

4 July June 2008

The Committee Secretary
Community Affairs Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Mr. Humphery

POKER MACHINE HARM MINIMIZATION BILL 2008 - SUBMISSION

I was formerly the Commercial/Legal Officer with the Victorian Casino Control Authority. For many years I have studied gambling and I chair a charitable/educational organization that educates to prevent the harmful effects of problem gambling.

I write in support of the Bill which aims to require changes to gaming machine operation, including machine design, with the objective of reducing harm.

However, the Bill does not address the most serious aspect of the machines – the cheating mechanism embedded in their design. The Federal Government owes a duty to its citizens to prevent this exploitation of the Australian public by this fraudulent activity of Australian corporations.

Requested Amendment to Bill

I recommend the Bill be amended by adding a section requiring that *“the reels within a machine shall be identical with each other”*.

Pokies are Cheating Devices using Starved Reels

The pokies cheat the player by using starved reels. They are no better than misspotted or loaded dice. And it is the cheating device that makes them so dangerous.

The passages below illustrate this:

Primer for Chumps by Professor Philip G. Fox – from Saturday Evening Post 21 November 1959

“I’m told the three dials clicking to a series of stops build up suspense far more effectively than the simultaneous halting of all dials. A glance at the arrangement of the symbols, given above, reveals the devilish cleverness of the setup. There are three bars on the second dial to raise hopes of a jack pot, but only one bar on the last dial. On the second dial there are no lemons which ruin a player; but four lemons on the third dial lower the boom on him.” [page 142]

House of Cards – the Legalisation and Control of Casino Gambling by Jerome K. Skolnick, Little Brown & Company, Boston, Toronto 1978

“Generations of players have pulled slot machine handles and produced jackpot symbols on the first and second reels, seemingly just missing out on the jackpot. What happens is this: because of the differential placement of jackpot symbols players wrongly - though not necessarily consciously – believe that jackpot odds are something like 4 x 5 x 5 (100 out of 8000), while, in fact, the odds are 4 x 5 x 1 (20 out of 8000.) ...” [page 64]

License to Steal – Nevada’s Gaming Control System in the Megaresort Age Jeff Burbank University of Nevada Press 2005 - Chapter 4 titled "Near Miss"

Robert Peccole, Nevada Gaming Commissioner:

"I can remember the old mechanical machines when you'd load up the first reel and the second reel and have one bar on the end, and if that isn't messing around with the pay line, I don't know what is. I mean you are just as deceptive in that instance as you are with any concept of deception. It will bring those bars up on the first two reels, but nothing shows up on the third reel. And people keep coming back because they think they are going to win." [page 123]

Magic Makers Vol 57-04 page 9 – May 2007 newsletter of the Australian Society of Magicians- Victorian Chapter

"... The most startling example was the fact that the symbols on the reels are not evenly distributed: six kings on reel 1, six kings on reel 3 but only two kings on reel 2. As only three symbols can be seen on each reel the unfortunate mug keeps believing he's only missed a win by a couple of inches.

... You just cannot beat a cheating system folks."

Nevada History and the Victorian Situation

Although this information and material is in my submission to the Poker Machine Harm Reduction Tax (Administration) Bill I have incorporated it into this submission.

Victoria relied on Nevada regulators

Up until a few years ago, I had believed Victorian gaming machines to be designed in accordance with fair gaming standards in line with table games. As Commercial/Legal Officer with the Victorian Casino Control Authority I had been involved in settling rules for table games and, subject to proper enforcement, they provide for transparency of game behaviour and regularity of equipment. For example, the rules provide for how dice are to be thrown in craps: that the dice are not loaded or shaped and that they must be numbered one to six with opposite sides adding to seven.

The Authority was not responsible for checking the integrity of gaming machines as these were signed off by the Victorian Gaming Authority which ensured the machines were certified by accredited testing authorities applying Nevada gaming standards.

Nevada regulators realized too late

Perhaps, in hindsight, we were naïve. But we had no reason to believe the games were gaffed. Nevada was the premier gaming regulator with more experience than any other regulator. And Nevada had the reputation for being squeaky clean when it came to enforcing fair gaming standards.

We did not know, though, that whilst Nevada enforced exemplary standards for table games, the gaming machines had slipped under their guard in the early years. By the time they realized the machines were crooked, it was too late.¹

¹ This all came out in the hearing of the Universal Machine Case – See Jeff Burbank, *License to Steal, Nevada’s Gaming Control System in the Megaresort Age*, University of Nevada Press 2005 – Chapter 4 “Near Miss”

Victorian Senate Committee has accepted cheating

Before we are too critical of Nevada, it should be noted the gaffing of our machines has been drawn to the attention of the Victorian Parliamentary Select Committee on Gaming Licensing² and that Committee omitted any discussion of my evidence from its report and impliedly adopted the VCGR view that a near miss was fair so long as it “*was the natural outcome of the spin*”.³ This is akin to saying that loaded dice are okay because the way they land is the natural outcome of being thrown or that a short blackjack deck is okay because the hands are the natural result of the deal.

Materials enclosed

“Pokie Jokie DVD (v3.4)” which clearly explains:

- how they work;
- how the cheating is effected; and
- why the cheating makes them so dangerous.

“Unbalanced Reel Gaming Machines” This is a paper published on the internet in September 2006 and co-authored by Roger Horbay of Gameplanit Inc. and me. It was the first paper to explain the use of unbalanced reels, starving, puffing, dithering, vertical randomized near misses, asymmetrically weighted symbols and horizontal randomized near misses.

“Comments on Near-Miss Slot Machine Design” This is a paper produced by me. The paper extracts statements, from 1932 to the present, which have been made concerning the deceptive design of gaming machines and the effect of deceptive design on the player. Materials are assembled in chronological order. I can provide scanned copies of the sources if requested.

Affidavit of Kevin Harrigan PhD This is the affidavit of the expert witness for the Plaintiffs in the Supreme Court of Labrador and Newfoundland Trial Division case of Estate of Susan Piercey and Ors v. Atlantic Lottery Corporation sworn 18 December 2007 in support of the class action based on argument that gambling supplier knows or ought to know that VLTs are inherently deceptive, inherently addictive and inherently dangerous when used as intended. The statement of claim and supporting affidavit can be downloaded from <http://www.chescrosbie.com/vlt.html>. I draw the attention of the committee to paragraph 27 of the statement of claim and paragraphs 45 to 51 of the affidavit. This is the gaff which is used in Australian machines.

I would be happy to appear before your Committee if so required.

Kind regards

Tim Falkiner
Owen Dixon Chambers West

² See my evidence given on 12 February 2008 as per attached Committee document at page 3

³ See Final Report published at:

<http://www.parliament.vic.gov.au/council/gaminglicensing/Reports/Final%20Report%20080508.pdf>
paragraph 246