, how gambling may be best served in society's interest and how essential it is to ensure that the average punter and player receives a fair go. Now, I just mentioned to you a bit previously, I don't know how many people are aware of keno but on 18 April 1999 it was reported by Alex Mitchell in the paper, something that I think concerns everyone that is involved in any means at all within gambling, where in keno in New South Wales the exact same 20 numbers were drawn out in exactly the same order, which is a probability of most probably 3.5 billion billion to one. It appears that actually the only way that that could be done is by them being pre-drawn. Now, anything that is pre-drawn or prearranged in gambling is open to deceit. I believe that is one - there hasn't been much mentioned about it because I think there's a lot of these things, when they come to people's light they are hushed up.

Within the history of gambling, even the New South Wales state lottery at one stage was suspected - well, was actually found to be rigged at one stage. Also, there was a lotto in Philadelphia in America where the lotto was rigged and two people got - I think either six months' or two years' jail in regard to it. Now, I only wanted to just mention that because gambling is not anything to do with money. It involves money and especially involves chance. There's always someone trying to get the most out of it. So I'll leave that.

The next thing I want to bring to your mind is education. Basically at the present moment we have got a new education system being brought into probability within schools within Australia. The unfortunate situation with regard to that is that the teachers - this is something that I've been saying for 20-odd years, that teachers do not now - we have to teach the teachers first, before they are able to teach the students. Now, those students are our sons, our grandchildren and will be eventually our great-grandchildren and basically if the teachers don't know, how in the hell can we expect our children to leave school educated enough to realise what gambling is all about.

Now, I've been studying gambling for the last 50 years, 20 years as a professional punter and player. The reason why I gave away gambling, I realised that the only two ways to win at gambling is either by luck or by deceit. I can assure you that I've got no intention of waking up every morning or going to bed every night for people to look at me and say, "Oh yeah, he's a cheat." That's the reason why I am as I am today. Probably every penny that I've got in the world is in my wallet. The point is I'm happy, I'm contented, I'm not taking unfair advantage of anyone.

One reason why we have got this in society is the do-gooders within society say you can't teach children how to gamble or anything about gambling because they will

gamble. Yet these extracts from Basic Probability by J. Kouranos, Revised Edition, Combined Unit Two or Simplified Third Unit Course - which would probably be 10 years old. In it, it states that actually the text of the history of mathematics is the theory of probability originating in the 17th century. In 1654 a French gambler named Gerard de la Mare became concerned with the problem of how to share the pot. From that people like D.L. Lampert, Vermont, Pascal and all them, they got interested and that is how gambling probability eventuated.

Now we've got today - I've been in contact with people at the Sydney University. I've even got advertisements in the paper for people that are interested in physical and spiritual probability that I can outline to them so simple - and if this was within our education system people would see the difference in even tossing pennies. This is one thing that actually, if you have time to have a look at - that is Against All Odds, Inside Statistics, and it's brought out by the Consultant for Mathematics and Applied Sciences, I think it's in Adelaide. That is basically a little bit similar to what I'm getting at, but it proves that unless pennies are random tossed, that is, picked up in a haphazard manner and randomly tossed, they are a not a true random experiment.

This is why I've been saying for 25 years that casino two-up is not a 3.1 per cent - that's five ones in casino two-up is not 3.1 - 3.125 is 1:32 ratio of commission, because basically (a) the pennies are not randomly spun, they have set up on the pennies in one particular manner and when they are spun or tossed, if they are not tossed in another particular manner, the pennies are barred. From that comes the 5 per cent. We have to rely - from the 5 per cent of 100 is 20. So therefore the statistics show, in excess of 20,000 results, that casino two-up will average one in every 20 stakes or one in every 40 tosses, five ones in a sequence, which is accepted throughout our school curriculum as being a 3.125 per cent chance. It is actually a 5 per cent.

From this, we have got what I'm going to lead to - is Internet gambling. I believe that God's gift to society is the expenditure from gambling. I believe that actually the government, including your body, should ensure that no little greedy independents, including myself, could have one iota of interest in Internet gambling. What it should be is set up - I've drawn up what is known as Scoop The Hoop. Now, why Scoop The Hoop is so important, it is done by marble draws, 50 in each of the 15 barrels. One marble is drawn from each barrel - one in 50 chance of that marble being drawn. When they are drawn, there is no way that any jockey or any trainer or any individual interfering with them - there probably would be but actually it would be highly under - to get people interfering with something, especially when there is treasury officials or people reviewing the whole lot.

From that, when Internet gambling comes in - why this form of gambling is so valuable is (a) it doesn't matter how small the interest commission is that can be done or how large they desire. All they have to do is just drop or add one marble, which means that over 15 marbles a person would get up to 13 to one, they could get 12 to one, still allowing the house 12.5 per cent commission. But when Internet gambling comes in there's going to be a lot of these Internet gamblers, especially in roulette,

that are offering a commission at only a deduction of 2.7 per cent. What occurs then is with Internet gambling with these marbles, the marbles can be added in addition with these 18 marbles and they deduct one one-seventeenth, which is 5.88 - 2.35 per cent. This can all be done, which means that no private enterprise can undercut Internet gambling. What we have to also consider is next year we've got the mobile phone. People will be able to just sit down, even in this room, put up their mobile phone and if they wanted to have a bet they would be able to have a bet through their mobile phone, as well as do any bank transaction.

That is why my research - 25,000 hours it took me, not to find out - it only took me about two or three days to find out that the ratio of casino two-up was around about one in 20, whereas in those days the casinos use to give you 30 to one. They lost that much money at it that they had to abandon it. Why this is so important is when people can understand that there is such a thing - and the difference between practical probabilities and spiritual, real world theorem probabilities - that (a) there is something wrong with gambling, and something can be wrong with gambling.

We've got the instance, and not very long ago, of these jockey tapes in racing. We've had the instance not very long ago of the Formuline - or whatever they call - injections in horses, but this has been going on for years. When I first started my gambling education I was a trainer of greyhounds, but I gave away training. I was very successful but I gave it away because when you took your dogs to a racetrack they went into the kennels there but when they came out, on two occasions I withdrew my dogs from the race because I knew that they had been got at. On the other occasion I was going to draw one dog and it was got at but he won, but the only reason why - well, that's a long story, I won't get into that. But the point is, these people that conduct racing, they look after their interests and their only concern they have got is their own personal interests. Now, I mentioned the one in regards to keno. If you wanted to see the - that is the newspaper, if you wanted to have a look at it.

**MR BANKS:** Thank you, yes, we will take that.

**MR HOOPER:** If you wanted to see why the tossing of five coins - bit different to casino two-up, in a different way is - I think it's .888, which gives them about 5.55 per cent difference, heads over tails in that, but that is educational. If you're concerned about why people - like what I'm saying has taken 25 years for - even academics still haven't picked it up. The reason is because they haven't got time. I believe actually the government should supply money so that people that have good logical thinking, that have been to universities and have been acknowledged within society as having brains - so as they can look into things. We should have a think-tank. We haven't got a think-tank in New South Wales or if we have, no-one's using it.

Also what we have is we go back to Sir Laurence Street's inquiry. I followed every inquiry through, it was due to what I'm saying to you now that Sir Laurence Street accepted - especially when a professional gambler got up - and before I spoke,

he said professionals are not interested in playing casino two-up because the 5 per cent commission was too severe. Sir Laurence looked straight at me and nodded his head as if, "Well, someone agrees with you." When I spoke to him, like I am to you now, I mentioned to him that no doubt the experts that he had would have mentioned that the commission was 3.125 per cent, and he nodded his head and that is correct, because that is what they taught at school. Most people that have gone through the education at school and have been well-educated do not associate themselves with gambling because they know it's against them on the majority of cases.

Now, there are instances - for instance tossing dice. I've got six dice here. I could explain what I'm saying to you if you had time. If you had someone who spent two hours with me I could actually give them such a complete, different change of what is going on with gambling that even you people would be amazed and say, "Well, why have we wasted so much time," because I can assure you that most of the time since Sir Laurence Street's inquiry into gambling has been wasted. There has been millions of dollars spent. We've basically given it to the wowsers fraternity as hush money. I used to be a member of the National Association of Gambling Studies and I was in contact the other week with one of the professors that started it. I mentioned it to him in regards to that and he said, "Yes, unfortunately there's that many that went with good intentions against gambling, now they are prepared to receive what they are getting to keep quiet." Now, that is not right. As far as I'm concerned, if I die tomorrow the state would probably have to bury me because I'll be a pauper.

The point is, as long as I'm alive I will fight for the rights of the average person, and also I believe that our educational system has to be upgraded. The only way we can do this is by people like yourselves saying, "Right, if I'm correct or if I'm wrong, get someone to investigate it." You can go down to the casino now where they would be playing two-up and I could draw out a bit of paper and just put all squares on it and with an average of every 13 spinners there will be one of those within 38 results will toss five by ones. There will also be, amongst those spinners, a bracket of five evens, which means over those 38 tosses there's 19 bets that are the person - if they could bet on five ones would lose, and there's one by five ones which they have the stake which makes the 20th.

People say, "How can you get 38:20 even money in a game," whereas there's only 38 results and yet you were going to outlay 20 bets because 19 are lost and the other one is won, because actually it's a different kettle of fish altogether. There's a lot of things within the history of mathematics - even Einstein. He said - which I've said myself for years, until I realised - that if you can't win at an even money level stake, you can't win by compounding your bets and doing it in a progressive manner - as is proved. On Internet gambling we could offer the Yanks our Australian dollar for .625 cents US dollar, and as long as they bet on the martingale method, over a period of time, when they lose they're going to lose 32 by .625, which gives you the equivalent to \$A20. When they exchange it back over we would still make \$A1.6 for every Australian dollar that we outlay, that is with the exchange rate.

This is educational. You've got people, when they are interested, they haven't got the time because they've got their own lives to live. Now look, basically I think if I could get that across to you and you're prepared to get someone to actually interview and be prepared to go to the casino, I could save your time and my time. I could also probably - if this was done 25 years ago I could have saved 25,000 hours of my own time. So I'll leave it at that, but I would like you to have a look at that tape.

**MR FITZGERALD:** You'll leave us those materials, that would be great.

**MR HOOPER:** Incidentally, in regards to education in schools - the teachers. With this new program that's come in, they are concerned because they don't know nothing about probabilities in relation to gambling and they don't know - how are they expected to teach the students when they don't know themselves?

Now, in regards to this probability book, I tore this out of an old book that I had at home. It relates to equal likely outcomes, which is what we call the probability is all about, but it's also got outcomes which are not equally like it. That is also in regards to tossing two coins. Even D.L. Lampert back 300 years ago, he made a mistake because he thought that the chances of getting two heads or two tails, or ones, were equally likely. Today we know that's not right. Look, I could leave it at that.

**MR FITZGERALD:** And you've given us your book previously which goes through those theories.

**MR HOOPER:** Yes, but the point is you have to understand that since that time I've still spent 16 hours a day going over my own theorems and going over my own work, going to casinos at random, selecting results and there is nothing that has changed my opinion. I know during the years that I have been researching all this, I have had times of enlightenment, "Why have you wasted so much time, Norm, you're wrong." But then I walk around, probably because I used to always when I had a mathematical problem - just take a couple of dogs for a walk, then after walking about 400 yards my head would clear and I would say, "Of course I'm right."

Unfortunately with this - I had a good friend, John Rafferty, who died in the last couple of months. He used to be involved in the CSIRO and he was into genetic probabilities and that is the reason why he could understand what I was relating to, because he knew - well, that's what he was. He was a mathematics statistician in the old CSIR before the "O" went on it. He was the person that actually recommended - and he insisted. "Norm," he said, "it doesn't matter how you get ridiculed, how incomprehensible people think that you are. It's been done to everyone before. Keep going, because eventually the people that think that you are an idiot - history's going to judge them as the idiots." So I'll just leave it at that I think.

**MR BANKS:** Good, thank you very much, Mr Hooper, again, for contributing to

the hearings.

**MR HOOPER:** I'll leave you these.

**MR FITZGERALD:** Yes, that would be great, thank you.

**MR HOOPER:** There's no need to push over it. You can post them back to me. They've got my address. Thanks very much.

**MR BANKS:** Thank you. I'll just ask for the record if there is anyone here in Sydney who wishes to appear in these hearings? There being no-one, I will adjourn the hearings. We have hearings scheduled for both Perth and Brisbane but I believe the numbers in Perth aren't such that we will be holding hearings in Perth itself. So that means that we will be resuming in Brisbane on 30 September. Thank you.

AT 10.51 AM THE INQUIRY WAS ADJOURNED  
UNTIL THURSDAY 30 SEPTEMBER 1999

## INDEX

	<u>Page</u>
AUSTRALIAN INSTITUTE FOR GAMBLING RESEARCH: JAN McMILLEN	1492-1512
NEW SOUTH WALES COMMUNITY BENEFIT FUND CHRISTOPHER CULLEN:	1513-1515
NORM HOOPER	1516-1521



