



# Parliamentary Joint Select Committee on Gambling Reform

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First report

The design and implementation of a mandatory  
pre-commitment system for electronic gaming machines

May 2011

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ISBN 978-1-74229-441-4

This document was printed by the Senate Printing Unit, Parliament House, Canberra.

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# Table of contents

<b>Committee Membership</b> .....	<b>iii</b>
<b>Chair’s Preface</b> .....	<b>ix</b>
<b>Executive Summary</b> .....	<b>xi</b>
<b>Recommendations</b> .....	<b>xv</b>
<b>Chapter 1</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>1</b>
Terms of Reference .....	1
Conduct of the inquiry .....	2
Structure of the report .....	2
Note on references .....	3
<b>Chapter 2</b> .....	<b>5</b>
<b>The personal stories</b> .....	<b>5</b>
Sue .....	5
Julia .....	5
Ralph .....	6
Stephen .....	6
Gabriela .....	6
Tom .....	7
Who is a problem gambler? .....	7
How does a gambling problem start? .....	8
Describing the addiction .....	9
The consequences .....	11
It is difficult for a problem gambler to seek help .....	12

---

What stopped them? .....	13
Views on pre-commitment and necessary features .....	14
Conclusion .....	20
<b>Chapter 3.....</b>	<b>23</b>
<b>An overview of Electronic Gaming Machines.....</b>	<b>23</b>
Numbers of EGMs.....	23
The initial attraction of EGMs.....	27
Are EGMs dangerous? .....	28
Understanding the psychophysiology .....	30
Machine design and features .....	34
Other features causing concern .....	41
The illusion of player returns .....	45
What do the current national standards say about consumer protection? .....	47
Conclusion .....	48
<b>Chapter 4.....</b>	<b>49</b>
<b>Taking a broader approach to address problem gambling.....</b>	<b>49</b>
Why a population approach? .....	49
Current harm minimisation approaches .....	57
Conclusion .....	64
<b>Chapter 5.....</b>	<b>67</b>
<b>An overview of pre-commitment .....</b>	<b>67</b>
What is pre-commitment? .....	67
Evidence from voluntary pre-commitment trials .....	68
International evidence .....	75
Unintended consequences .....	78
Current pre-commitment arrangements.....	83
Research issues .....	86

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<b>Chapter 6.....</b>	<b>93</b>
<b>Pre-commitment design features.....</b>	<b>93</b>
Views on the need for a mandatory scheme.....	93
Limit setting options.....	98
Other pre-commitment features.....	114
Conclusion.....	127
<b>Chapter 7.....</b>	<b>129</b>
<b>Technology options for pre-commitment .....</b>	<b>129</b>
Cards and other devices.....	129
Identification issues .....	138
Networked, device-based and machine-based systems compared .....	141
Other issues.....	147
Cost of individual technologies.....	152
Conclusion.....	154
<b>Chapter 8.....</b>	<b>157</b>
<b>Catering for recreational and low level players.....</b>	<b>157</b>
The need for structural change .....	158
<b>Chapter 9.....</b>	<b>167</b>
<b>Industry issues .....</b>	<b>167</b>
An overview of the industry .....	167
Calls for a voluntary system.....	168
Questioning the effectiveness of some features .....	173
Concerns about the cost of implementation .....	174
Timelines .....	180
Possible consequences.....	182
Small venues should be treated differently .....	186

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Providing a low intensity option for venues.....	190
Casinos.....	192
Contributions of the industry to the community .....	196
The source of community donations is relevant.....	202
Conclusion .....	203
<b>Coalition members' dissenting report.....</b>	<b>205</b>
Introduction .....	205
Response to the recommendations in the committee majority report .....	206
Questioning the evidence .....	207
Technology issues .....	219
Consequences for the industry.....	228
The position of the industry on pre-commitment .....	232
Existing harm minimisation measures .....	232
Implementation issues .....	237
Consequences .....	240
Timelines are unrealistic.....	245
Conclusion .....	247
<b>Additional Comments by Senator Xenophon.....</b>	<b>249</b>
<b>Appendix 1 .....</b>	<b>253</b>
<b>Appendix 2 .....</b>	<b>259</b>
<b>Appendix 3 .....</b>	<b>265</b>
<b>Appendix 4 .....</b>	<b>269</b>



## Chair's Preface

In 2010 the Productivity Commission released its most recent report into problem gambling in Australia. The Commission concluded that 95,000 Australians are poker machine problem gamblers while another 95,000 are at risk of becoming so.<sup>1</sup> Between five and 10 people are affected by each problem gambler, bringing into the millions the total number affected.<sup>2</sup>

Of the 600,000 Australians who play poker machines weekly 15 per cent are problem gamblers.<sup>3</sup> They lose almost \$5 billion each year,<sup>4</sup> a staggering figure pointing to the scale of the tragedy associated with poker machines. Problem gamblers routinely lose everything including their jobs, family and friends, homes, minds and sometimes even their lives.

The Productivity Commission recommended a raft of harm minimisation measures, the most important of which is mandatory pre-commitment (MPC). This is a system requiring poker machine players to set limits on their losses before they start gambling. MPC requires lock-out when limits are reached, cooling-off periods for limit increases, safeguards to prevent gamblers from machine hopping and have available an effective self-exclusion function.

A significant reason for the prevalence of poker machine problem gambling in Australia is the preponderance of high intensity poker machines with high bet limits, fast games, big jackpots and substantial cash load-up capacity. They produce a high level of volatility and the likelihood of big losses, often well over \$1,000 an hour.<sup>5</sup> For instance poker machines are not uncommon in Australia with \$10 bets, game times of a few seconds and jackpots so big they're paid only once in the life of the machine. Many thousands of dollars can be loaded up at one time through cash note receptors. MPC will help protect gamblers playing such high intensity machines.

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1 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.25. The Commission also estimated the number of Australians classified as problem gamblers was 115,000; with a further 280,000 at moderate risk. See, Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.

2 Mr Denis Fitzgerald, Catholic Social Services Victoria estimated for every problem gambler around seven others were affected. Mr Denis Fitzgerald, *Proof Committee Hansard*, 2 February 2011, p. 17.

3 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.1.

4 Based on total losses of \$11.9 billion in 2008–09, with 40 per cent of this amount coming from problem gamblers. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.1 and p. 5.33.

5 Productivity Commission found that it was easy for players to lose \$1,500 or more an hour. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.

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But many of Australia's 600,000 regular poker machine players, and millions more genuinely occasional recreational players, would be just as happy to gamble on the sort of low intensity machines referred to by the Productivity Commission and available overseas. Such machines would not need to be part of the MPC regime as they are relatively safe due to a \$1 maximum bet and other features limiting losses to an average of \$120 an hour. Venues will need to have MPC high intensity machines or non-MPC low intensity machines, or a combination of both.

Industry concerns with these reforms are unwarranted. For a start MPC is not too expensive, as evidenced by industry leaders who've said they're happy to see voluntary pre-commitment on all machines—which would incur virtually the same cost as fitting MPC. Reliance initially on jurisdiction-based technical solutions will help keep implementation costs down.

MPC will not unduly affect revenue, except in venues with a heavy reliance on problem gamblers. Nor will it be onerous for small venues—pubs and clubs running 15 machines or less—especially in rural and regional areas, because such venues will have until 2018 to introduce MPC. This is four years more than larger venues and two years more than the Productivity Commission recommended.

MPC doesn't require 'a licence to gamble', because most players will prefer and choose to utilise the low intensity machines not covered by MPC. For the same reason MPC can't possibly drive recreational gamblers away and venues to the wall. Moreover MPC will be no more onerous on people's privacy than existing club memberships and venue loyalty schemes. It will be card based with no reliance on fingerprinting or biometric data.

Like pubs and clubs, casinos will need to have MPC high intensity machines or non MPC low intensity machines, or a combination of both. There will be no exemptions for casinos, except that foreign tourists can be provided with cards overriding MPC.

Millions of Australians are suffering from poker machines and something must be done about it as quickly as possible. Introduction of an effective mandatory pre-commitment system by the earliest possible date—2014—is now an urgent and critical national priority. Our children will judge the Members and Senators of the 43rd Parliament on this. As they should.

**Mr Andrew Wilkie MP**

**Chair**

# Executive Summary

This inquiry into the design and implementation of a mandatory pre-commitment system arose in recognition of the significant harms caused to individuals, families and the wider community through problem gambling associated with high intensity Electronic Gaming Machines (EGMs). Individuals who experienced the harms of poker machine gambling shared their stories of personal devastation and provided their insights. Their voices are rarely heard. These stories and their advice on design features are outlined in chapter two. EGM addiction has resulted in children going hungry, family breakdowns, homes and businesses lost, relationships damaged and, most tragically, suicide. Our duty of care starts well before an individual hits rock bottom financially and emotionally.

Mandatory pre-commitment—requiring players to pre-set limits before they play—will reduce the harms of problem gambling by encouraging all players to make rational and conscious decisions about their gambling. It will intervene to stop individuals and their families from reaching desperate circumstances. Pre-commitment is a management tool for all. For those not at risk it will assist them make sensible choices while not diminishing their enjoyment. As outlined in chapter four, which explains the need for a broad population based approach, pre-commitment will hinder the progression of EGM players from no risk to at risk. For those at risk or with a gambling problem, pre-commitment is a tool for long-term change and learning new, healthier gambling behaviours.

EGMs of today are not the 'one armed bandits' of yesteryear. Their design and features have changed significantly. EGMs are now predominantly high intensity, high risk machines. This means players can and do lose a lot of money in a short space of time—well over \$1,000 per hour in some cases.<sup>1</sup> They are no longer a harmless recreation.

Due to the intensity and ready availability of EGMs, poker machine gambling is considered the riskiest form of gambling. EGMs display conditioning features designed to attract people to play continuously, leading in some cases, to addiction. This is explained in detail in chapter three. The committee agrees that the modern design features of high intensity machines make them unsafe and safeguards should be put in place to protect players. Along with mandatory pre-commitment on high intensity machines, the committee believes low intensity machines that feature a number of intensity limiting parameters,<sup>2</sup> should be made available. While recognising that no EGM is entirely safe, the committee believes that increasing the availability of low intensity machines, either on their own or in combination with high intensity machines with mandatory pre-commitment, would provide greater choice for

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1 Productivity Commission found that it was easy for players to lose \$1,500 or more an hour. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.

2 Configured to limit average losses to around \$120 per hour.

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those players seeking a lower risk, more recreational activity and greater choice for venues. Such low intensity machines would operate outside the mandatory pre-commitment system. This is further described in chapters three, eight and nine.

Academic experts, former problem gamblers and social service agencies all agreed, and trials of voluntary pre-commitment show, that in order to be effective pre-commitment must be mandatory. If a person can opt out once they reach their limit by playing on another machine it will be of little benefit. The key design features that the committee recommends in chapter six are as follows:

- introduction by the earliest possible date—2014;
- a requirement for all players to set their maximum loss before they start gambling;
- lock out when limits are reached;
- cooling-off periods for limit increases;
- safeguards to prevent gamblers machine and venue hopping; and
- an effective self-exclusion function.

The committee does not prescribe a specific technical solution. However, it explicitly rejects biometrics for identity purposes. Technology options that could facilitate mandatory pre-commitment are outlined in chapter seven. Witnesses advised that implementation can be achieved in the timeframe required.

The committee recognises the different technical environments across jurisdictions cause the industry significant extra costs. Noting this is a longer term issue, the committee recommends a phased approach working towards the adoption of common national technical standards over time. In the first phase, implementation of mandatory pre-commitment by 2014 is jurisdiction based but with national oversight. In the second phase, jurisdictions move towards harmonisation of technical standards. Full implementation of uniform national technical standards that will also include consumer safety and harm minimisation principles is the final phase. This staged approach allows for early action to address problem gambling, while facilitating the longer-term goals of adopting national technical standards and addressing technical challenges. While the cost of implementing mandatory pre-commitment is yet to be determined, the top of the credible cost range is much less than the amount of money lost by problem gamblers in a single year.

The committee agreed a national independent regulatory body to oversee pre-commitment arrangements, develop new national standards which include the required pre-commitment features and other consumer protection measures, is needed. While having national oversight, the body should incorporate a jurisdictionally-focused inspection and monitoring regime. More details on this are provided in chapter six.

The committee is mindful of industry concerns, and acknowledges the harm minimisation measures already in place. While not denying the community contributions made, many larger venues increasingly resemble mini casinos and big

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businesses. They bear little resemblance to the smaller, mostly regional and rural, community venues and it is disingenuous to claim otherwise. The committee makes a number of recommendations which address industry concerns in chapter nine.

The committee believes that low intensity machines, subject to certain parameters, be introduced. Venues not wishing to be included in the mandatory pre-commitment scheme which will apply to high intensity machines have the option of choosing to run low intensity machines. The advantages for venues include that machines modified to low intensity play can be drawn from the current fleet; venues have a choice of what machines to operate; and venues operating both high and low intensity machines give players greater choice.

The committee does not want the introduction of mandatory pre-commitment to disadvantage smaller venues—venues operating 15 machines or less—largely in regional and rural areas, or see important services and facilities being removed from these communities. To this end it believes such venues require special consideration and assistance with the implementation timeframe and costs. The committee agrees with the Productivity Commission that a longer timeframe to implement mandatory pre-commitment for these venues is needed. However, as the Commission's anticipated commencement date has now slipped the committee recommends that smaller venues now be given until 2018 to establish the scheme. Mindful of the specific needs of small venues, they will be allowed four years more than large venues to implement these reforms. To assist with implementation or other costs or revenue shortfalls the committee proposes a transitional assistance fund to which smaller venues could apply. These issues, the use of low intensity machines and the circumstances facing casinos with accommodating foreign tourists are discussed in chapter nine.

These reforms are about reducing the harm to individuals, families and the wider community from poker machines. Inevitably, they target the revenue streams from problem gamblers. Venues have stated that they do not wish to receive a single dollar from problem gamblers. Any venue which can't sustain a drop in revenue from problem gamblers has a business model that is fundamentally flawed, unsound, and unethical. Venues which claim they have few or no problem gamblers will see little drop in revenue, as recreational gamblers can either join this simple to use pre-commitment scheme or opt to play on low intensity machines.

As well as making recommendations on the design of a mandatory pre-commitment scheme, the committee has taken the opportunity to make recommendations on other issues raised in relation to EGMs and wider issues where relevant throughout the report.



# Recommendations

## Recommendation 1

**3.11** The committee notes that the number of EGMs and their distribution in any jurisdiction is a matter for state and territory governments to decide and recommends that the proposed reforms should in no way be used as an opportunity to increase numbers or alter distribution.

## Recommendation 2

**3.76** The committee recommends that aligning jurisdictional standards on the issue of 'fake wins' be referred to the national regulatory authority (see recommendation 28) with a view to agreeing a national approach.

## Recommendation 3

**3.81** The committee recommends that the public information campaign on pre-commitment (referred to in chapter six) include other messages connected to pre-commitment including clear and simple messages explaining the Return to Player percentage and the warning signs of problem gambling.

## Recommendation 4

**4.28** The committee recommends that in line with the Productivity Commission recommendations a public health approach to problem gambling be adopted across jurisdictions with a view to reducing the levels of problem gambling.

## Recommendation 5

**4.54** The committee recommends that an independent review of training programs be undertaken to assess whether these are effectively equipping staff with adequate training to apply problem gambling interventions.

## Recommendation 6

**4.55** The committee recommends that industry codes of conduct should include effective protection for venue staff who highlight shortcomings with training.

## Recommendation 7

**4.56** The committee recommends that venue staff receive appropriate training in assisting patrons with pre-commitment.

## Recommendation 8

**5.66** The committee recommends a risk management framework be developed by the national regulatory authority (see recommendation 28). The framework should be made available to other bodies involved in implementation to draw upon.

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## **Recommendation 9**

**5.67** The committee recommends that pre-commitment cards will need to demonstrate sufficient integrity and robustness in order to minimise identity fraud but not require onerous signing up processes or infringe upon individual's privacy.

## **Recommendation 10**

**5.75** The committee recommends that representatives of problem gamblers and consumer groups be invited to join the membership of the Ministerial Expert Advisory Group on Gambling.

## **Recommendation 11**

**5.99** The committee recommends that a national, accountable and fully independent research institute on gambling be established to: drive and coordinate national research efforts, monitor the effectiveness of policies to reduce harms from problem gambling and build an evidence base sufficient to better inform future policy development. The committee recommends that annual funding for this new body be derived in part from a small levy on gambling taxes collected by state and territory governments and a commensurate contribution from the Commonwealth.

## **Recommendation 12**

**6.20** The committee recommends that a mandatory pre-commitment scheme apply to all players of high intensity electronic gaming machines by 2014.

## **Recommendation 13**

**6.52** The committee recommends that players set binding spending limits but does not specify an upper limit.

## **Recommendation 14**

**6.53** The committee recommends that players be prevented from further play—locked out—once they reach their pre-set spending limit.

## **Recommendation 15**

**6.54** The committee recommends that players be prevented from circumventing pre-set spending limits by machine and/or venue hopping.

## **Recommendation 16**

**6.55** The committee recommends that player education be made available and counselling services be offered to assist players set affordable limits.

## **Recommendation 17**

**6.62** The committee recommends that all pre-commitment cards be issued with a pre-set default spending limit which the player can choose to use or modify.



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### **Recommendation 18**

**6.67** The committee recommends that the card include a default time period which specifies the duration of the spending limit (decreasing a limit will take immediate effect) which the player can choose to use or modify. The committee suggests the length of this default time period could be a common budgetary period such as a fortnight. The minimum timeframe it could be modified down to is 24 hours.

### **Recommendation 19**

**6.72** The committee recommends that players be unable to increase their spending limit during the time period they have specified for their limit to apply.

### **Recommendation 20**

**6.76** The committee recommends that players be prompted to review their limits every twelve months.

### **Recommendation 21**

**6.81** The committee recommends that the process of setting limits not occur in close proximity to gaming machines.

### **Recommendation 22**

**6.89** The committee recommends that the system include dynamic warnings to alert players when their limit is approaching and it include the capacity to personalise messages.

### **Recommendation 23**

**6.97** The committee recommends that a self-exclusion option be enabled on the pre-commitment card and varying periods for self exclusion be made available. This could be linked to existing jurisdictional exclusion schemes to provide players with effective self-exclusion options.

### **Recommendation 24**

**6.98** The committee recommends that players who self-exclude for a certain period of time should not be able to shorten that period within the specified timeframe.

### **Recommendation 25**

**6.113** The committee recommends that only basic identification information be collected for the purposes of verification.

### **Recommendation 26**

**6.121** The committee recommends the new national regulatory authority be tasked with developing an appropriate national awareness campaign aligning with the principles of the Ottawa Charter, to raise public awareness of pre-commitment.

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### **Recommendation 27**

**6.128** The committee recommends that linking loyalty schemes with pre-commitment schemes not be prohibited, but this be monitored by the new national regulatory authority for adverse consequences.

### **Recommendation 28**

**6.133** The committee recommends that a national independent regulatory body be established by the end of 2011 to oversee mandatory pre-commitment and associated reforms in all Australian jurisdictions.

### **Recommendation 29**

**6.134** The committee recommends that pending the establishment of the national regulatory authority, the Department of Families, Housing, Community Services and Indigenous Affairs perform the functions of the new authority.

### **Recommendation 30**

**6.143** The committee recommends that a pre-commitment trial be conducted in one jurisdiction in order to further inform and refine key pre-commitment design features and help identify any unintended consequences. The trial should commence as soon as possible but not delay the timeframe for implementation.

### **Recommendation 31**

**6.147** The committee recommends that development of the broad design of mandatory pre-commitment be progressed by the national regulatory authority.

### **Recommendation 32**

**7.49** The committee recommends that a detailed solution for registration, identification and privacy be referred to the national regulatory authority for progressing.

### **Recommendation 33**

**7.95** The committee recommends a phased approach to achieving harmonised national standards. In the first stage, mandatory pre-commitment in all jurisdictions for players of high intensity machines is introduced by 2014. Jurisdictions may elect to use differing technological solutions to meet the national pre-commitment features.

### **Recommendation 34**

**7.96** The committee recommends that in phase two the national regulatory authority develop a timetable to move toward harmonisation of the Australia/New Zealand Gaming Machine National Standard, and adopt an agreed national standard reflecting consumer safety and harm minimisation principles.

### **Recommendation 35**

**7.97** The committee recommends that phase three would see full implementation of uniform national technical standards.

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### **Recommendation 36**

**8.37** The committee recommends that low intensity machines, configured to reliably limit player losses to an average loss of around \$120 per hour, do not need to be part of the mandatory pre-commitment system. Specifically the committee recommends these machines feature a \$1 maximum bet limit, a \$500 maximum prize and a \$20 maximum load up. The use of these machines should be monitored by the national regulatory authority to identify any unintended consequences and the extent to which they contribute to reducing problem gambling prevalence rates.

### **Recommendation 37**

**8.38** The committee recommends that the timeline to introduce low intensity machines with the parameters specified in the recommendation above is consistent with the timeline to implement mandatory pre-commitment.

### **Recommendation 38**

**9.43** The committee recommends that the process towards harmonisation of the national technical standards by the national regulatory authority include an independent review of the barriers currently impeding greater uniformity and competition as a matter of urgency. This should include a review of the continued use of the Mutual Recognition (Commonwealth) Act 1992, Schedule 1(3) and an analysis of the costs and benefits of the restriction as this was beyond the scope of the last COAG review.

### **Recommendation 39**

**9.77** The committee recommends that the definition of a small venue be 15 machines or less but that it also take into consideration revenue per machine.

### **Recommendation 40**

**9.79** The committee recommends that small venues, particularly those in regional and rural areas, be allowed until 2018 to implement mandatory pre-commitment.

### **Recommendation 41**

**9.83** The committee recommends the COAG Select Council on Gambling Reform investigate establishing an industry transition fund to assist small venues to diversify their revenue stream away from gambling, cover a shortfall in a community service or enable low intensity machines. The criteria for access to the fund would be developed in consultation with industry.

### **Recommendation 42**

**9.86** The committee recommends that venues be given the choice to either run high intensity EGMs with mandatory pre-commitment or low intensity EGMs without pre-commitment enabled, or a combination of both.

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**Recommendation 43**

**9.106 The committee recommends that, upon proof of identity, foreign tourists in casinos be issued with a card that overrides the mandatory pre-commitment scheme for a period of 24 hours. This should be monitored by the national regulatory authority for abuse.**

# Chapter 1

## Introduction

### Terms of Reference

1.1 On 30 September 2010 the Joint Select Committee on Gambling Reform was appointed by resolutions of the House of Representatives and the Senate. The terms of reference directed the Committee to:

- (a) Inquire into and report on:
  - (i) The Productivity Commission report on gambling, released in June 2010, including a national response to the full set of its recommendations;
  - (ii) The design and implementation of a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – consistent with the recommendations and findings of the Productivity Commission;
  - (iii) Legal advice commissioned and received by the Commonwealth by 1 February 2011 regarding the Commonwealth's constitutional competence and prospects for successfully legislating in this area, including the reasoning and supporting legal advice and financial and other consequences flowing from it;
  - (iv) Any gambling-related legislation that has been tabled in either House, either as a first reading or exposure draft;
  - (v) Appropriate terms of reference, to be set by no later than 30 June 2013, of a further Productivity Commission Inquiry to examine the impact of pre-commitment schemes on problem gambling and to determine what further harm minimisation measures may be necessary;
  - (vi) Monitoring the impact of reforms to address problem gambling; and
  - (vii) Such other matters relating to gambling referred by either House.
- (b) Make recommendations to the Minister for Families, Housing, Community Services and Indigenous Affairs and the Assistant Treasurer, to inform any positions that the Commonwealth will take to the COAG Select Council on Gambling Reform.

1.2 The committee was established following the signing of an agreement on 2 September 2010, between the Prime Minister and Mr Andrew Wilkie (then MP-elect for the seat of Denison) to pursue a number of reforms relating to poker machines. Specifically, the agreement committed the government to:

Implementing a best practice full pre-commitment scheme – that is uniform across all States and Territories and machines – consistent with recommendations and findings of the Productivity Commission. Implementation of pre-commitment arrangements will commence in 2012, with the full pre-commitment scheme commencing in 2014, working with States and Territories to achieve this outcome. The full pre-commitment scheme will include the use of technology that is expected to have the best chance of reducing problem gambling.<sup>1</sup>

1.3 In line with this agreement the committee undertook as its first priority to conduct an inquiry into and report on the design and implementation of a best practice full pre-commitment scheme as early as possible in 2011. Other issues included in the committee's terms of reference and issues and legislation subsequently referred to the committee will be considered over the life of the committee.

### **Conduct of the inquiry**

1.4 Information about the inquiry was advertised in *The Australian* newspaper and on the committee's website. This included an invitation to make submissions on the terms of reference, but with a particular focus on the pre-commitment scheme, by 31 January 2011. The committee also wrote to relevant organisations and individuals to notify them of the inquiry and invite submissions. The committee received 119 submissions. A list of the submissions authorised for publication by the committee is provided in Appendix 1.

1.5 The committee held public hearings in Adelaide (1 February), Melbourne (2 February), Brisbane (3 February), Sydney (4 February), Canberra (14 and 15 February and 25 March) and Hobart (18 February) 2011. A list of witnesses who appeared at the public hearings is at Appendix 2. Hansards from the hearings are available from the committee website at:

[http://www.aph.gov.au/Senate/committee/gamblingreform\\_ctte/precommitment\\_scheme/hearings/index.htm](http://www.aph.gov.au/Senate/committee/gamblingreform_ctte/precommitment_scheme/hearings/index.htm)

1.6 The committee also conducted a number of site visits in order to inform committee members about existing pre-commitment schemes and to see a range of technologies available to facilitate pre-commitment.

### **Structure of the report**

1.7 The report consists of nine chapters. Chapter two covers the personal stories told to the committee by individuals who have experienced problem gambling with Electronic Gaming Machines (EGMs). Chapter three details the characteristics and features of EGMs that make them the riskiest form of gambling. Chapter four explains

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1 The Agreement between the Hon. Julia Gillard, MP, Prime Minister and Mr Andrew Wilkie, 2 September 2010.

the need for a broader approach to address problem gambling and help those affected apart from the individual gambler. Chapter five introduces pre-commitment, the trials conducted to date in Australia and overseas and research issues. Chapter six covers the required design features of a mandatory pre-commitment system. Chapter seven presents some of the technology available and the issues that need to be taken into consideration in this area to implement a mandatory pre-commitment scheme. Chapter eight introduces the option for both venues and players of introducing genuinely low intensity machines. Chapter nine details the issues raised by the industry.

### **Note on references**

1.8 References to the committee Hansard for the 2, 3, 15, 18 February and 25 March 2011 hearings are to proof Hansard: page numbers may vary between the proof and the official Hansard.





## Chapter 2

### The personal stories

2.1 This chapter summarises the powerful personal stories courageously shared with the committee by individuals who have had or continue to have a gambling problem with poker machines. The committee is most grateful to these witnesses for sharing their at times distressing stories, and offers its most sincere thanks to them and their families. The committee considers that the evidence provided by this small number of individuals is representative of many others who have experienced or are experiencing gambling problems. The courage of these witnesses in assisting the committee to come to a better understanding of gambling addiction is to be commended. These personal stories have been critical to ensuring the human costs of problem gambling are paramount when considering the issues pre-commitment has raised. Their assistance also enabled the committee to more fully explore the design of a pre-commitment system and examine what features may have assisted them when their gambling was out of control. The following boxes give a very brief overview of their individual gambling stories. This is followed by an exploration of the dimensions of their addiction and their views on pre-commitment design features.

#### Sue

Sue Pinkerton is a Registered Nurse with 36 years of nursing practice. In 1995, after half a lifetime of “gambling responsibly”, Sue came into contact with (and fell victim to) the most pernicious of all gambling products ever developed – the poker machine. By 1999, Sue had spent an estimated \$65,000 on poker machines – all that she earned in that time, plus some of her husband's income. In the depths of her addiction, Sue spent up to 6 hours a day, 5 days a week gambling on poker machines.<sup>1</sup>

#### Julia

My name is Julia Karpathakis and I manage and co-ordinate Pokies Anonymous. I run this service because of my personal experience with pokie addiction. I played the pokies from 1994 to 2004. Being given free rein to the pokies is the reason I became addicted. During my addiction my life became so horrific that I ended up losing precious time with my children, as well as my money and our home. I myself have not played for six years. Personally I never want to play on the pokies again; they make me sick and I know that others feel the same way.<sup>2</sup>

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1 Ms Sue Pinkerton, *Submission 25*, p. 1.

2 Ms Julia Karpathakis, Pokies Anonymous, *Submission 34*, p. 1.

## Ralph

My form of gambling was mainly wagering at racetracks. I virtually lived there. I worked in the industry at one stage as a judge for greyhounds. Then I took on poker machines. I was wagering through the day and playing poker machines of a night. I lost considerable sums of money, which naturally affected my two marriages and relationships. I stopped gambling for a couple of months on my own on one occasion and then slowly got back into it. That happened several times.<sup>3</sup>

## Stephen

I'm nearly 48 years old and have been addicted to gambling since I was about 15. My gambling transcended from use to abuse then addiction very quickly. I've gambled with poker machines, horses, dogs, trots, sports, Keno, scratchies (a couple of hundred at a time) and in earlier years, in NSW the 20 cent card machines (draw poker) they used to and still do have. I've gambled in casinos, in my lounge room, 'round the corner and just down the road since poker machines became more geographically prolific.<sup>4</sup>

## Gabriela

For four years I fought the battle of a severe gambling addiction. I spent hours/months/years in intense conversations (counselling, psychotherapy, and hypnotherapy) to find out "why" I did what I did. I re-lived childhood experiences, analysed feelings towards my parents and discovered hidden self-esteem problems. You name it and we discussed it. Did I stop gambling? No, but I was able to collect a few excuses as to why I couldn't.

I also went to a few "Gambling Anonymous" meetings. I've met a lot of people who, on a sliding scale of misery, surpassed me by miles. In the end I personally just could not accept the philosophy "Once a gambler – Always a gambler" and continued to look for a way to change my addiction to poker machines. I was certain that I was dealing with a behavioural problem and not a genetic identity mix-up. While I was desperate to find a solution I still managed to push our family savings through a slot, I almost lost my marriage, two jobs and more than once I contemplated suicide.<sup>5</sup>

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3 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 80.

4 Mr Stephen Menadue, *Submission 95*, p. 1.

5 Sourced from: [www.freeyourself.com.au](http://www.freeyourself.com.au), (accessed 20 April 2011).

## Tom

My name is Thomas Cummings, and I am a former problem gambler. I became addicted to poker machines in 1995, a few years after they were introduced to my home state of Victoria, and over a three year period I lost an estimated \$100,000. I spent my salary, the savings that my partner and I had accumulated, and then worked my way through several credit cards and a personal loan.<sup>6</sup>

### Who is a problem gambler?

2.2 Evidence provided by witnesses and those who spoke from personal experience indicated that there is no 'typical' or 'average' problem gambler. Ms Julia Karpathakis from Pokies Anonymous described the variety of people her group tries to help:

There is a huge variety of ages. It does not say, 'I'm going to pick this person,' or 'I'm going to pick that person.' It is anyone and everyone. There are old Greek ladies who could be my aunties going in there until 2 o'clock in the morning. They would never even go into a pub but they are going in now. I think the poker machines are very addictive and people who are vulnerable or who have problems go to places with poker machines to escape. There are people who come to my group who have gone in there after work, played \$5 with their friends and left. They have gone again the next Friday and then found themselves on their own in there. So the pokies must be quite addictive. And these people come from 'normal' families, whatever that is.<sup>7</sup>

2.3 Mr Tom Cummings spoke about his background:

Prior to developing my addiction, I was firmly outside the commonly-accepted demographic for problem gamblers. I had a private school education, a university degree in Applied Science (Information Management) and a well-paid job in IT. However, when it came to poker machines none of this counted for anything.<sup>8</sup>

### *Problem gambling does not just affect the problem gambler*

2.4 A key consideration for the committee is that it is not just the problem gambler who is affected by a gambling problem as the following exchange shows:

CHAIR—There are lots of stories that go around.

Ms Karpathakis—Yes, lots of stories.

CHAIR—Are they true? Do people go hungry? Do children go hungry?

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6 Mr Tom Cummings, *Submission 113*, p. 1.

7 Ms Julia Karpathakis, *Proof Committee Hansard*, 1 February 2011, pp 2–3.

8 Mr Tom Cummings, *Submission 113*, p. 1.

Ms Karpathakis—They do. Mine did.

CHAIR—Do people lose their house?

Ms Karpathakis—Yes. I did.

CHAIR—And then they are on a waiting list for public housing or whatever?

Ms Karpathakis—Yes. There is a ripple effect. It causes a lot of problems along the way—the problem gambler does.<sup>9</sup>

2.5 Ms Pinkerton listed the people affected by her gambling problem:

My three children, my ex-husband—there are four people who were harmed by my gambling. They were significantly harmed.<sup>10</sup>

2.6 Mr Menadue told the committee:

The first consideration must be for the people who suffer at the hands of the problem gambler—not so much the problem gambler themselves because you can help them. But the people who are suffering the most—I hate saying this over and over—the families who do not have dinner and the kid who did not get a Christmas present.<sup>11</sup>

### **How does a gambling problem start?**

2.7 Individuals described to the committee their experience of becoming addicted to playing poker machines. Ms Karpathakis told the committee:

I remember going into the pokies with a cousin of mine and I became like that lady who went in once and twice and then just was hooked.<sup>12</sup>

2.8 Ms Pinkerton described her experience:

If you have enough time, the money and the access to a gaming machine in a short period of time—say, over eight weeks, as I did—you will become hooked. I was not working. At the time I was married to a gentleman in the Air Force and we were staying in a hotel next to Panthers. We were on a \$150 allowance per day while we were in the hotel. I had money, I had time and I had access to the machines, and I became hooked.<sup>13</sup>

2.9 Ms Pinkerton provided more context for the committee:

Within weeks of beginning to play them, I was hooked. Like many people I have spoken to since, it took just eight weeks for the pokies habit to firmly establish itself in my psyche and for the downslide into pokies hell to begin.

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9 Mr Andrew Wilkie MP and Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 16.

10 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 64.

11 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, pp 53–54.

12 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 5.

13 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 64.

I went in eight weeks from being a happy-go-lucky, socially active mother and friend to a restless, isolated, depressed and suicidal woman. I went in eight weeks from being rational and organised to unreasoned and distracted, in eight weeks from being a loving, kind and caring mum to an apathetic, irritable and terminally distracted bitch, in eight weeks from being a financially stable money manager to being a financially self-sabotaging fool. The last time I played a gaming machine I intend to play for one hour and spend no more than \$50. I blew \$500 in six hours that day, my entire weekly pay. It happened despite my knowing the odds of winning a large payout where (sic) minuscule and it happened despite my very best intentions and determination to stick to a spending limit that I could afford on that day.<sup>14</sup>

#### 2.10 Mr Cummings described his experience:

Before 1995, my only involvement in gambling was a weekly Powerball ticket. I honestly had no interest in gambling in general, or poker machines in particular. I first played a poker machine after going out to dinner with my partner and her family; they decided to play, so I tagged along. I didn't spend much and I had fun. The following week, I was walking past a venue in Melbourne on my lunch break and decided to have another go. I lost \$200 that day, and didn't tell anyone about it. That was all it took. I went back the next day, and the next.<sup>15</sup>

#### 2.11 Mr Menadue told the committee how and why he started playing poker machines:

In the beginning I think there was a different reason as to how and why I became interested and therefore addicted to them, as opposed to how and why I remain addicted to them or interested in them as a preference of gambling. I would say the reason in the beginning was obviously the money—the fact that you can win money from them and I was at such an impressionable age...I guess it was a combination of sight, sound and the excitement of winning.<sup>16</sup>

### **Describing the addiction**

#### 2.12 Individuals described their addiction to playing poker machines. Ms Karpathakis explained:

It was always about waiting to get the five in a row, and putting the coins in, the sounds—also, how it looks like they are all going to line up and they do not.<sup>17</sup>

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14 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 55.

15 Mr Tom Cummings, *Submission 113*, p. 1.

16 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, pp 44–45.

17 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 14.

2.13 She went on to describe the particular aspects of poker machines that were attractive to her:

There is a lot of trickery. That is what it looks like now. But back then it had a romantic feel about it. The imagery is very romantic; I would play Sweethearts, Cleopatra, Jewel of the Nile and all of those kinds of machines. I hated Shogun—I was never attracted to the look of that one. So it was a bit romantic, not in a romantic-romantic way but dreamy, if you know what I mean.<sup>18</sup>

2.14 Ms Pinkerton said losing of control is a major issue for problem gamblers:

Like some 90 per cent of people seeking help because of their gambling problems, my problem was and still is with controlling what I do once I start playing a poker machine...<sup>19</sup>

2.15 Ms Pinkerton described what it was about the machines that limited her capacity to walk away:

There is always an inner tension when you go to a machine. The inner tension is: 'I want to be here for an hour or two and then I want to go home. I also only want to spend X amount of dollars.' If I set a limit of, say, \$50 and I want to stay there for two hours, what do I do if the money goes in 10 minutes? I do not really want to go home yet so I would say, 'I'll just put in another \$50 and I'll be right.' At the end of that \$50 it would be a case of: 'My God, I've spent 100 bucks on this machine and it still hasn't paid me anything decent. I'll just put another \$50 in,' and so on. You would just continue on, 'Oh my God, look how much I've spent; I need a chance to win it back.' If the \$50 lasted the two to three hours, I was obviously having a good night. I had obviously won well and so I could afford to keep playing. So you kind of have this time limit constraint on yourself plus the money spent constraint. One would counterbalance the other.<sup>20</sup>

2.16 Following is a description from a Pokies Anonymous member about why they kept going back to the machines:

There seemed to be some driving force pushing me to play. Perhaps it was the shame of losing so much money and the need to win it back. The hotel staff were very friendly and made me feel welcome. The music when someone had won sent a thrill of excitement up my spine. The reels kept rolling over and seemed to hesitate just ever so slightly on the big one and just rolling off the big jackpot. I would say to myself 'keep going, that was so close, you just missed the jackpot'.<sup>21</sup>

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18 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 15.

19 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 56.

20 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, pp 59–60.

21 Pokies Anonymous, *Submission 34*, p. 1.

2.17 Mr Menadue told the story of his addiction, explaining that his rational mind was overruled by the need to play:

Most people learn after their first mistake or maybe after a couple of occasions; I had an insanity that would allow me to go and gamble even though my intelligent mind knew the probability of winning – low. The probability of very hard times and repercussions – high. Knowing these things, then with that same intelligent mind, justifying them out of existence (temporarily), and losing all my money was an act, that after a while not only caused me to ask why I was doing it, but why I was doing it knowing the bad outcome. This confusion only added to the grief of all the lies and consequences from those lies that I had to tell to my parents, family, friends, real-estate agents...etc.<sup>22</sup>

2.18 Mr Menadue told the committee of his beliefs at the time:

I used to fantasise about five days before pay day—four days, three days with pay day coming up and how I would be able to go and play the poker machines and win, and this time I really would win, and I believed it. I believed it more than my own existence at that time. It was an absolute fantasy. It is so delusional.<sup>23</sup>

2.19 Ms Gabriela Byrne provided a vivid description of her addiction to poker machines:

I often compare it to the Jekyll and Hyde syndrome. I was still a responsible mother, wife, work colleague and friend when I was not gambling. The minute the urge hit me I switched and I became a person that had no values and no responsibilities and all I wanted was to feed the beast. In the time that I was a responsible mother, work colleague and friend, and whatever goes with that, I was able to make rational decisions and I looked for help. I was desperate for some kind of measure that would stop me from continuing the destructive behaviour.<sup>24</sup>

## The consequences

2.20 The tragic consequences of developing a gambling problem with poker machines was clearly conveyed to the committee by those who had experienced them. Ms Karpathakis outlined the consequences for her:

I had a pokie addiction for 10 years from 1994 to 2004 and basically lost a lot of my time and my home. I wish that I had not. It has been a nightmare recovering from that. I have not been able to recover from those 10 years of losing everything. I had a house that was mine and it is gone now. I cannot recover the time I lost with my children, either.<sup>25</sup>

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22 Mr Stephen Menadue, *Submission 95*, pp 1–2.

23 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 52.

24 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 17.

25 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 2.

2.21 Initially Ms Karpathakis would take the money she won but this stopped when she began the cycle of chasing her losses:

I used to initially. I used to take the money and think, 'Gee, I'm lucky,' and leave. Towards the end I never took anything. I played until it was gone and that was the worst, because I would start in the morning. I even lied to my brother and asked him to send me \$500 for a bill I had to pay. That was almost the last straw, because I thought I would go into the Earl of Leicester and play that \$500 and send him back the \$500 and have a great day in there, but it was gone in five minutes because I played the maximum.<sup>26</sup>

2.22 Ms Karpathakis told the committee of some consequences for the people she is trying to help through Pokies Anonymous:

One member lost her hairdressing salon because of her pokie addiction. Her father and mother used to go from venue to venue trying to find her. Even when she barred herself she used to wear wigs so that she could continue to play. After she lost her salon she managed to rent a space in a new salon. However this salon was located two doors down from a pub with pokies. She got into deep trouble again. One time her father found her playing the pokies and got extremely upset. He started throwing the furniture around and the police had to be called. This shows how addiction doesn't just affect the addict but everyone the addict is involved with.<sup>27</sup>

2.23 Mr Cummings told the committee of the consequences for him:

Over the next three years I lied, I cheated and I played the pokies every chance I could. I literally could not stop. Matters came to a head in an argument with my partner over money, and my problem was revealed. I subsequently went through a number of relapses, broken promises and painful confrontations before finally kicking the habit for good; by then, I had lost everything including my relationship and many friends.<sup>28</sup>

2.24 Mr Menadue told the committee of his circumstances:

...I had been mentally, spiritually, physically beaten up over years... I lost my son 24 years ago because of gambling. Any negative side-effect you can think of, I have had as a result of my gambling addiction.<sup>29</sup>

### **It is difficult for a problem gambler to seek help**

2.25 Individuals told the committee that they were in denial about their gambling problem and were too embarrassed to seek help. This was clearly described by Ms Karpathakis:

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26 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 11.

27 Pokies Anonymous, *Submission 34*, p. 2.

28 Mr Tom Cummings, *Submission 113*, p. 1.

29 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 46.



I was too embarrassed. It was bad enough knowing I had a problem. I would go into a venue and hope they would not recognise me. I would look around, scan, to make sure that there was no-one there, hopefully, that knew me, because I felt so bad.<sup>30</sup>

2.26 Ms Pinkerton told the committee about being in denial of her gambling problem:

You will deny it too. You will deny it to anybody, even though you know yourself that you have the problem. When it comes to somebody saying, 'Gee, I saw you down at the pokies three times last week.' You go, 'Yeah, you know, I had a bit of extra cash this week.' You will minimise the impact that it has on you. You are deeply ashamed of what you do and you will try anything to hide it.<sup>31</sup>

### **What stopped them?**

2.27 Witnesses such as Mr Bristow mentioned 'hitting rock bottom' several times as a result of his gambling<sup>32</sup> and described his long road to recovery:

It has taken me nine years. Recovery is not all that easy. It would be the same for alcohol, drugs or cigarettes. I have been to three agencies for one-on-one counselling. I also belong to a self-help group. That is for all types of addiction. I find that balance between the personal, one-on-one counselling and the group therapy side of it a big advantage.<sup>33</sup>

2.28 Mr Menadue stated:

If we do not get a system in place that works from the premise of care and prevention, rather than cure and containment, all we will have achieved is the ransom of the many personal hours and years that individuals have put into thinking about and acting on this problem.<sup>34</sup>

### ***Limitations of self-exclusion***

2.29 Self-exclusion from a venue is one option open to problem gamblers. Witnesses described the difficulties they faced in trying to self-exclude from venues. Ms Pinkerton explained why she didn't try to self-exclude:

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30 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 7.

31 Ms Sue Pinkerton, *Proof Committee Hansard*, 1 February 2011, p. 59. See also Ms Jo Flanagan, Social Action and Research Centre, Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 2.

32 Mr Ralph Bristow, *Proof Committee Hansard*, 4 February 2011, p. 80. See also Professor Malcolm Battersby, Director of the Statewide Gambling Therapy Service, SA, *Committee Hansard*, 14 February 2011, p. 61.

33 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 81.

34 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 54.

I never tried it. When I first recognised that I had a problem I was aware of the self-exclusion issue. But I also went to the venue that I played in, which happened to be Panthers in New South Wales, to meet friends for dinner at five o'clock on a Friday evening. There were some 1,500 people in the foyer. We had enough trouble finding our friends, people we knew well. I figured that, if I was going to be a self-excluded person and I walked into the venue, they were not going to recognise me in a fit, so I did not even bother to try.<sup>35</sup>

2.30 Ms Pinkerton described the shortcomings of the current self-exclusion system:

When it succeeds, it is usually the case that the individual is terrified of being stopped at the door. It is a social stigma to be stopped at the door and told: 'Hey, you're an excluded gambler. You have to leave.' That is what they fear, so they do not go. However, for the people who do go, people who go to a different venue where they are not recognised, then the system just does not work. It all falls down in a huge heap.<sup>36</sup>

2.31 Problem gamblers recommended that the pre-commitment system be linked to self-exclusion. Ms Pinkerton elaborated on her suggestions:

Upon application for self-exclusion, the applicant must be rendered incapable of activating a machine for a period of not less than 12 months. Lifetime exclusion should also be available. Should a self-excluded player request to return to playing poker machines after the period of exclusion, a mandatory six-month probationary period could be required or perhaps a maximum percentage of their income could be set and made available. This could be done in conjunction with problem gambling health services.<sup>37</sup>

### **Views on pre-commitment and necessary features**

2.32 The committee commends the individuals who spoke to the committee about their gambling problems. Their courage to appear before a parliamentary committee and share their personal stories is motivated by the desire to help others in the same situation. Ms Karpathakis explained:

I am concerned for up-and-coming addicts. I am concerned for people who are still out there playing. It is scary to know that people are killing themselves over these pokies. I run four groups now. I have not played for six years and I run four groups. It started off with one group. Then there were two and it built up to four by the end of last year...But there are people who are really worried; they come to the meetings but they just cannot stop. No matter what I offer them—I have offered them Statewide gambling therapy and I have offered them barring—it does not work. They wear wigs

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35 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 58.

36 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 58.

37 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

and go in. They are just so hooked that something else needs to be done. It is really horrible.<sup>38</sup>

2.33 Mr Menadue told the committee that he is looking forward to 'being part of this solution instead of part of this problem'.<sup>39</sup>

2.34 The committee asked the individuals who have experienced gambling problems with poker machines whether they thought a pre-commitment system would have helped them had it been available when their gambling was out of control. As this chapter focuses on the views of these individuals, these issues are further explored along with other evidence in chapters five and six.

### ***Would pre-commitment have helped?***

2.35 When asked whether pre-commitment would have helped her, Ms Karpathakis responded:

If there had been another option, there is no way I would have been an addict. If there had been a precommitment card or an opt-out card there is no way I would be an addict. You get your pension and you know you have three kids and rent to pay, but you look at that money and it is not even real—it is just something to play with. That is free rein. Your brain does not think properly, but if there were a block there I would not think like that.<sup>40</sup>

2.36 In her submission Ms Karpathakis outlined that she believed a pre-commitment system would have the potential to prevent people becoming addicted and would limit the damage done by those already addicted:

I believe that pre-commitment has the potential to help people, especially the ones who can't seem to stop. At least they will be able to curb their addiction or at least not cause such extreme damage. I believe that if we had had a pre-commitment scheme when I began to play I would have been a recreational gambler and not an addict. A pre-commitment scheme, including pre-commitment cards and the opt-out system, could result in many benefits. These could include preventing new people from becoming addicted, reducing the incidence of child neglect, as well as a reduction in crime. I find the idea of preventing future pokie addicts with the help of the pre-commitment scheme exciting.<sup>41</sup>

2.37 Responding to a question on whether, even in the midst of her addiction, mandatory pre-commitment would have made a difference on how much she was spending daily, Ms Pinkerton replied that it would.<sup>42</sup> She offered the following view:

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38 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 2.

39 Mr Stephen Menadue, *Submission 95*, p. 2.

40 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 11.

41 Pokies Anonymous, *Submission 34*, p. 3.

42 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 66.

Had there been a precommitment system in place when I first began playing the pokies, I sincerely believe I would not have become a pokies addict. Before that habituation process took hold, spending \$20 in one night while playing the machines seemed excessive, almost decadent. Always when entering a gaming room, even at the height of my addiction, I had the very best of intentions to stay for an only an hour or two and to spend \$50, \$100 or maybe even \$200, before going home. By the end of my pokies playing career, spending \$200 in a few hours did not seem an unreasonable thing and leaving the venue with cash in my purse almost never happened.

In the first few weeks of playing the pokies, had I been unable to continue gambling once I had spent my \$20 I would have gone home or found other activities within the venue to amuse myself with.<sup>43</sup>

2.38 Mr Bristow acknowledged that a problem gambler is likely to find the system frustrating:

As to precommitment, something tells me that not everybody would be happy with that. I do not think that I would have been when I was gambling. I would have found that hard to do because I denied that I had a problem. All of that comes into it.<sup>44</sup>

2.39 However, Mr Bristow also acknowledged that if there was no other option then he would have participated:

Once this precommitment comes in, the counselling agencies will probably bring that up. Had that been suggested to me, I would have gone along with it. At that time, I was committed in my mind to giving up the gambling. It has to come from within the person. I would have baulked at it, but I would have seen the sense of it in the finish.<sup>45</sup>

2.40 Ms Byrne also supported a pre-commitment system that would assist people when they are in the midst of the urge to gamble:

When I blew a certain amount of money that I set as a maximum that I could afford to lose, the urge to gamble ceased after 24 hours and the next limit I would set would be just the same or less. This was because I felt that if I wanted to spend more — it is hard to explain. When you want to continue to gamble in the moment the urge is so strong that you would give anything to continue. If you stopped to do so and then you walked out and had time to cool off you realise that a measure like this is probably protecting you from losing a lot more. I think it is a worthwhile thing.<sup>46</sup>

2.41 Ms Byrne added that she felt a pre-commitment system would have stopped her losing so much money and all the negative consequences that flowed from that:

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43 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 56.

44 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 80.

45 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 82.

46 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, pp 16–17.

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I think I would have lost a lot less money if that had been in place. And I probably would have saved my family and myself a lot more of the other consequences that go with the loss of money, the loss of confidence, the loss of relationships.<sup>47</sup>

2.42 Ms Byrne also mentioned that a pre-commitment system would have provided her with more time to work on recovery as:

When you are chasing the money that you lost the day before, you are in this mode where nothing is more important than feeding the beast but if you had 24 hours where you could sit back and say 'How much money can I afford to lose?', it would have limited the losses. To give you some anecdotal evidence, I saw a woman about three months ago, a single mum, who lost \$7,000 in 45 minutes on a 1c machine. I just think that is criminal. I would not call that entertainment.<sup>48</sup>

### *A mandatory system is required*

2.43 Witnesses who experienced problem gambling with poker machines unanimously told the committee that the system had to be mandatory rather than voluntary. Ms Karpathakis stated:

I favour the mandatory one because if you left me on the voluntary one I would have spent the same amount; it would not have made any difference.<sup>49</sup>

2.44 Ms Pinkerton expanded on the value of a mandatory system and who it would be likely to help:

In my opinion, the value of a mandatory registration and precommitment permanent lockout system lies primarily in its ability to prevent new gaming machine users from becoming addicted to and comfortable with losing large amounts of money. It will significantly reduce the likelihood that new users will descend into the 'lose control, overspend, feel ashamed, chase losses' cycle that is so predominant in gaming machine addiction. I believe that over a period of five years there will be fewer new gaming machine addicts created to take the place of those people who already have a problem, who will ultimately reach bottom and quit.<sup>50</sup>

2.45 Ms Pinkerton summarised her views:

The introduction of a mandatory precommitment system, electronically monitored and managed by an independent authority, is likely, in my considered opinion, to be an effective method of early intervention and

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47 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 17.

48 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, pp 23–24.

49 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 21.

50 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

prevention of the harms associated with excessive access to gaming machines...<sup>51</sup>

Can a precommitment smart card system reduce the number of problem gamblers in Australia? I do believe it can, but it will do this by assisting new and regular non-problem gamblers sticking to their predetermined spend limits.<sup>52</sup>

2.46 Mr Cummings also supported a mandatory system:

...I support the concept of mandatory pre-commitment technology for poker machines. I believe, based on my personal experiences, that a means of ensuring that people set their spending limits while they are not in a venue, and adhere to those pre-committed limits, would have a significant impact not only on problem gambling behaviours, but on the development of problem gambling behaviours.<sup>53</sup>

2.47 Mr Menadue explained his reasons for supporting a mandatory system:

I fully believe that a precommitment system, carefully thought about and tweaked if necessary while in operation, must be a mandatory system. Only the smallest percentage of problem gamblers get so much reciprocal heartache from their loved ones that they elect to make representation at venues or enter the self-exclusion system.<sup>54</sup>

### ***Limit setting***

2.48 The committee sought advice on the options around limit setting. Ms Karpathakis suggested people be able to set weekly, monthly and annual limits.<sup>55</sup> She added that the limit should be up to the individual.<sup>56</sup>

2.49 Ms Pinkerton suggested that all players be required to set a daily spend limit before they play a machine but that the amount should be voluntary. However, she added that she would support a mandatory annual limit because:

As a former problem gambler, I would say, 'Okay, I'll set a daily limit of \$200 but, jeppers, I wouldn't want to be spending \$10,000 a year. That would be way too much.' Anybody who can do a little bit of quick mental maths would know that, if I am spending \$200 to \$300 a day, I am going to spend a heck of a lot more than \$10,000 in a year.<sup>57</sup>

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51 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 58.

52 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

53 Mr Tom Cummings, *Submission 113*, p. 2.

54 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 54.

55 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 14.

56 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 9.

57 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

2.50 Regarding the ability to change limits Ms Pinkerton recommended that if you set a daily limit for example then there should be an equivalent period to change it. However, if a person wants to reduce their limit that should have immediate effect.<sup>58</sup> She added that only one deposit on to a card or device should be allowed in a 24 hour period.<sup>59</sup>

2.51 Individuals, including Ms Pinkerton, expressed concern about problem gamblers being able to set limits too high.<sup>60</sup> Mr Ralph Bristow, Gambling Impact Society (NSW):

I am a problem gambler. As for how I would handle having to put a limit on it, I would definitely make it a high amount. As the professor said, I am the sort of person who would go in, I would have a plan—'I am only going to use so much today or gamble so much'—and within no time at all I would be out of control. That is how I got in the finish. I hit rock bottom several times. That was a blessing in disguise. I tried to give away gambling on my own and in the finish I phoned up G-line nine years ago and here I am now...But I feel there will be some people who will handle the limit but there will be others who probably will not. It is a good concept particularly with other strategies.<sup>61</sup>

2.52 Ms Byrne, provided her view:

...if I had had the option while I was in the midst of my gambling problem to limit the amount of money that I could lose, I would have taken that opportunity and it would have saved my family a lot of money.<sup>62</sup>

### ***When to set limits***

2.53 Ms Pinkerton recommended that the limit should be set before getting to the venue as:

At that point, I would be thinking that we need to spend so much on food and so much on the bills and I have to pick up the lay-by, and so I would work out that I could only spend \$50, as that all the spare cash that I have.<sup>63</sup>

2.54 Ms Pinkerton's position was reaffirmed in this exchange:

CHAIR—If someone had put something in your hand and said, 'Enter into this machine how much you are prepared to lose,' would that have been a rational decision at that point?

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58 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 62.

59 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

60 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 66.

61 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 76.

62 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 23.

63 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 62.

Ms Pinkerton—Yes.

CHAIR—And then when you went out you started to become increasingly irrational, you started to get into the zone?

Ms Pinkerton—Yes.<sup>64</sup>

### ***Include messages and reminders***

2.55 Witnesses suggested that some form of sophisticated messaging should be included which would let people know when their limits were approaching and this could be targeted and personalised. Ms Pinkerton also suggested the following:

There should also be a mandatory on-screen display of a gambler's monthly gambling activity prior to the commencement of their gambling on any given day. This is a no-brainer too. This would be a pop-up which, for example, would say: 'In the last month you have spent X amount of dollars; in the last year you have spent this much; in the last session you spent that much. Do you wish to continue? Yes/No.' It is easy to do. It can happen from a USB stick, a smart card or stored data. Further, any machine idle for longer than three minutes must shut down. This is so that people who leave their cards behind in the machine do not have their machine taken over by somebody who has exceeded their limit.<sup>65</sup>

### **Conclusion**

2.56 Again the committee expresses its gratitude to the individuals who shared their personal gambling stories with the committee to assist others. Their practical advice and ideas on design features of a mandatory pre-commitment system that would have helped them is particularly useful input for the committee's consideration. Chapter six covers a more detailed discussion of design features.

2.57 The advice that a problem gambler can be anyone and everyone and the common thread of denial has important implications for the development of a pre-commitment scheme. The committee has no wish to stigmatise or single out problem gamblers. Evidence to the committee discussed in the following chapters is clear that it is difficult, if not impossible, for venue staff to know who is a problem gambler. The common thread of denial even to themselves increases the difficulty to provide assistance. Evidence referred to a 'gambling continuum of risk'<sup>66</sup> where people can quickly move from low, to at risk and into problem gambling and back again. Given

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64 Mr Andrew Wilkie MP and Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, pp 65–66.

65 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

66 Mr Mark Henley, Uniting Care Wesley Adelaide, *Proof Committee Hansard*, 1 February 2011, p. 44, p. 48; Associate Professor Linda Hancock, *Submission 64*, p. 10; Dr Jennifer Borrell, *Submission 109*, Attachment 1, p. 3; Productivity Commission, *Australia's Gambling Industries*, vol. 1, Commonwealth of Australia, Canberra, 1999, p. 19, 6.18; Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 10.



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this evidence the committee believes that pre-commitment should be seen as a management tool for all gamblers. For those not at risk it is a management tool to make choices and support those choices. For those at risk or with a gambling problem it is a tool for change and learning new gambling behaviours.

2.58 The committee was concerned to hear from individuals mentioned in this chapter and from others about problem gamblers hitting rock bottom before seeking or accepting help. This 'ambulance at the bottom of a cliff' approach is clearly not working for individuals, families or the broader community and the committee supports the view offered by Ms Kate Roberts, Chairperson, Gambling Impact Society (NSW):

I think it is really important that we do not get fixed on the idea that hitting rock bottom is the only way out. With a well-informed community and families that are strengthened and people with an understanding of this issue, we are not going to need people to hit rock bottom before they start reaching out for a variety of kinds of supports to assist them. It is rather an old model that says you have to wait for someone to hit bottom before they will change. In fact there is plenty of evidence that you do not.<sup>67</sup>

2.59 Ms Byrne agreed that there is a duty of care that should start well before a person hits rock bottom financially and emotionally.<sup>68</sup> The committee believes that a well designed pre-commitment system is a key tool to protect, minimise harm and intervene to stop individuals and their families from reaching desperate circumstances.

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67 Ms Kate Roberts, *Committee Hansard*, 4 February 2011, p. 80.

68 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 19.



## Chapter 3

### An overview of Electronic Gaming Machines

3.1 This chapter explains the committee's current focus on reducing the harm from electronic gaming machines (EGMs) as among the different types of gambling, EGMs are associated with the majority of gambling problems. The chapter will briefly cover why EGMs are the riskiest form of gambling, the numbers of EGMs and their location. It will also explain the characteristics and features of EGMs which contribute to their attractiveness but also make play of them riskier.

#### *EGMs are the riskiest form of gambling*

3.2 It is clear that regular play of EGMs can be problematic. As noted by the Productivity Commission:

The likelihood of harm rises steeply and continuously with the frequency of EGM gambling and expenditure levels...<sup>1</sup>

3.3 To illustrate this, the Productivity Commission reported that for gamblers who play EGMs one to six times a year, 0.2 per cent perceive gambling to be a problem. However, for those who play 53 or more times, 27 per cent perceive gambling is a problem (a 170 fold increase in risks, noting rounding of the above estimates). The Productivity Commission concludes that: 'At certain levels of frequency of playing, EGM gambling does not satisfy the criterion of a 'safe' product'.<sup>2</sup>

3.4 Appendix 3 provides tables (3.1–3.3) from the Productivity Commission report which show that EGM players face more harms and problems rise with the frequency of play. This does not appear to be the case with less riskier forms of gambling such as lotto, scratchies, raffles and bingo.<sup>3</sup>

#### **Numbers of EGMs**

3.5 In 2009 there were 197,820 EGMs in Australia which is 13,296 more than in 1999. The diagram below from the 2010 Productivity Commission report captures the numbers in each state and the state-wide caps in place.<sup>4</sup>

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1 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 4.24.

2 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 4.24.

3 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, pp 4.25–4.27.

4 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.26.

**Table 3.4 EGM caps and counts of operational machines**

		<i>Casino</i>	<i>Hotel</i>	<i>Club</i>	<i>2009 Total</i>	<i>1999 Total</i>
NSW	cap limit	1 500	97 500 hotels & clubs		99 000	no cap
	operating	1 500	23 700	71 865	97 065	99 672
Victoria	cap limit	2 500	13 750	13 750	30 000	30 000
	operating	2 500	13 338	13 434	29 272	29 611
Queensland	cap limit	no cap	20 000	24 705	no cap	no cap
	operating	3 502	18 757	23 052	45 311	32 394
South Australia	cap limit	995	12 086 hotels & clubs <sup>a</sup>		13 081 <sup>a</sup>	no cap
	operating	946	11 094	1 555	13 595	12 912
Western Australia	cap limit	1 750 <sup>b</sup>	none	None	1750 <sup>b</sup>	no cap
	operating	1750	N/A	N/A	1750	1 180
Tasmania	cap limit	3 680 <sup>c</sup>	2500 hotels & clubs		3 680 <sup>c</sup>	no cap
	operating	1 280	2 199	173	3652 <sup>c</sup>	2 492
Northern Territory	cap limit	no cap	no cap <sup>d</sup>	no cap <sup>d</sup>	no cap	no cap
	operating	828	432	758	2 018	1 252
ACT	cap limit	none	5200 hotels & clubs <sup>e</sup>		5 200	5 200
	operating	N/A	72	5 085	5 157	5 013
Australia	operating	12 306	69 592	115 922	197 820	184 526

<sup>a</sup> Club and hotel EGMs are being progressively reduced to 12 086, which will then become a cap. <sup>b</sup> EGMs include 150 machines in the members-only area of the Burswood casino. <sup>c</sup> Not including TT line ferries, which have 46 EGMs. <sup>d</sup> A cap for Northern Territory clubs and hotels of 1190 is before State Parliament. <sup>e</sup> ACT hotels/ taverns only have access to class-B EGMs, whereas clubs are allowed class-C machines.

Sources: PC (1999); FaHCSIA (2009a); Victorian Commission for Gambling Regulation (2009a); Tasmanian Gaming Commission (2009a); Northern Territory Government (sub. 252); ACT Gambling and Racing Commission (2009b).

Source: Productivity Commission, Table 2.11, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.26.

3.6 Each jurisdiction has a slightly different distribution of EGMs between clubs and hotels. The New South Wales government was the only jurisdiction to provide the committee with the numbers and current distribution of its EGMs. This shows the majority are located in clubs. As at 30 June 2010 there were 97,939 poker machine entitlements on the market with 94,915 authorised gaming machines operating in hotels and clubs. 75 per cent were operating in clubs and 25 per cent in hotels. The number of gaming machines in Star City Casino is capped at 1,500 via a ministerial directive issued under the *Casino Control Act 1992*. A more detailed breakdown of the numbers was also provided:

## Hotels

- Less than 10 authorised gaming machines – 528 hotels
- 10 to 19 authorised gaming machines – 696 hotels
- 20 to 30 authorised gaming machines – 418 hotels (note: cap of 30 authorised gaming machines at hotels)

## Clubs

- Less than 10 authorised gaming machines – 162 clubs
- 10 to 49 authorised gaming machines – 696 clubs
- 50 to 99 authorised gaming machines – 110 clubs
- 200 or more authorised gaming machines – 74 clubs (note: no cap on authorised gaming machines at clubs)<sup>5</sup>

3.7 The distribution for other jurisdictions below was taken from the Australasian Gaming Council database on the gambling industry. In South Australia and Tasmania the majority of EGMs are located in hotels, while in New South Wales, the Australian Capital Territory and Queensland the majority are located in clubs. In Victoria they are fairly evenly distributed across both sectors.

**Table 3.5 Estimated number of gaming machines in Australia by venue type (2008-09)**

Location	Hotels	Clubs	Casino(s)	Total
Australian Capital Territory	72	5,085	na	5,157
New South Wales	23,742	71,741	1498	96,981
Northern Territory	424	749	840	1,971
Queensland	18,695	23,080	3429	45,323
South Australia	11,179	1,558	960	13,721
Tasmania	2,199	173	1280	3,652
Victoria	13,338	13,434	2500	29,272
Western Australia	na	na	1750	1,750
Total	69,649	115,820	12,257	197,726

Source: Victorian Commission for Gambling Regulation (2009), Annual Report 2008-09, NT Licensing Commission 2008-09 Annual Report, [www.olgr.qld.gov.au](http://www.olgr.qld.gov.au) – Statistics, Office of the Liquor and Gambling Commissioner, Annual Report 2008-09, ACT Gambling and Racing Commission Annual Report 2008-2009, NSW Office of Liquor, Gaming and Racing - interview, Tasmanian Department of Treasury (2009) and Allen Consulting Group (2009).

Source: Australasian Gaming Council, Table 2.9, *A database on Australia's Gambling Industry, 2009-10*, chapter 2, <http://www.austgamingcouncil.org.au/> (accessed 15 March 2011)

3.8 The NSW government advised the committee that a poker machine entitlement trading scheme operates under the *Gaming Machines Act 2001*. This

5 NSW Government, *Submission 110*, pp 3–4.

scheme is intended to gradually reduce the number of poker machine entitlements available through the forfeiture requirements:

Clubs can only trade entitlements between clubs (and each time they do, 1 entitlement is forfeited for every 2 or 3 transferred). Hotels can only trade entitlements between hotels and a similar forfeiture requirement applies regarding cancelled entitlements.<sup>6</sup>

3.9 The committee was informed about a possible perverse effect of this scheme which is that a market has emerged in EGM licences where smaller hotels are purchased for the gaming machine licences, the hotels are closed and the licenses traded away to larger, more profitable venues. The AHA agreed there have been a few cases of this occurring.<sup>7</sup> The committee is concerned for a number of reasons. The scheme creates a perverse incentive for larger venues to buy smaller venues solely for their poker machine licences. These smaller venues tend to be located in regional areas where the club or hotel is an important focus for the community. The committee also notes how extremely profitable these licences must be for a business to make a commercial decision to purchase a venue only to close it down and receive less machines than they paid for.

3.10 The committee is also cognisant of the situation in Western Australia where EGMs are restricted to the casino. Concerns expressed by Premier Colin Barnett that any proposed changes to arrangements around EGMs would force that jurisdiction to open its borders to more EGMs, have been noted by the committee.<sup>8</sup> The committee wishes to clarify that it is not the intention that the proposed reforms should be used as an opportunity to increase or circumvent current caps and restrictions on the distribution and location of EGMs in jurisdictions. Decisions around the distribution and caps of EGMs should remain a matter for the state and territory governments.

## **Recommendation 1**

**3.11 The committee notes that the number of EGMs and their distribution in any jurisdiction is a matter for state and territory governments to decide and recommends that the proposed reforms should in no way be used as an opportunity to increase numbers or alter distribution.**

### *Location of EGMs*

3.12 The committee received evidence that the highest concentration of gaming machine density occurs in low-socio-economic areas.<sup>9</sup> Mr Stephen Doyle, Chairman

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6 NSW Government, *Submission 110*, p. 3.

7 Mr John Whelan, *Proof Committee Hansard*, 15 February 2011, p. 17.

8 Premier Colin Barnett, 'Commonwealth threat to introduce pokies in WA', Ministerial Media Statement, 3 February 2011, <http://www.mediastatements.wa.gov.au/Lists/Statements/DispForm.aspx?ID=135886> (accessed 14 April 2011).

9 South Australian Council of Social Service, *Submission 90*, p. 2.

of the St Vincent de Paul Society Queensland Social Justice Committee told the committee:

...Queensland's responsible gambling strategy, which was published in September 2009, demonstrates clearly how the highest concentrations of gaming machines are in lower socio-economic and remote Indigenous communities. So it appears that the industry is targeting those people who we particularly seek to serve in our work.<sup>10</sup>

3.13 This concentration of poker machine density in lower socio-economic areas was reinforced by Professor Malcolm Battersby,<sup>11</sup> the Tasmanian Gaming Commission<sup>12</sup> and Professor Linda Hancock.<sup>13</sup>

3.14 Related to this issue, Ms Gabriela Byrne, a former problem gambler, raised an interesting point about why people, particularly women, go to the venues:

I believe that one of the common reasons women have problems—there is an increase in women problem gamblers after the introduction of ATMs—has a lot to do with the fact that women like the actual place that they can go to when they are alone. Maybe they are socially isolated. We refer to that as a third place—a home away from home. I have seen a lot of women who say that the place itself is an attraction to start off with and then they fall into the gambling trap because they have nowhere else to go.

So that is one of the issues that needs to be addressed when you talk about rehabilitation. I think clubs and pubs which used to have live music and used to be pubs where people gathered for the sheer pleasure of good company and lively conversations are now venues that just exploit people who are socially isolated.<sup>14</sup>

### **The initial attraction of EGMs**

3.15 The committee heard that people were initially attracted to EGMs for various reasons including the safety of the venue,<sup>15</sup> artwork of the machines<sup>16</sup> and to escape difficult personal circumstances. Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society National Council, confirmed that some people see gambling as an escape from difficult circumstances they may be facing:

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10 Mr Stephen Doyle, *Committee Hansard*, 14 February 2011, p. 3.

11 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 56.

12 Tasmanian Gaming Commission, *Social and Economic Impact, Study into Gambling in Tasmania – Policy responses*, Report to Treasurer, October 2008, p. 7.

13 Linda Hancock and Michael O'Neil, *Risky business: why the Commonwealth needs to take over gambling regulation*, Alfred Deakin Research Institute, Working Paper no. 11, Deakin University, Geelong, 2010, p. 25, 28.

14 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 23.

15 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 23.

16 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 15.

Where people are in situations of great suffering, they seek something to kill the pain, whether it be alcohol or other substance abuse or intensive gambling, which is not seen as such but as a form of a recreational outlet which, on the surface, is highly accessible and can appear to be quite cheap. But we know the reality is that it is anything but that.<sup>17</sup>

3.16 Ms Sue Pinkerton, a former problem gambler, described that initially she played for fun, as part of a social outing:

Prior to coming into contact with poker machines at the age of 40, I gambled regularly, responsibly and without ever losing control or spending more than I could afford. I did this for 20 years. When I first came into contact with poker machines, I gambled on them for the same reasons I gambled on Lotto, went to bingo and visited the race track a couple of times a year—that is, for fun, as part of a social outing and for the pleasure of winning money without having to work hard for it. I play the pokies because I had no reason to believe that this gambling product was any different from all other gambling products I had used much of my life, only I soon discovered that the pokies were and are very different from those other forms of gambling.<sup>18</sup>

3.17 Ms Jo Flanagan, Manager, Social Action and Research Centre, Anglicare Tasmania, told the committee that feedback from their counsellors and research indicated:

...that the main reasons for gambling are social isolation, low confidence, poor self-esteem and other problems with capacity. Pokie venues are physically accessible for people with mobility problems, they are centrally located and they are everywhere. As a form of recreation, playing the pokies seems financially accessible, especially when people are supplied with free drinks. Pokie venues are attractive and they feel safe for people who feel physically vulnerable.<sup>19</sup>

### **Are EGMs dangerous?**

3.18 In arguing for a protection measure such as pre-commitment, some witnesses expressed the view that EGMs can be dangerous for some people. Mr Alan Moss, Independent Gambling Authority (IGA), SA, told the committee why the IGA supports pre-commitment:

We believe that electronic gaming machines are potentially dangerous products. In the hands of a large section of the population they do not cause any trouble, but there certainly is a cohort of EGM users who cannot handle the machines in a way which does not cause them harm. As with any potentially dangerous product, the authority believes it makes ethical and

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17 Dr John Falzon, *Committee Hansard*, 14 February 2011, p. 5.

18 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 55.

19 Ms Jo Flanagan, *Committee Hansard* 18 February 2011, p. 25.



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governmental sense to introduce some measure of regulation. We do it for cars, we do it for guns, we do it for food—anywhere there is a potential for some harm, government generally sees it as being appropriate to regulate.<sup>20</sup>

3.19 Associate Professor Linda Hancock commented on why she believes EGMs are potentially dangerous:

I think with technological innovation, if we go on the past to inform the future there is definitely a risk that they will become more dangerous. They are potentially dangerous because the harm depends on someone walking through the door of a premise and then someone staying and becoming in usual terms a regular player. There are not many recreational products where you have to be careful of partaking of them on a regular basis. That is why the Productivity Commission and many of submissions to that report and much of the research over the last 10 to 15 years has been coming up to that point. That then I think invokes the national need to consider product safety as part of a Commonwealth jurisdictional focus.<sup>21</sup>

3.20 Ms Pinkerton provided her view on whether the machines are dangerous:

Gaming machine programs are purposely designed to addict. When they were legalised and introduced into South Australia, the industry did not provide research on the impact of problem gambling but they did say that problem gambling would increase and they offered funding to assist in the treatment of problem gamblers that they knew their machines would cause. In effect, the industry knew—they had to know—that there was a problem somewhere with their product: it was addictive, entrapping, harmful and dangerous.<sup>22</sup>

3.21 Ms Pinkerton added:

According to Mark Dickerson, when he spoke at the NAGS [National Association for Gambling Studies Australia] conference in Canberra in 2004, after half an hour of continuous play, the average gaming machine consumer has made some 350 different spending/betting decisions. The fact that human decision-making processes do not happen as rapidly as the finger can tap and machines can spin, display a result, be ready to accept the next bet and offer the next win makes gambling on these machines a particularly deadly form of gambling. As a result of the machine features, overspending is common and, according to research, it occurs in over 50 per cent of gambling sessions on the machines. Also, this occurs whether the gambler is a problem gambler or not.<sup>23</sup>

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20 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 23.

21 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 2.

22 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 56. Dr Kerry Chambers from Gambling Awareness, Nova Scotia also highlighted the dangerous nature of EGMs, see Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, pp 7–8.

23 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 56.

3.22 Ms Pinkerton mentioned the negative response from researchers when she has asked them to play EGMs for research purposes:

Interestingly enough, I have asked a few researchers if they would come with me to a pokie venue and I have said, 'I'll fund your gambling. I want you to come with me and play the pokies for three hours every day for the next two weeks.' Every single one of them said no. I ask them why not and they said, 'Because I'll have a problem at the end.'<sup>24</sup>

3.23 Mr Tom Cummings, a former problem gambler, expressed his view on whether EGMs are safe:

This is simple misdirection; an attempt to deflect the blame and the public scrutiny from the industry to the players. There is growing evidence that poker machines are designed in such a way as to encourage addiction amongst those who are vulnerable.

This smacks of the "guns don't kill people" argument. Just because the majority of the population would probably be responsible gun owners is no reason to allow widespread access to weaponry. Similarly, just because the majority of the population aren't poker machine addicts does not mean they are harmless.<sup>25</sup>

3.24 Ms Jo Flanagan, Anglicare Tasmania, stressed that their organisation has focussed their advocacy 'around EGMs because we believe it is a particularly pernicious form of gambling'.<sup>26</sup> Dr Jamie Doughney emphasised what he believes to be the overarching principles:

...the harm caused by poker machine gambling and poker machine addiction in our society is severe, and I have set out some of the suicide statistics that illustrate that. It is severe because it is concentrated; it is concentrated, as the Productivity Commission report said, on a relatively small number of people who experience gambling problems, and it is concentrated because that small number of people provides somewhere between 40 and 60 per cent of the revenues in this industry. That creates, to my mind, an unconscionable burden for the continued existence of this industry in the form in which it has operated hitherto.<sup>27</sup>

## **Understanding the psychophysiology**

### ***Classification of pathological gambling***

3.25 Professor Malcolm Battersby explained the diagnostic criteria used to assess problem gambling are under review. The fifth edition of the Diagnostic and Statistical

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24 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 65.

25 Mr Tom Cummings, *Submission 113*, p. 3.

26 Ms Jo Flanagan, *Committee Hansard*, 18 February 2011, p. 10.

27 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 45.

Manual of Mental Disorders (DSM)<sup>28</sup> moves pathological gambling from impulse-control disorder into the classification 'addiction and behavioural addictions'. He explained this process:

There are these large American committees that debate all of these things, whether they move and so forth, and they do it based on evidence. So there is now a lot of biological evidence from brain scans, PET scans, genetic studies and so forth that show that pathological gamblers have similar profiles to other addictions in their brain chemistry, brain reactivity and so forth.<sup>29</sup>

3.26 He described the development of the view being taken:

From a clinical point of view we would say, and have already been thinking like this for the last 15 years, that this person has an uncontrollable urge to gamble in the same way that someone has an alcohol or drug addiction and that they should have the same considerations by society, including in the legal system, which currently does not recognise it as an addiction. Most people who have a gambling addiction who commit a crime are still jailed, whereas they would put someone else with an alcohol or drug addiction on a diversion program. A Victorian barrister recently asked me, 'Why isn't pathological gambling considered an addiction and a reason to have consideration for sentencing in legal situations?'<sup>30</sup>

3.27 Professor Battersby described what the re-classification means for treatment:

We already treat people with problem gambling as having an addiction, but a lot of helping agencies around Australia do not. They often provide general counselling, financial support and social support, and they do not really treat it as an addiction. That makes a huge difference to your clinical thinking about what you offer to somebody in terms of therapy.<sup>31</sup>

The positive side of it is that the treatments we have been developing actually result in what some of our clients call a cure. They really believe they have been cured of their gambling addiction because they have found a way of extinguishing the urge to gamble. We are just about to start a randomised controlled trial with Professor Robert Ladouceur, a Canadian professor who has developed a cognitive program. We are going to compare our behavioural program versus the cognitive program, and that is being funded by the Victorian government.<sup>32</sup>

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28 The DSM is published by the American Psychiatric Association and provides a common language and standard criteria for classifying mental disorders. The fifth edition is currently in consultation and due to be published in 2013.

29 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 58.

30 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 58.

31 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 58.

32 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 58.

### ***How can a poker machine facilitate an addiction?***

3.28 EGMs are a game of chance and deliver an unpredictable result to the player. Yet people can come to believe that something they do will influence the outcome. Are there elements in the design of the machine which contribute to this? According to many of the expert witnesses there are. Professor Battersby described how the design of a machine can facilitate an addiction:

Basic first year psychology talks about conditioning—Pavlov’s dog right through to Skinner and his box and so forth. We know that human beings can change their behaviour or have their behaviour reinforced in ways that are not productive, through a conditioning model. Machines are designed around conditioning—simple as that. They are designed to increase a behaviour—in this case, putting money in a machine. There is about 50 years of research to show that human beings respond, they change their behaviour, if the reinforcement is intermittent, variable ratio reinforcement. Put in plain person’s language, that means you do not know when the reward is going to come and you do not know the amount of the reward. If I were to say to you, ‘Every five times you press that button, you will get \$5,’ after a while you would get sick of it, even though you were getting regular money. There is no excitement; there is no reinforcement. It is a strange paradox.<sup>33</sup>

3.29 Dr Charles Livingstone also spoke about the conditioning aspects of EGMs:

A whole number of design features are incorporated in all poker machines. They have been designed very carefully over a number of years. Work in the United States by Natasha Schull of the Massachusetts Institute of Technology has gone into great detail about the design structures of these machines and how they are constantly being innovated. Essentially, what the machines do is utilise a random reinforcement schedule based on principles of operant and classical conditioning to provide people with intermittent reinforcement, which is very hard to extinguish. Once you start playing a machine, you become attuned to the random reinforcement. You know you are going to win something, you do not know when and, in some cases, it can be quite infrequent. There are different styles of machines which deal to different markets. The basic feature of a gaming machine which makes them, I guess, dangerous as consumer products is this reinforcement—the operant and classical conditioning principles based on the work of BF Skinner, who analysed it in animal studies.<sup>34</sup>

3.30 Dr Livingstone explained that machines provide both classical and operant conditioning. Classical conditioning is demonstrated by the classic Pavlov dog experiment where a bell rings and the dog salivates as it expects food. Operant

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33 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 62.

34 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 32.

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conditioning is where intermittent reinforcement rather than regular reinforcement is provided as with EGM wins.<sup>35</sup>

3.31 Professor Battersby described the physical and emotional responses that can be aroused by poker machine playing:

Human beings and animals have that basic ability to change their behaviour—or a machine has the ability to change their behaviour. What we did not really understand is that one of the facilitators of that is what we now call an uncontrollable urge. People say: ‘When I first started going to the machines, it was exciting. I had this really positive feeling.’ The sympathetic nervous system is activated, your heart rate goes up, your breathing gets a little bit faster and maybe there is a little bit of sweat. So it starts off being a positive experience, but after a while it becomes a really negative, aversive experience. Putting the money or tokens into the machine actually reduces that aversive experience and so it gives people temporary relief. They go, ‘That’s great!’ but what they do not realise is that it actually reinforces the urge for the next time they might have a gambling trigger. That is the oldest bit of psychology research in the world.<sup>36</sup>

3.32 Research from Canada has identified nine attributes which reinforce the intermittent reinforcement or conditioning. One of these is a near miss<sup>37</sup> which results in a higher level of arousal. This high level of arousal for some can become an uncontrollable urge. Professor Battersby told the committee that unfortunately behavioural science has not progressed to the point where it can know which players will develop a problem. However, ‘30 to 40 per cent of regular players in a gaming venue are hooked, so it is not a small number of regular players and it can have quite a devastating effect’.<sup>38</sup> He noted that some people can become hooked after a one-off win and described the following case:

The first patient I ever saw was a Chinese woman who did not like gambling; in fact, she came here and it was a machine at one of the venues in Canberra. She was taken on a big night out by her friends to celebrate her birthday. She pressed that button and won \$300 or \$500. There was noise and excitement and people were rushing around and patting her on the back. She woke up the next morning thinking, ‘I’ve got to go back.’<sup>39</sup>

3.33 For others it can take weeks or months to develop the uncontrollable urge to play. Professor Battersby indicated that the uncontrollable urge to play is combined with the desire to win back losses and he suggested that the design of a pre-

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35 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 33.

36 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, pp 62–63.

37 A near miss occurs when the spinning icons on the machine appear to almost line up.

38 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 63.

39 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 63.

commitment system needs to take into consideration the wins so they are not just fed back into the machine:

Some would say that here is a non-problem gambler and they are roughly betting the same amount as a problem gambler but, by definition, the non-problem gambler has not been losing money regularly. This person has two powerful motivations to break limits and to go to other venues. There is the urge and there is the three, two, five, 10 or 20 thousand dollars in debt. Even if they do win a bit it is not enough and they have to keep going and win more. That is the second reason why they keep on losing. Even if they win they will put more money back in. So, whatever regulations end up being recommended in the design of a system, whether mandatory or not, they really have to take into account that—and I notice it was mentioned in the report—and the limit itself has to incorporate the wins that have been gained into the limit.<sup>40</sup>

3.34 Dr Doughney spoke of research showing the addictive properties being similar to a cocaine addiction as:

...in a rapidly delivered environment where you have a variable ratio reinforcement schedule what starts to build up in the brain is the expectation of the reward or the experience that comes with the release of dopamine. The result of that is that, when that does not come, the release of dopamine still functions and you start to develop craving symptoms and so forth and a desire to stay experiencing that stimulus. The stimulus of cocaine does that in buckets. Poker machines deliver it in buckets as well.<sup>41</sup>

3.35 The addictive nature of EGMs is even noted by the criminal justice system:

The comments by judges, magistrates and academics throughout the research indicated that they believe poker machines should be regarded as particularly addictive and that their accessibility provides people with greater opportunities to gamble.<sup>42</sup>

## Machine design and features

3.36 Witnesses told the committee that along with the introduction of a pre-commitment system, machine safety reforms are also necessary.<sup>43</sup> Dr Charles Livingstone outlined the market research that goes into developing the machines and the games:

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40 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 69.

41 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 46.

42 Brett Warfield, *Gambling Motivated Fraud in Australia 2008–2010*, Warfield and Associates, 2011, p. 16, [http://www.warfield.com.au/Warfield\\_Gambling\\_Fraud\\_08\\_10.pdf](http://www.warfield.com.au/Warfield_Gambling_Fraud_08_10.pdf) (accessed 16 March 2011).

43 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 5. See also Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 8.

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You have to remember that machines are around 100 years old. Aristocrat tells us in its annual report that it spends something like \$120 million a year on research and development, which is a significant amount of money. I presume they are not wasting that money. We can presume that they are doing a lot of work on trialling features which they hope will have success in the marketplace. Remember that success in the marketplace for a gaming machine means getting people who play them to spend more time and more money on those machines.<sup>44</sup>

3.37 Associate Professor Linda Hancock emphasised that it must be remembered that a gambling problem is not just about the actions of an individual, 'it is about an interaction between a product and a consumer' and the design of the machine affects this interaction.<sup>45</sup> She described how EGMs have evolved so that they are now more enticing:

...the machines have changed immeasurably over the last 15 to 20 years from the old, literal reel machines with the handle to virtual reels now that are totally computerised and give the illusion of actual reels. There are various estimates of how much the industry has spent on research. They have spent billions of dollars on research into finding the successful platform to entice players to stay longer and spend more. The research done by Dr Charles Livingstone and others comes to the point that the successful platform is one with a continuous offering of the product, virtually without the request of the patron. So these machines are becoming faster and faster.<sup>46</sup>

3.38 This was confirmed by former problem gambler, Ms Julia Karpathakis, who emphasised the intensity at which one can play EGMs compared to other forms of gambling:

The pokies are instant. They take everything—if you put it in there, of course. They are magnetic. It is too hard; you have to wait until the evening or the weekend with a lotto ticket, whereas with the pokies the dollar coins do not look like money and your money does not even look real. The lotto is slower; it is not so fierce and people are not so spontaneous with it....<sup>47</sup>

### ***High versus low intensity machines***

3.39 The following provides an overview of the differences between high and low intensity EGMs.

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44 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 34.

45 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 11.

46 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 2.

47 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 10.

*High intensity EGMs*

3.40 Dr Charles Livingstone told the committee that Australian EGMs are high intensity or high risk machines where there are high price levels and very high bet limits which means you can lose a lot of money very quickly:

...you can put a lot of money into them, you can bet a lot every time you press the button, but they have relatively high prizes and so they are highly volatile...Australian style machines are generally regarded as very high impact by world standards.<sup>48</sup>

3.41 In a more detailed explanation of high intensity machines he stated:

These are games with bet limits as high as \$10 per spin, maximum prizes of around \$10,000 (although linked jackpots permit higher prizes), and 'load-ups' of up to \$10,000...these settings are very high and clearly permit very large sums of money to be expended very quickly—up to \$1,500 per hour...<sup>49</sup>

3.42 Dr Richard Woolley spoke about the tendency for people to bet on multiple lines which allows them to bet large amounts:

It is kind of a very rational and prudential insurance policy. The worst thing that could happen would be to see a win come up on a line that you are not playing. It effectively draws a lot of expenditure for them because you make multiple bets at any instant because you are worried about that effect.<sup>50</sup>

3.43 In addition to allowing large amounts of money to be expended, these high intensity or high risk machines are volatile which means that the average returns 'are rarely if ever achieved' as the outcomes are skewed by the small number of high wins.<sup>51</sup> The volatility of machines is explained in more detail below.

3.44 Dr Livingstone compared the situation in Australia with the United States where high intensity machines are generally limited to casinos and very few jurisdictions allow high intensity machines in local venues. He added that this is also the case in Canada and under British regulation high intensity machines will also be limited to casinos.<sup>52</sup> Dr Richard Woolley added that in Britain the regulators decided to limit the number of high intensity machines to about 1,000 or fewer for the entire country.<sup>53</sup>

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48 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 31.

49 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 2.

50 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 34.

51 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 2.

52 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 31–32.

53 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 32.



3.45 Professor Battersby stated that he did not believe there were sufficient safeguards on the intensity at which people can gamble on EGMs:

In most states it looks like the machine designs—the spin rates, in particular—have been allowed to go up. There is a link between the denominations of the bet—the one cent or the five cent bet—the lower the denomination, the more likely you are to get that reinforcement and larger number of credits and spin rates of the machines. So when you look at South Australia versus Victoria and overall expenditure on machines, the machines and the numbers have stayed about the same. They have gone down a bit in South Australia but in Victoria the actual expenditure has been going up like that, and the single biggest thing that correlates with that is the increase in the machine spin rates.<sup>54</sup>

#### *Low intensity EGMs*

3.46 Low intensity machines on the other hand have low bet limits, low maximum prizes and low load-ups.<sup>55</sup> These features combine to produce a machine where the losses per hour are significantly less than the losses per hour possible on a high intensity machine.

3.47 Reducing the maximum prize reduces the volatility of outcomes, meaning that the return to players would be more likely to be achieved over a shorter period.

3.48 Reducing the load-up limit to \$20 is likely to be 'an effective complement to this approach, reducing the 'danger' element in such games and rendering them much more entertainment focused.'<sup>56</sup> The Productivity Commission in its report on gambling also found that reducing the maximum load-up limit 'would have a useful role as a brake on high intensity play' and consequently recommended this level be set at \$20.<sup>57</sup>

3.49 Dr Livingstone and Dr Woolley provided further detail on the financial risks posed by low intensity machines from a study conducted for the South Australian Independent Gambling Authority in 2008 and emphasised that :

In this study we found the average bet on popular low credit value (i.e., 1 and 2 cent) EGMs to be between 33 cents and 79 cents per spin. This means many gamblers bet at considerably higher levels, around \$1 per spin, even on these low credit value machines. Gambling at this level makes average losses of \$120 or more per hour likely for many users. As these broadly

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54 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 64.

55 'Load-up' refers to the maximum cash input that can be inserted into a machine at any one time. The load up limit currently varies across jurisdictions, from \$100 in Queensland to \$10,000 in NSW.

56 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 2.

57 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.37, 11.39.

popular EGMs were also popular amongst problem gamblers in our study, there remains a considerable risk of financial harm for problem gamblers if losses can be sustained at such a rate. It is thus important to ensure that parameter values on low risk machines would be set at levels where harm was very unlikely to occur.<sup>58</sup>

3.50 Dr Livingstone provided the committee with findings from further modelling he had undertaken with Dr Kevin Harrigan, where the cost per hour and average session durations of various bet limits were simulated, using an available stake of \$40.<sup>59</sup> The modelling showed that as individual bet limits were lowered, the cost of play per hour fell, also resulting in longer session times and reduced volatility. He concluded that:

Lowering maximum bets clearly produced a considerable benefit for poker machine users by spreading the distribution of session times towards a greater likelihood of closer to average returns, resulting in longer session time and, importantly, reduced volatility of outcomes. The hourly cost for the 50% of users who achieve at least the median session duration is considerably reduced and is much closer to what many would agree is a reasonable cost for an entertainment product...<sup>60</sup>

3.51 The issue of low intensity machines is further discussed in chapter eight.

### ***High volatility***

3.52 Mr Peter Cercone, Chief Compliance Officer, Playtech, a leader in the gambling software technology market in Europe explained high volatility:

...any game that has a high volatility means that there is more mathematical, theoretical chance for a higher than average win than a game that has almost a flat volatility—in other words, a volatility that has many wins of a small nature as opposed to very few wins of an extremely large nature, being a high-volatility game.<sup>61</sup>

3.53 Dr Woolley spoke about the volatility of outcomes on all machines which means the results you can expect as a player are very uncertain and this is what makes them for some people so addictive. One dimension of this volatility is time spent playing, which is the amount of entertainment you get for your money:

As the Productivity Commission found, if you walk in with \$30 and you gamble in a standard kind of way, the average time you will get, the average amount of entertainment you will receive, is 13 to 14 minutes, but in more than half of the cases you will only get four minutes. You will go in with a certain expectation, which, as Charles has outlined very well, is

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58 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 3*, p. 1.

59 Bet amounts modelled were: \$1.80, \$0.90, and \$0.45.

60 Dr Charles Livingstone and Dr Kevin Harrigan, *Submission 118*, p. 4.

61 Mr Peter Cercone, *Proof Committee Hansard*, 25 March 2011, p. 53.

conditioned by your engagement with the devices, but you will be let down very badly on more than half of the occasions. You will get less than a third of the time you were expecting. Chasing after that time can only be done by spending more money.<sup>62</sup>

3.54 The other dimensions of volatility are the frequency and timing of wins and losses:

Having a wide band of volatility in the outcomes means that someone can win one very big prize which can make up for a lot of accumulated losses by a lot of other gamblers. It takes a long time for the machines to return the advertised return to players—the lifetime of a machine in some cases.<sup>63</sup>

### *Jackpots*

3.55 As already mentioned the frequency and timing of winning is highly volatile and this is also the case for jackpots which appeared to be a feature that kept people at the machine longer as the following exchange with a former problem gambler indicates:

Senator XENOPHON—When you were playing the machines, were there any features of the machines, things such as—

Ms Karpathakis—Yes, the jackpots.

Senator XENOPHON—The jackpots?

Ms Karpathakis—Yes.

Senator XENOPHON—Even if it was a small jackpot?

Ms Karpathakis—Yes, because it would build up. You knew it would build up and then eventually, hopefully, you would win it. You would stay on there as long as you possibly could or someone else would get it.<sup>64</sup>

3.56 The excitement generated by jackpots was also mentioned:

The reels kept rolling over and seemed to hesitate just ever so slightly on the big one and just rolling off the big jackpot. I would say to myself ‘keep going, that was so close, you just missed the jackpot’.<sup>65</sup>

3.57 In addition to high maximum bets Dr Livingstone also spoke about high jackpots as another dangerous characteristic of the machines:

If you want to know what the most danger[ous] characteristics of gaming machines are, it would be quite reasonable to say: high maximum bets and high maximum prizes. Those two characteristics create a machine that is

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62 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 35.

63 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 35.

64 Senator Nick Xenophon and Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 15.

65 Pokies Anonymous, *Submission 34*, p. 1.

likely to be much more dangerous than one which has a modest maximum bet and a much more modest prize.<sup>66</sup>

3.58 Dr Richard Woolley told the committee about the Japanese case where their machines were allowed to accumulate jackpots:

In the Japanese case, they found that when they allowed their pachinko machines to become more like our machines—‘pachi slots’, they called them—they had a feature that allowed the accumulation of jackpots. This led to an elevation in the available top prize. As far as the Japanese regulators were concerned, this led to the emergence of a whole new sector of consumers who they described as ‘committed gamblers’. They had not seen that before because their product is actually entertainment—gambling is illegal. Quite simply, they just brought in regulation 5, as they called it, and knocked out the ability to accumulate jackpots and, therefore, lowered the volatility of outcomes, and it went back to being a more standard entertainment product without the feature that we see characterising all of our gaming in pubs and clubs here.<sup>67</sup>

3.59 Jackpots can also be linked across a number of machines. Mr Declan Martschinke, Maxgaming, spoke about the ability of the company to provide ancillary services such as linking a number of machines to display a jackpot above those machines.<sup>68</sup> Mr Peter Hall, Maxgaming, called this a wide area jackpot.<sup>69</sup> The Gambling Impact Society (NSW) expressed the view that linked jackpot prizes and individual machine prizes do not encourage recreational play of the machines and recommended that they be banned.<sup>70</sup> The committee was advised that linked jackpots are not permitted in the Gaming Machines Act in South Australia but there is no such prohibition in the Casino Act.<sup>71</sup>

3.60 Even though linked jackpots are indicated as such in the display, there is potential for a player to be confused. A player may not understand what a linked jackpot means and may assume the jackpot displayed on their machine applies to just that machine and not a multitude of others. Even if they understand what a linked jackpot is a player almost certainly would not know how many other machines are linked to it.

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66 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 36.

67 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 35.

68 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 3. Maxgaming, *Submission 19*, p. 9; See also Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association Ltd, *Committee Hansard*, 14 February 2011, p. 39.

69 Mr Peter Hall, *Proof Committee Hansard*, 3 February 2011, p. 6.

70 Gambling Impact Society (NSW), *Submission 36*, p. 8.

71 Independent Gambling Authority, *Submission 33*, Attachment A, p. 6.

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## Other features causing concern

### *Credits*

3.61 Credits refer to virtual money generated by the machine during the game. Credits do not normally appear as a dollar value but as a number, eg. 100 credits which may be as little as \$5.00.<sup>72</sup> This creates the potential for confusion for players. Mr Stephen Menadue described how the use of credits is not only confusing but makes it difficult to keep track of how much money you have put in a machine:

The amount of money that is actually spent in the form of credits is overlooked, not only by the gambler—because it is not real; its is not passing through their hands—but by those observing the figures and everything else. I may walk into a hotel with \$100. I may put \$100 through, but I may spend \$1,000 in the meantime and not really know, at the end, that I have spent \$1,000, because it has all been in the form of credits on the machine ticking over. I am just playing. Credits are not money. It is not in my hands...I cannot count the amount of times that I was so happy. I might have put a fair bit through a machine, but I was so happy that I had just won 100 credits, which might be only \$5.<sup>73</sup>

3.62 Apart from the confusion about the true value of credits in dollar terms, there is also the potential for the player to put their wins/credits back into the machine when chasing losses. The committee was pleased to see a prototype EGM at Aristocrat which allows players to 'bank' wins instead of allowing them to be accrued as playable credits.<sup>74</sup>

### *Appearance and sounds*

3.63 Witnesses also mentioned the artwork, appearance and sounds of the machines. Some found particular artwork more attractive than others.<sup>75</sup> Dr Charles Livingstone told the committee:

Some people have studied the symbolism on the machines. We know a machine with particular symbolism in the artwork will be very attractive whereas the same machine with different artwork will be less successful in the market. It is likely that some of the symbolism actually works to provide a greater incentive for people to play the machines.<sup>76</sup>

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72 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 47.

73 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 47.

74 Aristocrat, *Submission 38*, p. 2.

75 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 15.

76 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 34.

3.64 In addition to artwork, research has found that flashing lighting increases irresponsible gambling intentions.<sup>77</sup>

3.65 Problem gamblers also described the importance to them of the appearance and sounds of the machines. Mr Stephen Menadue told the committee:

I guess it was a combination of sight, sound and the excitement of winning.<sup>78</sup>

3.66 He went on to vividly recount the particular conditioning effect of hearing the bell sound associated with 'free games', played on a television commercial:

I believe that, with most manufacturers, the way the free games are announced is with a bell. I remember, close to a year ago, a commercial on television which had a bell in it at exactly the same frequency used in poker machines. Every time I heard this commercial, my heart raced because I suddenly thought, 'Free games'. When you are in the poker machine venue and you hear someone's bell go off, you get jealous because they have got free games. If you get the free games and you happen to be playing a big bet at the time, you can get a lot of money back. The conditioning behind the bell is evil.<sup>79</sup>

### ***Free games***

3.67 Dr Livingstone provided detail on EGM wins providing regular reinforcement through particular features. For example, when a player gets a combination of symbols the machine runs a 'feature', typically 'free games'<sup>80</sup> which are frequently multiplied by two or as much as five. Dr Livingstone stated that

This is a highly desirable 'reward', which people are very motivated to try to achieve. They appear intermittently at random, but nonetheless when they do appear people get very excited and find them very attractive.<sup>81</sup>

3.68 Mr Stephen Menadue spoke about his experience with the 'free game' feature:

A lot of manufacturers of poker machines have a bell system and a free game system. Not all the machines have this, but where you get a certain combination on your reels you get entitled to free games, which give you triple the normal winnings during those free games...<sup>82</sup>

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77 K Finlay, H Marmurek, V Kanetkar and J Londerville, *Assessing the Contribution of Gambling Venue Design Elements to Problem Gambling Behaviour*, Toronto, Ontario Problem Gambling Research Centre, 2007, p. 4,

<http://www.austgamingcouncil.org.au/images/pdf/eLibrary/3169.pdf> (accessed 4 April 2011).

78 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 45.

79 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 48.

80 The price of which is factored into the overall return to player ratio.

81 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 33.

82 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, pp 47–48.

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### *Losses disguised as wins*

3.69 The committee also heard about a particular feature of concern: 'losses disguised as wins' or 'fake wins'. This is where the amount you win is less than the amount you bet but the machine will respond like a win. For example, you bet \$5 but 'win' back \$2—a net loss of \$3—but the machine tells you it is a win. This provides an enormous amount of positive reinforcement to the player and the loss is disguised:

This leads to what our colleague Kevin Harrigan from Canada has called 'losses disguised as wins', which is an integral design feature of many poker machines. For example, if you are betting on a nine-line 1c machine and you bet on each line—so you bet 9c per spin—if you win 4c the machine will go off as though you have had a prize when in fact you have lost 5c. Kevin's work on Canadian machines—they are called VLTs there, but they are essentially the same type of device—has demonstrated that, as you increase bets and line betting, something like half of the wins you get are in fact losses but they are disguised as wins. So you are getting an incredible rate of reinforcement. It doubles the amount of reinforcement you are getting.<sup>83</sup>

3.70 The following chart by Professor Kevin Harrigan, University of Waterloo, Canada, was provided during a presentation at Monash University in April 2010 and shows that the level of arousal in a player for a loss disguised as a win is even greater than for a win.<sup>84</sup>

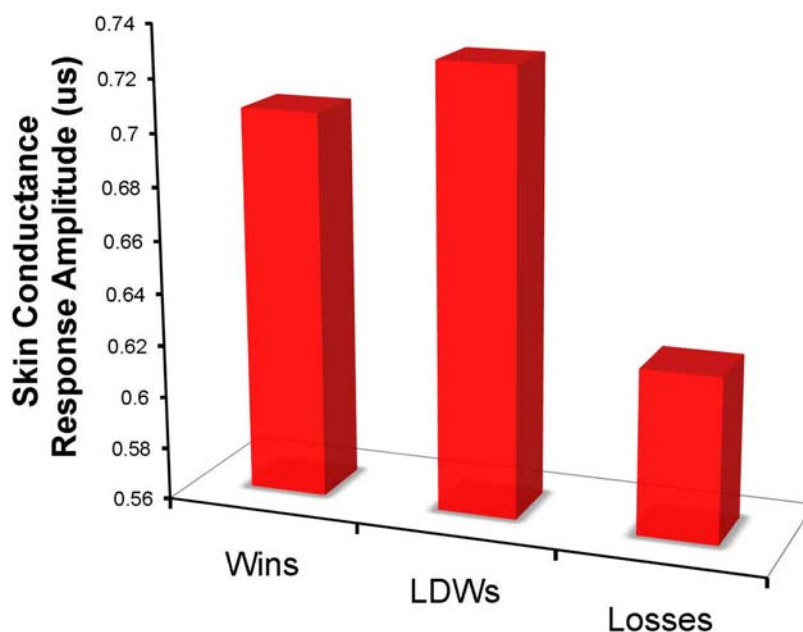
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83 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 34.

84 Information available from: <http://www.med.monash.edu.au/healthsci/files/monash-lecture-april-2010.pdf> (accessed 25 February 2011).

## Losses Disguised as Wins: Our Research Results (Perspiration)

(in press, *Addiction*)



3.71 Professor Battersby also spoke about the deceptiveness of this feature:

That is one of the nine features that is in that Canadian report. The idea that you are winning but you keep losing—that is kind of the idea. The machine tells me that I am winning but every time I look at my credits they are going down. It is a very deceptive system.<sup>85</sup>

3.72 In a study, Professor Alex Blaszczynski et al acknowledged:

It is possible that fake wins sustain interest in and contribute to the addictive nature of EGM play. These results also support the possibility that the inherent arousal in EGM gambling may be the primary reinforcer, with monetary gain serving as a secondary reinforcer.<sup>86</sup>

3.73 It was pointed out to the committee that this feature is severely restricted under Queensland, Tasmanian and Northern Territory regulations.<sup>87</sup> Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association was asked why the feature was not restricted in the other states. Mr Ferrar responded:

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85 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

86 Benjamin J. Wilkes, Craig J. Gonsalvez and Alex Blaszczynski, 'Capturing SCL and HR changes to win and loss events during gambling on electronic machines', *International Journal of Psychophysiology*, vol. 78, 2010, p. 271.

87 Senator Nick Xenophon, *Committee Hansard* 14 February 2011, p. 37.



Our members notify players of payouts. What you are suggesting is like someone betting on five of the horses in the Melbourne Cup and spending \$10 each, four of them lose and the other one wins \$1 and not telling the player that he has won \$1 on that. Our members have tackled that by having different intensities, if you like, of payout notification. Where there is a win of say 10,000 credits, you will have a maximum level of sound effects and graphics on the screen to notify the player of that win. Where there is a mid-level, where there is a lesser level—our members have already addressed that.<sup>88</sup>

3.74 Mr Ferrar then stated that his members comply with the jurisdictional regulatory standards.<sup>89</sup> The committee recognises that jurisdictional standards are not uniform on this issue. The weaknesses of the current national standards is discussed below in relation to consumer protection and in more detail in chapter seven.

### *Committee view*

3.75 The committee believes that the issue of fake wins needs to be addressed through the national regulatory authority which the committee is proposing in chapter six.

### **Recommendation 2**

**3.76 The committee recommends that aligning jurisdictional standards on the issue of 'fake wins' be referred to the national regulatory authority (see recommendation 28) with a view to agreeing a national approach.**

### **The illusion of player returns**

3.77 Each jurisdiction advertises a return to player (RTP) percentage which is a measure of the value of prizes awarded by a game as a percentage of all bets made. There is a theoretical RTP percentage which is calculated from the mathematical design of the game and represents the expected return from a large volume of game play, the game cycle. The actual RTP percentage is calculated from the metered values of all bets and wins occurring during the life of a game.<sup>90</sup> So the RTP percentage is unlikely to be relevant for a particular session. The RTP rate is controlled by individual state government legislation but is typically set at around 90 per cent.<sup>91</sup> Dr Charles Livingstone and Dr Richard Woolley explained the RTP in the following exchange which indicated that achieving the absolute return to player might take a million spins:

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88 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 37.

89 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 37.

90 Information available from:  
[http://www.olgc.sa.gov.au/default.asp?page=gaming.Games\\_and\\_Machines.Web\\_Site RTP02\\_1203.htm](http://www.olgc.sa.gov.au/default.asp?page=gaming.Games_and_Machines.Web_Site RTP02_1203.htm) (accessed 1 March 2011).

91 Responsible Gaming Networks, *Submission 39*, p. 16.

CHAIR— ...Did you say that a machine that makes a big payout might not make another big one for the life of the machine?

Dr Woolley—It is perfectly possible. It is perfectly feasible that a machine that has to conform to RTP over the course of several million spins, which is what it usually takes, could do that by offering its maximum prize once. There is a difference in the way machines are marketed to gaming venues, between what they call drip feeders, which are machines that offer a relatively regular, smaller level of prizes, and the odd machine that is more likely to produce a big hit.

CHAIR—So, with a machine that has a high level of volatility, it is quite conceivable that someone could play that machine for 12 hours and achieve nothing even close to the regulated return in that jurisdiction.

Dr Livingstone—Absolutely.

Dr Woolley—Certainly. That is definitely the case.

Dr Livingstone—Achieving the absolute return to player might take a million spins. Even getting close to the return to player might take a million spins or so, regularly.

CHAIR—So a player could conceivably go in every night for a week and lose the lot?

Dr Livingstone—Absolutely. They could go in every night for a year—

CHAIR—And lose the lot?

Dr Livingstone—Yes. And they usually do.

Dr Woolley—The other point about that is that, because of this volatility, there is no real way to develop a sound understanding of price—of what you are getting for a certain amount of money. That is very unusual in any consumer market, to find that discrepancy between what your return will be for what you are going to pay.<sup>92</sup>

3.78 Professor Battersby told the committee that people can think the RTP percentage means the return to them from a machine for a day when it can be over the lifetime of a machine.<sup>93</sup> He summarised the difficulties for players to understand the odds:

The Canadian report, basically, says that the electronic gaming machines are pretty well the only form of gambling where the player does not really know what the rules are behind the game. You go to blackjack, roulette or even on the horses, you know you have got a one in six chance of winning—or whatever it is—whereas, for the machine design there are all these features about the machine that you have no real understanding of. Most people do not understand how the machines actually work. They see the headline ‘eighty-eight cents in the dollar’ and think that there is a good

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92 Mr Andrew Wilkie MP, Dr Charles Livingstone and Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 36.

93 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 64.

chance they will win. They do not realise that 88c is won by somebody over the other side of Adelaide who has won \$2,000 and they are actually going to lose in order to support someone else's one-off win.<sup>94</sup>

3.79 The Productivity Commission also highlighted that the RTP percentage is not clearly understood:

...it is not clear that players are aware that a higher return to player implies a lower expected cost of play per hour, and that the differences can be significant. An EGM that pays 87 per cent return to player costs 13 per cent of turnover on average to play and is therefore 60 per cent more expensive to play than one that pays 92 per cent (where the cost is 8 per cent). Thus the return to payer percentage can make a substantial difference to the cost of play and the amount of time that a given stake will last.<sup>95</sup>

3.80 Although the committee did not receive information from jurisdictions on information campaigns the committee understands that jurisdictions have undertaken public awareness campaigns on gambling issues.<sup>96</sup> However, the introduction of pre-commitment provides a valuable opportunity to reinforce information about the costs of playing an EGM and broader information on gambling. The committee notes and supports the suggestions of the Productivity Commission in this regard.<sup>97</sup>

### Recommendation 3

**3.81 The committee recommends that the public information campaign on pre-commitment (referred to in chapter six) include other messages connected to pre-commitment including clear and simple messages explaining the Return to Player percentage and the warning signs of problem gambling.**

### What do the current national standards say about consumer protection?

3.82 Witnesses were concerned about the national standards for a number of reasons. One was that the current national standards cover only technical issues and do not include consumer protection measures. Dr Charles Livingstone detailed his concerns with the current national standards:

An issue we believe needs to be comprehensively addressed in any national reform of the industry is the establishment of real national technical standards. At the moment there is a set of national technical standards but these appear to have been retrofitted to what people were doing prior to their implementation. I think we have had regulators tell us that that is how

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94 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

95 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 8.18. See also Sarah Collerton, 'Pokies should show odds of losing', *ABC News online*, 8 October 2010.

96 See Convenience Advertising, *Submission 100*, pp 6–12.

97 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 8.24.

they came into being—they looked at what was happening now and decided to regulate it to that level. That means that there is no consumer protection focus in those regulations. They do not take into account issues of consumer safety or protection; they simply go to technical issues, by and large. In fact, I think almost universally they go to only technical issues.<sup>98</sup>

3.83 Dr Richard Woolley added:

We have argued for a long time that the Australia-New Zealand gaming machine standards should incorporate as one of the objectives in the innovation process the issue of consumer safety. At the moment it is left outside of the main framework and it is up to individual states and territories to attach those kinds of objectives as an appendix.<sup>99</sup>

3.84 Dr Woolley told the committee that the current parameter settings for machines were developed in an ad hoc way from what was already in place and Dr Livingstone added that they are not uniform across Australia as they 'vary wildly from state to state'.<sup>100</sup> The national standards are discussed in more detail in chapter seven.

## **Conclusion**

3.85 Evidence shows that EGMs generate the vast majority of problem gambling and the problems rise with the frequency of playing. In fact the committee notes that due to the reliance on self-reporting and the shame and denial problem gamblers experience this is likely to mean that the numbers of people experiencing problem gambling are underreported.<sup>101</sup>

3.86 Given the high intensity at which one can play, the availability of EGMs, their ability to condition behaviour and the design features outlined to the committee, the committee supports the view that EGMs are potentially dangerous for some people. Therefore measures to protect consumers and reduce harm are a responsible course of action.

3.87 The losses 'disguised as wins feature' was of particular concern given that this has been recognised and action in this area has already been taken by some jurisdictions. The next chapter will provide more detail about why consumer protection and population health approaches are necessary.

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98 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 34.

99 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 35.

100 Dr Charles Livingstone and Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 36.

101 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 63; Tasmanian Gaming Commission, *Social and Economic Impact, Study into Gambling in Tasmania – Policy Responses*, Report to the Treasurer, October 2008, p. 5.

## Chapter 4

# Taking a broader approach to address problem gambling

4.1 This chapter outlines the rationale for adopting a population health approach.<sup>1</sup> It outlines the harms of high intensity EGMs and shows that these extend to the broader community. It also outlines the evidence pointing to shortcomings with current harm minimisation measures such as self-exclusion and venue-based interventions.

### Why a population approach?

4.2 Some witnesses and submitters questioned why a mandatory pre-commitment scheme impacting on all gamblers should be imposed, when the vast majority of gamblers do not experience harms. Merimbula RSL, for example argued:

Somewhere along the line, people have to take responsibility for their own actions and by all means put measures in place to help the individuals NOT shackle the 99.6% of people that have not got a gambling problem.<sup>2</sup>

4.3 Similarly, the Community Clubs Association of Victoria argued:

In light of the tremendous improvements in reducing the incidence of problem gambling in the community, advocating full pre-commitment is the policy equivalent of using a sledgehammer to crack a nut. It is inefficient and likely to result in undesirable unintended consequences.<sup>3</sup>

4.4 In contrast, the Productivity Commission argued for the need to move beyond a model focused on problem gamblers but instead take a broader approach:

As indicated earlier, the commission's proposals are not just focused on problem gamblers but also on those who are at risk and, indeed, the wider consumers who are often misled by gaming machine technology and do not really understand the nature of the machines or how much they are paying to use them. We therefore adopted a much broader framework than a medical perspective—and I know you have had some medical perspectives

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1 There are varying definitions but broadly a population health approach considers the health of the entire population, rather than those already ill or at risk of illness. It emphasises an orientation towards whole groups rather than individuals and complements approaches that seek to treat individuals. It tends to be multi-sectoral and takes into consideration socio-economic as well as clinical factors. Queensland Health, *Understanding population health*, Background Paper, <http://www.health.qld.gov.au/phcareers/resources.asp> (accessed 15 March 2011).

2 Merimbula RSL Club, *Submission 7*, p. 1.

3 Community Clubs Association of Victoria, *Submission 79*, p. 5.

in these hearings. Our framework has been a public health and broader consumer policy framework which included the medical perspective as well.<sup>4</sup>

### ***Who is at risk?***

4.5 While some 600,000 Australians are estimated to play high intensity EGMs at least weekly, not all of them will develop a gambling problem. The Productivity Commission estimates that around 95,000 of this group are classified as 'problem gamblers' with a further 95,000 described as being at moderate risk of developing a problem.<sup>5</sup> However, the committee notes evidence that described problem gambling associated with EGMs as being a 'continuum of risk'.<sup>6</sup> Some EGM gamblers can move quickly from little or no risk to at risk and on to full addiction.

4.6 Mr Robert Fitzgerald, Commissioner, Productivity Commission, explained that pre-commitment is a measure that will help those at risk as well as those with a gambling problem:

It is very important that in public policy terms in consumer protection—and the commission has done a number of inquiries in relation to consumer product safety and consumer policy—that one is concerned about not only those that are actually harmed but also those who are at risk of harm. Consumer protection and consumer policy look to the range of harms that may be evident from a particular product or service. We can apply exactly the same logic in relation to this product. Those at the very pointy end of problem gambling where it is a medical condition and requires substantial intervention will be affected in different ways from those that have commenced gambling but are at risk. Our policies look to cover both. The way in which it impacts on different groups and different individuals will naturally vary but the policy suite is geared to those that are at risk, those that are at high risk and those that are problem gambling.<sup>7</sup>

4.7 Dr Ralph Lattimore, Assistant Commissioner, Productivity Commission added:

The fact is that everybody, problem gamblers and recreational gamblers, tends to underestimate their expenditure. For example, if you go to a New

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4 Mr Gary Banks, Productivity Commission, *Proof Committee Hansard*, 15 February 2011, p. 42.

5 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.1. The Commission also estimated the number of Australians classified as problem gamblers was 115,000; with a further 280,000 at moderate risk. See, Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.

6 Mr Mark Henley, UnitingCare Wesley Adelaide, *Committee Hansard*, 1 February 2011, p. 44, 48; Associate Professor Linda Hancock, *Submission 64*, p. 10; Dr Jennifer Borrell, *Submission 109*, Attachment 1, p. 3; Productivity Commission, *Australia's Gambling Industries*, vol. 1, Commonwealth of Australia, Canberra, 1999, p. 19, p. 6.18; Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 10.

7 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 47.

South Wales survey from 2006, which is one where you get a closer approximation of total spending, you see that recreational gamblers spend around \$700 per year. A low-risk gambler spends about \$3,500 a year. A moderate risk gambler spends about \$6,600 a year. In this survey, problem gamblers spend \$20,600 a year. I do not know whether the numbers would be exact. They would probably all have to be inflated somewhat because everybody underestimates their spending. It would nevertheless give you an idea of the relative magnitudes of spending that you see amongst the different classes of people.<sup>8</sup>

4.8 Professor Malcolm Battersby pointed out that some vulnerable groups in the community are at greatest risk, because high intensity EGMs tend to be located in lower socio-economic areas where they are more likely to reside:

Another of the points I wanted to highlight which I did not put into my report is this whole issue in relation to at-risk groups of people, like our Indigenous population and our mental health population. We know that for people with current severe mental illnesses and then the Aboriginal population as a whole the problem gambling prevalence rates are much higher than for the general population. They are vulnerable because they are often living in the areas where the pokies are—lower socioeconomic areas—but they also might have problems with concentration, literacy and a general understanding of how the whole machine design works.<sup>9</sup>

### ***The gambling continuum***

4.9 As noted in chapter two, the committee heard that research cannot accurately predict who will develop a gambling problem. Dr Mark Zirnsak, Chair, Victorian Interchurch Gambling Taskforce said that as we don't know who might develop a gambling problem, systems need to be developed that assist and protect all gamblers:

There are some common factors you can talk about in discussing why people develop gambling problems. There are issues of co-morbidity. Mental health issues are often high on that list. One of the issues is that you can never tell who might develop a gambling problem. Ideally, you have systems that assist all gamblers because you cannot know when a person might go on.<sup>10</sup>

4.10 Dr Zirnsak went on to speak about possible triggers for people to develop a gambling problem and how pre-commitment would provide protection for vulnerable people:

Again, in Victoria the Sarah Hare report, which we would highly commend to you, found that some of the key factors for why people might go on to

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8 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 51.

9 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 56.

10 Dr Mark Zirnsak, Uniting Church in Tasmania and Victoria, *Proof Committee Hansard*, 2 February 2011, p. 22.

develop gambling problems were things like a relationship break-up, whether it be divorce or some other significant relationship break-up; a death of someone close to them; the loss of a job; getting a payout from an injury at work. All these types of life incidents increase the probability of a person developing a gambling problem. Precommitment, in our view, will provide some tools that hopefully they have used before those life events occurred, and that might help provide some protective factors. Those are the kinds of things that can happen to anybody. Developing depression [sic] could happen to anyone. You cannot pre-empt. It is not as if someone is stamped: you are going to be a problem gambler for life.<sup>11</sup>

4.11 Associate Professor Linda Hancock also spoke of the triggers that cause people to develop problems with their gambling and how this group is not always static:

I think the crucial point is that this group is not a static group. People go in and out of the group. Where do you get your regular gamblers from? You get your regular gamblers from your recreational gamblers, so it is not like someone is a problem gambler or at risk and stays there. The point is that this is a system in flux. It has to do with triggers that motivate people to play for risky amounts of time and lose risky amounts of money. Those triggers are often emotional breakdown, loneliness, divorce et cetera. You have raised a really crucial point to understanding the usefulness of precommitment as one plank in a reform strategy because it will help people to not become risky regular gamblers.<sup>12</sup>

4.12 Reverend Brent Lyons-Lee, Victorian Baptist Church Representative, Victorian InterChurch Gambling Taskforce, reinforced the point that in their experience there is no 'typical' problem gambler:

But the thing that constantly astounds us, and I think you have heard a little bit today, is the people it does affect randomly. Gambling is a stand-alone issue, and that is the thing that continually surprises me. It is not just the homeless people or people we see in dire need. It is actually the everyday mum and dad that you cannot stereotype that are continually the surprise factor.<sup>13</sup>

4.13 Mr Mathew Rowell, Relationships Australia, Tasmania, emphasised to the committee that 'you need to remember that there are recreational gamblers who are also at risk of becoming problem gamblers'.<sup>14</sup>

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11 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 22.

12 Associate Professor Linda Hancock, Deakin University, *Proof Committee Hansard*, 2 February 2011, pp 10–11. See also Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 5.

13 Reverend Brent Lyons-Lee, *Proof Committee Hansard*, 2 February 2011, p. 28. See also Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 5, 6.

14 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 18.



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## *Others harmed*

4.14 The Productivity Commission report noted the 'ripple effects' of problem gambling, resulting in harms affecting family members, friends and workplaces.<sup>15</sup> As noted in the previous chapter, the numbers of those afflicted with gambling problems is likely to be under-reported, so estimating the numbers harmed overall is difficult. Mr Denis Fitzgerald, Executive Director, Catholic Social Services Victoria, gave this estimate:

From memory, seven was the outlier factor, so for every problem gambler there are seven people affected. Gabby very bravely talks about her family and others. Whenever you get in a group of people, everybody knows someone well— someone at work who got into trouble; a cousin. Even if it is not immediate family, it impacts, it ripples through the community.<sup>16</sup>

4.15 All of the problem gamblers the committee spoke to highlighted the harms problem gambling inflicts on others, particularly on family members. Mr Stephen Menadue observed:

But the people who are suffering the most are—I hate saying it over and over—the families who do not have dinner and the kid who did not get a Christmas present.<sup>17</sup>

4.16 Ms Julia Kaparthakis, Pokies Anonymous, described some of the impacts on families:

We have had horrific stories of whole families falling apart. There is one particular person who described their situation as like coming out of jail. They played since they were 17. They played for 14 years. They are only 30 but they are still struggling to relearn how to live life. They described it as living life as if they were in a jail...Some parents have been threatened with having their children taken away because they do not know what to do, how to handle them.<sup>18</sup>

4.17 St Vincent de Paul Society National Council pointed out that according to a 2008 study, gambling was the most common motivation for fraud.<sup>19</sup> A more recent study found that EGMs were the preferred mode for gambling stolen funds and

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15 Productivity Commission, *Gambling*, vol.1, Commonwealth of Australia, Canberra, 2010, p. 16.

16 Mr Denis Fitzgerald, *Proof Committee Hansard*, 2 February 2011, p. 17. In 1999, the Productivity Commission reported that on average around seven other people were adversely affected to varying degrees by a severe problem gambler's behaviour. Productivity Commission *Australia's gambling industries*, vol. 1, Commonwealth of Australia, Canberra, 1999, p. 7.1.

17 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, pp 53–54.

18 Ms Julia Kaparthakis, *Committee Hansard*, 1 February 2011, p. 3.

19 St Vincent de Paul Society National Council, *Submission 50*, Attachment A, p. 1.

\$13 million in stolen money was lost on EGMs between 2008–2010. The average loss to fraud where the person was solely addicted to EGMs was \$233,975.<sup>20</sup>

4.18 Other witnesses highlighted the poor level of support and services for families of problem gamblers. Ms Kate Roberts, Gambling Impact Society (NSW), described the current situation regarding carers of problem gamblers:

...and my other hat is as the carer program coordinator for the—Shoalhaven health service. Doing all this work with carers with mental health issues, chronic health issues and drug and alcohol issues is acknowledged under the national action plan for carers, which then goes into a state action plan. Problem gambling does not get a guernsey. If you are in my program, you get a look-in, and we have actually been funded to develop a self-help resource for family members. Getting the recognition that this is a health issue is a huge part of looking at appropriate strategies and not these bits and pieces in isolation, which I think is what we have been looking at over 10 years.<sup>21</sup>

4.19 Some suggested that the burden of problem gambling which currently rests on individuals, is not being shared by industry. Dr Mark Zirnsak, Chair of the Victorian Interchurch Gambling Taskforce, observed:

A big problem is that currently there is no consequence for the electronic gaming machine venues that allow customers to lose more than they can afford. For a bank, overspending on a credit card gives them the problem of a bad debt, but, for an EGM venue, overspending by gamblers gives them more profit and all the harm is pushed on to others. Currently, this results in market failure because the EGM industry does not suffer any of the costs involved in the harm it causes unless taxes are levied on them, but even these are not in proportion to the cost involved. Therefore, they have no real incentive to deal with problem gambling in a serious way except to the extent that the threat of regulation forces them to do so. This has been confirmed by the courts which, by and large, have argued that venues have no duty of care towards people with gambling problems, even when the venue knows that the person has a gambling problem. Precommitment, therefore, is a significant step to address the imbalance in law between the EGM industry and its customers.<sup>22</sup>

### ***Denial***

4.20 The committee also heard evidence that many problem gamblers remain in denial about the source of their problems, often for years. Mr Tom Cummings observed his denial lasted a decade:

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20 Brett Warfield, 'Gambling motivated fraud in Australia 2008–10', Warfield and Associates, 2011, [http://www.warfield.com.au/Warfield\\_Gambling\\_Fraud\\_08\\_10.pdf](http://www.warfield.com.au/Warfield_Gambling_Fraud_08_10.pdf) (accessed 16 March 2011).

21 Ms Kate Roberts, *Committee Hansard*, 4 February 2011, p. 78.

22 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 15.

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For the decade following this time, I was in denial about what I had been through. I not only stayed away from poker machines; I pretended they didn't exist. I didn't want to know, and I certainly didn't want to acknowledge the fact that I was still tempted.<sup>23</sup>

4.21 Evidence was presented that very few problem gamblers actively seek professional treatment, and often when they do it is only after they have hit 'rock bottom'. Chapter two of this report provides examples of those who have experienced this. Associate Professor Paul Delfabbro noted:

All of the evidence suggests that people tend to find it very difficult to seek help at the time when they probably most need it. Evidence overwhelmingly shows that people will tend to remain in a state of denial or try to gamble out of their problems over an extended period. They will only seek help, quite often when they have reached that rock bottom point where they have lost significant assets or they are about to go to jail or have other another significant life-changing event occur to them. Only then will they typically think about seeking help. For pathological gamblers, seeking help is very difficult. They find it very difficult to bring about behavioural change on their own.<sup>24</sup>

4.22 This was confirmed by organisations dealing with problem gamblers. Ms Margie Law from Anglicare Tasmania told the committee:

I think the major problem with the treatment or care of people with a gambling problem is that they usually leave it to the very last minute. They are ashamed. They do not want to go for help because they do not want to admit they have got a problem. By the time they see a counsellor or by the time they have done self-exclusion, they are often heavily in debt, their relationships have fallen apart and they have lost their house. They are in very dire straits at the time they go for counselling. We think precommitment and a dollar bet limit would help slow that down and hopefully prevent a number of people actually getting to that point.<sup>25</sup>

### *Addictive features of EGMs*

4.23 The particularly addictive features of high intensity EGMs were noted by a number of witnesses and are explored in chapter three. However, Dr Jamie Doughney from Victoria University summarised the view of many gambling researchers:

It is not for no reason that researchers describe electronic gaming machines as the 'crack cocaine of gambling'. The reason is that they have very

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23 Mr Tom Cummings, *Submission 113*, p. 1.

24 Associate Professor Paul Delfabbro, University of Adelaide, *Committee Hansard*, 1 February 2011, pp 70–71.

25 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 7.

similar neurobiological effects. The evidence on that is mounting considerably...<sup>26</sup>

### ***Support for a public health approach***

4.24 Broadly, a population or public health approach 'considers the entire population, rather than only ill or high risk individuals'. It emphasises an orientation towards whole groups rather than individuals and complements approaches that seek to treat individuals. It tends to involve a 'broad range of stakeholders' and takes into account socio-economic as well as clinical factors.<sup>27</sup> A number of witnesses supported a public health approach to problem gambling:

Secondly, we talk about a public health approach and, again, the Productivity Commission talked about this approach. This recognises gambling, along with any other activity, as a continuum of risk from very low risk at one end to high risk at the other end. We recognise that gambling policy needs to address the whole continuum. A public health approach also recognises that the environment in which gambling operates is a really important part of how behaviours are determined and what sort of public policy is required.<sup>28</sup>

4.25 Associate Professor Paul Delfabbro described the basic principles behind a public health approach:

As I mentioned in my submission and in the report from which it is derived, there are two general public health principles applied in this context. One is harm minimisation—that is, minimising harm before it occurs. This is probably more about helping those problem gamblers who are thinking about change and helping moderate risk gamblers from moving up to being problem gamblers. In that sense, reducing problem gambling will be about stopping it before it occurs. Harm reduction, the other commonly used term, probably refers more to trying to stop those who are already problem gamblers from engaging in harmful behaviour.<sup>29</sup>

4.26 Some suggested a public health approach should also adopt a broader population health strategy, involving the whole health sector and consumers:

However, as we have also stated in our submission, we believe that these strategies need to operate within a new public health model for gambling. This would require a national framework to be developed to address the issue similar to those we have already developed for alcohol and tobacco. On that basis we support the proposed reforms. We hope that this will be the beginning of structural and organisational reforms to the approach taken

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26 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 45.

27 Queensland Health, *Understanding population health*, Background Paper, <http://www.health.qld.gov.au/phcareers/resources.asp> (accessed 15 March 2011).

28 Mr Mark Henley, UnitingCare Wesley, *Committee Hansard*, 1 February 2011, p. 44.

29 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 73.

with this issue from a population health perspective. We firmly believe that New South Wales Department of Health, local health networks, local government and consumers need to be included in the policy development, planning and procedural development of appropriate strategies to address gambling harm.<sup>30</sup>

### *Committee view*

4.27 The committee broadly agrees with the Productivity Commission recommended approach which seeks to minimise harms of high intensity EGMs on the broader community. The committee believes that those individuals affected more broadly by problem gambling, including family members and in many cases children do not currently have a voice. Their needs should be a key consideration in our deliberations. For these reasons the committee accepts that a strategy which adopts a public health and consumer protection framework is the most appropriate.

### **Recommendation 4**

**4.28 The committee recommends that in line with the Productivity Commission recommendations a public health approach to problem gambling be adopted across jurisdictions with a view to reducing the levels of problem gambling.**

### **Current harm minimisation approaches**

#### *Venue-based approaches*

4.29 The committee heard evidence from many in the industry that gaming venues are required to ensure their management and gaming staff undertake regular training on identifying and helping problem gamblers.<sup>31</sup>

4.30 Most support Responsible Gambling codes of conduct and many are signed up to programs such as Club Safe.<sup>32</sup> The committee acknowledges the value of these industry efforts including Gaming Care in South Australia, which operates as an early intervention agency that supports venues and their staff to identify and assist problem gamblers.<sup>33</sup>

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30 Ms Kate Roberts, President Gambling Impact Society (NSW), *Committee Hansard*, 4 February 2011, p. 72.

31 For example, Responsible Service of Gambling training is mandatory in all venues in Queensland. RSL & Services Clubs Association Queensland, *Submission 108*, p. 17.

32 Club Safe is the club industry's Responsible Conduct of Gambling Program. It was initially developed by Clubs NSW with input from the Australian Institute for Gambling Research. Club Safe is a program designed to help registered clubs manage responsible gambling operations.

33 For more information see the Gaming Care website, <http://www.gamingcare.org.au/> (accessed 15 March 2011).

4.31 However, a number of witnesses raised concerns over the current arrangements around the adequacy of staff training and support. Witnesses outlined what they perceived were the conflicts and limitations inherent in the current system which places a great deal of responsibility on venue staff. Ms Karpathakis explained her concerns:

I just think that it is hard enough for people who are working, the staff, to do whatever they have to do and then try and approach somebody whom they may think has a problem. That, to me, is ridiculous and hard. If anyone approached me, I would never go back to that venue, so it is not a good idea. It might have worked for some people; I am sure it has. However, it is so difficult to be approached and to approach someone.<sup>34</sup>

4.32 To provide opportunities for individuals to approach people, Ms Karpathakis suggested the following:

I imagine that a couple of people would just go from venue to venue with 'Ask Me' on their T-shirt perhaps—it is just an idea—so that, if someone is sitting there, they can say, 'What's your T-shirt about?' or, 'Can I talk to you?' That way, the person is approaching someone, instead of someone approaching the person. The person takes the initiative to talk to someone.<sup>35</sup>

4.33 Ms Gabriela Byrne described two occasions where she witnessed positive staff interventions:

I remember the day that I won \$300. At that stage I was one of the first generation gamblers where I had to take a piece of paper to the cashier. We did not have note acceptors. I said, 'Give me \$200 and the rest in coins'. She said, 'Take that money and go.' I looked at her and in that moment I realised that she knew I had a problem. I took my money and I left. The woman I talked about who lost the \$7,000 was tapped on the shoulder by one of the venue workers and he said to her, 'Do you realise that it does not matter how much money you put in here; you will not necessarily get it back on this machine?' At that moment she realised, first of all, that he knew and that he had watched her. She had that moment of interruption where she took the last \$200 she had and left. People know.<sup>36</sup>

4.34 However, she outlined a subsequent conversation she had with a staff member that illustrates the difficulties for staff:

At a later day I spoke to the woman who I developed a relationship with, who was the cashier in this particular venue. I questioned her about this incident and she said, 'You know, I could have got into trouble for what I did.' People are instructed, because they are not qualified, to stay away from these measures but those people who walk the floor are human beings and

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34 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 18.

35 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 18.

36 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 24.

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they see human misery. A lot of them have the ability and the desire to intervene but officially they are not allowed to.<sup>37</sup>

4.35 Another former problem gambler Ms Sue Pinkerton spoke to the committee about the research she had conducted on staff behaviour:

In the research I did for Paul Delfabbro looking at in-venue behaviours of staff and problem gamblers, I found that the staff were in the gaming room observing patrons for maybe ten minutes out of an hour. Are they able to identify them? Do they have the training? Probably yes. Are they there to watch them? Is there a risk to their jobs if they actually do identify and approach those people? From what I have heard staff say, the answer to that is yes. So they just avoid seeing the problem. I know that in South Australia the turnover of gaming room staff is extremely high and I suspect—most people say—that the reason that they leave is because they cannot watch somebody put their rent money, their mortgage money through the machines again.<sup>38</sup>

4.36 Unfortunately during her gambling addiction not one staff member approached her:

Nobody, apart from one girlfriend who approached me, has approached me. The staff are trained, as I understand it, to engage the gambler in a conversation about their gambling—they might say, ‘I’ve noticed you here quite a bit recently’—without saying, ‘I think you’ve got a problem.’ They try and draw the person out as to whether they have a problem. I do not know that it works. Truly, I do not know. These people are bar staff. They are able to clean the gaming room. They are able to fix the machines. They manage the money. They count the till. They are not counsellors. The casino here has councillors on site that any staff member can call in to approach someone. But I truly do not know that that would work either. It would just stop me from going to the casino if I was approached by somebody there. I would be absolutely mortified that I had been approached, and so I would avoid going there.<sup>39</sup>

4.37 Ms Pinkerton also provided the committee with the following example:

...I had a 65-year-old lady, who turned up at my doorstep at nine o’clock in the morning. She had been at the venue from half past seven. She had a fan of ATM receipts in her hand. She was a blithering mess: ‘I don’t understand. How could they do this to me?’ She had spent \$1,800. We have a \$200 ATM withdrawal limit on the machines here, and she had been back to that machine nine times in that time. There were three other people in the venue; two of them were staff. In an hour and a half she went back eight or

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37 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 24.

38 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 61.

39 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 61.

nine times to that ATM. Didn't somebody twig that something was going on? They did not look.<sup>40</sup>

4.38 Mr Stephen Menadue pointed out that if a patron consumes too much alcohol then it is obvious and there is a requirement to act. However, a problem gambler in most cases is not disturbing anyone and this makes it more difficult for staff to approach.<sup>41</sup> He added that a pre-commitment system would 'take the responsibility for the staff and put it into a definable electronic form.'<sup>42</sup>

4.39 Ms Margie Law, Anglicare Tasmania described similar examples from the research undertaken by Anglicare:

In the House of Cards report we did, the people we interviewed were all in counselling with Anglicare or Relationships Australia. A number of them said, 'The venue staff knew I had a problem.' When I'd come in they'd say, "Hey, the jackpot's going to go today." They knew I had a problem but they are there to make money for the venue, not to look after me.' People with a gambling problem do not cause a problem for the venue; whereas, people with an alcohol problem do cause a problem for the venue—it is in the venue's best interests to get them out of the venue. A person with a gambling problem is spending money and not causing problems through violence or abuse but just sitting quietly at their poker machine.<sup>43</sup>

4.40 During this inquiry, the Victorian Commission for Gambling Regulation released the results of a venue staff survey on the industry's efforts in implementing the Responsible Gambling Codes of Conduct (Codes) and self-exclusion programs (SEP). One of its key findings was that staff would like to learn more practical skills to identify and interact with potential problem gamblers or gamblers who were showing signs of distress. Other relevant findings include:

- 69 per cent of gaming industry employees have been provided staff training on their Code while 65 per cent have been provided staff training on their SEP;
- 42 per cent of employees said it is easy or very easy to identify self-excluded person, while 21 per cent found it difficult or very difficult;
- only 43 per cent of employees were satisfied with the level of training and help received for their Code overall, while only 44 per cent were satisfied with the level of training as assistance for their SEP;
- 36 per cent of employees were having some difficulty in identifying problem gamblers;

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40 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, pp 60–61.

41 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 54.

42 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 54.

43 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 10.



- 21 per cent felt less than comfortable in responding to a patron request for help with gambling compared to 66 per cent who were less than comfortable when required to initiate this contact with patrons;
- 48 per cent of managers were less than comfortable in approaching patrons displaying indicators of a gambling problem.<sup>44</sup>

4.41 Associate Professor Linda Hancock from Deakin University advised the committee about the study she conducted on employees of Crown Casino in Melbourne. Based on this research she concluded that the current codes are not working:

At the moment the codes do not work. The paper that you have in my additional submission is a detailed study, based on interviews with 225 Crown Casino employees, about the implementation of the Crown code of conduct based on nine signs of problem gambling. It leads to a very benign, non-interventionist venue stance and basically a breakdown in operator and regulator enforcement, hence the need and the opportunity for non-vested interests, like the Commonwealth, to step in with a national code of conduct that will also look at the venue angle when you have people in venues playing cards, playing table games or playing machines who are manifesting the well-known signs of problem gambling.<sup>45</sup>

4.42 Associate Professor Hancock elaborated on the findings:

The problem in the Crown study was that the upward-report-to-supervisor system does not work because it is not enforced. No-one checks it. There are no checklists of who has been referred on and what happened. Many of the workers were saying, 'What is the use of referring it on to the supervisor when nothing happens?' Also, you have a situation where very rational corporate interests are oriented to profit maximisation. This is in direct conflict with consumer and public protection.<sup>46</sup>

4.43 The committee was advised that Crown Casino rejected the findings of this report. Mr Chris Downy, Executive Director of the Australasian Casino Association explained:

Crown has a track record in terms of its commitment to responsible gambling. Crown Melbourne was the first casino anywhere in the world to set up a customer support centre with its own psychologist and its own staff. Burswood is following the same process.<sup>47</sup>

4.44 He elaborated on their training commitment:

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44 Victorian Commission for Gambling Regulation News, Summer, 2011, p. 4, [http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/0F75A07731BDED5FCA2578180020421C/\\$File/VCGRSummer2011.pdf](http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/0F75A07731BDED5FCA2578180020421C/$File/VCGRSummer2011.pdf). (accessed 24 February 2011).

45 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 5.

46 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 7.

47 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 40.

Crown is a major employer of young people entering the workforce. It just opened a \$10-million, purpose-built training facility to ensure that its staff are trained to standards that would be expected at a premium resort such as Crown. It has received awards from the Australian government and other organisations because of its training programs and the like.<sup>48</sup>

4.45 Ms Penny Wilson of the Responsible Gambling Advocacy Centre agreed there were times where staff were failing to meet the requirements under the code of conduct, but that this was not confined to the casino:

It is a situation that I have heard about in other venues as well where particularly casual staff—either because they do not feel empowered to make representations in the correct or because they do not understand what is required, because their duty managers at the time do not understand what is required—fail to act in the manner that is required by the codes of conduct. It is a common theme that I hear across the industry. That shows the need for continual education and monitoring of those training systems and follow up with the staff on the floor. It is not unique to the casino.<sup>49</sup>

4.46 It was also pointed out that the training venue staff had received was not always the most suitable. Ms Kate Roberts, Gambling Impact Society (NSW), described an instance where staff were trained, but not in the correct strategy:

My colleagues at the Nowra Community Health Centre and I conducted some training with some gaming staff when we were still in existence. Basically, the staff felt that they had gained more awareness from our kind of training—and they had all been through the compulsory responsible gambling training. A good example was that if someone had breached their self-exclusion, staff had been encouraged, in the culture they existed in, to shame that person into not being there again. Once the staff realised that the gambler was already dealing with a magnitude of shame—that is, in fact, partly why the person is gambling and the cycle of gambling contributes to that—the penny started to drop that maybe such shaming was not the best strategy for proactively supporting someone who was breaching their exclusion. So I think that kind of support and training could go into staff.<sup>50</sup>

4.47 The genuine efforts of venue staff were however, recognised by some witnesses:

We place venue staff in a difficult position sometimes and they do a reasonable job under those circumstances. I think that is why those programs are really important, and it is really important that they are done in partnership with the gambling industry and our industry.<sup>51</sup>

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48 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 40.

49 Ms Penny Wilson, *Proof Committee Hansard*, 2 February 2011, p. 78.

50 Ms Kate Roberts, *Committee Hansard*, 4 February 2011, pp 77–78.

51 Mr Mathew Rowell, Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 19.

4.48 It was also suggested that staff would require training in any new pre-commitment scheme.<sup>52</sup>

### *Self exclusion*

4.49 A number of witnesses cited problems with current self-exclusion arrangements:

Another study that we commissioned that Michael O’Neil conducted was showing the absolutely fraught nature of photo ID systems that are currently in place to try to help people who have self-excluded. The Nova Scotian follow-up to that, which used actors posing as excluded people where there were photos in venues, found that even when the venues knew that this experiment was going on they did not pick them up. A national barring system would immeasurably help people because they would know that wherever they went they would be protected from their vulnerability.<sup>53</sup>

4.50 Ms Margie Law, Anglicare Tasmania, explained how problem gamblers try to circumvent self-exclusion:

I know people who are desperate to go in to gamble will dress differently or they will go further away where they think people are not going to look at their photograph. As a venue operator it must be very difficult to keep on top of all the people that are self-excluded from your venue.<sup>54</sup>

4.51 Mr Mathew Rowell, Chief Executive Officer, Relationships Australia, Tasmania, noted the difficulties for venue staff:

Since self-exclusion is hard to monitor and enforce, venue staff do a really good job under really difficult circumstances, I reckon. Certainly our clients would say self-exclusion is one of the motivating factors for them, but then it is really quite easy in lots of venues to slip in the back door or change your appearance, and where there has been staff turnover people are often unable to keep on top of those things...<sup>55</sup>

4.52 Mr Stephen Menadue told the committee of the barriers to getting himself excluded from venues:

I have since been on the self-exclusion program in Tasmania, but that did not stop me. I was pulled up once at Bellerive Tote because they recognised my picture. I was picked up once at the Queens' Head tavern because they recognised my picture, But apart from that, at least at a dozen other poker machine venues I have never been picked up as being on that self-exclusion list. In fact, a few weeks ago I went down to my local tote to tell them that I did no want to be served anymore, because it is an easy avenue for me to go

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52 Ms Sarah Hare, Schottler Consulting, *Proof Committee Hansard*, 3 February 2011, p. 24.

53 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, pp 12–13.

54 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 13.

55 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 19.

down. With my gambling, I will not travel. I figured that, if I go and cut my local source off at the tote, I would be right. So I went down there and told them that I was on the self-exclusion list and asked them where they could refuse to service me. They had a look through their book and it appears I was not even in their book, even though I had started this program four years ago. To me that is showing up a fault in that system.<sup>56</sup>

### *Committee view*

4.53 The committee appreciates that many venues hold genuine concerns over the welfare of problem gamblers and recognises that genuine efforts are made by venue staff to assist problem gamblers. The engagement of venues in certified training programs such as Club Safe, are a testament to that. However, the committee is also concerned that the commercial interests of venues do not always align with their responsibilities for gambler welfare. The committee accepts the evidence that staff training can be improved and that staff will need additional training in pre-commitment.

### **Recommendation 5**

**4.54 The committee recommends that an independent review of training programs be undertaken to assess whether these are effectively equipping staff with adequate training to apply problem gambling interventions.**

### **Recommendation 6**

**4.55 The committee recommends that industry codes of conduct should include effective protection for venue staff who highlight shortcomings with training.**

### **Recommendation 7**

**4.56 The committee recommends that venue staff receive appropriate training in assisting patrons with pre-commitment.**

### **Conclusion**

4.57 The committee accepts that the harms of high intensity EGMs affect a broader spectrum than just problem gamblers, and includes those who are at risk, the families of gamblers and the wider community. Vulnerable groups are at particular risk from harm. The committee acknowledges that many problem gamblers do not access treatment, even where it is available and that consequently the harms of their gambling can persist. It also accepts that the greatest burden of harm is often borne by the most vulnerable.

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56 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 46.

4.58 The committee accepts the evidence showing that, despite good intentions, there are flaws with current venue-based harm minimisation arrangements, particularly those that rely on self-exclusion or on individuals to attempt intervention.

4.59 As Mr Mathew Rowell, Chief Executive Officer, Relationships Australia, Tasmania, commented:

In summary, we support the introduction of a mandatory precommitment scheme as one of the ways that harm can be minimised or mitigated for people who are problem gamblers, but it is also for the people around them—their kids, their families, their partners and their workplaces...<sup>57</sup>

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57 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 16.



# Chapter 5

## An overview of pre-commitment

5.1 This chapter outlines pre-commitment as a harm minimisation strategy for problem gambling on electronic gaming machines (EGMs) by looking at the evidence base around pre-commitment including the trials of pre-commitment that have been undertaken both in Australia and overseas. The chapter also presents an overview of the current status of pre-commitment initiatives and activities at both state and Commonwealth levels. The chapter concludes with a discussion around research issues, including research capacity.

### What is pre-commitment?

5.2 Most people who gamble make some attempt to control their gambling, such as undertaking to limit their spending. However, some find it difficult to stick to these self-imposed limits, particularly when they are in the throes of the gambling experience. Put simply, pre-commitment is a tool to assist a gambler stick to their limits:

Pre-commitment refers to a system enabling a gambler to set limits on how much they will spend or how long they will play – *before they start gambling*.<sup>1</sup>

5.3 The Productivity Commission noted that those who play high intensity EGMs find it particularly hard to limit their spending:

Around 70 per cent of EGM players report that they at least sometimes exceed their spending limits, with 12 per cent doing so often or always. Higher risk gamblers exceed limits more frequently and report greater harm from doing so. Players reported greater problems limiting expenditure on EGMs compared to other recreational activities, like consuming alcohol, spending on tobacco and entertainment/leisure activities.<sup>2</sup>

5.4 Pre-commitment systems have been trialled in a number of countries, including jurisdictions in Australia. Further details on these trials are provided below.

5.5 Mandatory or full pre-commitment simply refers to a system where a player is required to set limits and then cannot renege on these. Limits could not be changed simply because a player decided on a whim to change his or her mind. Once the player reached their pre-set limit, further play is disabled.<sup>3</sup>

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1 Responsible Gambling Advocacy Centre, *Submission 48*, p. 3.

2 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 10.6.

3 Typically a mandatory shut down or cooling off period would apply.

## Evidence from voluntary pre-commitment trials

5.6 A number of trials on voluntary pre-commitment have been undertaken in Australia in recent years. Overseas jurisdictions have also conducted trials, notably Nova Scotia in Canada. Pre-commitment trials for other modes of gambling have also occurred in Sweden (for online poker) and New Zealand (online lotteries). Although the trials in Australia have largely concluded, one trial remains ongoing in South Australia.

5.7 As noted the pre-commitment schemes that have been trialled have been voluntary schemes—players were not compulsorily required to set limits. The committee was advised by some in the industry to reject the evidence from these trials:

Advocates for pre-commitment point to the trials in South Australia, Queensland and Nova Scotia as evidence that pre-commitment can be implemented, and works. They also point to Norway as a country which has implemented mandatory pre-commitment successfully. Clubs Australia does not agree with these assertions.

- Australia's trials have been for voluntary, venue-based pre-commitment.
- Nova Scotia's extensive trials had a requirement for participants to have a card, but it was voluntary to use the pre-commitment features on the cards, such as spending or time limits, or enforced breaks in play. Nova Scotia's trials were explicitly not intended to redress problem gambling.
- Norway has had no reduction in problem gambling since implementing mandatory pre-commitment.<sup>4</sup>

5.8 Others regarded the level of evidence provided from these trials as being of value. The Responsible Gambling Advocacy Centre asserted for example:

The existing research, analysis and evidence all strongly point to the advantages given to regular gamblers through access to a pre-commitment system. Moreover, a mandatory system is the best way to maximise pre-commitment's harm minimisation benefits and the consequent positives that will flow to the general community from those benefits.<sup>5</sup>

5.9 The committee took the view that evidence from these trials provides valuable insights into the optimal design features that could be incorporated into a pre-commitment system. These trials also demonstrated to the committee that there is a genuine and ongoing interest amongst jurisdictions in improving their harm minimisation and consumer protection measures. As the South Australian Responsible Gambling Working Party noted:

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4 Clubs Australia, *Submission 47*, p. 25.

5 Responsible Gambling Advocacy Centre, *Submission 48*, p. 7.



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It is the Working Party's position that the more information a customer has regarding their EGM activity the more informed they are to make choices regarding their gambling. Enabling customers to set limits, be it money, time or bet size, will assist customers to play within their own preferences, circumstances, financial and social limits.<sup>6</sup>

5.10 Summaries of these trials and the main findings of their evaluations are presented below.

### ***South Australian trials***

#### *Worldsmart Technology Pty Ltd (J-card) Trial*

5.11 The Worldsmart Technology trial was conducted between August 2008 and February 2009 in six regional and metropolitan hotel venues across South Australia. The trial was evaluated by Schottler Consulting.<sup>7</sup> Findings from the evaluation were also reported by the South Australian Responsible Gambling Working Party.<sup>8</sup>

5.12 The trial used a pre-existing club loyalty card (the J-card). The card held player information and recorded any pre-set limits players had nominated. Patrons could set spending limits (daily, weekly, fortnightly and monthly), time limits, breaks in play, personalised reminder messages when these limits were reached and several other options. These features were collectively known as Playsmart.

5.13 If a player exceeded any of their pre-set limits a low beeping noise notified the player. If play continued loyalty points ceased to accrue to their J-card. The cashier who was also notified if a pre-set limit was exceeded had to physically go to the machine to turn off the message and, often would speak to the player about their limit being reached.

5.14 The evaluation found that only a small number of patrons opted to use the limit setting features of Playsmart but a larger number elected to receive default messages at specific turnover points. The evaluation found that barriers to take-up of limit setting included a lack of knowledge around the features. For instance, only 68 per cent of surveyed users understood that monetary expenditure limits could be

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6 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, p. 6, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011)

7 Schottler Consulting, *Submission 2, Attachment, Major findings and implications: Player tracking and pre-commitment trial: A program and outcome evaluation of the PlaySmart pre-commitment Scheme*.

8 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

set, only 45 per cent knew about the ability to personalise limit reminder messages and only 22 per cent were aware of the availability of breaks-in-play.<sup>9</sup>

5.15 Around 60 per cent of those who set limits set daily spending limits.<sup>10</sup> The evaluation found that spending by patrons who set limits fell significantly. Of note, declines in expenditure were most marked amongst problem and moderate risk gamblers. On average problem gamblers experienced a 55.8 per cent decline in expenditure, while moderate risk gamblers experienced an average decline of 48.8 per cent.<sup>11</sup>

#### *ChangeTracker Card Trial*

5.16 The ChangeTracker Card trial was a small three month trial of a manual pre-commitment system. The trial involved the patron using a card to manually record their cash to coin transactions at the cashier of the venue where they played EGMs. The card was marked when cash was exchanged for coin. The card could record a weekly budget, daily exchange amounts (up to 5 exchanges), and the total exchanged for the week. Patrons retained their card.

5.17 The very small sample size (just 20 patrons used the card) does not allow for any statistically valid conclusions to be drawn. However some useful insights into player attitudes to pre-commitment were gained. These included:

- active recruitment was more successful than passive recruitment
- the key driver of player participation was an interest in tracking money spent on gambling
- although viewed as user-friendly, the card was not considered useful in managing expenditure
- the main barrier to take-up was the perception the patron would be identified as a problem gambler,
- support for the concept of the card was greater than the use of the card.<sup>12</sup>

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9 Schottler Consulting, *Submission 2*, Attachment, p. 9.

10 Schottler Consulting, *Submission 2*, Attachment, p. 7.

11 Responsible Gambling Working Party, *Supporting customer commitment: fourth progress report*, South Australian Government, Adelaide, August 2010, pp 40–41, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

12 Responsible Gambling Working Party, *Supporting Customer Commitment: Fourth Progress Report*, August 2010, p. 40, <http://www.treasury.sa.gov.au/public/download.jsp?id=3187> (accessed 15 March 2011).

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*Global Gaming Industries Trial (Maxetag system)*

5.18 The Global Gaming Industries (GGI) trial began on 1 March 2010 using another loyalty card system, the Maxetag loyalty system. The trial is currently ongoing across three venues in South Australia.

5.19 The system involves the use of a radio frequency (RF) tag which is swiped across a reader installed at the machine. The tag itself comprises a smart chip and an antenna. Patrons can set a daily spend limit either at the beginning of play or during play. The limit follows the patron across machines in the venue but not across venues. On breaching a limit, a flash and audible beep occurs at the patron's tag reader, as well as a message that they have exceeded their limit and the amount by which it has been exceeded.

5.20 Patrons can also access a session statement from a foyer terminal. The statement identifies the pre-set spend limit set, the actual spend, the difference between the two and the time spent playing.

5.21 The committee attended a site visit at one of the trial sites in Adelaide to view the technology in action. The trial is yet to be evaluated. Mr Earle Rowan, Systems Analyst, GGI, described the system to the committee as 'educational':

The system we have on trial in South Australia at the moment is a system whereby an individual can set a limit at the gaming machine for that session of play. We describe it as an educational system. It is an attempt to educate people to gamble responsibly rather than to force them.<sup>13</sup>

5.22 Mr Scott MacDougall, Managing Director, GGI described to the committee how the Maxetag system works:

What happens is that as you tag on, or put your card into the device, it says, 'Would you like to set a limit?' You physically have to say yes or no, so you are making a conscious decision before you move forward and you push yes or no. So you set your limit, but it does not stop the machine or lock the machine when you reach your limit. It will give an audio warning and a visual warning, and every time you insert money after that it will keep warning you. It is like a seatbelt alarm. Eventually you put your seatbelt on, you would like to think, in this case...<sup>14</sup>

5.23 Mr Earle Rowan, GGI, provided some insights into the current trial. One issue he identified was protecting privacy:

When you are getting people to say, 'I want to set my limit,' as Scott rightly pointed out, it may well be your next-door neighbour who is sitting behind the counter. So anonymity has become an issue that we find actually works. A person could do it themselves and could be given encouragement to do it

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13 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 12.

14 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

themselves, which we are doing through various marketing methods. We have now just introduced some audio in the venues and we are running a trial to promote the system. We are starting to sell this and we are starting to see a movement towards taking this up. It is very early days at the moment, but it is encouraging.<sup>15</sup>

5.24 Mr Scott MacDougall, GGI, added:

...we have taken an approach whereby an individual can go to our foyer terminal, they can tag onto that with a device and it will print out a small sheet with no identification on it whatsoever that tells them how much they spent, how much they targeted to spend and how many hours they have been in the venue. They can do that at any time throughout the gambling cycle.<sup>16</sup>

5.25 The potential cost of the hardware or 'wedge' as it is sometimes called, was also discussed with the committee:

Mr Rowan—Again, there is no problem with putting a wedge in a machine; we do that in South Australia. We have put hundreds of them in four states.

Senator BACK—Is that the \$800 that they were talking about?

Mr Rowan—Yes. It has gone up a little bit since then.<sup>17</sup>

### *Queensland trials*

5.26 Three trials using cashless or card based gaming have been undertaken in Queensland; the first being in 2005 at the Grandview Hotel, Cleveland. Lessons from this earlier trial subsequently informed two later trials—Maxgaming's Simplay trial at Redcliffe RSL and the Odyssey (eBet) trial at Sandgate RSL. Evaluations of these latter two trials on player behaviour were prepared by Schottler Consulting.<sup>18</sup> The findings were also summarised by the Queensland Office of Regulatory Policy.<sup>19</sup>

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15 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 13.

16 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

17 Mr Earle Rowan, Senator Chris Back, *Committee Hansard*, 14 February 2011, p. 22.

18 Schottler consulting, *Major findings of a trial of a card-based gaming product at the Redcliffe RSL*, and *Major findings of a trial of a card-based gaming product at the Sandgate RSL*, are both available from the Responsible Gambling website of the Queensland Department of Employment, Economic Development and Innovation, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

19 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 5, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).

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*Maxgaming Simplay trial (Redcliffe RSL)*

5.27 In the Maxgaming Simplay trial conducted at the Redcliffe RSL around 340 people were recruited during the eight month trial period. Players used a 'kiosk' to set limits on their card and to obtain information statements. Participants opted into the system by swiping their existing club membership card at the 'kiosk' and then navigating through a series of screens, setting spending or other limits.

5.28 The Simplay card required players to enter a PIN at the commencement of a gaming session, although players could re-insert their card into other machines subsequently without the need to re-enter their PIN. The card was linked to a secure account, with the player transferring credits from the card to the machine at the commencement of play—hence the cashless gaming. Residual credits were transferred back to the card at the end of the session of play.

5.29 If a player exceeded their pre-set limit they were alerted that the card was 'disabled' for the remainder of the day. The patron could no longer play with his or her card in that or any other grouped venue for the day, though they could choose to play on by using cash only.

5.30 The evaluation found that only a minority (13 per cent) set limits but a majority of players (85 per cent) opted to use the cashless gaming feature. Of those who set limits, two thirds exceeded their limit at least once. The process for signing up to the system was perceived by players to be relatively simple, taking approximately 30 seconds. The efficient sign-up process was seen as an important feature to players.<sup>20</sup>

5.31 The evaluation found that participants liked the convenience of cashless gaming. A small number of players saw the value of setting pre-commitment limits, but few players saw this as the major benefit of the product.<sup>21</sup> In terms of reducing the harmful effects of problem gambling, the evaluation found that players who set limits were more likely to decrease their expenditure. Furthermore, problem gamblers and those at moderate risk were more likely than those at low or no risk to spend less overall.<sup>22</sup>

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- 20 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 12, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).
- 21 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 14, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).
- 22 Office of Regulatory Policy, p. 16. See also Schottler Consulting, *Major findings of a trial of a card-based gaming product at the Redcliffe RSL*, p. 93, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

*Odyssey trial (eBet)*

5.32 In 2008 a six month trial of pre-commitment using card-based gaming was conducted at the Sandgate RSL Club. The system provider was a partnership between Odyssey Gaming Technology (Odyssey), a Licensed Monitoring Operator (LMO) in Queensland, and eBet Ltd (eBet), a gaming systems developer. The card-based gaming system at Sandgate is colloquially referred to as 'eBet'. As with Redcliffe, the trial used a cashless gaming card, with optional pre-commitment features.

5.33 The number of participants for the Sandgate trial was 66. Once again the sign up process was seen by participants to be easy. Some 28 per cent of players opted to set a daily spend limit. When surveyed, a significant proportion of players (45 per cent) felt that the card had encouraged them to think about the affordability of their gambling expenditure.<sup>23</sup> Importantly, those who did set spending limits (including problem gamblers) decreased their expenditure more than those who didn't set limits. The net daily spend of players who set a limit decreased from \$64.02 to \$39.26 spend per player per day, while daily spend of players who did not set a limit (but used the card for cashless gambling) only decreased slightly.<sup>24</sup>

5.34 Since these trials, both the eBet/Odyssey and Maxgaming Simplay systems have been approved for roll-out to gaming venues across Queensland. The committee had the opportunity to visit the Sandgate RSL to view e-Bet's pre-commitment tool operating in the venue and Club Pine Rivers to view the Maxgaming Simplay system.

5.35 The submission prepared by eBet highlighted their view on the need to protect player privacy:

The evidence shows that from an acceptance perspective the main concerns of players appear to centre on identification and privacy. These are in turn related to issues involving personal freedom, choice and individual responsibility. Such concerns are supported by studies of pre-commitment undertaken in Queensland (Sandgate RSL), South Australia and Federal Government commissioned research (Gambling Research Australia). In Queensland a trial of a venue based system/card gaming was conducted and

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23 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 13, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011).

24 Office of Regulatory Policy, *Report: Queensland Card-based Gaming Trials*, Queensland Government July 2009, p. 17, <http://www.olgr.qld.gov.au/resources/responsibleGamblingDocuments/summaryReportIntoCGBtrials.pdf> (accessed 15 March 2011). See also Schottler Consulting, *Major findings of a trial of a card-based gaming product at the Sandgate RSL*, p. 8, <http://www.olgr.qld.gov.au/responsibleGambling/policyStrategy/research/index.shtml> (accessed 15 March 2011).

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a report by Schottler Consulting clearly identifies intrusive identification procedures as a barrier to uptake by patrons.<sup>25</sup>

5.36 Mr Tony Toohey, Chief Executive Officer, eBet, echoed this in his evidence to the committee:

What needs to happen is that that information needs to be ring-fenced so no authority can touch it. That leads to a level of trust. If people know nobody can get and they are assured of that, then they will be happy to participate.<sup>26</sup>

### **International evidence**

5.37 A number of witnesses referred to the trials of pre-commitment in Nova Scotia, Canada and the pre-commitment situation in Norway.

#### *Norway*

5.38 In 2007 concerns over problem gambling on video lottery terminals (similar to EGMs) led to the removal of all privately operated machines. In 2009, new state-operated VLTs were introduced with strict regulations including limits on where machines could be located, mandatory timeouts every hour, a ban on spinning wheel games and limits on maximum wins. Players are also required to use a player smart card, which has a play summary, limit setting options, self-exclusion options and allows players to transfer money from their bank account onto the card. Gambling on VLTs is entirely cashless.

5.39 Players must first insert their smart card, verify their player ID, and then remove the card before they can play. There is a mandatory spending limit on all cards of around \$AUD80 per day, but players can also set their own spending limits and timeouts. Prior to the implementation of the mandatory system, a pilot study was undertaken which found that only a small percentage of players opted to use the optional limit setting features.<sup>27</sup>

5.40 Some witnesses referred to the evidence from Norway to argue that prevalence rates of problem gambling would drop under mandatory pre-commitment. Dr Mark Zirnsak Director, Justice and International Mission Unit, Uniting Church of Tasmania and Victoria pointed out that:

...pretty much on the month that the slot machines were removed, there was a dramatic drop in the number of people seeking assistance through problem-gambling help services. It will also show that for that year, even

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25 Ebet Pty Ltd, *Submission 49*, p. 2.

26 Mr Tony Toohey, *Committee Hansard*, 14 February 2011, p. 46.

27 Responsible Gambling Council (Canada), *Insight 2009: Play Information & Management Systems*, 2009, p. 63, [http://www.responsiblegambling.org/articles/INSIGHT\\_2009\\_Final\\_SinglePgs.pdf](http://www.responsiblegambling.org/articles/INSIGHT_2009_Final_SinglePgs.pdf) (accessed 15 March 2011).

though it was only half of the year that the slot machines had been removed, the number of calls to problem gambling help services dropped to about 1,100 compared to over 2,000 for the previous years. Further, there was a subsequent study by Lund<sup>28</sup> which appears in the *Journal of Gambling Studies*—it is quoted in a number of submissions to the Productivity Commission—which found that as a result of the removal of slot machines the prevalence of problem gambling dropped.<sup>29</sup>

5.41 Economist and academic Dr Jamie Doughney also pointed to the Norwegian evidence:

How do we know that such an approach would be effective? The nearest possible empirical evidence that can be adduced here is the work from Norway, where they went from something to nothing, that the level of problem gambling declined considerably. The amount of use or of gambling products dropped as well.<sup>30</sup>

5.42 Others disputed the evidence. Clubs Australia asserted that, 'Norway has had no reduction in problem gambling since implementing mandatory pre-commitment'.<sup>31</sup> While the evidence from the study by Lund analysing the impact of the removal of EGMs in Norway showed declines in gambling participation and gambling frequency following the temporary removal of high intensity EGMs in 2007,<sup>32</sup> it did not assess the prevalence of problem gambling following the re-introduction of modified EGMs in 2009. The Lund study established that high intensity EGMs are risky and that following their removal from the Norwegian market problem gambling prevalence rates dropped:

...the post-EGM prevalence of gambling problems was significantly lower than the problem prevalence under the EGM regime a result that in itself suggests that the EGM's reputation as a high risk game is well deserved.<sup>33</sup>

5.43 Given that EGMs were only re-introduced into Norway in 2009 it is too soon to be drawing solid conclusions around the prevalence of problem gambling in this intervening short period. However, the committee notes that the Lund study confirmed that high-intensity EGMs are harmful and believes it is reasonable to conclude that

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28 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

29 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 15.

30 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 52.

31 Clubs Australia, *Submission 47*, p. 25.

32 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.

33 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.



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reducing their impact, through mandatory pre-commitment, will result in lower rates of problem gambling in the community.

### *Nova Scotia*

5.44 A mandatory pre-commitment system (known as My-Play) is currently being rolled out across video lottery terminals (similar to EGMs) in the Canadian province of Nova Scotia. During the first year, sign-up to the program is still voluntary. From April 2012, it will be mandatory for players to use the My-Play card in order to play on all video lottery terminals in the province.<sup>34</sup> The My-Play card enables players to monitor their play and set spending and other limits. The implementation of My-Play follows a series of pre-commitment trials that were conducted between 2004 and 2006. The trials showed a reduction in expenditure was achieved and this was mainly attributable to the use of spending limits and the provision of player information on expenditure.<sup>35</sup>

5.45 A Fact Sheet on the trials showed that players at low or moderate risk of gambling harm benefited the most from pre-commitment, whilst those at higher risk benefited less.<sup>36</sup>

5.46 Since the roll-out of My-Play commenced, spending on VLTs in Nova Scotia has declined by 2.8 per cent.<sup>37</sup> A recent benchmark survey measuring player's attitudes to My-Play showed that more than half of regular VLT players support the system, and 68 per cent of problem gamblers regarded it favourably. Some 29 per cent of regular players intended to sign-up to My-Play, with 47 per cent of problem gamblers indicating they would join. Most problem gamblers favoured limit setting features, tracking of losses and self-exclusion features.<sup>38</sup>

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- 34 Government of Nova Scotia, 'New gaming strategy focused on research and prevention', media release, <http://www.gov.ns.ca/news/details.asp?id=20110325007> (accessed 4 April 2011). Further details are contained in the Nova Scotia, *Responsible Gambling Strategy 2011*, <http://www.gov.ns.ca/tch/pubs/ResponsibleGamingStrategy2011.pdf>, (accessed 4 April 2011).
- 35 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. C.15.
- 36 Nova Scotia Gaming Corporation, *Video Lottery Informed Player Choice system: Fact Sheet*, September 2009, <http://www.nsgc.ca/files/factsongambling/IPCS%20Fact%20Sheet%20-%20Sept%202009.pdf> (accessed 15 March 2011).
- 37 Alcohol and Gaming Division, *Nova Scotia Annual Gaming Report 2009–10*, p. 11, <http://www.gov.ns.ca/lwd/agd/docs/00.56AGR.2010.Final.pdf> (accessed 15 March 2011).
- 38 Focal Research Consultants, *Phase 1 Evaluation of the My-Play System: 2010 Regular VL Players Benchmark Survey: Highlight Report*, <http://www.nsgamingfoundation.org/newsAnnouncementsView.aspx/1127/NSGF%20Releases%20Groundbreaking%20Research> (accessed 15 March 2011).

## Unintended consequences

5.47 A number of witnesses raised the issue of unintended consequences. These included migration to other forms of less regulated gambling, card swapping and fraud.

### *Migration to other forms of gambling*

5.48 Some industry witnesses suggested that people who disliked the restrictions of pre-commitment would migrate to other forms of gambling. Mr Peter Newell, President, Clubs Australia, argued:

Question 2 is: will the proposals be effective in reducing problem gambling? Our answer to that is also no. Norway introduced mandatory precommitment and the result was that players moved to Internet gambling.<sup>39</sup>

5.49 Mr David Curry, General Manager, Government and Corporate Relations, ALH Group also argued that players would migrate to online gambling when faced with mandatory pre-commitment, citing further evidence from Norway:

Firstly, the unintended consequence of mandatory precommitment will mean, I think, that a percentage of people, people who have a problem with their gambling, will migrate to all other forms of gambling in an unregulated environment, particularly online. The data I have from the senior adviser at the Norwegian department of church and culture was that 54 per cent of callers to the gamblers help line in Norway for the first quarter of 2009 were related to i-gaming.<sup>40</sup>

5.50 He further elaborated:

The evidence that I have was from a senior adviser to the Norwegian government. In terms of iGaming 22 percent of calls through the national helpline were related to iGaming in 2006. In 2007 it was 41 per cent and 15 per cent sports betting on top of that. In 2008 it was 70 per cent of the calls and 23 percent of sports betting on top of that. In 2009 the first quarter was 54 per cent of calls and 17 per cent sports betting, remembering that from 1 July 2007 slot machines were banned in that jurisdiction.<sup>41</sup>

5.51 Dr Jamie Doughney, Victoria University, referred to the evidence from Norway to refute this view:

The Norwegian evidence is absolutely decisive on that point. People do not migrate. In fact, it would appear that because some gambling products are purchased in a complementary way, overall gambling losses decline. I think the Norwegian evidence is very strong in that respect, and you have had

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39 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 54.

40 Mr David Curry, *Committee Hansard*, 14 February, 2011, p. 73.

41 Mr David Curry, *Committee Hansard*, 14 February, 2011, p. 78.

that submission presented to [you] before, particularly the article by Lund that was published.<sup>42</sup>

5.52 The Norwegian study by Lund, acknowledged there had been 'increased participation' in internet gambling following the removal of EGMs, but attributed this 'to a shift from traditional gambling channels, and part of a general tendency in contemporary gambling, rather than as a substitution effect'.<sup>43</sup> Moreover, WA's restriction of EGMs to the casino and relatively low state-wide incidence of problem gambling,<sup>44</sup> also suggest that gamblers denied EGMs will not migrate to other forms of gambling.

5.53 The proposition that migration would occur was not accepted by the Productivity Commission, as the following exchange shows:

Dr Lattimore—Only that there has been evidence in relation to at least a Norwegian experience in this area, where there have been a number of changes to machines, not just precommitment. They have then been able to examine the pattern of behaviour of the people as restrictions have been placed on the gaming machines. What you did not see—bingo aside, curiously; but bingo is a very safe form of gambling—

Mr Banks—You have not stood between my mother and a bingo prize.

Dr Lattimore—was a significant increase in participation in other forms of gambling when the measures were introduced. I am probably doing a great disservice to the pronunciation of the researcher, Jonny Engebo, who came from the Norwegian Gaming Authority. We can provide that information to you if you are not familiar with it. Similarly, Ingeborg Lund did a study again in Norway—a good place because of its natural experiments—and his conclusion was that there was no evidence that people switched to other forms of gambling. So you have to look at the evidence that is available, and from what we have seen so far there is no evidence that there is a significant displacement effect to other forms of gambling.<sup>45</sup>

5.54 Academic Dr Charles Livingstone also disputed the industry view:

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42 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 52. The study is by Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

43 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, p. 223.

44 The prevalence rate of problem gambling of 0.70 per cent of the population in WA is well below the national average of 2.07 percent. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, Table 5.2.

45 Dr Ralph Lattimore, Dr Gary Banks, Productivity Commission, *Proof Committee Hansard*, 15 February 2011, p. 60.

I would like to make two brief further points. Firstly, some industry people in particular have suggested that successful reduction in the rate of problem gambling amongst poker machine gamblers would lead to an increase in the rate of utilisation of other modes of gambling, particularly the internet. There is no research evidence to support that and, in fact, there is considerable research evidence to suggest quite the opposite. A recent paper by Ingeborg Lund,<sup>46</sup> which I will provide to the committee subsequently if they are interested, deals with the Norwegian situation when poker machines were withdrawn from the market there in 2007 and so provided a natural experiment in the behaviour of gamblers. The results of that study, which was a very comprehensive study, were published in an international gambling journal of good repute and suggested that in fact the rate of gambling reduced even below that which poker machine players had participated in before. So there is absolutely no evidence to suggest that success in dealing with problem gambling in the poker machine business would lead to any switching of modes.<sup>47</sup>

5.55 Mr Gary Banks, Chairman, Productivity Commission added:

...migration has not been seen to be a major issue. Poker machine players tend to be poker machine players and are not all that likely to suddenly become internet based gambling players or punters on the horse races. There is a different kind of mechanism there. Another dimension that distinguishes poker machine play from, say, internet gambling is to the credit of the venues, and that is that they provide a social setting for people to go and gamble. For example, we have seen that since the liberalisation of gaming machines women have been far more active gamblers and, unfortunately, have also been recruited into problem gambling to an extent far greater than in the past, because they did not find other forms of gambling as attractive. They did not want to go to the track and so on. But they find in going to the club, having a meal and a drink and then playing the machines that they feel safe and secure and in a social environment, without having to interact with people. Part of the benefit of gaming is that it does provide these sorts of benefits...<sup>48</sup>

5.56 Mr Tom Cummings, a former problem gambler offered the following view:

There is a fundamental difference between a gambling addict and a poker machine addict. I believe the majority of poker machine problem gamblers are addicted to poker machines, not gambling in general. I know this was certainly the case for me. Poker machine addicts will, for the most part, not transfer their gambling behaviours to another form of gambling.

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46 Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225.

47 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 30–31.

48 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, pp 59–60.

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Even if this were true, it is no reason not to implement mandatory pre-commitment. We are not talking about reforming a range of gambling industries; we are talking about poker machines. If people did transfer their gambling behaviours to other areas, then they would need to be assessed next.<sup>49</sup>

### *Card swapping and fraud*

5.57 Some witnesses were concerned that a mandatory scheme would encourage card swapping by players or even fraud. Mr Trevor Croker, Managing Director, Aristocrat, commented:

Even in Norway and other jurisdictions where we have seen card based solutions, people are still buying and trading cards. These are not necessarily complete solutions. I think finding a complete solution is going to be a very difficult outcome. It should not be something we should not aspire to but it would be very difficult. We have seen that card based or identification based solutions have caused problems in other markets with people trading and buying cards et cetera.<sup>50</sup>

5.58 Associate Professor Paul Delfabbro, University of Adelaide, pointed to evidence of card swapping in one of the Nova Scotia trials. The evaluation by Omnifacts Bristol found 'significant rates of card-swapping: 20% of panellists had reported a card at least once and 30% said that they had lent a card and 37% had either borrowed or lent a card at least once'.<sup>51</sup>

5.59 That card-swapping could occur under pre-commitment was accepted by one of the state regulators. The Independent Gambling Authority, SA, commented about this issue in its report into smartcard technology in 2005:

The Authority accepts that there may be a level of identity fraud or card swapping whereby the most serious problem gamblers will avoid the operation of the loss limiting or exclusion program.<sup>52</sup>

5.60 Some suggested that biometrics could overcome this problem. According to Responsible Gaming Networks:

The use of biometrics in pre-commitment systems has now been recommended to overcome this problem by leading international academic researchers in the prevention of problem gambling from the USA and Canada.<sup>53</sup>

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49 Mr Tom Cummings, *Submission 113*, p. 3.

50 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 14.

51 Associate Professor Paul Delfabbro, *Submission 9*, p. 6.

52 Independent Gambling Authority, *Submission 33*, Attachment, p. 39.

53 Responsible Gaming Networks, *Submission 39*, p. 3.

5.61 Identity fraud by players seeking to circumvent the system was also raised. The Independent Gambling Authority, SA, noted this could be an issue when it enquired into smartcard technology in 2005:

Identity fraud is a problem in the general community. It is true that some problem gamblers might seek to commit identity fraud in order to gamble. This raises an issue about the level of assistance that a smartcard system should be able to give to the general community, and the extent to which gamblers ultimately must take responsibility for their own activities.<sup>54</sup>

5.62 The Victorian InterChurch Gambling Taskforce observed that the risk of identity fraud needs to be balanced against the option that a player would only need to wait 24 hours in order to re-set their limits. Any ID checking should not create player hostility toward pre-commitment:

Against this, a person who does not like the limit they have set themselves may only have to wait 24 hours to change their limit to avoid the need of having to try and beat an identity checking system or to avoid having to swap or purchase an access device from another gambler whose device is below the set limit. Also, consideration needs to be given to minimising the degree to which the identity checking measures create hostility or feelings of unreasonable intrusion from gamblers, creating a feeling of ill-will towards pre-commitment rather than a tool to empower gamblers in managing their spending.<sup>55</sup>

### ***Committee view***

5.63 The evidence base from trials demonstrating the benefits of pre-commitment is limited mainly to trials of voluntary systems. While trials are only part of the total evidence base, these have demonstrated that pre-commitment features such as limit setting can lead to small reductions in gambling expenditure, including among problem gamblers and those at moderate risk. The evidence also shows that contrary to the view espoused by Clubs Australia, levels of problem gambling fell after the removal of EGMs in Norway and migration to other harmful forms of gambling did not occur. The trials have also shown that take-up of voluntary pre-commitment is relatively low, but that barriers to take-up include concerns over privacy of player information and lack of understanding and knowledge of pre-commitment features. A further trial of pre-commitment as recommended by the Productivity Commission would provide further useful information on the specific information requirements that players need in order to use the system wisely.

5.64 The committee notes the selective use of evidence among some in the industry. Industry representatives were quick to point out there had been no trials of mandatory pre-commitment, using this point to attack the credibility of any evidence for mandatory pre-commitment and ignore evidence from other sources. The industry

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54 Independent Gambling Authority, *Submission 33*, Attachment, p. 39.

55 Victorian InterChurch Gambling Taskforce, *Submission 35*, p. 7.

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has stated its preference for a voluntary pre-commitment scheme. Yet, when pressed by the chair to provide evidence that a voluntary scheme would be effective in reducing revenues from problem gamblers and reducing harms, industry was unable to do so.

5.65 The committee also recognises that with the introduction of a mandatory pre-commitment scheme there is potential for unintended consequences to arise. Recognising that not all systems are 'bullet proof', the committee considers that the best method for addressing unintended consequences is through a risk management approach that seeks to manage and minimise risk, balanced with an assessment of the potential costs of any strategies and ensures a consistent approach is taken by agencies. The proposed trial recommended in chapter six should also assist in helping identify appropriate strategies to address these.

### **Recommendation 8**

**5.66 The committee recommends a risk management framework be developed by the national regulatory authority (see recommendation 28). The framework should be made available to other bodies involved in implementation to draw upon.**

### **Recommendation 9**

**5.67 The committee recommends that pre-commitment cards will need to demonstrate sufficient integrity and robustness in order to minimise identity fraud but not require onerous signing up processes or infringe upon individual's privacy.**

### **Current pre-commitment arrangements**

5.68 The committee was interested to obtain information on the full range of current pre-commitment activities being undertaken in Australian jurisdictions.

#### *States and territories*

5.69 The committee was disappointed that despite inviting all state and territory governments to make submissions to the committee only one, NSW, elected to provide a written submission.<sup>56</sup> Information on the current status of pre-commitment arrangements in the jurisdictions is largely drawn from other publicly available sources. The table below shows the current arrangements around voluntary pre-commitment in the states and territories, as the committee understands them to be:

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56 Some jurisdictions have subsequently provided details of their regulatory arrangements and communication protocols, in response to a written request from the committee. The committee expresses its gratitude to those jurisdictions that were able to respond in time for this report. Where it has been possible to do so, the relevant information in the table has been checked against this regulatory information.

**Table 5.1: Voluntary pre-commitment in states and territories**

Jurisdiction	Status pre-commitment	Regulatory basis	Comment
Australian Capital Territory	N/A	N/A	No provisions for player pre-commitment.
New South Wales	Voluntary	Gaming Machine Regulations 2002	Card-based accounts can be made available to players. Player account holders can set weekly account limits on net expenditure (written notice is required). Decreases to any limit require no notice however any upward variation requires a period of 48 hours notice. Identification is an account requirement. The amount of money that can be held in a player account or stored on a Smartcard must not exceed \$200.00. A transaction record is required for each transaction upon the account and a Player Activity Statement must be provided on a monthly basis by the Hotel/Club.
Northern Territory	N/A	N/A	No provisions for player pre-commitment.
Queensland	Voluntary	N/A	Voluntary trials of two systems (Maxgaming's SIMPLAY System and Odyessy/eBet) have been conducted and both systems have been approved for implementation in gaming venues on a voluntary basis by the Qld Office of Liquor, Gaming and Racing as at May 2009.
South Australia	Voluntary	N/A	South Australian Codes of Practice prohibit loyalty schemes for EGM gamblers which do not have a pre-commitment capacity. Voluntary trials of a player pre-commitment system are currently underway. Worldsmart Technology is conducting a trial as part of its existing venue card system (J-Card). The system allows players to manage their gambling by deciding: <ul style="list-style-type: none"> <li>• the period (nominated cycle) for which limits will be set (daily, weekly, fortnightly or monthly);</li> <li>• limit setting on expenditure (with creation of a daily expenditure budget if wished);</li> <li>• limit setting on time (the system allows creation of personalised reminders regarding limits and breaks in play); and</li> <li>• setting a cooling off period before increases to expenditure limits come into effect.</li> </ul>
Tasmania	N/A	N/A	No provisions for player pre-commitment.
Victoria	Voluntary	Gambling Regulation (Pre-commitment) Interim Regulations 2010	In March of 2008 the Victorian Government announced the implementation of a pre-commitment system from 2010 that enabled players to set time and loss limits on "new generation" gaming machines deployed across the Victorian gaming network with a pre-commitment system operative across all machines and venues accessible on a voluntary basis by customers from 2015. Victoria's Crown Casino implemented a voluntary pre-commitment system from 1 July 2003. The 'Play Safe' program enables customers to set pre-determined limits on both dollar spend and/or the time spent on EGM gambling.

Source: Adapted from the Australasian Gaming Council<sup>57</sup>

57 Adapted from Australasian Gaming Council, *A database on Australia's Gambling Industry 2009/10*. Available from: [http://www.austgamingcouncil.org.au/images/pdf/2009\\_10\\_Database/db%202010%20web%20chp%209.pdf](http://www.austgamingcouncil.org.au/images/pdf/2009_10_Database/db%202010%20web%20chp%209.pdf) (accessed 15 March 2011); and the Australasian Gaming Council, *Submission 81*, pp 15–18.



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## *Commonwealth and COAG activities*

### *Problem Gambling Taskforce*

5.70 Ms Liza Carroll, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) provided the committee with a summary of Commonwealth activity around pre-commitment and problem gambling.<sup>58</sup> She outlined the department's lead role, in close consultation with Treasury, in progressing gambling reforms.<sup>59</sup>

5.71 Ms Carroll outlined the range of harm minimisation initiatives that have been developed over the last decade through the former Ministerial Council on Gambling.<sup>60</sup> She noted that the current reform proposals around pre-commitment, dynamic warnings, cost of play displays and limits on ATM withdrawals are currently being progressed through the Problem Gambling Taskforce located in the department. She also advised that Dr Jeff Harmer, Secretary, FaHCSIA, chairs an interdepartmental committee with senior representatives from other departments.<sup>61</sup>

### *COAG Select Council on Gambling Reform*

5.72 Ms Carroll also outlined the work and role of the Council of Australian Governments Select Council on Gambling Reform, for which the taskforce provides secretariat support. The council is chaired by Minister Macklin with assistance from Minister Shorten and includes ministers from relevant departments of all state and territory governments. At its first meeting on 22 October 2010, the council agreed to establish Commonwealth-state working groups to look at progressing pre-commitment reforms, ATM withdrawal limits and dynamic warnings and cost of play displays. A forward work program focusing on online gambling and indigenous gambling was also agreed.<sup>62</sup>

### *Ministerial Expert Advisory Group on Gambling*

5.73 In addition to the COAG group, Ms Carroll described the work of the Ministerial Expert Advisory Group on Gambling that has been established to provide specialist and technical advice to the government. Chaired by Professor Peter Shergold, it reports to both Minister Macklin and Minister Shorten. The advisory

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58 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, pp 66–67.

59 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 66.

60 The Ministerial Council on Gambling ceased operations in March 2011, and its functions were transferred to the COAG Select Council on Gambling Reform. See *Problem Gambling* Department of Families, Housing, Community Services and Indigenous Affairs website: <http://www.fahcsia.gov.au/sa/gamblingdrugs/progserv/problemgambling/Pages/default.aspx#8> (accessed 15 March 2011)

61 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

62 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

group includes a wide range of expertise drawn from across the gambling sector, as well as academics, gambling counsellors and advocates and service providers.<sup>63</sup>

5.74 The committee notes the work of these bodies at the national level, but was disappointed none chose to make a submission to the current inquiry.

### **Recommendation 10**

**5.75 The committee recommends that representatives of problem gamblers and consumer groups be invited to join the membership of the Ministerial Expert Advisory Group on Gambling.**

5.76 The committee thanks the department for providing the legal advice that was commissioned by the Commonwealth on the Commonwealth's constitutional competence and prospects for legislating in the area of problem gambling. It notes this advice has now been publicly released.<sup>64</sup> The committee looks forward to the opportunity to review any legislation that may be subsequently introduced into the Commonwealth Parliament.

### **Research issues**

5.77 During the inquiry a number of witnesses raised issues around research, including the need to improve the evidence base, fill knowledge and data gaps, improve coordination and develop the national research capacity.

#### ***Need to improve the evidence base***

5.78 The need to improve research and build an evidence base was raised with the committee by a number of witnesses. Associate Professor Linda Hancock argued that current research efforts into gambling are deficient:

It is incredibly hard to put together a national picture. In Victoria, for example, we only got venue based revenue figures when the government put up the machines for sale.<sup>65</sup>

5.79 Professor Alex Blaszczyński argued:

The difficulty is, of course, that the quality of research addressing many of these issues I think is lacking and as a consequence there is a lot of

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63 Ms Liza Carroll, *Proof Committee Hansard* 15 February 2011, p. 67.

64 Jenny Macklin MP, Minister for Families, Housing, Community Services and Indigenous Affairs and Bill Shorten MP, Assistant Treasurer, 'Release of legal advice on gambling reform', media release, 1 February 2011, [http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/pages/aus\\_gov\\_legal\\_advice\\_01022011.aspx](http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/pages/aus_gov_legal_advice_01022011.aspx) (accessed 15 March 2011).

65 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 3.

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speculation about what the impacts are of specific responsible-gambling measures.<sup>66</sup>

5.80 Industry representatives also agreed that better research is needed, but that this needs coordination. Mr Anthony Ball, Clubs Australia observed:

There does need to be better research. Part of the reason we are sitting here and it is so adversarial is that there is very little good research out there about whether this proposal or any others are going to work. So there does need to be better coordinated research, absolutely.<sup>67</sup>

5.81 Mr Trevor Croker, Aristocrat, also called for improvements to the evidence base:

It is critical that a robust evidence base be established and that any measures implemented in the interim be subject to review, evaluation and, if necessary, amendment to ensure gaming policy is constructed on the basis of firm evidence.<sup>68</sup>

### ***Knowledge gaps***

5.82 It was pointed out to the committee that there are considerable gaps in current knowledge around how problem gambling emerges in individuals. Dr Charles Livingstone observed:

I think one of the lacunae—there are many lacunae—in academic research on gambling is that there are very few studies of any vigour or rigour on gambling careers: how people move into and out of gambling activities. Most people who have a gambling problem in Australia, we understand, have a gambling career of about five years, during which they lose significant sums of money and often their families and all the rest of it as well. The costs are very significant. But most people actually recover without intervention. We do not understand the pathways in, we do not understand terribly well the risk factors associated with the likelihood of developing a gambling problem and we certainly do not understand how people overcome gambling problems in any significant way.<sup>69</sup>

5.83 He added that current research is often focused on treatment options but that it should encompass broader issues including causal factors:

A lot of research has focused on counselling, and that is important, but it has limitations. I think we need to have many more studies which are ecological/anthropological/social and which look at the causal factors and how we can address those. There are also some limited studies in

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66 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 37.

67 Mr Anthony Ball, *Committee Hansard*, 4 February 2011, p. 56.

68 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, pp 2–3.

69 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 37.

Australia—and this is an emerging field—relating disadvantage to all sorts of health outcomes.<sup>70</sup>

5.84 Links between poverty and gambling should be explored, for instance:

One of those, clearly—from the existing research and from research which we know is being undertaken currently—is about the relationship between poverty, disadvantage and inequality and the likelihood that one will have a gambling problem. Just as we know that those who are disadvantaged have worse health outcomes, we also know—but we have not yet really examined why—those people have a much greater likelihood of experiencing a gambling related problem. So I think that the whole field of social research into gambling—which is, I think, underdone very significantly in Australia—and the technical issues that Richard has raised are also very worthy of study and understanding.<sup>71</sup>

5.85 Gaps in data collection that limit research capacity and policy development were also identified by the Productivity Commission in its recent report into gambling:

One area in which useful gains could be made relates to gambling data. While much is collected, there is a shortage of data that are directly applicable to policy issues. Moreover, the usefulness and value of gambling data is diminished by differences in the way that some jurisdictions specify, measure, record and report the data...There would be clear benefits were jurisdictions to coordinate their collection of data to obtain more comprehensive coverage and greater consistency across jurisdictions.<sup>72</sup>

5.86 In addition, the Commission pointed to inconsistencies across the gambling surveys conducted by the states and territories which particularly affect their scope and content:

While these [surveys] have proved invaluable, there are significant difficulties in getting a coherent picture of gambling in Australia due to differences in the content and implementation of those surveys. Differences relate to their frequency; scope (such as which gambling activities and expenditures are included); consistency in the questions used and in their ordering; the gambling screens applied; and in the definition of terms (such as what constitutes a 'frequent' or 'regular' gambler).<sup>73</sup>

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70 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 37

71 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 37–38.

72 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.4.

73 Productivity Commission Inquiry, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, pp 18.4–18.5

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### *Improving national research capacity*

5.87 It was put to the committee that one way to improve gambling research capacity was to establish a national gambling research centre. Associate Professor Linda Hancock suggested that a national, independent gambling research institute could provide new information on gambling:

If you had a national monitoring system, if you had a national independent gambling research institute, you would have all sorts of new intelligence on gambling in Australia.<sup>74</sup>

5.88 She argued gambling research needs dedicated funding because it is an area subject to criminal activity, such as money laundering. Research could be funded by a tax on the gambling industry:

Senator CROSSIN—You are suggesting that some dedicated money towards research in this area might integrate and pull together some of this.

Prof. Hancock—This very issue is why Michael O’Neil and I wrote this paper, which is: *Risky business: why the Commonwealth needs to take over gambling regulation*. In that we quote from the national inquiry into money laundering, which names gambling as a risk area. At the moment it is very easy to launder money. There is a need for an independent research based institute and that is why we suggested a supertax on the gambling industry as a way of funding it.<sup>75</sup>

5.89 Mr Mathew Rowell, Relationships Australia, Tasmania, argued that a national, independent body was needed to hold national data:

There should be a regulatory body that is independent of the industry that provides some distance and some oversight and that is able to hold that data. In Tasmania, the gaming commission and the Department of Treasury and Finance hold a lot of the data that comes out of the research that we do here and engages with industry about getting access to that data. In the same way, a national scheme should be regulated by the Australian government.<sup>76</sup>

5.90 Ms Cheryl Vardon, Chief Executive, Australasian Gaming Council, argued that any national body should include industry representation:

It has come up several times and at the outset we are happy to say that we also support a national gambling research entity which would include the industry as a member. Gambling research in Australia is also a relatively new area of industry. It is often repetitive, a bit directionless from our point of view and needs better coordination.<sup>77</sup>

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74 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 3.

75 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 4.

76 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 17.

77 Ms Cheryl Vardon, *Proof Committee Hansard*, 15 February 2011, p. 30.

5.91 She added that protocols to protect the commercial sensitivities of data collected from the industry would need to be developed:

Mr CHAMPION—If we had some sort of research body run by the government, would that allow commercial sensitivities to be protected? Has that been a barrier to research in the past?

Ms Vardon—The kind of organisation you are talking about is different from the national body which is presently in place, Gambling Research Australia. From the model of similar organisations overseas of course good protocols between industry and government and regulators have to be in place. There has been some effort over the years to begin work on those protocols.<sup>78</sup>

5.92 Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association, also supported a national research body:

Allow me to break your question down as I understand it. The first part was: does your association support a national research body? Emphatically, yes.<sup>79</sup>

5.93 Mr John Whelan, Australian Hotels Association, pointed out that current state-based research initiatives lead to different priorities being developed and a more co-ordinated approach was needed:

A change in the way that research is conducted across Australia has been discussed. I think there is real merit in that. Because gambling has been regulated at a state level and there are different priorities in different states and territories, people have gone off and conducted their own research separately. I certainly think there is merit in exploring that and having government, industry and all stakeholders involved in the process.<sup>80</sup>

5.94 Professor Malcolm Battersby warned that relying on government commissioned research is less than optimal:

The second conflict of interest is in the research. Governments are pretty well the only groups in Australia that commission research and most of that is targeted research, the research that they want to have done.<sup>81</sup>

5.95 He suggested there needs to be more independent, academic research:

The alternative is something like the NHMRC or the ARC and they have tended to fund very low levels of what I would call independent academic

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78 Ms Cheryl Vardon, *Proof Committee Hansard*, 15 February 2011, pp 31–32.

79 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 32.

80 Mr John Whelan, *Proof Committee Hansard*, 15 February, 2011, p. 12.

81 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

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research. Yes, I think there is a systematic bias, if you like, in terms of what research is done and even how the findings are disseminated.<sup>82</sup>

5.96 The current national research body, Gambling Research Australia (GRA)—an initiative of COAG's former Ministerial Council on Gambling—was established in 2001 following the Productivity Commission's 1999 report into Australia's gambling industries. In its report at the time, the Commission proposed that 'a properly constituted national research facility' be established 'to facilitate national cooperation and coordination in data collection and research'.<sup>83</sup>

5.97 The committee notes the Productivity Commission recently criticised the independence of the GRA, describing it as a 'satellite' of the Ministerial Council on Gambling.<sup>84</sup> The Commission also highlighted shortcomings with GRA arising from its current structure, in particular:

- GRA's lack of independence;
- lack of research capacity and limited capacity to assess research it commissions;
- failure to incorporate stakeholder input; and
- lack of transparency and accountability.<sup>85</sup>

### *Committee view*

5.98 The committee accepts that there are significant gaps in research and knowledge particularly around data collection and coordination and our understanding of problem gambling. These limit the usefulness and relevance of research efforts and their relevance to policy development. The committee agrees that the national research effort around gambling needs to be improved and better directed. The committee is also concerned that current funding arrangements whereby governments directly fund research while obtaining gambling revenues, raises issues around conflict of interest and bias. The committee also accepts the view that GRA, which is tasked with driving and coordinating national research, is hampered by current structural arrangements. While acknowledging the need to improve arrangements in this area the committee is concerned that any extra research capacity should not result in the unwarranted collection of personal information or intrude upon player privacy.

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82 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 65.

83 Productivity Commission, *Australia's Gambling Industries*, vol. 2, Commonwealth of Australia, Canberra, 1999, p. 23.16

84 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.13.

85 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 18.13.

**Recommendation 11**

**5.99** The committee recommends that a national, accountable and fully independent research institute on gambling be established to: drive and coordinate national research efforts, monitor the effectiveness of policies to reduce harms from problem gambling and build an evidence base sufficient to better inform future policy development. The committee recommends that annual funding for this new body be derived in part from a small levy on gambling taxes collected by state and territory governments and a commensurate contribution from the Commonwealth.



# Chapter 6

## Pre-commitment design features

6.1 As a concept, pre-commitment has the potential to be a useful management tool for recreational gamblers and an effective harm minimisation measure for problem gamblers and those at risk. However, the key features of the design of a best practice pre-commitment scheme remain an area of debate. The committee therefore sought the views of a range of interested stakeholders on the design of a best-practice system. The committee intends for the features recommended below to apply to high intensity EGMs.

### Views on the need for a mandatory scheme

6.2 One of the key issues around pre-commitment is the debate on whether it needs to be mandatory, which would require all EGMs machine players to pre-set limits in order to play, or if it should be voluntary which would allow players to set limits if they chose, opt out altogether, or set no limits at all.<sup>1</sup> The committee was presented with contrasting views on this issue. Generally, submissions and evidence provided by peak bodies from the gaming industry, clubs, hotels and casinos opposed mandatory pre-commitment. Those in the community and social services sector, and importantly, problem gamblers generally supported a mandatory scheme. The positions of the main stakeholders and their key arguments are outlined below.

### *Assessing the evidence*

6.3 A key argument mounted against a mandatory scheme is that there is no evidence that it would reduce the prevalence of problem gambling. Clubs Australia claimed that the evidence supporting mandatory pre-commitment simply does not exist.<sup>2</sup> The Australian Hotels Association agreed stating: 'There is no clear evidence precommitment technology will be effective as a harm minimisation measure in Australia'.<sup>3</sup> The ALH group echoed this view, indicating there is 'no relevant evidence based research to hand' to support full pre-commitment.<sup>4</sup> Some pointed to evidence showing that mandatory pre-commitment would fail to assist problem gamblers. Clubs Australia cited a study by Professor Alex Blaszczynski which suggests that the effectiveness of pre-commitment would be undermined if problem gamblers chose not

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1 The Productivity Commission used alternative terminology, using the terms 'partial' or 'full' to describe what this committee refers to as voluntary and mandatory schemes. See Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 10.20.

2 Clubs Australia, *Submission 47*, p. 21.

3 Australian Hotels Association, *Submission 86*, p. 3.

4 ALH Group, *Submission 15*, p. 2.

to participate or evaded the system.<sup>5</sup> However, in his evidence to the committee Professor Blaszczynski did indicate qualified support for pre-commitment:

What we need to do is work out a system which is effective. Precommitment, in my view, can be effective if implemented properly. But it is not going to be the answer. Self-exclusion is not going to overcome the problems. I think it is going to contribute. My concern is that there is going to be a vast amount of money allocated to precommitment and its implementation at the cost of other interventions that may in fact be more effective—providing signage, providing linkages with treatment and so forth.<sup>6</sup>

6.4 Instead of a mandatory scheme, many in the industry suggested the adoption of a voluntary scheme. The Australasian Gaming Council recommended that 'any pre-commitment strategy should be voluntary in its application, respecting the rights of recreational players'.<sup>7</sup> Clubs Australia also indicated its support for a voluntary, venue-based pre-commitment scheme, and described mandatory pre-commitment as 'an expensive, technologically complex and time-intensive solution'.<sup>8</sup> Typical of industry concerns that a mandatory scheme would turn EGM playing from enjoyable entertainment into an arduous past-time was Twin Towns Services Club:

Mandatory pre-commitment interferes with the rights of every person to play a poker machine for entertainment regardless of if they have a problem or not. And, if this is to be the regime, then playing a machine no longer becomes enjoyable, it becomes invasive, confronting and arduous. When it is no longer fun, people will find some other form of recreation.<sup>9</sup>

### *Support for a mandatory scheme*

6.5 In contrast to the industry view, the problem gamblers who presented to the committee unanimously favoured a mandatory system. Ms Sue Pinkerton, a former problem gambler summed up this view:

The introduction of a mandatory pre-commitment system, electronically monitored and managed by an independent authority, is likely, in my considered opinion, to be an effective method of early intervention and prevention of the harms associated with excessive access to gaming machines.<sup>10</sup>

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5 Alex Blaszczynski, 'Gambling Motivations, Money-Limiting Strategies, and Pre-Commitment Preferences of Problem Gamblers Versus Non-Problem Gamblers', *Journal of Gambling Studies*, vol. 26, 2010, pp 361–372, cited in Clubs Australia, *Submission 47*, p. 21.

6 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 51.

7 Australasian Gaming Council, *Submission 81*, p. 8.

8 Clubs Australia, *Submission 47*, p. 2.

9 Twin Towns Services Club, *Submission 41*, p. 16.

10 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 58.

6.6 Another reformed problem gambler, Ms Gabriela Byrne reflected that if mandatory pre-commitment had been available to her when she was in the midst of her gambling addiction, 'I would have taken that opportunity and it would have saved my family a lot of money.'<sup>11</sup> Ms Julia Karpathakis a former pokies addict echoed this view in her evidence to the committee:

If there had been another option, there is no way I would have been an addict. If there had been a precommitment card or an opt-out card there is no way I would be an addict.<sup>12</sup>

6.7 Agencies also supported a mandatory rather than voluntary scheme. In its evidence, the Independent Gambling Authority, SA, which regulates gambling in South Australia argued that a voluntary or opt-in scheme 'simply will not make any difference' because the take-up of such a scheme would be 'extremely small.'<sup>13</sup>

6.8 The Responsible Gambling Advocacy Centre, an agency established by the Victorian government to promote responsible approaches to gambling, argued that reliance on a voluntary measure 'is likely to yield much lower benefits in terms of consumer awareness and protection and harm minimisation' in curbing problem gambling expenditure than a mandatory system.<sup>14</sup> Academic and economist Dr Jamie Doughney argued in favour of the adoption of a mandatory scheme, based on what he described as 'precautionary and prudential reasons'.<sup>15</sup>

6.9 Witnesses disputed the industry view that evidence on mandatory schemes was lacking. The Responsible Gambling Advocacy Centre in their submission noted that evidence from the voluntary pre-commitment trials revealed that those who used pre-commitment 'exercised improved control over their spending', and concluded:

There are clearly benefits to nearly all consumers in using pre-commitment, and they are achieved at minimal cost or inconvenience to consumers once they are in the system.<sup>16</sup>

6.10 Professor Malcolm Battersby pointed out the key advantages of a mandatory system:

The beauty of a mandatory system where you could not transfer cards, or whatever the technology is, is that the problem gambler would not be able to break their limit. If they had already decided to exclude themselves and then changed their mind an hour later, that would be it. They would have to

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11 Ms Gabriela Byrne, *Proof Committee Hansard*, 2 February 2011, p. 23.

12 Ms Julia Karpathakis, *Committee Hansard*, 1 February 2011, p. 11.

13 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 32.

14 Responsible Gambling Advocacy Centre, *Submission 48*, p. 5.

15 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 45.

16 Responsible Gambling Advocacy Centre, *Submission 48*, p. 5.

have a time limit on it, whether it was a day, a week, a month or a year that they banned themselves.<sup>17</sup>

6.11 Organisations which assist problem gamblers supported a mandatory system. Ms Margie Law, Anglicare Tasmania explained:

I think that if it is card based and compulsory it will be harder for people with a gambling problem to get around than if it is cash based and voluntary. I believe that if it is cash based and voluntary, it will not have very much effect on people with a gambling problem at all.<sup>18</sup>

6.12 Mr Mathew Rowell, Chief Executive Officer, Relationships Australia, Tasmania outlined their view that a mandatory system would have wider benefits:

In summary, we support the introduction of a mandatory precommitment scheme as one of the ways that harm can be minimised or mitigated for people who are problem gamblers, but it is also for the people around them—their kids, their families, their partners and their workplaces even.<sup>19</sup>

6.13 Mr Rowell added a mandatory scheme was needed because of shortcomings with self-exclusion:

We would suggest a mandatory precommitment scheme because we believe that a self exclusion scheme does not work well. In Tasmania in particular, we believe that, as a proactive harm minimisation strategy, it does a number of things: it reduces, in some ways, the need for some regulation around things like ATM access, because, if you have a set limit, regardless of whether there is an ATM next you, the limit has already been set. We hear stories from clients who will drive home to get the last \$2 coin out of their sock drawer when they have run out of cash. If there were a preset limit with a card system, we believe that would stop that. As I said, I am not a technical expert, but we believe that this scheme would go some way to ensure that harm was minimised for people who really are unable to stop once they get into that situation.<sup>20</sup>

6.14 Dr Kerry Chambers, Public Issues and Stakeholder Relations Officer, Gambling Awareness Nova Scotia, confirmed that the scheme should be mandatory stating that it will assist problem gamblers in particular and help them overcome their issues with willpower, giving them better control. Those at risk will be able to monitor and manage their gambling and learn gambling behaviours which are more recreational.<sup>21</sup>

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17 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 57.

18 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 9.

19 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 16.

20 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 17.

21 Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 4.

6.15 Former problem gambler Mr Tom Cummings acknowledged that problem gamblers will look for ways around the system<sup>22</sup> but that this is no reason not to put it in place. Mr Cummings noted:

Whenever there is a restriction of any kind, there will be a minority who find a way around it; the majority follow the rules. Mandatory pre-commitment will be no different.<sup>23</sup>

6.16 Mr Stephen Menadue a problem gambler, told the committee that a system which 'did not give up' would have helped him:

...I imagine that something where the organisation or the parties involved in doing the helping did not give up if I busted again—if I fell down—might have worked. I am well aware that it can appear that the person does not want to help themselves if they keep busting...<sup>24</sup>

### *Committee view*

6.17 The committee recognises that pre-commitment is not a silver bullet that will miraculously eradicate all problematic gambling on EGMs and that other measures will be necessary.<sup>25</sup> The committee also acknowledges that no solution is immune from a low level of abuse. The challenge is to design a system with a high degree of integrity which will also, in the shortest time-frame possible, lift the burden of harms associated with problem gambling from individuals, their families and communities.

6.18 The committee is convinced that a mandatory scheme will be more effective in reducing the harms from problem gambling than a voluntary arrangement. The chair sought but did not receive any evidence from industry that a voluntary pre-commitment system would be effective. To paraphrase the words of Mr Menadue, mandatory pre-commitment is a system that will not give up on people, even when their own will power weakens. The committee shares the concerns of those who argue that voluntary pre-commitment would allow problem and at-risk gamblers to simply opt out, significantly diminishing the effectiveness of pre-commitment as a tool for these vulnerable groups. Nor was it convinced by arguments from the industry that mandatory pre-commitment would be an onerous imposition on members, given that many clubs already run loyalty programs that require members to sign up. It is not envisaged that players would require a stringent level of identity checking; in most

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22 See also Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 45.

23 Mr Tom Cummings, *Submission 113*, p. 3.

24 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 48.

25 A number of submissions noted that pre-commitment was just one measure among many. For example, the submissions of Lifeline Australia and Uniting Care; see also the evidence of Dr Charles Livingstone who noted it is 'not going to be a panacea', *Proof Committee Hansard*, 2 February 2011, p. 40, a sentiment echoed by Ms Kate Roberts of the Gambling Impact Society NSW who said: "Basically, to sum up, we see precommitment not necessarily as the full panacea to problem gambling, which is why we think it needs to be a component of a range of strategies.", *Committee Hansard*, 4 February 2011, p. 72.

instances a driver's license would be considered sufficient identification. With minimum identity requirements occasional players should find it no more onerous to adopt pre-commitment as joining their local library.

6.19 The committee acknowledges that while some may consider a faster implementation date than that recommended by the Productivity Commission difficult to meet, there is an urgent need to act sooner, rather than later in order to minimise the considerable harms from EGM addiction. The addictive features of EGMs make them potentially dangerous. The evidence shows that low risk EGM gamblers can quickly migrate to high risk in a very short time period. The committee was advised that implementation of a mandatory scheme could be achieved relatively quickly. For these reasons, including the urgent need to act, we believe that implementing pre-commitment by 2014 is both necessary and achievable.

## **Recommendation 12**

**6.20 The committee recommends that a mandatory pre-commitment scheme apply to all players of high intensity electronic gaming machines by 2014.**

### **Limit setting options**

6.21 A range of limit setting options were canvassed during the inquiry and these are outlined below.

#### ***Binding limits***

6.22 The essence of pre-commitment is the ability to set binding limits on spending, or maximum loss,<sup>26</sup> before play commences and while the problem gambler is more likely to be in a rational state. The need for players to set such limits was highlighted to the committee. As noted by the Independent Gambling Authority, SA:

All credible research that the IGA has been able to access shows that people do want to set limits on their play. They do not go to the gaming venue intending to lose all their money and cause their family dismay; they go there with the intention of behaving sensibly and responsibly, by and large, even if they know they have a problem. But what happens is that the machines are by their nature so seductive that people do not stop when they reach their limit, and that is where we see the problem arising.<sup>27</sup>

6.23 The committee view is that setting binding limits on losses would ensure that once a pre-set limit is reached it cannot be exceeded as the machine would become disabled, preventing further play. As noted by Relationships Australia (SA) setting a

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26 Maximum loss refers to the maximum amount a player is prepared to lose or spend. It does not include any credits or prizes the player accrues during the course of play, but the amount that comes from their own pocket.

27 Mr Alan Moss, Independent Gambling Authority, South Australia, *Committee Hansard*, 1 February 2011, pp 22–23.

binding limit 'will provide some constraints that will hopefully sit closer to people's actual financial manageability and ensure that gambling spend remains a conscious decision'.<sup>28</sup> Setting binding limits will also ensure that gamblers don't start to chase their losses while they are in an impaired or vulnerable state, further exacerbating the harms of their gambling.

### ***Player choice and consumer sovereignty***

6.24 A number of submissions emphasised that in any system the principles of player choice and consumer sovereignty should be preserved, in line with the Productivity Commission's view that personal responsibility should be maintained, not eroded.<sup>29</sup> Ms Kate Roberts, Chairperson, Gambling Impact Society (NSW) noted that 'the process of decision making in itself is a protective factor in terms of helping someone make a conscious choice'.<sup>30</sup> However, some were cognisant that there may be trade-offs:

The essential thing, this being a sort of a consumer protection and giving people those sorts of choices, I guess there is a trade-off in any sort of scheme that is going to be introduced along those lines.<sup>31</sup>

6.25 As outlined in chapter two, the problem gamblers who gave evidence to the committee all supported being able to set limits themselves.

6.26 Choice can promote responsible and informed decision-making:

People will make choices but what we are hoping will happen and what we believe will occur is that people will make informed choices when they are given that option right from the outset.<sup>32</sup>

6.27 Others, like Associate Professor Paul Delfabbro noted that getting players to make decisions about their limits while they are still rational and before their playing affects their decision-making, is optimal. Once playing commences, there is a risk that the conditioning associated with gambling might cause that rationality to 'disappear as their emotional arousal increases'.<sup>33</sup>

6.28 Arguments were made that problem gamblers would not be able to choose limits rationally at any particular point because they are not rational at any time. This view was disputed by many witnesses including problem gamblers, those

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28 Relationships Australia (SA), *Submission 67*, p. 4.

29 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 10.33

30 Ms Kate Roberts, *Committee Hansard*, 4 February 2011, p. 74.

31 Mr Simon Schrapel, President, Australian Council of Social Service, *Committee Hansard*, 14 February 2011, p. 102.

32 Mr Simon Schrapel, *Committee Hansard*, 14 February 2011, p. 103.

33 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 20011, p. 72.

organisations who treat them and academics. They all spoke about problem gamblers being able to function rationally when away from EGMs. Mr Alan Moss from the Independent Gambling Authority, SA, observed:

I do not think that problem gamblers are irrational all the time. They are just like you and I. They are fairly ordinary citizens and they are not raving delusional lunatics. They are perfectly ordinary people who, when they are not in front of a screen, are perfectly capable of making sensible, rational decisions. It would be in that environment that they would make the decision about how much money they were going to put on their card. They do that because they know that when they get in front of the screen they lose eventually that capacity to act rationally.<sup>34</sup>

6.29 Mr Mark Henley, Uniting Care Wesley Adelaide, a provider of counselling services for problem gamblers, explained:

Certainly the assumption we are making—and I think this is pretty well based—is that people with addictive issues, whether it is alcohol, drugs, gambling or anything else, are rational people but that, when the addiction takes over, that is when the irrational behaviour occurs. One of the principles of precommitment is that people are well placed to make rational decisions at their point, at a time when they are quite capable of making rational decisions. They are less able to make rational decisions when the addiction is taking over, which is, in this instance, while people are actually gambling. So we do not see it as incongruous that a person can make a rational decision when they are not gambling and then not be able to make rational decisions while they are gambling. We think it is quite consistent with the problem gambling behaviour.<sup>35</sup>

6.30 He added:

I think the issue that you are talking about is the capacity of people to make rational decisions. The counselling that we have done across a range of programs to do with addictions and other areas shows that people, when they are not involved with the cause of the addiction, are able to tell counsellors and family members very clearly what they are wanting, so they are able to make rational decisions. However, once the gambling, or whatever the addiction is starts, they lose that capacity to make rational decisions, and the deeper the addiction then the more likely it is that there is going to be relapse as the path to recovery is long, slow and fraught.<sup>36</sup>

6.31 Associate Professor Paul Delfabbro noted that irrational beliefs about winning can over-ride rational beliefs:

One of the problems with educating gamblers and providing information to them is that there seems to be a disjuncture between what they will tell you

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34 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 37.

35 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 49.

36 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 49.



in the cold, hard light of day about the odds of gambling. Often we will find when we do some studies of gamblers is that their knowledge of the objective odds will be quite good. In fact their knowledge of mathematics will sometimes be quite good. Yet, at the same time they will endorse all sorts of irrational beliefs about the machine. I have had mathematicians who are pathological gamblers. They will tell me how to calculate the odds of the machine—they will say it is one over 25 to the fifth, based on the five reels—and then they will turn around and tell me how they beat the machine, which is entirely irrational.<sup>37</sup>

6.32 He explained this is known as 'knowledge partitioning':

It is recognised in cognitive psychology that you have what is called knowledge partitioning. It is the neuroscientist who believes in astrology. People's emotions will often override their rational thought. It is recognised in modern cognition research that people have a high level of brain function which is very rational but we also have sort of lower-level processes which have a natural tendency to pick up connections and associations between things. In healthily functioning people we wash our car and see it rains and say there is no real connection there, it has just happened once. But in people who have a vested interest in a particular outcome and have very strong emotions vested in it, sometimes that high-level rational control or causal functioning does not suppress the natural instinctual sense that there are connections between things.<sup>38</sup>

6.33 He added:

We are, like any other species, very much programmed to find connections and associations between things, to find how behaviours and stimuli link, because that helps us adapt and survive. This is what happens with gamblers. We can teach them about the odds but once they have gone to the venue certain things happen, they maybe have a large win when they first sit down at a machine and a lot of that rationality can disappear as their emotional arousal increases. That is why the whole notion of precommitment is a sensible avenue to pursue, because you try to get the person make a decision about their gambling before they have put themselves in that emotional situation where they might not be able to make those rational decisions, particularly about stopping gambling once it is underway.<sup>39</sup>

6.34 Organisations which deal with problem gamblers described people desperate to control their gambling:

It is important for me to say that the majority of clients who come through our door actually want help. Our experience is that people really do want to get their gambling under control. By the time they have come to our

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37 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, pp 71–72.

38 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 72.

39 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 72.

gamblers help program they have often hit rock bottom. We work with a number of high-profile, former professional people who have lost their jobs, their careers, their freedom and their families. By the time they get to us they really do genuinely want assistance either to learn how to gamble responsibly or to stop gambling altogether because they have an understanding of the detrimental impacts.<sup>40</sup>

6.35 Examples were provided to the committee:

I will start with a couple of quotes from the research that we did in 2005, just to set the scene. We interviewed people on low incomes who identified that they had gambling problems. One of them who gambled on poker machines said:

[I set a \$20 limit] but I always end up spending more. I seldom make any money after spending \$20 ... When I am more centred I spend less. I do have a mood when I am very sensible and other moods when I am not sensible. I don't know what else there is to try.

That was someone trying but failing to control their gambling back in 2005. Another person said:

The strategies of trying to stop haven't worked. I haven't really been able to stop. The only time I have stopped is when I didn't have any money. ... I always thought I could stop.

I feel that these are just two examples of the many people out there who know that they have a problem with their gambling and who do desperately try to control their gambling. I see a precommitment scheme as a responsible action by government to help these people who are trying to stop losing so much money gambling.<sup>41</sup>

6.36 It was self-evident to Mr Gary Banks, Chairman, Productivity Commission, that problem gamblers could be rational:

An argument has been made that problem gamblers are unable to choose rationally at any point. We do not believe that is the case and we do not think that the evidence supports that. For example, many problem gamblers self-exclude from venues. These are people who have realised they have a problem and they have gone to the extreme solution of going cold turkey. Precommitment allows them to choose how much to spend et cetera but these people have chosen to self-exclude. That tells me that those people appreciate they have a problem and they have taken action. Many more people we think who are problem gamblers would use a precommitment system to do something short of that draconian self exclusion option but self exclusion would be part of the system.<sup>42</sup>

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40 Mr Mathew Rowell, Chief Executive Officer, Relationships Australia, Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 19.

41 Ms Margie Law, Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 3.

42 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 46.

6.37 Mr Robert Fitzgerald, Commissioner, Productivity Commission, added:

...in talking to problem gamblers and problem gambling groups in both the 1999 inquiry and this inquiry they were very clear that there were moments of lucidity, moments of rational thought, and moments in which they will commit. What you do not want is a situation where you commit and 10 minutes later can change that commitment...<sup>43</sup>

6.38 Dr Ralph Lattimore, Assistant Commissioner, Productivity Commission, further explained that:

...people are not uniform over time in their problems. The advantage that precommitment brings to such people is that they can commit during a lucid moment that binds their future, to avoid the irrationality that they know will be around the corner. The example of this that we give is Ulysses: he knows the sirens are there and ties himself to the mast. So you do not need to have a situation where people are not irrational; they can be irrational. The requirement for precommitment not to work is somehow that they are irrational all the time...<sup>44</sup>

6.39 Dr Lattimore emphasised that problem gamblers are not irrational all the time and have periods of lucidity during which they try to implement various strategies to reduce their losses:

What we observe in relation to problem gamblers, both through evidence we have received and in the literature we have seen, is that they do try to take actions to precommit themselves such as to reduce their losses. For example, we have had anecdotal evidence of problem gamblers wearing thongs on their feet when they go out because they know that the dress codes in the clubs and hotels will preclude them from entering. There are various other stratagems that they have followed. They are all pretty imperfect substitutes for a formal process of precommitment.

We know that even extreme problem gamblers, short of being in absolute crisis and losing everything, voluntarily choose to self-exclude from venues, even though the hoops that they have to jump through to do that are quite onerous and significant and involve a certain amount of embarrassment and confrontation with other people in order to go through that. So these are two quite important examples, particularly the self-exclusion because, as I said earlier, self-exclusion is just an extreme form of precommitment: you are committing yourself not to gamble at all for some extended period of time.<sup>45</sup>

6.40 He added:

...I do not think the point you make that irrationality is present amongst problem gamblers is being contested by parties. The issue is whether they

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43 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 47.

44 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 55.

45 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, pp 54–55.

experience moments of lucidity. It is interesting that if you ask people about some of the consequences of gambling, they are things like bills, for example. So people realise that if they have spent a lot of money that is a bad outcome. Some of the stories you hear are of people who have spent a lot of money and their experience after gambling has been to, for example, commit suicide. If there was an opportunity at the end of a period of playing when you could commit yourself, having suffered significant losses, we would expect people to use that strategy. We do see other strategies, as Gary has said, where people wear thongs, freeze their credit cards and in some cases even move to Western Australia.<sup>46</sup>

6.41 Reinforcing this was evidence from Mr Stephen Menadue, a problem gambler who told the committee about his multiple but ultimately failed attempts to get himself excluded from venues while he was in a rational state.<sup>47</sup>

### *Committee view*

6.42 The committee agreed with those who argued that problem gamblers are capable of making rational decisions when they are not in the grip of their addiction, and that mandatory pre-commitment is a tool which would allow them to exercise a rational choice.

### *Setting limits*

6.43 The committee heard that in line with the consumer sovereignty principle, players be allowed to set high personal spending limits or even no limits.

6.44 Associate Professor Paul Delfabbro argued that even if players set their limits higher—above any mandated upper limit—the conscious act of setting limits would be beneficial:

The Productivity Commission discusses the possibility of having a default limit; in other words, you have a limit of, say, \$100 a day which is set by the state. You only spend above that when you make an actual effort to change that from \$100. As the commission points out, from all the research a lot of the people will not make the effort to change that. Possibly that in itself may serve as some safeguard for some pathological gamblers, particularly those who are aware of the fact that they have a problem and maybe contemplating change. For those who are quite technologically savvy and also in a state of denial, they probably will reset the limit to a higher one. But they have to make that conscious decision to do so. That does encourage them to at least make a conscious decision about control—actually having to do something with the technology. I think that is a good thing.<sup>48</sup>

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46 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 55.

47 Mr Stephen Menadue, *Proof Committee Hansard*, 18 February 2011, p. 46.

48 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 70.

6.45 Ms Jo Flanagan, Manager, Social Action and Research Centre, Anglicare Tasmania, emphasised that pre-commitment is about 'enabling people to set limits for themselves to manage a problem which is essentially an addiction'.<sup>49</sup> Ms Margie Law, Anglicare Tasmania expanded on this point:

Our research and counselling shows that people with a gambling problem desperately want to control their gambling because they do not want to lose their house, their wife or husband or access to their children, and they do not want to lose their job. So far, the only way of controlling their gambling is either through self-will or self-exclusion. Self-exclusion is not 100 per cent effective and when their self-will crumbles—some people we have interviewed or seen through counselling have gone without gambling for months. It is a bit like smoking. They go without gambling for months and then something happens in their life and they go back to gambling, they break or revoke their self-exclusion. They are desperately trying to control their gambling. I believe that if there were a precommitment scheme in place a large number of people with a gambling problem, after they have lost money and especially if they are feeling guilty, would try to set a realistic limit.<sup>50</sup>

6.46 Mr Gary Banks, explained the view of the Productivity Commission in relation to problem gamblers setting high limits:

...while the problem gambler may well set quite a high limit, my understanding...is that some of the evidence suggests that they are less likely to do that than recreational gamblers and more likely to realise that they have a problem and set a limit that is more realistic.<sup>51</sup>

6.47 Some suggested mandatory upper limits could be set by the government. Professor Malcolm Battersby pointed out that:

...unless compulsory, mandatory limits are set for everybody, they certainly will not work to a significant degree. Voluntary limit setting and things like that obviously might help some people. If you go through the Sarah Hare report into the trial in South Australia, it looks like some of the problem gamblers actually reduced their turnover to some degree, but [there] were also the ones who broke their limits, reset limits or did not set limits. There is small evidence from the sample of 90 people, including 16 addicted gamblers and 34 borderline gamblers, but even that small sample showed that they cannot really manage to control and set their limits on a consistent basis. So I think mandatory limit setting by the state, the government or somebody is the only real way to protect borderline and problem gamblers.<sup>52</sup>

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49 Ms Jo Flanagan, Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 4.

50 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 11.

51 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 46.

52 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 56.

6.48 It was also suggested that to assist people set affordable limits on their losses, pre-commitment include a component on player education.<sup>53</sup> Others added that assistance could be made available through counselling services for those who want help to set their limits:

...potentially, there could be a role for counsellors—for those people who are seeing counsellors—to be there at the venue with them when they decide on their daily limit.<sup>54</sup>

### *Committee view*

6.49 The committee was cognisant of the principle of consumer choice, but did not see that this would be undermined if players are required to set binding limits before play commences. In fact, this aligns with the principle of informed choice and would promote more conscious decision-making. The committee does not propose that an upper maximum loss limit be mandated, as this would undermine the principle of consumer sovereignty.

6.50 The committee is strongly of the view that spending limits are only useful if they are enforced. Players must be prevented from exceeding their pre-set limits either on the machine on which they have been playing, or on any other high intensity machine which they might be able to access. The technical solution should also address the issue of 'venue hopping' where problem gamblers might move across multiple venues in order to continue gambling, as well as cross-border issues.

6.51 The committee accepts the evidence that the process of making a decision is likely to encourage a player to think about affordability and accepts that it may be necessary for some problem gamblers to go through the process of setting limits more than once as they learn new healthier gambling behaviours.

### **Recommendation 13**

**6.52 The committee recommends that players set binding spending limits but does not specify an upper limit.**

### **Recommendation 14**

**6.53 The committee recommends that players be prevented from further play—locked out—once they reach their pre-set spending limit.**

### **Recommendation 15**

**6.54 The committee recommends that players be prevented from circumventing pre-set spending limits by machine and/or venue hopping.**

### **Recommendation 16**

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53 Victorian InterChurch Gambling Taskforce, *Submission no. 35*, p. 3.

54 Ms Margie Law, Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 15.

**6.55 The committee recommends that player education be made available and counselling services be offered to assist players set affordable limits.**

*Default limits*

6.56 Some proponents of mandatory pre-commitment argued that there should be default settings already on a card which the player could choose to use or modify. The Productivity Commission which described these as 'vanilla' limits, concluded these would act as an additional safety feature and encourage low risk playing. A number of witnesses agreed with this approach.<sup>55</sup> Dr Charles Livingstone summarised this view:

In terms of setting limits, we actually think that any system implemented should have default limits. I think the Productivity Commission cited this as a possible outcome—a 'vanilla limit', they said. We think that should be relatively modest, and it should be fixed by some reference to, say, average weekly earnings; but people could adjust that accordingly—they could certainly adjust it down at any time.<sup>56</sup>

6.57 Some also pointed out that these default limits might better suit the recreational gambler. Dr Mark Zirnsak, Chair, Victorian InterChurch Gambling Taskforce stated:

Our recommendations have been that the default limits be set at a reasonable range so that for the vast majority of people who are recreational gamblers, once they have got their device, whether it is a card or some other device or some other system to access the precommitment system, they can pretty much set and forget.<sup>57</sup>

6.58 As to what level these default limits should be set at, the committee was presented with a range of views. Mr Mark Henley from Uniting Care Wesley suggested:

Here we take the option of using default settings as initial settings that the customer can vary, but we suggest that the session spend limit—that is, the default system for any precommitment system—would start as the average session spend across that jurisdiction. That data is available to the industry; it is not available to us. Let's start by saying: 'Here's the average spend per session in this jurisdiction. That becomes the default limit for a session spend in that jurisdiction.'<sup>58</sup>

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55 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 10.33; Responsible Gambling Advocacy Centre *Submission 48*, p. 10; Mr Mark Henley, Manager, Communications, Uniting Care Wesley, Adelaide, *Committee Hansard* 1 February, p. 45.

56 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 43–44.

57 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 18.

58 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 45.

6.59 Mr Robert Chappell, Independent Gambling Authority, SA, suggested an annualised figure could be considered:

In general terms, Senator, you have said something that resounds with me, in the sense that it might make sense to help people set their limits by annualising them and converting an annual figure into what might be a typical daily spend. If you said you were prepared to spend \$5,000 a year playing slot machines and you were going to play fortnightly, that is \$5,000 divided by 26, and you would say your daily limit could be something like that.<sup>59</sup>

6.60 Others suggested specific cash amounts be mandated, ranging from \$20 up to \$100 or \$200 per day.<sup>60</sup>

### *Committee view*

6.61 The committee agrees with the proposition that a default limit be in place on newly acquired cards which the player can choose to use, or modify. Given the range of views on what this default limit should be, the committee took the view it would be determined by an independent national regulatory authority. This authority would determine the default taking into account, for example, average spends and affordability issues.

### **Recommendation 17**

**6.62 The committee recommends that all pre-commitment cards be issued with a pre-set default spending limit which the player can choose to use or modify.**

### *How long should limits apply?*

6.63 Different views were offered on the length of time a binding spending limit should apply.<sup>61</sup> Former problem gambler Ms Pinkerton favoured aligning this time period with however long the cooling off period was:

With regards to changing limits that are set, if you set a daily limit and you want to increase the limit then there should be at least the equivalent time as a wait period. So if I set a daily limit I would have a wait of one day before the increased limit would come into effect. If I set a weekly limit, the wait until the new limit comes into effect should be a week; if I set a yearly limit, the wait should be a year.<sup>62</sup>

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59 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 32.

60 A pre-paid card with a \$20 limit was suggested by Ms Margie Law of Anglicare Tasmania, *Proof Committee Hansard*, 18 February 2011, p. 14. Associate Professor Paul Delfabbro cited the higher range, *Committee Hansard*, 1 February 2011, p. 70.

61 The length of time the limit should apply is how long the player wants to keep their limit at the specified amount.

62 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 62.



6.64 The Productivity Commission spoke of aligning the time period for setting limits with a pay or budgetary period, such as a fortnight as it will encourage people to consider affordability issues in the context of their budget.<sup>63</sup>

6.65 Most agreed that if the player wanted to reduce their limit this should take effect immediately:

Having said that, if I wish to reduce the limit from \$200 a day down to \$100 a day, that should come into effect immediately.<sup>64</sup>

### *Committee view*

6.66 The committee is attracted to a two week period for a limit to apply as it aligns with common family budgetary and pay cycles. This two week period will promote more responsible decision-making amongst gamblers. Players will be confronted with having to consider a much higher potential loss amount than they would if they were setting a smaller daily limit. Twenty dollars lost on a daily basis may not seem concerning to the player, but potentially losing two hundred and eighty dollars when considered in the context of a fortnightly budget may force a player to consider affordability issues. Nevertheless the committee is mindful there are differing views on this issue, including that players value flexibility, so this recommended time period may need to be reviewed.

### **Recommendation 18**

**6.67 The committee recommends that the card include a default time period which specifies the duration of the spending limit (decreasing a limit will take immediate effect) which the player can choose to use or modify. The committee suggests the length of this default time period could be a common budgetary period such as a fortnight. The minimum timeframe it could be modified down to is 24 hours.**

### *Cooling off period*

6.68 Most supporters of pre-commitment also agreed that when limits are first set or increased a mandatory 'cooling off' period should apply. The cooling off period is the time period that must elapse before an increase to the limit can take effect.<sup>65</sup> Some argued that cooling off is a necessary consumer protection measure which allows players to 'become more aware of their spending patterns and commitments and make wiser decisions as consumers about how they choose to gamble and how much they are prepared to spend'.<sup>66</sup> It was also argued that by making players feel their decision

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63 Productivity Commission, *Proof Committee Hansard*, 25 March 2011, p. 38, 39.

64 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 62, also Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 43.

65 Cooling off is different to the duration of the limit.

66 Mr Simon Schrapel, President Australian Council of Social Service, *Committee Hansard*, 14 February 2011, p. 101.

was not fixed forever it would encourage them to view pre-commitment more favourably as a flexible and 'useful tool'.<sup>67</sup>

6.69 Mr Mathew Rowell, Relationships Australia, Tasmania, explained the need for a cooling off period:

In the moment, where people have lost a significant proportion of their income on a particular day, the impulse to then continue to play the games in order to recover that money is high. At the same time, if someone faces some kind of reality check and decides to reduce the limit, then being able to respond to that in a proactive way by reducing their limit as soon as possible would add to the harm minimisation approach. Providing a cooling off period for increases is really important in ensuring that people do not continue to bear those losses.<sup>68</sup>

6.70 In terms of how long the this period should be, some suggested that the minimum cooling off period be 24 hours; others suggested longer periods—48 hours or even quarterly:<sup>69</sup>

As to when they should take effect, I do not see any reason why people should be able to make changes to their limits any more than once a quarter, for example. And those limits should apply, as Richard has said, even in cases of a lost device or card or whatever.<sup>70</sup>

### ***Committee view***

6.71 The committee agrees that players should be required to wait a specified time—a cooling off period—before they can increase their limits. Those who chase their losses will benefit from a cooling off period as it will block their chasing behaviour. There were a range of views on the optimal length of this period, but many nominated a minimum of 24 hours.<sup>71</sup> Witnesses also agreed that the length of the cooling off period be in line with the limit setting period. The committee believes that players should not be allowed to change their time limits during the period they have specified. For example, a player choosing the minimum 24 hour timeframe would have a cooling off period of 24 hours before their limits could be increased. Whereas a player who has chosen a two week timeframe for a limit to apply would need to wait until the end of this period to increase their limit.

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67 Associate Professor Paul Delfabbro, *Committee Hansard* 1 February 2011, p. 80.

68 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 18.

69 24 or 48 hours was suggested by Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 47.

70 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 44.

71 For example, the Responsible Gambling Advocacy Centre, *Submission 48*, p. 11; Dr Jennifer Borrell, *Submission 109*, p. 2; South Australian Heads of Christian Churches Gambling Taskforce, *Submission 114*, p. 8; Uniting Care Australia, *Submission 115*, p. 2.

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## Recommendation 19

**6.72 The committee recommends that players be unable to increase their spending limit during the time period they have specified for their limit to apply.**

### *How frequently should the limit be reviewed?*

6.73 A number of witnesses suggested players should be regularly prompted to review their limits. The Victorian InterChurch Gambling Taskforce favoured an approach which was not too frequent to avoid annoying the player:

We would suggest the frequency should not be at a level that will be annoying to the gambler, but not so infrequent as to be meaningless. Thus, a period of around three months would seem reasonable between being requested to confirm if no limits remains a person's preference.<sup>72</sup>

6.74 The South Australian Council of Social Services agreed, although they suggested that prompts to players be at least weekly.<sup>73</sup>

### *Committee view*

6.75 While the committee acknowledges that prompting players to regularly review their limits has merit, it is mindful that doing so too frequently could unnecessarily annoy the player. Balanced against this is the need to encourage players to actively monitor their expenditure and ensure that regular prompting does not encourage players to increase limits. The committee regards an annual prompt to players to review limits, perhaps on the anniversary of first obtaining the card, would be appropriate.

## Recommendation 20

**6.76 The committee recommends that players be prompted to review their limits every twelve months.**

### *Where to set limits*

6.77 The committee heard arguments that players should set their limits away from the stimulus of the gaming environment. Associate Professor Paul Delfabbro pointed to the emotional arousal that gaming venues can stimulate impairing rational decision-making:

We can teach them about the odds but once they have gone to the venue certain things happen, they maybe have a large win when they first sit down at a machine and a lot of that rationality can disappear as their emotional arousal increases. That is why the whole notion of precommitment is a sensible avenue to pursue, because you try to get the person make a decision about their gambling before they have put themselves in that

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72 Victorian InterChurch Gambling Taskforce, *Submission 35*, pp 5–6.

73 South Australian Council of Social Services, *Submission 90*, p. 4.

emotional situation where they might not be able to make those rational decisions, particularly about stopping gambling once it is underway.<sup>74</sup>

6.78 The Responsible Gambling Advocacy Centre argued:

Gamblers should only be able to increase their settings at a separate place from the gaming machine. This could be a kiosk located away from the gaming machines (a similar rule to that in Victoria in relation to Automatic Teller Machines and gaming venues) or could require attending a separate location entirely.<sup>75</sup>

6.79 Other locations that were suggested included online via the internet, at shopping centres or at a designated agency.<sup>76</sup>

### *Committee view*

6.80 The committee accepts the proposition that limit setting should be conducted away from the direct influence of gaming machines in order to minimise their seductive influence. Provided the location of the limit setting is well away from these machines, the committee does not consider that limit setting must occur outside the gaming venue itself.

## **Recommendation 21**

**6.81 The committee recommends that the process of setting limits not occur in close proximity to gaming machines.**

### *Messaging*

6.82 The committee heard evidence that players should receive messages alerting them they are near to reaching their limits. Uniting Care Wesley, Adelaide expressed this view to the committee:

It is of crucial importance to us that, whatever the consequences of exceeding the limit, there must be a visual message to the gambler. There must be the option for text messages to go directly to the patron or to third parties and there must be active involvement from the venue.<sup>77</sup>

6.83 The Independent Gambling Authority, SA, suggested that messages be meaningful and highlight where gambling expenditure is likely to be harmful:

Perhaps the way to make it work in the context that you have been speaking about is that if you put into the screen, 'I would now like my daily limit to be \$300,' then the computer would say, 'Did you realise that that is the

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74 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February, 2011, p. 72.

75 Responsible Gambling Advocacy Centre, *Submission 48*, p. 11.

76 Responsible Gambling Advocacy Centre, *Submission 48*, p. 11.

77 Mr Mark Henley, *Committee Hansard*, 1 February 2011, pp 45–46.

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equivalent of spending \$12,000 a year?' and that would help people make an informed choice.<sup>78</sup>

6.84 Ms Sue Pinkerton went further and suggested messages be personalised so as to reflect the actual expenditure of individuals and warn them of excessive expenditure:

There should also be a mandatory on-screen display of a gambler's monthly gambling activity prior to the commencement of their gambling on any given day. This is a no-brainer too. This would be a pop-up which, for example, would say: 'In the last month you have spent X amount of dollars; in the last year you have spent this much; in the last session you spent that much. Do you wish to continue? Yes/No.' It is easy to do.<sup>79</sup>

6.85 Anglicare Tasmania also suggested that progress warnings be given when the player starts to reach their limits, and that these include messages such as 'don't forget the kids' or 'go home'.<sup>80</sup>

6.86 The NSW government also indicated it 'strongly supported' dynamic warning and cost of play systems, but noted the design of such systems should be determined by research.<sup>81</sup>

### *Committee view*

6.87 The committee agrees that messages alerting players that they are close to reaching their limits can be a useful tool and will promote safer gambling behaviour among players. It may also avert negative reactions when people reach their limit as the approaching limit will be clearly conveyed several times to the player.

6.88 Some venues offer staff interaction with gamblers who are identified as displaying problem gambling behaviours.<sup>82</sup> Consideration could be given to expanding this staff interaction to include those who routinely reach their limit.

### **Recommendation 22**

**6.89 The committee recommends that the system include dynamic warnings to alert players when their limit is approaching and it include the capacity to personalise messages.**

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78 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 33.

79 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 57.

80 Anglicare Tasmania, *Submission 56*, p. 7.

81 NSW Government, *Submission 110*, p. 9.

82 For example, as part of a responsible code of gambling conduct, players who display problem gambling behaviours are referred by venue staff to appropriate gambling help services.

## Other pre-commitment features

### *Links with self exclusion*

6.90 Self-exclusion is where a problem gambler agrees to exclude themselves from specified gambling venues. All states and territories offer self-exclusion as an option for problem gamblers. Typically, the gambler must first register in order to self-exclude.<sup>83</sup> However, the committee heard evidence that there are limitations with current self-exclusion arrangements, including for example, that enrolment can be cumbersome and it is too easy for gamblers to avoid identification.<sup>84</sup> Some submissions suggested that linking pre-commitment to self-exclusion could improve this situation:

Improving the capacity for self-exclusion is a major benefit of implementing a full pre-commitment system. Exclusion is a key tool for dealing with severe and moderate problem gambling behaviours. The policing of self-exclusion has been a major issue in Victoria. Both the number of venues and the lack of identification required to enter them makes monitoring the success of this policy difficult.<sup>85</sup>

6.91 Some options for linking with self-exclusion could include:

As part of a pre-commitment system, self-exclusions should be built into the technology that delivers pre-commitment. This will require both that a gambler can't access a new pre-commitment card (or whatever the device) for the period of their self-exclusion or, in the case of venue-specific self-exclusion, that the card can't be used in particular venues pre-agreed by the gambler.<sup>86</sup>

6.92 Or:

If a person logs onto a machine, their photograph would come up on a machine in some place like a backroom and someone would see that they were there. That is much more easily recognisable than a photo on a wall that no-one can actually recognise.<sup>87</sup>

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83 Some jurisdictions also offer third party initiated exclusion where there is a reasonable belief someone may be a problem gambler. For details see Australasian Gaming Council, *A Database on Australia's Gambling Industry 2009/10*, AGC, Melbourne, 2010, chapter 9.

84 St Vincent de Paul (Queensland), *Submission 50*, Attachment B, p. 6; see also Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 42.

85 Responsible Gambling Advocacy Centre, *Submission 48*, pp 12–13.

86 South Australian Council of Social Services, *Submission 90*, p. 3.

87 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, pp 17–18.

6.93 Dr Kerry Chambers spoke about the system in Nova Scotia where players can self-exclude on pay days or for a longer time if they have experienced a potential gambling trigger such as a death in the family.<sup>88</sup>

6.94 It was also pointed out to the committee that enabling self-exclusion on pre-commitment cards could save considerable time and effort elsewhere:

At the moment, a lot of the energy in our barring process goes to persuading people that they need to focus their barring on the venues they attend. We like to make sure that people do not get themselves barred from 400 places but that they get themselves barred from 20. That is partly because of the enforcement and compliance issues at the other end. In South Australia the breakdown is 90 per cent publicans and 10 per cent clubs, and we cannot expect publicans and club managers to be tracking hundreds and hundreds of photographs in their venues because everyone is barred from 400 places. If we had a card system like this, the authority's orientation would change completely. People would apply for barring and the default would be that you are barred from everywhere, because it could be enforced systematically.<sup>89</sup>

6.95 Venues might also see some benefits as the following exchange shows:

Mr CHAMPION—No. The precommitment system would help that process because, in effect, we could use technology quickly and simply and help the publicans to prevent a problem.

Mr Chappell—Yes. It would relieve an enormous compliance burden on the licensees because the system would do the enforcement and they would not have to be looking after them at all.<sup>90</sup>

### *Committee view*

6.96 The committee accepts the proposition that enabling self-exclusion on the pre-commitment card is a sensible option that would deliver real benefits for those who find current self-exclusion arrangements are failing them. It would also remove a significant monitoring burden from venues. A player should also be able to self-exclude for varying periods to encompass the need to not play in a month when an individual has no discretionary funds for gambling or events such as a death in the family which could be a trigger for some to return to gambling.<sup>91</sup> As with pre-commitment spending limits a player who self excludes for a certain period of time should not be able to shorten that period within the specified timeframe. The pre-commitment card should complement existing self-exclusion arrangements where

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88 Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 4, 5.

89 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, pp 26–27.

90 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 27.

91 Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 4.

these are seen to work, in order to ensure that players have the most effective self-exclusion options available to them.

### **Recommendation 23**

**6.97 The committee recommends that a self-exclusion option be enabled on the pre-commitment card and varying periods for self exclusion be made available. This could be linked to existing jurisdictional exclusion schemes to provide players with effective self-exclusion options.**

### **Recommendation 24**

**6.98 The committee recommends that players who self-exclude for a certain period of time should not be able to shorten that period within the specified timeframe.**

### *Identification and privacy issues*

6.99 The committee heard from a number of witnesses that the pre-commitment scheme should require players to provide some proof of identity in order to obtain the pre-commitment card:

The system should work to give adult customers access to gambling facilities and improve their control in a personal and private manner. For this reason the system will need proof of identity for each person requesting an access card or other technology. This will have the benefit of preventing minors accessing the system and make it difficult for the system to be circumvented via stolen, swapped or multiple cards or other technology.<sup>92</sup>

6.100 Concerns were raised that problem gamblers might resort to multiple cards or gamble across multiple venues, if identity processes were inadequate.<sup>93</sup> Cross border issues may also need to be addressed.<sup>94</sup>

6.101 A number of submissions and witnesses supported the proposal that a driver's license be used for ID. The Productivity Commission suggested that this ID could also be used to verify a player's identity in the event of a payout:

...one way of ensuring, for example, that gamblers did not swap cards and so on would be to ensure that the larger prizes had to be paid out and that they would only be paid out with identification—a drivers licence or something...<sup>95</sup>

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92 Responsible Gambling Advocacy Centre, *Submission 48*, p. 11.

93 Mr Steven Ciobo MP, *Committee Hansard*, 14 February 2011, p. 38 and p. 39; Mr Steven Ciobo MP; *Committee Hansard*, 4 February 2011, p. 69.

94 The technical challenges around cross border issues are briefly discussed in chapter seven.

95 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 48.



6.102 Some submissions supported biometric ID in the event that the individual did not have photo ID:

Not everyone would be in possession of photo ID – people who are not licensed drivers, students, or holders of passports. Biometric/face recognition would have the advantage of obviating the need for photo ID.<sup>96</sup>

6.103 Others, like the IGA rejected biometrics:

This is really a question of marginal effectiveness. If you wanted to lock down everyone, you might adopt Mr Ryan's technology that uses a thumbprint. The authority has considered that particular question and does not believe that the level of security you need for this sort of program requires a biometric identification.<sup>97</sup>

6.104 The Productivity Commission also saw no need for biometrics:

...it does not need to be biometric. The issue is identification, and biometric would usually relate to things like fingerprints or eyes and so on. It merely has to be a robust approach to identifying people. Of course, we use those approaches in a range of official areas; passports or to have a post office box. Even if you want to get a mobile phone these days you have to demonstrate who you are. So it does not have to be biometric in approach...<sup>98</sup>

6.105 Mr Tom Cummings a former problem gambler also did not see the need for biometric options to be pursued:

While biometric scanning (fingerprinting) is one option, I believe that it is the least likely to be adopted. Public perception is against it. However, the same industry that rejects fingerprinting as an invasion of privacy is happy to fingerprint their drinking patrons; biometric scanning is in widespread use in pubs and clubs in NSW.<sup>99</sup>

6.106 The committee heard that biometric measures were already being employed in some NSW hotels. According to a recent newspaper article a number of hotels in Sydney have introduced fingerprint scanning to identify their patrons, as described in the following exchange:

Mr STEPHEN JONES—I will quote from it then:

The fingerprint scanning system takes a photograph of the patron, scans their ID and takes a fingerprint which is converted into a map of the meridian points on the print and converted into a PIN. When a patron returns, the scanner matches the meridian points of their finger to the code to find their identity. The company insists there are no

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96 Relationships Australia (SA), *Submission 67*, p. 3.

97 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 39.

98 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 48.

99 Mr Tom Cummings, *Submission 113*, pp 2–3.

fingerprints kept in the system. Patrons can request their details be deleted from the system although not if they are flagged as troublemakers.

ID Tect scanners scan identities into a database which can be shared with hundreds in the country. The system stores the data for 28 days and then it is deleted.

The article goes on to talk about the sharing of biometric data between hotels within and outside Sydney.

Mr Whelan—Is that right? Which hotels?

Mr STEPHEN JONES—This was the Coogee Bay Hotel.<sup>100</sup>

6.107 The Australian Hotels Association (AHA) did not dispute the use of biometrics in NSW hotels, although they argued against the collection of personal information for the purposes of pre-commitment. Mr John Whelan, AHA, defended the use of biometrics in NSW hotels as being necessary in some cases:

I also understand that those hotels have been forced to undertake those types of measures due to alcohol related issues and possibly in consultation with the local police force. I think what you are talking about there is only a dozen or so hotels out of 3½ thousand across Australia that have gaming machines. So I do not think you can really hold them up as representing the entire industry.<sup>101</sup>

6.108 The issue of the storage and security of personal information was also raised by others. Some expressed the view that the pre-commitment system would require a large database to manage player information:

The size of the database will be extremely large, ultimately holding player records of more than five million customers. Australia has approximately 5,700 venues that offer gaming machines to customers and there will need to be clear procedures in place to allow customers to set and change limits and procedures in place to answer queries and issue replacement cards. The security and administration of this data base may require the type of procedures applied for the Medicare data base. This will be costly to operate and consideration must be given to who will pay for the operation of this system.<sup>102</sup>

6.109 It was even suggested to the committee the database could be managed by an independent non-government operator, chosen by tender:

Mr FRYDENBERG—Taking up this issue of privacy concerns, you say on page 26 of your report that ‘only the independent scheme operator’ would

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100 Mr Stephen Jones MP, Mr John Whelan, Australian Hotels Association, *Proof Committee Hansard*, 15 February 2011, p. 17. The article referred to was: N O'Brien, E Duff, 'To drink here, first queue to give fingerprints', *Sun Herald*, 30 January 2011.

101 Mr John Whelan, *Proof Committee Hansard*, 15 February 2011, p. 18.

102 Australasian Casino Association, *Submission 93*, p. 8.

maintain the database linking the smart card number and the details of the cardholder. Who do you envisage to be the independent scheme operator?

Mr Donald—This is a process we suggest you tender. It is most likely to be a major computer supplier in Australia—an IBM, a Unisys, a Fujitsu or someone of that ilk.

Mr FRYDENBERG—You are saying that a nongovernment agency would possess all this information?

Mr Donald—They do now. A lot of health and other departments outsource their computer operations.<sup>103</sup>

6.110 Not everyone agreed that a large centralised database would be necessary. The Independent Gambling Authority, SA, rejected this view and suggested the necessary data could be kept on the card itself:

Mr FRYDENBERG—But there are sensitive issues too in terms of the issuing authority and where the money is being spent.

Mr Moss—There could be; it depends on how it is designed. I do not see that there is any great necessity to design it in a way which necessitated that sort of collection or storage of information.

Mr Chappell—If privacy is a huge concern, then that points you more in the direction of a smart chip type card where the data is kept on the card. That would reduce the need for aggregation in a centralised database. If you went for the drivers licence type option then of necessity there would be payment, transaction and player records that would have to exist for a period of time.<sup>104</sup>

6.111 It was also emphasised that players should only be able to obtain one card, not multiple cards:

There should be the establishment of a one person, one card system. I should be able to obtain only one card, not multiple cards.<sup>105</sup>

### ***Committee view***

6.112 The committee's view is that whatever pre-commitment technology is implemented it must be robust and meet key privacy and security standards. Essential features of the system must include that it be simple to use and easy to register, it must demonstrate integrity and robustness to meet security concerns, it must minimise fraud and card-swapping, and it must meet national privacy standards. The committee agrees with those who explicitly reject proposals around biometrics.

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103 Mr Josh Frydenberg MP and Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 62.

104 Mr Josh Frydenberg MP, Mr Alan Moss and Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 34.

105 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, pp 57–58.

**Recommendation 25****6.113 The committee recommends that only basic identification information be collected for the purposes of verification.***Make it simple*

6.114 Many witnesses emphasised that whatever pre-commitment scheme was adopted, it should be simple and easy to use, also taking into account cultural diversity:

I noticed in the Hare report that there was lots of feedback from people interviewed that they just did not understand the system and they made mistakes about how they set limits or did not set limits and so forth. I suspect really strongly that they and other disadvantaged groups—culturally diverse groups, Asian populations, migrants from Iran and Iraq that we see in our gambling services—would have a lot of trouble negotiating their way through these sorts of systems. So another submission I am making is that the systems should be mandatory and compulsory across Australia and they should be really simple. It should not be some great, complicated system—choose this, choose that and so forth—so everybody can understand what the rules are and the Australian population can tell their neighbours, ‘The most you’ll be able to spend on a machine today is \$150,’ or \$200, \$300 or whatever it is. It should be common knowledge. It is a simple system.<sup>106</sup>

6.115 The Victorian InterChurch Gambling Taskforce emphasised that pre-commitment ‘needs community education and the promotion of it being a tool for all players’.<sup>107</sup> The Responsible Gambling Advocacy Centre explained in further detail:

Ease of use relates both to the familiarity with the technology referred to above but also to the software interface. Choices offered should be clear and not too numerous. Multiple menu pages should be kept to a minimum. Simple categories such as “my spending limit” “my time limit” “my win/loss report” “self-exclude me for...”, “remind me when” should be sufficient and easily within the capabilities of simple technology.<sup>108</sup>

6.116 Relationships Australia recommended that an educational campaign be funded prior to the introduction of pre-commitment:

We recommend that sufficient resources be devoted to a national education program about a precommitment scheme well before its introduction in order that people using EGMs post implementation do so with enough knowledge to make informed judgements.<sup>109</sup>

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106 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 56.

107 Victorian InterChurch Gambling Taskforce, *Submission 35*, p. 3.

108 Responsible Gambling Advocacy Centre, *Submission 48*, p. 8.

109 Relationships Australia, *Submission 72*, p. 4. See also Dr Kerry Chambers, *Proof Committee Hansard*, 25 March 2011, p. 6.

6.117 Furthermore:

...all information about the pre-commitment system, information about gambling on EGMs and information about help services be available in a range of languages and formats, in order that those with literacy problems, those from culturally and linguistically diverse backgrounds, and those with intellectual disabilities all have an opportunity to understand the scheme, the financial implications of gambling, and support services available.<sup>110</sup>

6.118 The committee was urged to consider the tenets of the Ottawa Charter<sup>111</sup> in the development of any public awareness or education campaign and to:

...use words and images that are directly relevant so, if we are using the affected and effected communities in the development of those messages, their language will be included and those messages will resonate with that percentage of people that have problems.<sup>112</sup>

6.119 Furthermore, the committee was warned that the absence of such a campaign could undermine the success of a pre-commitment strategy:

But, more generally, I do not believe that any government program has ever been effective without there being resources committed to explaining to people what it is that the government is attempting to achieve.<sup>113</sup>

### *Committee view*

6.120 The committee agrees that a national education or awareness campaign is required in order to raise public awareness around pre-commitment.

### **Recommendation 26**

**6.121 The committee recommends the new national regulatory authority be tasked with developing an appropriate national awareness campaign aligning with the principles of the Ottawa Charter, to raise public awareness of pre-commitment.**

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110 Relationships Australia, *Submission 72*, p. 4.

111 The Ottawa Charter developed in 1986 is an international statement for action on health promotion, widely used in the health promotion sector. See World Health Organization, *Health promotion* webpage, <http://www.who.int/healthpromotion/conferences/previous/ottawa/en/> (accessed 15 March 2011).

112 Mr David Stanley, Chief Executive Officer, Convenience Advertising, *Committee Hansard*, 14 February 2011, p. 111.

113 Mr Chris Puplick, Chair, Convenience Advertising, *Committee Hansard*, 14 February 2011, p. 115.

### *Links to loyalty schemes*

6.122 The issue of whether the pre-commitment card be linked with loyalty programs offered by venues was discussed with a number of witnesses. Some were opposed, suggesting it would send a mixed message:

From our point of view, it is really sending a mixed message. Loyalty cards are about increasing information and increasing sales to the venue—and we accept that it is not just gambling sales; it is sales across a range of hotel or club products or casino products. However, when the message about precommitment is about safe spending limits, that is about consumer protection and consumer safety, and that we think is a different message to that of a loyalty program which venues are operating.<sup>114</sup>

6.123 Others pointed out that linking to loyalty schemes could save venues money:

You could use the same card for that, and many clubs have that already. So there is a further saving. If you were to put a loyalty card on that, which you can dynamically load, there is a further saving, because people generally have a separate card for loyalty.<sup>115</sup>

6.124 It was also suggested that linking the card to a loyalty program would encourage a more favourable view of pre-commitment and be the basis for further personalised interaction with the player:

To encourage people to take up a card you have to give them something other than, ‘This is something that you don’t really need, because you say that you haven’t got a gambling problem, but we’d like you to take this card anyway.’ If you can give them some points or benefit for coming into your venue rather than the venue down the road, you might get them to take it up. Once you have them using the card, you will start having interaction with them. You will know who they are. You will know their name. You can send them information. When they are sitting at the machine, you can suggest things and give them reminders. You can ask them: ‘Do you have a problem with gambling? Do you need to put a limit on yourself to make sure that you do not spend any more than you need to?’ By personalising it, you can make sure that you can track their play. I would suggest that the advantage of offering loyalty along with precommitment is one of awareness.<sup>116</sup>

6.125 Mr Tony Toohey of eBet outlined how linking player loyalty programs with pre-commitment systems could be an incentive to players:

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114 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 47.

115 Mr Ian Donald, Technical Director, Regis Controls, *Proof Committee Hansard*, 2 February 2011, p. 60.

116 Mr Declan Martschinke, National Product and Marketing Manager, Maxgaming, *Proof Committee Hansard*, 3 February 2011, p. 14.

You can run both systems together in tandem or you can run them separately. You could have a player who is using a precommitment facility that does not earn loyalty points or vice versa. The flipside to that is that, as part of trying to bring the players on to a precommitment system, you could give them incentives to participate in precommitment. You could actually promote the whole concept of precommitment.<sup>117</sup>

6.126 It was pointed out to the committee that some clubs do not offer loyalty programs. Clubs that do have such programs may have members who prefer not to have their gaming tracked even if doing so might accrue loyalty points. Mr Robert Smith of Twin Towns explained:

Those people get to decide voluntarily whether they put that card into a gaming machine to receive loyalty points and the like when they play. The majority of people do not put that card into the machine and have their play tracked, for want of a better term. They choose not to take the loyalty points and they retain their private gambling activity.<sup>118</sup>

### *Committee view*

6.127 The committee acknowledges there are differing views on this issue. It does not consider the case for prohibition with loyalty schemes is overwhelming, although it acknowledges there are legitimate concerns in some quarters. If individual venues decided in the interests of their members they would like to 'piggy back' their loyalty schemes onto pre-commitment this should not be prohibited. Monitoring the effects of linked loyalty programs on problem gambling would be a prudent measure.

### **Recommendation 27**

**6.128 The committee recommends that linking loyalty schemes with pre-commitment schemes not be prohibited, but this be monitored by the new national regulatory authority for adverse consequences.**

### *A national regulator*

6.129 It was proposed that a national regulator or agency be established to manage and drive pre-commitment:

I will conclude these brief comments by saying that we think that, in terms of managing the precommitment scheme and the sort of scheme that we have outlined, it is going to be essential that there is at least a national regulator or authority tasked with the responsibility of precommitment—quite possibly other gambling functions but certainly precommitment—and part of the role of this national regulator or authority would be to in fact manage data and release it for policy development.<sup>119</sup>

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117 Mr Tony Toohy, *Committee Hansard*, 14 February 2011, p. 50.

118 Mr Robert Smith, *Committee Hansard*, 4 February 2011, p. 30.

119 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 46.

6.130 While some suggested the agency should be established within a government department:

This committee needs to come up with some recommendations and reasonably quickly. You have to find a project champion and establish a national gaming and regulatory authority. In other words I would personally suggest it becomes an agency of Treasury to drive this.<sup>120</sup>

6.131 Others suggested it be entirely independent:

The introduction of a mandatory precommitment system, electronically monitored and managed by an independent authority, is likely, in my considered opinion, to be an effective method of early intervention and prevention of the harms associated with excessive access to gaming machines.<sup>121</sup>

### *Committee view*

6.132 The committee agreed it would be appropriate to establish a national independent regulatory body to oversee pre-commitment arrangements, develop new national standards which include the required pre-commitment features and other consumer protection measures. It should be a national body, with national oversight incorporating a jurisdictionally focussed inspection and monitoring regime. The new body needs to be established as soon as possible, because it will perform a key role in the implementation of mandatory pre-commitment and associated reforms. The precise role and functions of this agency should be agreed in consultation with jurisdictions and key stakeholder groups. Until this body is established, the committee recommends that the Department of Families, Housing, Community Services and Indigenous Affairs perform the functions of the new authority.

### **Recommendation 28**

**6.133 The committee recommends that a national independent regulatory body be established by the end of 2011 to oversee mandatory pre-commitment and associated reforms in all Australian jurisdictions.**

### **Recommendation 29**

**6.134 The committee recommends that pending the establishment of the national regulatory authority, the Department of Families, Housing, Community Services and Indigenous Affairs perform the functions of the new authority.**

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120 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 56.

121 Ms Sue Pinkerton, *Committee Hansard*, 1 February 2011, p. 58.



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### *Trial of pre-commitment features*

6.135 The committee notes the recommendation of the Productivity Commission that a trial of pre-commitment be undertaken.<sup>122</sup> As all trials to date have been on voluntary pre-commitment, a trial on the design features of mandatory pre-commitment could be particularly useful.

6.136 Mr Robert Fitzgerald, Commissioner, Productivity Commission, explained the purpose of a trial:

...the trial is not about whether there is precommitment—it is the nature of the precommitment, the actual design features.<sup>123</sup>

6.137 Clubs Australia indicated qualified support for a trial:

Mr CHAMPION—You talk about there being no trials in mandatory precommitment. Let us say there was a trial and there was evidence that showed that it reduced problem gambling, and let us say it was an ideal world and there was no leakage to other forms of gambling and that recreational gamblers were not affected. Given that ideal scenario, if a trial was done and was shown to be successful, would Clubs Australia accept it?

Mr Ball—I think we would tick that box and say: ‘You’ve passed the first test. It is effective.’ The second question is: what does that mean as far as implementation and other costs go? That is the essence of a cost-benefit analysis. It has not been done yet, but we would be very happy to be involved in one.<sup>124</sup>

6.138 Ms Nadine Grinblat, General Manager, Australasian Gaming Council, also supported the Commission's proposal of a trial to garner more detailed information:

We have already started trialling of voluntary systems. I think the learning from that, in and of itself, raised a number of issues where we did not realise that it might perhaps be an issue. With respect to simplification of programs, for example, it is very easy when you are an industry member to say, ‘This is all very clear and patrons will understand this very readily,’ but when you look at the South Australian trials you see that people were offered primary and secondary limits and very few people seemed to understand the option for secondary limits. So what you sometimes think is clear is not necessarily so.<sup>125</sup>

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122 Recommendation 19.2: 'The Australian Government should enter into negotiations with a state or territory government to sponsor a full-scale regional trial or trials of a full precommitment regime (recommendation 10.4), with trialling to commence by 2013', Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 65.

123 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 65.

124 Mr Nick Champion MP and Mr Anthony Ball, Executive Director, Clubs Australia, *Committee Hansard*, 4 February 2011, p. 57.

125 Ms Nadine Grinblat, *Proof Committee Hansard*, 15 February 2011, p. 34.

6.139 Mr Gary Banks, Chairman, Productivity Commission, elaborated:

In relation to the trials, we saw that as quite an important way of understanding how to design a precommitment system to maximise its cost-effectiveness. As you know, there are a few things we left open, including default limits—how long the precommitment period would be for and so on—which really only trials would reveal in terms of the most efficacious. Of course, those things in turn could be adapted over time in a system which is actually operating. As I said earlier, one of the advantages of the kind of system that is based on a technological platform which is quite flexible and adaptable is that changes can be made over time to make the system more effective.<sup>126</sup>

6.140 Dr Ralph Lattimore, Assistant Commissioner, Productivity Commission, added that Tasmania might be a good location for such a trial:

The other comment I would like to make about the implementation strategy is on the trial. We have seen trials of some forms of commitment technologies in a number of contexts and they provided quite useful information about aspects of commitment like player acceptance, how you sign people on and so on. But they all take the form effectively of partial and voluntary precommitment systems and they are like new year's resolutions—you have goodwill but you find it difficult to keep to them. The trial we are talking about has to take a particular form that stops them from becoming de facto partial precommitment systems. You would not want to have a circumstance where a particular pub, hotel or club had this technology but you could walk down the street and play on a machine that did not have that feature. That is why we have suggested the trial involve a reasonably large area. Bass Strait is a very nice natural barrier to people going and playing on other machines. In some ways Tasmania would be an ideal trial site. But the idea is to find somewhere to examine this issues rigorously such that people do not go and play on machines that do not include the feature. The details of implementation and things like the trial matter a great a deal.<sup>127</sup>

6.141 The committee notes comments from Ms Liza Carroll, Department of Families, Housing, Community Services and Indigenous Affairs, indicating that the possibility of a trial is under consideration at COAG, but no specific discussions have yet taken place:

Senator XENOPHON—One of the recommendations made by the Productivity Commission is to have a trial before implementing mandatory precommitment through all jurisdictions. Obviously, it needs to be geographically robust so that you cannot have people just driving to the next suburb to play machines that do not have any form of precommitments. So presumably an island such as Tasmania or somewhere that is geographically isolated would prevent that impulse to go from one

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126 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 44.

127 Mr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, pp 45–46.

suburb to another. What consideration has been given by the departments to that? Is that factored in as a key part of the implementation—to at least have a trial to nut out any technical issues so that it could go smoothly in a broader rollout?

Ms Carroll—The government is yet to make a decision about what the implementation might look like and how a trial would fit into any implementation, but obviously it is one of the things under consideration. It would also require working with the states. It is one of the things that are being considered as part of that broader work with the states, but I could not provide a definitive answer on that at this stage.

Senator XENOPHON—So far only the Tasmanian government has indicated that it is willing to go along with mandatory precommitment, is that right?

Ms Carroll—At this stage there has not been a discussion at the select council meeting about a trial in a particular area and all of those sorts of things. So that is still under consideration but there have been no decisions made about what the implementation might look like.<sup>128</sup>

### *Committee view*

6.142 The committee agrees with those who advocate a trial of a mandatory scheme be undertaken. However, it does not regard a trial as being a pre-requisite for the introduction of the scheme. A trial will assist in refining particular features of the scheme, but does not obviate the need to implement a pre-commitment scheme within the proposed timeframe.

### **Recommendation 30**

**6.143 The committee recommends that a pre-commitment trial be conducted in one jurisdiction in order to further inform and refine key pre-commitment design features and help identify any unintended consequences. The trial should commence as soon as possible but not delay the timeframe for implementation.**

### **Conclusion**

6.144 The committee welcomes the range of views it received on the desirable features of a pre-commitment card. The committee considered all views, some it concurred with or partially accepted, in other instances views offered were considered but not accepted. However, the committee greatly appreciated this opportunity to hear a full range of views and is extremely grateful to all those who made contributions. The committee agreed there needs to be a key set of features that must apply nationally to the pre-commitment system. These are:

- introduction by the earliest possible date—2014;

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128 Senator Nick Xenophon and Ms Liza Carroll, Deputy Secretary, Department of Families, Housing, Community Services and Indigenous Affairs, *Proof Committee Hansard*, 15 February 2011, p. 79.

- a requirement for all players to set their maximum loss before they start gambling;
- lock out when limits are reached;
- cooling-off periods for limit increases;
- safeguards to prevent gamblers machine and venue hopping; and
- an effective self-exclusion function.

6.145 In addition to these features the committee supports the establishment of a national independent regulator to oversee pre-commitment and set national standards which include required pre-commitment features and other consumer protection measures. The use of low intensity machines with appropriate parameters as an alternative to mandatory pre-commitment for tourists or low level players is one the committee is attracted to, and is discussed further in chapters eight and nine.

6.146 The committee emphasises it remains technology neutral and does not favour a specific technological solution. It accepts this is beyond its expertise but looks forward to the technological options, as discussed in the next chapter, being progressed through the new national regulatory authority.

### **Recommendation 31**

**6.147 The committee recommends that development of the broad design of mandatory pre-commitment be progressed by the national regulatory authority.**

# Chapter 7

## Technology options for pre-commitment

7.1 This chapter provides an overview of the technological options that could facilitate pre-commitment. It is clear from discussions the committee had with witnesses that there are a wide range of possible technologies. In some cases there were varying views on the advantages and disadvantages of particular options. There was also variation in the estimated costs associated with these technologies. These are discussed in further detail in this chapter.

7.2 Associate Professor Paul Delfabbro, Adelaide University, outlined the range of technology options that were available in his submission to the committee:

Many forms of technology can be used to facilitate cashless gambling as well as pre-commitment features. These include: magnetic cards, ticket systems, smart-cards, radio-frequency cards and integrated technologies that use combinations of technology.<sup>1</sup>

7.3 The features of these individual solutions are discussed in further detail below. Summary table 7.1 showing the main features of the technologies is provided at Appendix 4.

### Cards and other devices

7.4 In terms of card-based technologies, the main types for consideration are magnetic stripe cards, commonly used in banking, and smart cards with embedded digital chips:

To date, the use of player cards is the most common vehicle for the introduction of these play information and management systems. Typically, EGMs in gaming environments are equipped with a card reader providing access to a central server. The swipe of the card in the card reader links the player to their personal information, which can be accessed through the EGM. The cards themselves can resemble (in form and function) credit cards with magnetic strips or other devices such as USB keys and scan-tags that function with near-field radio frequency technology. Player cards that function as access keys to the central server can enable the player to use a range of self-monitoring and control features such as limit setting and timeouts.<sup>2</sup>

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1 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

2 Responsible Gambling Council (Canada), *Insight 2009: Play information and management systems*, RGC, Canada, 2009, p. 4.

### ***Magnetic cards***

7.5 Evidence was presented to the committee about the use of cards with a magnetic strip (or mag-stripe cards) similar to those commonly used in banking and EFTPOS transactions, sometimes in conjunction with a PIN. The committee heard that some clubs already used magnetic cards in conjunction with loyalty schemes:

With new opportunities for 2012 the Victorian RSL network will be introducing a fully integrated loyalty system to our business which also has pre commitment functionality. It will include a members kiosk on entry, all point of sale registers and player interface on EGMS. This new system will fully integrate with our magnetic swipe membership card and will allow us to communicate, promote, track and monitor our members and their habits whilst in our Sub-Branches.<sup>3</sup>

7.6 The Victorian RSL detailed the advantages of a magnetic card for its members:

It provides a universal magnetic swipe card with personal identification number issued to every member

Has the capacity to limit or refuse access with the ability to track and monitor member activity and spend patterns

Allows self-regulation to become a practical reality rather than a theoretical ideology with one card across a wide area network which currently operates on limited functionality

In addition it allows members to feel a certain sense of self-responsibility when they enter our premises as information about them is recorded and kept on record.<sup>4</sup>

7.7 Mr Declan Martschinke, Maxgaming, gave evidence that magnetic cards are capable of supporting pre-commitment depending on the system and hardware used in conjunction with the card:

...it is all about how smart your system is rather than your interface. You can achieve exactly the same functionality by using a mag-stripe card. So, as long as you have a methodology within the wedge<sup>5</sup> itself to allow people to put details in and assign it to an account, you can use a magstripe card to do that.<sup>6</sup>

7.8 Associate Professor Paul Delfabbro, University of Adelaide, outlined some of the advantages of magnetic cards to support pre-commitment on EGMs, while also recognising the security risks attached with this technology:

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3 RSL Victoria, *Submission 103*, p. 5.

4 RSL Victoria, *Submission 103*, p. 5.

5 More detail on 'wedges' is provided below.

6 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 12.

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These cards have some advantages: they are cheap to make, can be easily replaced and can be issued with small cash values if players forget their own cards. Such cards are, however, less secure, can be easily damaged and can be swapped between players without [easy] detection. Several pre-commitment systems can be implemented using this technology.<sup>7</sup>

7.9 Regis Controls agreed these types of cards could be cheap, but pointed to some weaknesses with them:

...magnetic stripe card is vulnerable to misreads; the technology for reading and encoding data on a magnetic stripe card is cheap and easily obtained thus allowing for data to be easily copied and scanned for information allowing for fraud and ID theft. Also magnetic stripe cards are prone to wear and data corruption.<sup>8</sup>

7.10 Responsible Gaming Networks offered their view that magnetic cards are vulnerable to fraudulent use:

...the difficulty with simple magnetic stripe plastic cards is that players, and in particular problem gamblers, can share their cards and PIN numbers without risk. Previous independent research has been provided in this submission outlining this case. In addition simple magnetic cards can be easily skimmed or copied, as evidenced by recent bank card frauds. These types of cards are currently often used in gambling loyalty programs. Crown Casino uses simple magnetic stripe plastic cards for their Crown Club loyalty program<sup>9</sup>

### ***Smart Cards***

7.11 The committee was presented with an alternative to the magnetic strip card—the smart card. According to an article provided to the committee by the Gambling Impact Society (NSW):

A ‘smart card’ is any pocket-sized plastic card with embedded integrated circuits providing some limited memory and/or microprocessor capabilities when interacting with external card reading devices. They can be used for identification, authentication, data storage, and application processing. In gambling, these devices have been most commonly used as a Player Loyalty/Reward card and/or a debit card for cashless gambling. However, a few jurisdictions have used plastic cards and smart cards that enable gamblers to establish limits on their gambling behaviour.<sup>10</sup>

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7 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

8 Regis Controls, *Submission 29*, p. 31.

9 Responsible Gaming Networks, *Submission 39*, p. 15.

10 Gambling Impact Society (NSW), *Submission 36, Attachment A*, Dr Robert Williams, University of Lethbridge, Canada, *Pre-commitment as a strategy for minimizing gambling-related harm*, pp 2–3.

7.12 Smart card technology offers a range of functionality that could be applied to pre-commitment. Dr Jennifer Borrell a gambling researcher outlined these functions her submission to the committee:

Smart cards could do lots of things (including collect market intelligence) but they might usefully: (i) enable gamblers to pre-set limits (while acknowledging that if someone is already 'hooked' they may not be so effective); (ii) facilitate the effectiveness of self-exclusion (as patrons would not be able to venue-hop or slip past staff detection), (iii) identify patterns of problematic gambling to identify 'problem machines' and 'problem venues', (iv) identify patterns of problematic gambling in individuals to inform interventions (e.g. as implemented by Holland Casino).<sup>11</sup>

7.13 Regis Controls detailed the information storage capabilities of a smart card:

By programming the integrated microprocessor (chip) a reader can recognise and authenticate the authorised owner of the Smartcard using a PIN, fingerprint or other biometric means; the identity information is securely stored in the chip. Smartcards are universally used in government, defence and corporate systems where secure identification, physical access, secure data access and valuable information need to be protected.<sup>12</sup>

7.14 In addition to these features, the capability of smart card technology to store and update player's personal information, player activity and pre-commitment preferences without the need for communication with a central server or database was noted. Mr Ian Donald and Mr Elik Szewach from Regis Controls offered their views on this:

Senator BACK—The only thing that is in the machine is a reader. Everything is on the card and the card does not transfer any data to the reader?

Mr Donald—Correct.

Mr Szewach—Also, the card is keeping track of the limit. So, if the network breaks down—with most other systems the limit is lost—the card continues to read the limit regardless of whether the network is there. Therefore, it is a true limit.<sup>13</sup>

7.15 Mr Robert Chappell, Independent Gambling Authority, SA, gave evidence about the capability of smart cards to incorporate cashless gaming as a method of pre-commitment and their ability to lock players out of an EGM once they had reached their limit:

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11 Dr Jennifer Borrell, *Submission 109*, Attachment, p. 12.

12 Regis Controls, *Submission 29*, p. 6.

13 Senator Chris Back, Mr Ian Donald and Mr Elik Szewach, *Proof Committee Hansard*, 2 February 2011, p. 64.



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A card reader could be built to accept something like this and the money for gambling could be on it. The card itself could know at what point it should stop feeding money into the machine. I could tell the card not to let any more money off it for another 12 hours, 24 hours, a month or whatever, and it would all be locked in here. There is the equivalent of a 386 computer embedded on the chip.<sup>14</sup>

7.16 He went on to outline how cashless smartcard gambling would avoid the need to re-engineer the machine:

...it is possible to remotely disable the machine within, give or take, \$20 of what is on the meter through controlling the gaming machine's access to the player's cash...If the money is on the card or is on the account or is delivered to the gaming machine through some account-based or card-controlled mechanism, then it is possible to implement a mandatory stop to the machine when a person reaches their voluntarily set limits without engineering the rest of the gaming machine environment.<sup>15</sup>

7.17 Mr Ian Donald, Regis Controls, advised that many EGMs were already fitted with smart card readers:

By the way, we have said in our submission that about 50 per cent are already smart-card enabled. If industry is complaining about the cost then how come they have fitted 50 per cent of EGMs—poker machines—with smart-card readers?<sup>16</sup>

7.18 Mr Declan Martschinke, Maxgaming, explained some of the additional capabilities of the smart card they produce, for example how it could be linked to a player loyalty scheme via a monitoring operator system. This is a feature of the Simplay cashless card system currently operating in Queensland on a voluntary basis:

The play on the machine is then tracked and they will earn loyalty points for their play. They can then use different facilities to redeem those points, whether that is at a kiosk or through the retail side of the business through a point-of-sale interface. So we have the loyalty system, which you can extend to the cashless and precommitment systems.<sup>17</sup>

7.19 He described the system in more detail:

...the value on the card is stored in a central system back at our head office. The interaction with the machines is then done by the card. When you put the card in the machine it recognises that you have enrolled in the precommitment and the cashless system. It will draw down money to the machine to be played and when the person finishes their session they either

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14 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 24.

15 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, pp 23–24.

16 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 57.

17 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 3.

hit the collect button or they pull the card out of the machine. Whatever credits are on the machine will then go back to the account...<sup>18</sup>

7.20 Mr Martschinke went on to describe how the Simplay system is flexible enough so that funds from the card could be used on other purchases inside the venue, even when the EGM limit was reached:

The funds that are stored on that card are still accessible to the person. Although they cannot play the gaming machines with those funds, they can then go over to a cashier facility and withdraw the money from that card so that they can use it for something else.<sup>19</sup>

### ***Radio Frequency Identification Devices***

7.21 The committee was presented with another alternative, the radio frequency identification device (RFID) or tag. Unlike magnetic and smart cards which require insertion into a card reader, RFIDs are simply swiped or waved across a reader. Associate Professor Paul Delfabbro described RFID technology in his submission to the committee:

RF technology involves small radio transmitters in a tag, chip or card that send encrypted information to a reader next to the machine. These systems are versatile and have higher security (e.g., Maxetag).<sup>20</sup>

7.22 Global Gaming Industries (GGI) described their RFID pre-commitment device, Maxetag, which is currently being trialled on a voluntary basis in venues in South Australia. This tag is issued to the player by the venue and records a player's pre-set limits. It is encrypted with an ID specific to the player and this is then recorded in a central database with the player ID number as the reference. Player activity is logged and stored anonymously with no link to the player's actual identity.<sup>21</sup>

7.23 To activate, the device is simply swiped/waved over a player interface module (PIM) located at the machine. It draws information from the system against the player's ID number, including the player's pre-set limits.<sup>22</sup>

7.24 GGI outlined the communication process between the device and the system:

When a limit is set to the PIM, it will send a message to the central server identifying the TAG/CARD and the required limit. This limit will be stored in an encrypted form in the central database with a reference index using the TAG/CARD exclusive number.<sup>23</sup>

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18 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 4.

19 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 4.

20 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

21 Global Gaming Industries, *Submission 78*, pp 5–6.

22 Global Gaming Industries, *Submission 78*, pp 5–6.

23 Global Gaming Industries, *Submission 78*, p. 6.

7.25 Mr Scott MacDougall, GGI, went on to describe how the device allows for the setting of limits:

What happens is that as you tag on, or put your card into the device, it says, ‘Would you like to set a limit?’ You physically have to say yes or no, so you are making a conscious decision before you move forward and you push yes or no.<sup>24</sup>

7.26 The tag sends a warning to the player as they approach their limit, rather than stopping the machine when the limit is reached. Play can continue past the set limit:

So you set your limit, but it does not stop the machine or lock the machine when you reach your limit. It will give an audio warning and a visual warning, and every time you insert money after that it will keep warning you. It is like a seatbelt alarm. Eventually you put your seatbelt on, you would like to think, in this case.<sup>25</sup>

7.27 Mr Earle Rowan, GGI, described how their system is educational, rather than prohibitional:

This has led us to take a different approach altogether—that is, to step away from prohibitional systems, systems that actually control and limit people. The system we have on trial in South Australia at the moment is a system whereby an individual can set a limit at the gaming machine for that session of play. We describe it as an educational system. It is an attempt to educate people to gamble responsibly rather than to force them.<sup>26</sup>

### ***Universal Serial Bus (USB)***

7.28 Universal Serial Bus (USB) or a memory stick is a data storage device in common use with modern computers. Because of its high storage capacity a range of digital information can be kept on the device, including biometric data such as fingerprints.<sup>27</sup> It operates by inserting the USB into a port, that usually comes standard on computers and other electronic devices. Responsible Gaming Networks advised the committee USB devices have some advantages over other data storage options:

There is no central storage of a player's biometrics. They also have large enough memory to operate without the need for a central database of player gambling records, if so required. They also operate without the need to memorize yet another PIN number and they can read/write data 100 times faster than cards.<sup>28</sup>

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24 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

25 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 14.

26 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 12.

27 More information about biometrics is provided later in this chapter.

28 Responsible Gaming Networks, *Submission 39*, p. 16.

7.29 Responsible Gaming Networks outlined how a USB device could come with an in-built fingerprint scanner removing the need for a central database to store such data. The fingerprint would be stored on the device for later comparison with every subsequent use, preventing player identity fraud.<sup>29</sup>

7.30 The committee also heard that the USB standard which is ubiquitous across machines, would allow USB devices to be readily used across all forms of digital gaming without requiring the installation of a separate reading device or 'wedge' on the machine.<sup>30</sup>

7.31 Some witnesses outlined concerns over USB devices. Mr Ian Donald from Regis Controls expressed concerns regarding the cost of USB-based pre-commitment:

USB basically is overkill for purpose. It is a more expensive solution. You would only even consider it if you were going to go down the biometric route...<sup>31</sup>

7.32 He also suggested USB keys could be easily tampered with and biometric information stored within the device destroyed without detection:

It is very easy to overcome biometrics if you are a problem gambler, particularly if it is a USB. All you need is a screwdriver or a penknife and you can destroy the biometric. It is not impossible to do it with a smart card, but you can generally see if it has been tampered with and you can charge people accordingly.<sup>32</sup>

7.33 This would be less likely to occur with a smart card, according to Mr Donald:

...it is more evident on a smart card. You can give it to someone in the industry and they can tell that it has been tampered with. There are tamperproof smart cards. It is much harder with a USB. Also, you cannot put a photo on that.<sup>33</sup>

### **'Wedges'**

7.34 The committee heard that forms of pre-commitment that relied on hardware to read devices could require the installation of a 'wedge' or device onto EGM machines. The term 'wedge' is jargon used by some in the gaming industry to describe hardware that is installed on a machine post supply, for example in order to enable card-based pre-commitment. A range of other words were also used to describe the hardware modifications that could be required on pre-existing machines including Player

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29 Responsible Gaming Networks, *Submission 39*, p. 14, 21.

30 Responsible Gaming Networks, *Submission 39*, p. 16.

31 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, pp 54–55.

32 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 56.

33 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 65.

Interface Module (PIM), Player Tracking Module (PTM) and card reader. Mr Justin Brown, General Manager, Aristocrat, described wedges to the committee:

With Simplay and one of the Queensland examples, the ‘wedge’ refers to putting the hardware in the machine to take a card reader or attaching it to the machine. As to the cost effectiveness of that, we are certainly not privy to the entire business model, but we have observed the Simplay system and the other techniques that are there. The underlying requirement there is a system venue—infrastructure in the system, cabling, databases and member sign up.<sup>34</sup>

### ***EGM modification?***

7.35 Some witnesses suggested that a significant proportion of EGMs would need modification. Mr Ross Ferrar CEO of Gaming Technologies Association estimated some 25 per cent of current machines would require hardware upgrades, and warned this process could be complex. For example, he noted:

Any postsupply physical or electrical change to any gaming machine may void electrical safety and related compliance, could compromise operational integrity and should be retested and recertified.<sup>35</sup>

7.36 He added that the cost of complete software and hardware upgrades, retrofits and replacement of machines that could not be upgraded, could exceed \$1.55 billion.<sup>36</sup>

7.37 Not everyone agreed that upgrading of machines would be onerous or difficult. Mr Robert Chappell, Independent Gambling Authority, SA, suggested that it could be relatively straightforward:

I noted in Mr Ferrar’s submission on behalf of the Gaming Technologies Association that he thought that some machines in Australia could be adapted while others would have to be replaced; but even in South Australia, where we have the oldest fleet of gaming machines in the country, they all have a coin acceptor, and those boxes could all be replaced by something that accepted a card or was connected to some sort of account-based system.<sup>37</sup>

7.38 He added while it was technically possible to do the real challenge was coordination and an agreed set of standards:

What it requires is coordination. That has come out in many of the submissions before the committee in this inquiry. It requires coordination, it

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34 Mr Justin Brown, *Committee Hansard*, 4 February 2011, p. 17.

35 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 29.

36 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 29.

37 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 24.

requires agreement and, at a minimum, it requires an agreed set of standards as to the way it is going to be done.<sup>38</sup>

7.39 He further argued that any hardware upgrades would be subject to an open tender process and the selected tenderer could be expected to achieve some economies of scale, if as would be likely multiple terminals were upgraded at once:

But the question was posed, ‘Let’s not say you are doing a venue at a time but you are actually getting the contract to do 13,000 terminals at once, would you achieve some significant economies of scale and would you be able to reduce the cost?’ Two people, who were at the time advocating the adoption of some sort of smartcard solution in this state, were prepared to say that a number of around \$800 a terminal was a fair number.<sup>39</sup>

7.40 The costs of particular technologies are discussed in further detail later in this chapter.

## **Identification issues**

### ***Biometrics***

7.41 Biometrics is the electronic scanning and storage of highly personalised data, such as fingerprints or retina scans. It has been suggested that a full mandatory pre-commitment system would require the use of biometrics, in order to safeguard against fraud.<sup>40</sup> Fingerprints were the only biometric identifier raised with the committee.

7.42 The Independent Gambling Authority, SA, described biometric technology in its report into smartcard technology in 2005:

Biometric technology makes use of people’s biological individuality to systematically distinguish between people and positively identify them. A core component of biometric functionality is the digitising of biological features, such as a fingerprint or the way a face is arranged. A piece of hardware “reads” the biological feature producing a digital record which can then be compared with similar digital records to determine a level of match.<sup>41</sup>

7.43 Responsible Gaming Networks quoted from Dr Robert Williams of the University of Lethbridge in Canada as stating that the use of biometrics was needed to ensure devices were not swapped or stolen by players wishing to gamble beyond their set limit:

A biometric identification system is needed. Some sort of identification system is needed so that all versions of the gambling format(s) within the

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38 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 25.

39 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 36.

40 See for example, the submission by Responsible Gaming Networks *Submission 39*, p. 3.

41 Independent Gambling Authority, *Submission 33*, Attachment 1, p. 10.

jurisdiction recognize the individual and his/her preset limits. It is also important that this identity system be biometric, otherwise some people (particularly problem gamblers) will endeavour to use other identities/cards when their own limits have been met. Smart cards with PINs are an improvement over regular cards, but still do not prevent card swapping, borrowing, or selling. Unless the card is used for other important purposes, then some gamblers (or potentially venue staff) will give away or loan their PIN smart card to other players. A biometric system is also the best protection against underage gambling.<sup>42</sup>

7.44 Relationships Australia recommended the use of biometrics in pre-commitment:

Recommendation 3

We recommend that biometrics of some type (for example facial recognition, fingerprinting or iris image) be recorded at the time of registration and that biometric readers be installed at each EGM in order that accurate tracking can occur of each person's gambling activities and to ensure that those who have reached their limit do not use others' cards or devices to continue betting. Proper registration would also reduce the numbers of minors gambling.<sup>43</sup>

7.45 Others expressed doubts over biometrics. Mr Ian Donald, Regis Controls, presented evidence that installation of biometric readers at all EGMs would be expensive and ultimately ineffective:

For a number of reasons, about 12 per cent of the population do not have a fingerprint. They are too old or they have been engaged in manual work and it may have worn off. There is no wall on the end of their thumb. Biometrics are going to be a much more expensive solution. This is mainly because, if you have to maintain 197,000 biometric readers—which are complex pieces of equipment...it is going to be extraordinarily expensive. You are looking at something like five times the cost for biometrics. The only real advantage is that it would minimise—but not eliminate—card sharing...It does not eliminate card sharing. I can log on using my thumbprint and allow someone else to play and collect my winnings. So it does not eliminate it. It is an awfully expensive and very risk-challenging situation. I would say, based on my experience over the last 30 years, that there is more than a 60 per cent chance that a biometric scheme would fail in this environment.<sup>44</sup>

7.46 Mr Donald considered the possibility of integrating biometric recognition into smartcard technology if it was decided that biometrics were required:

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42 Responsible Gaming Networks, *Submission 39*, Attachment 1, p. 10.

43 Relationships Australia, *Submission 72*, p. 3.

44 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 55.

...if you do want a biometric solution you can do that using a smart card. There are smart cards that have been around for 15 years that read your thumbprint as you hold it. The card chip has my thumbprint stored on it. If this thumbprint is the same thumbprint it tells the machine that it is okay to play. You do not need to put readers on every one of the 197,000 machines; it is on the card. It is a much cheaper solution but you will still get a high failure rate because people will hold it incorrectly.<sup>45</sup>

7.47 The Productivity Commission presented its view that although identification was the key to a successful pre-commitment system, this could be achieved without the use of biometrics:

Mr FRYDENBERG—We have heard a lot about privacy concerns with a mandatory precommitment system, particularly that in order to be effective you will need some form of biometric identifier. We have heard about black markets in cards from international experience and that being one of the unintended consequences were it to operate here. You would need to have some form of biometric identifier, and that may be through a smart card or a USB or another form...

Dr Lattimore—First of all, it does not need to be biometric. The issue is identification, and biometric would usually relate to things like fingerprints or eyes and so on. It merely has to be a robust approach to identifying people. Of course, we use those approaches in a range of official areas; passports or to have a post office box. Even if you want to get a mobile phone these days you have to demonstrate who you are. So it does not have to be biometric in approach.<sup>46</sup>

### *Committee view*

7.48 The committee explicitly rejects the use of biometrics for identity purposes. It agrees with the Productivity Commission and others that the identification requirements needed to prevent player fraud can be accommodated with less intrusive technologies. The identification system must record basic information only, such as name and address. The committee does not accept that a range of personal data need be stored in a national database; but acknowledges that some basic data will need to be kept (perhaps jurisdictionally) for verification purposes.

### **Recommendation 32**

**7.49 The committee recommends that a detailed solution for registration, identification and privacy be referred to the national regulatory authority for progressing.**

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45 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 56.

46 Mr Josh Frydenberg MP and Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 48.



## Networked, device-based and machine-based systems compared

7.50 The advantages and disadvantages of network-based, device-based and machine-based systems were discussed with the committee.

### *Device-based systems*

7.51 Dr Charles Livingstone and Dr Richard Woolley described the advantages and disadvantages of networked and non-networked systems to the committee. A non-networked device-based solution was first outlined:

This solution would be based on a user-carried device with sufficient memory to record player activity, recognise time intervals, and require periodic re-validation for continued operation. It would also have a unique identifier and the capacity to interface with an internet server for re-validation purposes.<sup>47</sup>

7.52 They noted that all current EGMs would be capable of being retrofitted with player tracking modules (or readers).<sup>48</sup> A device-based solution would include the following, amongst others:

Able to store player pre-commitment data on user-carried device (e.g., smart-card, USB drive)

Able to store player use data on user-carried device

Capacity to require monthly 're-validation' for:

- a) Compulsory viewing of player activity statement (using data carried by the device); and
- b) Check to ensure device not reported 'lost' or self-excluded
- c) note – irregular users need only re-validate prior to session, but device deactivated if not re-validated monthly or in advance of session.

Device to be issued subject to high integrity identity check (100 points)

Default parameters on device; may be modified by user via internet or venue based validation kiosk at periodic intervals (for increased limits) or at any time (for decreased limits)

Device capable of being de-activated for a specified period of self-exclusion (including via use of a 'panic button' integrated into player tracking modules, via validation kiosks, or the internet.

Capacity to record request for self-exclusion and refuse issue of device.<sup>49</sup>

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47 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 9.

48 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 9.

49 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 9.

7.53 Dr Livingstone and Dr Woolley further explained that personal data stored on a card or USB device would not need to be stored centrally or networked; the only centrally stored data would record the issuing of the device:

This stage of the system would require player pre-commitment and activity data to be stored on a user carried device such as a USB or smart card, but would not require user data to be stored centrally. What would be stored centrally would be data about the issuing of devices – i.e., that individual X had been issued with a device numbered Y with parameter settings Z, that that device had not been reported lost, and that individual X had not requested self-exclusion.<sup>50</sup>

7.54 In order to prevent fraud, the device would require periodic re-validation:

The device would require periodic re-validation, preferably monthly, at which time a player statement would be generated (using data stored on the device)...Re-validation would be refused if the device had been reported lost or if the individual had requested self-exclusion.<sup>51</sup>

7.55 It was also explained that a device could be supplied with default limits, which the user could decrease at will:

Devices would be supplied with default limits set at modest expenditure levels. Users could decrease limits at any time.<sup>52</sup>

7.56 Any changes the player wanted to make to their limits could be done via the internet or at kiosks:

This would be an internet based system accessible via users' personal computers in the privacy of their home or at kiosks located at venues.<sup>53</sup>

### ***Networked systems***

7.57 A second option, the networked solution (sometimes referred to as system-based) was also explained to the committee by Dr Livingstone and Dr Woolley:

This solution would expand the capability of the system described above by networking player tracking modules.<sup>54</sup>

Increased functions would include:

1. Support real-time collection of player data
2. Capacity to monitor use and provide real-time warnings of potentially problematic patterns of use.

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50 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 9.

51 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, pp 9–10.

52 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 10.

53 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 10.

54 These modules are essentially the readers or player interface modules that would need to be installed on the machines.

3. Exclude use of ‘lost’ or stolen devices in real time.

4. Monitor user limits, and the extent to which users achieve limits.<sup>55</sup>

7.58 A networked solution would allow for real time data collection, and would only require a magnetic stripe card capability. But there would also be disadvantages, as they explained:

Thus the principal advantage of a networked solution would be real time data collection and all associated benefits of this, including capability for player tracking software to be utilised. A fully networked solution could also operate without the need for smart devices, relying instead on a less sophisticated access card (e.g., a mag-stripe card only). However central data storage would be required in this case with associated privacy concerns arising.<sup>56</sup>

7.59 Dr Livingstone further elaborated in his evidence to the committee:

...some industry sources have suggested that the cost of introducing a successful precommitment system would be exorbitant because it would require networking of all available machines, leading to the need to withdraw half of the available stock of machines from the market and replace them and so forth at substantial expense. In fact this is not correct.<sup>57</sup>

#### *Jurisdictional or national network?*

7.60 The committee heard differing views on whether a network should be jurisdictionally based or national. Barriers to a nationally networked solution were highlighted to the committee. These include different technical standards operating across jurisdictions<sup>58</sup> and many different communication protocols to enable monitoring.<sup>59</sup> One estimate the committee received was that there were nine different communication protocols currently in use across jurisdictions.<sup>60</sup> The Productivity Commission reported six protocols, differing in age and complexity.<sup>61</sup>

7.61 Ms Louise Sylvan, Productivity Commission, noted:

One of the concerns at the moment is that the standards are quite variable across the states and territories. Our use of the term ‘adaptive technology’

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55 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 10.

56 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 10.

57 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 31.

58 More details on technical standards is provided later in this chapter.

59 Monitoring is undertaken to determine how much taxation is to be levied.

60 Mr Des Crowe, Australian Hotels Association, *Proof Committee Hansard*, 15 February 2011, p. 3. Also see Clubs Australia, *Submission 47*, p. 18.

61 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 19.14.

means you have a base set of standards, but the implementation of that in different jurisdictions could in fact be different.<sup>62</sup>

7.62 A national network could circumvent issues around players moving across borders in order to avoid their limits, according to Mr Mathew Rowell, Relationships Australia:

If it were not nationally networked and it was just jurisdiction by jurisdiction, naturally you would not have the national lens through which to look at the patterns and behaviours that accompany activities on gaming machines, but you also leave yourself open to stuff about being able to cross borders—the complexity of having to sign yourself up in another state, for example.<sup>63</sup>

7.63 Relationships Australia (SA), agreed that moving to a national network could address cross-border issues:

...there are numerous examples of towns/cities edging state borders where a gambler would have minimal difficulty crossing the border to gamble once selected limits have been reached. This may provide a basis for extending the reach of networked machines to nationwide over time.<sup>64</sup>

7.64 Others were not convinced of the need for a national network, as the following exchange shows:

Ms Law—Some of the borders, I guess, will be a problem, but I think it would mostly be a small area of Queensland and New South Wales and perhaps a small area of New South Wales and Victoria. We are not talking about the whole of the country.

Senator BILYK—You do not think there needs to be a national—

Ms Law—Not in terms of the border issue. If we want to, we could look into a national computer system or we could make it a state based computer system.<sup>65</sup>

7.65 The Productivity Commission argued that if a standard technology upon which jurisdictions could then build their individual pre-commitment systems were adopted, this would be the most cost effective approach:

The technology should be standard across Australia. That benefits industry. It is the most cost effective way to do it. Once you introduce this new technology, individual jurisdictions can implement different measures.<sup>66</sup>

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62 Ms Louise Sylvan, *Proof Committee Hansard*, 15 February 2011, p. 45.

63 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 17.

64 Relationships Australia, SA, *Submission 67*, p. 2.

65 Ms Margie Law, Anglicare Tasmania, Senator Catryna Bilyk, *Proof Committee Hansard*, 18 February 2011, p. 8.

66 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 45.

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### *Wide-area Networks and border areas*

7.66 As noted, a jurisdictionally-based network system could cause problems around border areas. Mr Tony Toohey, eBet, suggested an alternative solution to this potential problem—a wide area network:

We can and do run wide area networks. Currently if there is a club group in New South Wales that may have three or four clubs in their group, geographically apart, we would run a wide area network between those, where it is one central membership database...you might take an LGA, local government area, approach. It is very easy to link those venues.<sup>67</sup>

### *Monitoring Operator Networks*

7.67 Mr Declan Martschinke, Maxgaming, outlined the possibility of linking venues to a pre-commitment system via the current monitoring operator networks that have been already established. A monitoring operator collects data, usually for the purposes of taxation. By linking the system into the monitoring operator network, it is argued that the process of establishing pre-commitment could be simplified:

Because they are already connected to the machines, they can send messages, they can disable machines and they can do all sorts of things...what you have got is the ability for the monitoring system to at a central point capture all that information and then report back on things like how many people hit their limit, how much the limits were set at and all those sorts of things rather than have a machine-gun approach where you have so many different operators operating their systems.<sup>68</sup>

7.68 The Productivity Commission outlined the possibility of a third party holding data on player's gaming sessions, a role that is currently performed by licensed monitoring operators:

Currently there is monitoring undertaken by private companies like Odyssey Gaming and Maxgaming. They would be quite acceptable parties to hold data, and the main reason they would hold data is if you lost your device it would effectively be listed on the database. But it would not be something that would be open to private parties to use for any purpose. It would be a bit like a bank system which holds a record of your account; I cannot go and look up your account and nor could government.<sup>69</sup>

### *Machine-based solutions*

7.69 A third option is a machine-based solution, whereby individual EGM machines in a venue perform the main pre-commitment functions such as retaining information on player limits. Mr Justin Brown, Aristocrat, outlined the key differences

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67 Mr Tony Toohey, *Committee Hansard*, 14 February 2011, p. 47.

68 Mr Declan Martschinke, *Proof Committee Hansard* 3 February 2011, p. 7.

69 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 48.

between machine-based pre-commitment and other systems (device or network/system):

A system based solution is generally limited to a venue. It involves a card that is connected to a localised database of members. You need to be a signed up member and use your card in the machine. That is what we refer to as a system based solution. 'EGM based' means that every player, on every machine, has the option to set a time limit and a loss limit on the screen. It is not card based; it is not for card users only; it is software in the machine. You might be familiar with PID<sup>70</sup> screens in some markets which bring up an information display. It would be an alternative information display that the player could activate and set.<sup>71</sup>

7.70 Mr Brown also discussed with the committee the software options for machine-based pre-commitment, as being an alternative to replacing all current machines:

...the solution we are talking about would be applicable in most machines in a software-only change, so the new machine would not have to be purchased by the venue. Software-only is a game change—converting the game. The new software would have the EGM opt-in solution built into it, and the pricing for that change, taking into account market fluctuations, is around \$3,000 as a baseline for the product. So a range of the machines out there would be what we would term technically obsolete and would need to be replaced, but the majority of the machines—and this is subject to a technical order—would be capable of being upgraded via software, not an entire machine purchase.<sup>72</sup>

7.71 Mr Trevor Croker, Managing Director, Aristocrat, argued a machine-based system could lower costs particularly for smaller venues:

In our view, an appropriately designed machine based solution is the most workable in assisting problem gamblers with preserving individual privacy and choice. It could also be available on each machine regardless of whether an individual player was a member of a venue based card program or irrespective of any loyalty based hardware or software that may be used in the venue. Such an approach minimises infrastructure costs for many smaller venues that might otherwise be required to install significant networks—for example, to support card based precommitment systems.<sup>73</sup>

7.72 The committee viewed a demonstration of a prototype machine being developed by Aristocrat during a site visit at Aristocrat in North Ryde NSW. It is designed to come standard with a selected range of safe gambling features:

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70 Player Information Displays.

71 Mr Justin Brown, *Committee Hansard*, 4 February 2011, p. 16.

72 Mr Justin Brown, *Committee Hansard*, 4 February 2011, p. 8.

73 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 2.

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Aristocrat has already been working on a prototype of such a machine incorporating a player alarm clock that enables the setting of a time control, and a bank meter which allows a play to bank wins instead of accruing them in playable credits. This product will be entering a field trial in Queensland in the first half of 2011.<sup>74</sup>

7.73 One emerging machine-based technology which utilises remote sensing was described to the committee. Scientific and Technology Innovations put forward their proposal for a stand-alone sensing device placed near an EGM. This device is still in development phase and so is not currently available. They described how their device could be programmed to remotely sense harmful types play and send a warning signal to players, deterring them from continuing harmful play.<sup>75</sup>

## Other issues

### *Communication protocols*

7.74 As noted earlier, many different communication protocols currently exist across jurisdictions. Communication protocols govern the type of communication that occurs between the EGM and the monitoring authority. This allows for the monitoring authority to collect information such as expenditure, in order to determine the amount of tax to be levied.

7.75 Mr Earle Rowan, Global Gaming Industries, (GGI) explained the communication differences do present problems for the industry:

The main technical problem that any system faces is that there is no standardisation between states of systems. Every single state has a different system for operating, which poses an enormous problem in trying to control a gaming machine...<sup>76</sup>

7.76 Some protocols only allow for one-way communication, others allow for two-way communication. GGI outlined these:

- South Australia VLC - one way communication from machine to site controller (one port)
- NSW -ACT 'X' protocol – direct communication with each machine (multiple ports)
- NT, TAS, QLD, NZ – QCOM – bi-directional communications via the site controller. (One port)
- VIC - VLC – one way communication from machine to site controller (one port)

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74 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 2.

75 Scientific and Technology Innovations, *Submission 4*, p. 4.

76 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 11.

(This is applicable only to Hotels and Clubs. Casinos use different communications standards). One port means that each Gaming Machine has only one communications port installed and it is dedicated to a single purpose, usually government monitoring.<sup>77</sup>

7.77 The NSW Government explained how monitoring currently operates in NSW:

All authorised gaming machines in NSW hotels and clubs are connected to a Centralised Monitoring System (CMS) for the purposes of calculating gaming machine duty payable by venues. Currently, the CMS cannot accommodate two-way communications with gaming machines in hotels or clubs...<sup>78</sup>

7.78 The Tasmanian government provided information to the committee on the communication protocols operating in its jurisdiction and the purpose of monitoring:

The Liquor and Gaming Branch collects, on a regular monthly basis, gaming machine turnover and expenditure information for gaming conducted at Hotels, Clubs and Casinos. This information, which can be collected at machine level is used by the Branch to verify the amount of tax payable by the Gaming and Casino Operators...The Gaming Operator utilises the Sentinel system which operates under the QCOM communications protocol to monitor and control gaming machines operating in Tasmanian Hotels and Clubs. The Casino operators utilise the Dacom system which operates under the Aristocrat Serial Protocol (ASP) for machines operating in Tasmanian casinos.<sup>79</sup>

7.79 Mr Declan Martschinke, Maxgaming, outlined the QCOM system which operates outside NSW:

In every jurisdiction there is a connection to the machine, so the differences come about through the way the machines interact with that system. In the QCOM protocol, which is used everywhere except in New South Wales, there is control over the machine whereby the machine is disabled unless it is talking to the system. In New South Wales the machines just play and then they send back information.<sup>80</sup>

7.80 Dr Ralph Lattimore, Productivity Commission, agreed there were issues arising from the different communication protocols used throughout jurisdictions:

The different jurisdictions have different capabilities. You have probably heard about the QCOM system in Queensland and so on. But some systems,

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77 Global Gaming Industries, *Submission 78*, p. 2.

78 NSW Government, *Submission 110*, p. 7.

79 Tasmanian Gaming Commission, *Additional Information Received 5*, 24 February 2011, p. 2.

80 Mr Declan Martschinke, *Proof Committee Transcript*, 3 February 2011, p. 6.



such as that in New South Wales, are far less flexible because of their capacity for communicating backwards and forwards with the machines.<sup>81</sup>

7.81 He added:

It comes back to the point that we have been emphasising from the start, that it is critical to get a national approach to standards and systems that relate to gaming machines. So one of the first steps would be in relation to the monitoring systems and the protocols that are used for communicating between the machine and back to the monitoring systems.<sup>82</sup>

7.82 The issue of the current national standards and how they cause problems for industry is discussed below.

### *National technical standards*

7.83 The Australian/New Zealand Gaming Machine National Standard (the Standard) was introduced in 1998. The Standard's stated purpose is to 'set out the core requirements, common to all jurisdictions, for the design of gaming machines and games for operation throughout Australia and New Zealand and to guide testers in their testing for compliance with the Standard'.<sup>83</sup>

7.84 The Standard is prepared and updated by a National Standard Working Party drawn from the Australian and New Zealand gaming regulators and covers only technical issues. The Standard is not legislation and has not been enacted as such in any jurisdiction. Machines that do not meet the standard are not considered for approval.

7.85 The states and territories decide to what extent they adopt the core Standard and can specify amended or additional standards for their jurisdiction. Individual jurisdictional requirements are detailed in an Appendix to the core Standard. Where there is a conflict between any of the states or territories' requirements and the Standard, the jurisdictions' requirements have precedence:

It is the prerogative of each jurisdiction on the extent to which this document is adopted. Whilst it is intended for there to be no conflict between the "core" requirements and individual jurisdictional requirement, in the event of a conflict the local requirement for that jurisdiction overrides the Standard.<sup>84</sup>

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81 Dr Ralph Lattimore, *Proof Committee Transcript*, 15 February 2011, p. 56.

82 Dr Ralph Lattimore, *Proof Committee Transcript*, 15 February 2011, p. 56.

83 *Australian/New Zealand Gaming Machine National Standard Revision 10.1*, 5 February 2010, p. 10, 1.1.2, [http://www.nt.gov.au/justice/licenreg/documents/gaming/gmns10\\_1.pdf](http://www.nt.gov.au/justice/licenreg/documents/gaming/gmns10_1.pdf), (accessed 9 March 2011).

84 *Australian/New Zealand Gaming Machine National Standard Revision 10.1*, 5 February 2010, p. 10, 1.1.4, [http://www.nt.gov.au/justice/licenreg/documents/gaming/gmns10\\_1.pdf](http://www.nt.gov.au/justice/licenreg/documents/gaming/gmns10_1.pdf) (accessed 9 March 2011).

7.86 Mr Robert Chappell, Independent Gambling Authority, SA, explained it further:

The Australia/New Zealand Gaming Machine National Standard is a document which translates the legal requirements in eight separate jurisdictions into a common form of words so that the industry sector can understand what it needs to do to comply in those jurisdictions. It is not a source of law; it has no legal status in the sense of being the authoritative source of what is legal or what is licensable. It is a cipher for the way the regulators apply the different statutory and regulatory obligations in various places. It is by its nature a document that responds to regulation and, if precommitment were mandated, I imagine the people who write it would very quickly introduce a chapter about how it works. But it is not itself a document that is capable of being amended to bring about any change to licensing.<sup>85</sup>

7.87 A number of witnesses commented on the shortcomings in the current arrangements around the Standard. Mr Scott MacDougall, Global Gaming Industries, outlined the fact that it is not truly national:

Industry has a national standard. We have been trying to implement a national standard but every state has different amendments.<sup>86</sup>

7.88 Mr Ross Ferrar, Gaming Technologies Association, outlined the issues for the gaming industry arising from the current Standard:

...there is a national standard which regulators assess gaming machines against. But each jurisdiction has an appendix, and in some cases, more than one appendix. The national standard document itself is just over 100 pages and there are a thousand pages of appendices. That gives you some sort of understanding of what you are dealing with.<sup>87</sup>

7.89 The existence of multiple standards across jurisdictions leads to multiple approval processes. Mr Ferrar suggested that:

A uniform national standard would be helpful in addressing the duplication of approval processes.<sup>88</sup>

7.90 The Productivity Commission also commented on the national standards in its 2010 gambling report:

...despite their name, gaming machine national standards are not really national standards, and the processes for their development and alteration are cumbersome and unnecessarily costly to industry...There is insufficient guidance given to gaming machine manufacturers about whether or not

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85 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 30.

86 Mr Scott MacDougall, *Committee Hansard*, 14 February 2011, p. 24.

87 Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 31.

88 Gaming Technologies Association, *Submission 44*, p. 3.

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particular gaming machine features are likely to obtain regulatory approval. While complete certainty is unattainable, greater clarity of the expectations of jurisdictions would reduce costs for manufacturers and venues.<sup>89</sup>

7.91 The Commission went on to recommend that:

Governments should reform gaming machine national standards by requiring consistency, unless the costs of variations can be justified by likely consumer benefits. Variations should be based on legitimate harm minimisation criteria and should take into account the costs that such differences impose on other jurisdictions, manufacturers and venues. Governments should jointly investigate the scope to rationalise current arrangements for accreditation and testing of gaming machines, to remove any unnecessary duplication of effort and cost.<sup>90</sup>

7.92 Further, the Productivity Commission spoke of the longer-term cost savings in introducing a technology which eventually would allow for remote adjustments to EGMs from a central location. This would provide 'both beneficial commercial aspects and beneficial harm minimisation aspects'.<sup>91</sup>

### *Committee view*

7.93 The committee agrees with the view that the current national standard is national in name only, is less than optimal and will require greater consistency in order to deliver greater benefits and certainty to industry. The committee is also concerned that the current standard does not adequately reflect consumer safety and harm minimisation principles. The committee agrees that a truly national standard would facilitate the transition to full pre-commitment.

7.94 However, it is also concerned that reaching technical uniformity should not delay the implementation of full pre-commitment. Recognising that timely adoption of harmonised technologies is unlikely to be achieved in the timeframe required, the committee recommends a phased approach be adopted. In the first phase states and territories continue to utilise their current protocols to implement mandatory pre-commitment features by 2014. In the second phase they move towards harmonisation of technologies. The third phase would see full implementation of uniform national technical standards. This phased approach would allow for early action to address problem gambling, while allowing the longer timeframe for technical challenges to be addressed.

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89 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, pp 17.30–17.32.

90 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, Recommendation 17.5, pp 63–64.

91 Dr Ralph Lattimore, *Proof Committee Hansard*, 25 March 2011, p. 24.

### **Recommendation 33**

**7.95** The committee recommends a phased approach to achieving harmonised national standards. In the first stage, mandatory pre-commitment in all jurisdictions for players of high intensity machines is introduced by 2014. Jurisdictions may elect to use differing technological solutions to meet the national pre-commitment features.

### **Recommendation 34**

**7.96** The committee recommends that in phase two the national regulatory authority develop a timetable to move toward harmonisation of the Australia/New Zealand Gaming Machine National Standard, and adopt an agreed national standard reflecting consumer safety and harm minimisation principles.

### **Recommendation 35**

**7.97** The committee recommends that phase three would see full implementation of uniform national technical standards.

### **Cost of individual technologies**

7.98 The suggested cost of implementing mandatory pre-commitment technologies varied greatly depending on the solution and the nature of the interest group offering the advice. The top of the credible range is about \$3 billion<sup>92</sup> which is a little over half the sum lost by problem gamblers in a 12 month period.<sup>93</sup>

7.99 The committee also notes the view previously forwarded by the Independent Gambling Authority, SA, that the costs could be lower if an appropriate tendering process is applied.<sup>94</sup>

7.100 Mr Declan Martschinke, Maxgaming, outlined that costs may be borne by venues over time. For instance the cost of the Simplay system (card-based) incorporates a daily fee paid by the venue to the system suppliers who retain ownership of all components of the system including hardware and software.<sup>95</sup>

As an all-up fee, currently we charge venues for the hardware and the software to run cashless gaming and precommitment. It is around \$1.50 a day, which includes loyalty, cashless, precommitment, hardware,

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92 The estimate range was between \$2.5 billion and \$4 billion. Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 25.

93 The Productivity Commission reported that \$11.9 billion was lost on EGMs in 2008–09. They estimate that around forty per cent of losses (ie, \$4.8 billion) are generated by problem gamblers. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.1 and p. 5.33.

94 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 36.

95 Maxgaming, *Submission 19*, p. 6.

maintenance of the hardware—everything that they need to do...If it was a state-wide system and every venue needed to have online connectivity, there may be an additional charge of somewhere between \$5 and \$7 a day for the whole venue to have that online connectivity.<sup>96</sup>

7.101 In a supplementary submission provided to the committee Maxgaming indicated that the cost to implement a system such as Simplay would differ across jurisdictions:

If Simplay was to be supplied to other jurisdictions the price would obviously need to be reviewed to reflect the unique functional, technical and regulatory requirements within each jurisdiction, the changes required to existing Simplay functionality and the broader commercial contract/supply terms in that jurisdiction.<sup>97</sup>

7.102 Mr Robert Chappell, Independent Gambling Authority, SA, outlined their estimates of the costs of establishing card-based gaming readers on individual EGM terminals in SA:

The smartcard inquiry's report, which is annexed to the submission, talks about numbers in the region of \$1,400 to \$1,500.<sup>98</sup>

7.103 This cost per machine could be lower if more machines were upgraded. According to discussions the IGA had with Mr Hearne from Maxetag during the Smartcard inquiry this could be as low as \$800 per machine.<sup>99</sup>

7.104 Mr Justin Brown, Aristocrat, outlined the estimated cost associated with in-machine software to enable machine-based pre-commitment:

The \$25,000 figure Trevor noted represented a new machine... The price for the in-machine solution software change is down in the \$3,000, \$4000, \$5,000 range...<sup>100</sup>

7.105 Mr Ian Donald, Regis Controls, provided information about the estimated cost for an individual smartcard, which could vary depending on functionality:

CHAIR—What would be the cost to a not-for-profit organisation issuing them? What would be the cost of the card?

Mr Donald—The cost of the card would be anywhere between \$1 and \$5 generally. It would depend whether you wanted biometrics or not. That adds to the cost.

CHAIR—But a card with a chip would be between \$1 and \$5?

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96 Mr Declan Martschinke, *Proof Committee Hansard*, 3 February 2011, p. 5.

97 Maxgaming, *Supplementary Submission*, p. 1.

98 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 36.

99 Independent Gambling Authority Tabled Document, *Additional Information Received* p. 62.

100 Mr Justin Brown, *Committee Hansard*, 4 February 2011, p. 8.

Mr Donald—It starts \$1 and goes up to \$5.<sup>101</sup>

7.106 He added that a card reader device could cost as little as \$5.<sup>102</sup>

7.107 The individual device in development by Scientific and Technology Innovation was estimated to cost around \$600.<sup>103</sup>

7.108 The Productivity Commission discussed the costs of implementing pre-commitment technology on pre-existing machines and proposed a staged roll-out could achieve some cost savings:

At the extreme, if you change the whole system overnight or in a very short period of time you would have to replace all of the machines, even some that were six months old et cetera, and the cost would be very high. A staged introduction means that, as Robert said, the normal replacement cycle would greatly reduce the costs of that.<sup>104</sup>

7.109 Many in the industry, including Clubs Australia, expressed concerns regarding the total cost of implementing a national pre-commitment system across Australia. They estimate this could reach \$2.5 billion.<sup>105</sup> The committee is cognisant of industry concerns over the cost of implementing a full pre-commitment scheme and this issue is further explored in chapter nine.

## **Conclusion**

7.110 The committee notes there are a range of technical solutions for implementing full pre-commitment. The particular features, advantages and disadvantages of each of these vary considerably, as does the cost. The committee is not comprised of technical experts and does not propose to recommend the adoption of a particular technological solution, device or system. We are technology neutral. It is possible that jurisdictions will elect to adopt different technologies, or a mix of technologies. The committee is not opposed to this, provided these meet the national pre-commitment features that this committee is recommending.

7.111 The committee agrees that there are a number of technical challenges that need addressing. Of these the committee considers the national standards are of paramount importance. These standards remain less than optimal for the purposes of pre-commitment and do not adequately reflect principles around consumer safety and minimising harms. A common set of technical standards would be preferable but is not essential for the introduction of pre-commitment. Nevertheless, work should be

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101 Mr Andrew Wilkie MP and Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 60.

102 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 58. This figure was also quoted in Regis Controls, *Submission 29*, p. 18.

103 Scientific and Technology Innovation, *Submission 4*, p. 7.

104 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 58.

105 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 53.

undertaken on harmonising the standards and ensuring they better reflect such consumer safety and harm minimisation principles. However, implementation of pre-commitment need not be delayed while this work is undertaken.





## Chapter 8

### Catering for recreational and low level players

8.1 Chapter three provided an overview of high and low intensity EGMs. The settings of a high intensity machine which allow substantial cash load up, high bet limits, fast games and big jackpots result in a high level of volatility and the likelihood of big losses. Mandatory pre-commitment will help protect gamblers playing these high intensity machines.

8.2 While no EGM is without danger, low intensity machines on the other hand could be configured to reliably limit player losses. This would provide a lower risk gambling environment which is closer to a recreational activity. Occasional and low level players would notice no difference to their playing experience because the game parameters would be the same as what they normally play and the machines would be outside the mandatory pre-commitment system. The committee is drawn towards providing a greater role for low intensity machines, configured to limit losses, to provide venues and players with a greater level of choice. This is further detailed below. However, first the option of a temporary low-value pre-commitment card which was suggested as an alternative to low intensity machines, will be discussed.

#### *The option of a temporary pre-commitment card<sup>1</sup>*

8.3 The option of a temporary, low-value card for occasional players for those who may play EGMs only once or twice a year was raised.<sup>2</sup> Mr Alan Moss, Independent Gambling Authority, SA, supported such an option for occasional players:

There will be other people who perhaps play only occasionally who might choose to get a card or who might choose, on the particular day they go, to get a temporary card for that day.<sup>3</sup>

8.4 Associate Professor Paul Delfabbro noted that one-off low-value cards are already available in NSW:

So around the world there are those ticket-in type cards that you can buy—New South Wales has them—where you can just buy a \$5 card, use it once and that is it, where you make no undertaking to play more regularly to get bonus loyalty points from playing EGMs.<sup>4</sup>

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1 This is also discussed in chapter six.

2 Whether this would be a magnetic card, a smart card or some other manual card was not specified.

3 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 31.

4 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 69.

8.5 The Productivity Commission also indicated its support for a temporary low-value card, seeing it as an attractive option for recreational players but not for regular gamblers:

...it is in fact designed not to allow regular heavy-use gamblers to be able to use lots and lots of these sorts of little cards. It is specifically for that group of recreational gamblers who have a low-level spend. Those that have a more regular spend which is of a higher nature—those who are all high-risk and problem gamblers—do not spend \$20 at a time but much more than that and they would end up in the precommitment system. It is designed for that to happen.<sup>5</sup>

### *Committee view*

8.6 The committee notes that the Productivity Commission also saw low intensity machines as a credible alternative to a temporary low-value card.<sup>6</sup> Given the evidence describing the addictive features of EGMs in chapter three and the following arguments emphasising the need to make changes to machine design, the committee is attracted to low intensity machines over a low-value card. This is described further below.

### **The need for structural change**

8.7 In addition to supporting mandatory pre-commitment, a number of witnesses raised the issue of introducing complementary machine design changes. Dr Jamie Doughney for example saw the need for a two-pronged approach, which involves providing consumers with the power to make more rational and considered decisions, which includes measures such as pre-commitment. This approach would also involve changing the structure of the machines to make them less dangerous, including reducing the speed of play or lowering maximum bets.<sup>7</sup>

8.8 Professor Malcolm Battersby also spoke about changing the design elements such as spin rates and recommended that along with pre-commitment, more should be done by governments in this area.<sup>8</sup> As well as supporting the introduction of mandatory pre-commitment Dr Charles Livingstone also spoke about the need to address machine design to reduce the amount of expenditure that is possible for players to lose:

It is important to distinguish between, on the one hand, problem gambling and, on the other hand, the harm created by problem gambling. A problem gambler who cannot spend a lot of money may still have a problem in the sense that they are preoccupied with gambling, but if they cannot actually

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5 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 51.

6 Productivity Commission, *Proof Committee Hansard*, 25 March 2011, p. 21, 24.

7 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, pp 46–47.

8 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 59.

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spend vast sums of money on high-impact machines—or, at any rate, their rate of expenditure is substantially reduced or slowed—the amount of harm done by that person’s problem is reduced. We would argue that both sides of that equation need to be addressed if you are to have a solution that is as complete as possible. But that does not mean that just because we can only address some part of the problem we should not do that, because precommitment is undoubtedly going to have many benefits for many affected individuals and prevent people from developing gambling problems.<sup>9</sup>

8.9 Dr Charles Livingstone and Dr Richard Woolley summarised their shared view that the 'ideal model would combine compulsory, universal, effective precommitment with structural change of machines. So that is a seatbelts and airbags model'<sup>10</sup> to provide the maximum level of protection to all consumers. Dr Woolley described pre-commitment as being the most direct way of eliminating the stream of income from problem gamblers from the market. However, he emphasised that this should be implemented along with changes to the design of EGMs which would slow the rate at which players lose money. He added that this is connected to sustainability of the industry, citing the common view expressed by many in the industry that they do not wish to receive a single dollar from problem gamblers.<sup>11</sup>

8.10 Dr Jamie Doughney argued that supplying potentially harmful products, EGMs, should not be an unfettered right; EGMs should be made as safe as possible:

All of this points to the fact that we have before us a harmful product and an addictive product for many of the people who use it regularly. Again, that means that we should look at the responsibility question, as we do with other harmful products, not only through the user’s perspective but also through the perspective of the supplier. The responsibility question that we should ask—which I set out on page 5 of the submission that I presented to you—is: we must ask whether the supplier should have an unfettered right knowingly to supply the dangerous or harmful product and in consequence share in the full responsibility for the harms that result. We do this with many products that serve a useful purpose in our society—a useful purpose that however is constrained, restricted and made safe, or at least as safe as we can possibly make it, by the way we regulate the supply of those products. Gambling is in that category and therefore, because of the unconscionable burden, the duty to protect those who are problematic gamblers overrides any other question, for example, about facility, revenue of venues and so forth.<sup>12</sup>

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9 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 40.

10 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 39–40.

11 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 40.

12 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, pp 45–46.

8.11 The Victorian Interchurch Gambling Taskforce suggested making some EGMs available that operate in 'safe' mode<sup>13</sup> which may or may not be pre-commitment enabled. If not pre-commitment enabled, then these machines could only be operated in the 'safe' mode.<sup>14</sup>

8.12 In their 2010 report into gambling the Productivity Commission explored the concept of an 'airbag' EGM as an alternative strategy to minimise the losses from EGM play. The type of machine the Commission envisaged had a range of harm limiting features including increasing the 'return to player' to 100 per cent and limiting the volatility of the machines. In their model, these 'progressive' features of the machine would be activated by the insertion of a player loyalty card.<sup>15</sup> In evidence to the committee, the Productivity Commission also noted that low risk machines could be an alternative to the low-value card they envisaged for occasional players.<sup>16</sup>

### *Low intensity machines*

8.13 Submissions argued that low intensity EGMs that are specially configured<sup>17</sup> be considered as part of an overall strategy to reduce harm. Dr Charles Livingstone and Dr Richard Woolley suggested these low intensity EGMs be considered, particularly for smaller venues:

It is possible that EGMs could be configured to allow for both low and high intensity modes of operation, depending on whether the user utilised a pre-commitment system or not. However, it would be feasible to permit small venues to operate only low impact EGMs and thus escape the necessity of pre-commitment.<sup>18</sup>

8.14 The advantages of low intensity machines with modified parameters which significantly reduce losses were listed:

Such a game would conform to its average returns more closely than highly volatile games currently deployed throughout local clubs and pubs in Australia. At present, it is readily possible to lose \$400 over the course of around 20 minutes poker machine use in all relevant Australian jurisdictions. Low-risk games, however, would require a user to devote an average of 7 hours to such a level of loss. Clearly, such a system would

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13 A maximum loss limit of around \$20 per hour. Victorian InterChurch Gambling Taskforce, *Submission 35*, p. 6.

14 Victorian Interchurch Gambling Taskforce, *Submission 35*, p. 6.

15 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.39–11.40.

16 Productivity Commission, *Proof Committee Hansard*, 25 March 2011, p. 21, 24.

17 EGMs can be characterised as high or low intensity. A low intensity machine is configured for play at a lower intensity, for example by employing a slower 'spin rate', or allowing lower bet limits. See chapter three for further discussion around low-intensity machines.

18 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 5.

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impose a much reduced burden of harm on users who wish to make use of poker machines...<sup>19</sup>

8.15 Dr Livingstone and Dr Woolley suggested that a low intensity machine with appropriate intensity limiting parameters could operate outside the mandatory pre-commitment system as:

It is very unlikely (based on research undertaken on modified poker machines in 2001, commissioned by the poker machine industry) that recreational or ‘entertainment’ pokie gamblers would notice much difference about the machines – except that they would provide them with a more regular experience of entertainment in a greatly risk-minimised environment.<sup>20</sup>

8.16 The Productivity Commission also agreed that low intensity machines were an alternative to the low-value card they had envisaged for occasional players:

The alternative of that is they have access to a low-level intensity machine. There are a bank of machines which play at a different rate and they are controlled so that the amount of expenditure is quite low. Most recreational gamblers may not enter the precommitment system.<sup>21</sup>

8.17 The committee heard that it should be possible to run EGMs which offer both high intensity (with mandatory pre-commitment) and low intensity modes of operation as EGM stock is replaced.<sup>22</sup> Dr Livingstone and Dr Woolley also suggested that eventually all EGMs should offer pre-commitment capability, even low intensity, to provide players maximum control over their gambling.<sup>23</sup>

#### *Lower maximum bets*

8.18 The committee heard evidence that lowering the maximum bet on EGMs could reduce harms. The Productivity Commission argued that current bet limits are set too high to constrain the spending of problem gamblers.<sup>24</sup>

8.19 Currently, how much can be bet on each game and how fast the EGM can be played varies across jurisdictions. In some jurisdictions games can be played as fast as

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19 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, pp 2–3.

20 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 3.

21 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 50. This view was also repeated to the committee on 25 March 2011, *Proof Committee Hansard*, 25 March 2011, p. 24.

22 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 3; Productivity Commission, *Proof Committee Hansard*, 25 March 2011, p. 21.

23 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 3.

24 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.24.

the button on the EGM can be pushed.<sup>25</sup> With maximum bet limits currently set at between \$5 and \$10 per game this means hourly losses can be excessive. The average loss on a machine which allows a game to be played every three seconds with a maximum bet per game of \$10 is around \$1,200 per hour. In comparison, the average loss on a similar machine with a maximum bet of \$1 per game is around \$120 per hour.<sup>26</sup>

8.20 The Productivity Commission argued there was a strong *prima facie* case for lowering the maximum bet limit. This limit should be low enough to constrain the spending of problem gamblers but not so low as to affect the enjoyment of recreational gamblers.<sup>27</sup> As EGMs are marketed as recreational devices, it argues, the cost of playing them should reflect this.<sup>28</sup> This would also bring them into line with the UK and New Zealand where maximum bet limits have been reduced. Most categories of machines in the UK now have a maximum stake of £1, whilst in NZ it is \$2.50.<sup>29</sup>

8.21 Dr Charles Livingstone and Dr Kevin Harrigan provided the committee with modelling on lower bet limits which confirmed that harms were reduced the lower the bet limit was set.<sup>30</sup>

8.22 The Productivity Commission pointed to a study by Professor Alex Blaszczynski<sup>31</sup> as further evidence that lower bet limits would reduce harms to problem gamblers. The study found that problem gamblers were more likely to place bets in excess of \$1. The study looked at the effectiveness of various machine modifications<sup>32</sup> and found that of those proposed:

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25 NSW, NT and ACT do not set limits on the speed of play. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.7.

26 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.7. Reducing the speed of play to every 5.5 seconds would reduce losses on a \$1 bet to \$65 per hour.

27 Productivity Commission, *Gambling*, vol.1, Commonwealth of Australia, Canberra, 2010, p. 11.21.

28 Productivity Commission, *Gambling*, vol.1, Commonwealth of Australia, Canberra, 2010, p. 11.23.

29 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.23.

30 Dr Charles Livingstone and Dr Kevin Harrigan, *Submission 118*, p. 4.

31 Alex Blaszczynski, Louise Sharp, Michael Walker, 'The assessment of the impact of the reconfiguration on electronic gaming machines as harm minimisation strategies for problem gambling', Report for the Gaming Industry Operators Group, University of Sydney, Sydney 2001, [http://www.psych.usyd.edu.au/gambling/GIO\\_report.pdf](http://www.psych.usyd.edu.au/gambling/GIO_report.pdf) (accessed 12 April 2011).

32 The study looked at a range of parameter limiting measures for EGMs, including reducing the spin rate, limits to note acceptors and reducing the maximum bet to \$1.

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...reducing the maximum bet size would produce the intended benefits with no evidence of unintended negative consequences.<sup>33</sup>

8.23 The findings from this study confirm analysis from the Productivity Commission that few recreational gamblers stake more than \$1 per game. In fact 88 percent of recreational gamblers stake less than this amount, but at-risk and problem gamblers are more likely to stake over \$1.<sup>34</sup>

8.24 The Commission concluded that a bet limit set around \$1 would strongly target problem gamblers<sup>35</sup> while recreational gamblers would not notice the lower bet limit as they 'typically bet at low levels anyway'.<sup>36</sup> Consequently, the Commission recommended that all new machines be capable of being played with a maximum bet limit of \$1 per button push, with this feature being activated on all EGMs in 2016.<sup>37</sup>

8.25 Witnesses with whom the committee spoke also supported a \$1 bet limit. Associate Professor Linda Hancock drew the committee's attention to the Productivity Commission's recommendation of the \$1 bet limit, and argued:

Precommitment needs to acknowledge that you are not going to be able to really help the people who are at moderate risk or at grave risk or in the zone. So what you need to then consider, in my view, are the products themselves and the environments that they are in. That then brings in the \$1 per button press.<sup>38</sup>

8.26 Professor Alex Blaszczynski also agreed:

Reducing the maximum bet would have an impact on some problem gamblers. The question is how large an impact it would be.<sup>39</sup>

8.27 Dr John Falzon, St Vincent de Paul Society, concurred:

...there are strong grounds to lower the betting limit to around \$1 per button push instead of the current \$5 to \$10...<sup>40</sup>

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33 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.15.

34 12 per cent of recreational gamblers spent more than \$1 per button push; compared to 22 per cent of low risk gamblers, 31 per cent of moderate risk gamblers and 50 per cent of problem gamblers. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.12.

35 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.28.

36 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.20.

37 Recommendation 11.1. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.29.

38 Associate Professor Linda Hancock, *Proof Committee Hansard*, 2 February 2011, p. 5.

39 Professor Alex Blaszczynski, *Proof Committee Hansard*, 4 February 2011, p. 44.

8.28 In her evidence to the committee, Ms Margie Law, Anglicare Tasmania, saw the \$1 bet limit as being part of a larger strategy involving pre-commitment:

...doing harm minimisation measures that improve lighting or put a clock in the room are still very important but they are not likely to reduce the amount of time or money a person with a gambling problem would spend; whereas, \$1 bet limit and precommitment are much more likely to reduce the amount of money spent.<sup>41</sup>

#### *Other parameter settings*

8.29 Dr Jamie Doughney emphasised the need to address a number of parameter settings:

The other thing we can do is give people better control on the demand side, not only through increased knowledge but through increased capacity to make rational and informed decisions: bet limits, load-up limits, speed of machines or maximum bets. All of those sorts of things operate on the supply side, and they constrain both what the industry can supply and the product that can be accessed by the gambler.<sup>42</sup>

8.30 The committee heard that reducing jackpot amounts and maximum load-ups<sup>43</sup> along with bet limits would also reduce volatility and harms. Dr Livingstone described high jackpots as one of the most dangerous characteristic of the machines.<sup>44</sup> He and Dr Richard Woolley agreed that a reduced maximum jackpot prize of \$500 would reduce the volatility of the game:

...reducing the maximum prize to about \$500 would reduce the inherent volatility of the game maths of the game, which means that the average rate of return to players would be much more likely to be achieved over the short term.<sup>45</sup>

8.31 Further modelling by Dr Charles Livingstone and Dr Kevin Harrigan shows that with a maximum bet of \$0.90, and a maximum prize of \$500, the average loss per hour was around \$92. They concluded that these parameters:

...appear very likely to reduce the harm associated with poker machine use, via significant reduction of costs of use.<sup>46</sup>

8.32 Adding that:

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40 Dr John Falzon, *Proof Committee Hansard*, 14 February 2011, p. 3.

41 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 10.

42 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 47.

43 Load-up refers to the amount of cash which can be loaded into the machine prior to commencing play.

44 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 36.

45 Dr Charles Livingstone and Dr Richard Woolley, *Supplementary submission 2*, p. 2.

46 Dr Charles Livingstone and Dr Kevin Harrigan, *Supplementary submission 1*, p. 3.



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The public benefits of adopting a low-risk high-risk pre-commitment system would therefore be considerable.<sup>47</sup>

8.33 Restricting the maximum load up, or cash input, was also identified by the Productivity Commission as being part of an effective harm minimisation package.<sup>48</sup> It recommended that cash input be limited to \$20, with no further cash allowed to be inserted until credit on the machine falls below \$20.<sup>49</sup>

### *Committee view*

8.34 The committee agrees that as part of the approach to reduce the harms from problem gambling, it is necessary to address those design features of EGMs which have created a dangerous product offering a high risk gambling experience. High intensity machines with the possibility of large, but infrequent wins have taken the gambling experience far away from the low risk recreational activity it used to be. Mandatory pre-commitment for all those playing high intensity machines will provide greater protection and control for those who choose to play them. While recognising that no EGM is entirely safe, the committee also believes that increasing the availability of low intensity machines, either on their own or in combination with high intensity machines with mandatory pre-commitment, would provide greater choice for those players seeking a lower risk, more recreational activity. It would also provide greater choice for venues and this is further discussed in chapter nine. The committee recognises that with the introduction of this type of machine it would be prudent to monitor the effects on gambler behaviour, losses and for any unintended consequences such as gamblers playing for longer periods.

8.35 The committee notes the advice of the Productivity Commission and other experts around the appropriate parameter settings for low intensity machines. For example, the recent modelling by Dr Charles Livingstone and Dr Kevin Harrigan that supports the findings of the Productivity Commission that a lower maximum bet limit would result in average hourly losses being reduced.<sup>50</sup> The committee is satisfied that reducing the bet limit will reduce harms to problem gamblers, but will not adversely affect the enjoyment of recreational gamblers, who typically play with lower bet amounts. The committee agrees with expert advice that a bet limit of \$1 per game on low intensity machines would appropriately target problem gamblers without diminishing the enjoyment of low level, recreational gamblers.

8.36 In addition to the parameter settings noted by experts and the Productivity Commission above, the committee believes there are other variable parameter settings

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47 Dr Charles Livingstone and Dr Kevin Harrigan, *Supplementary submission 1*, p. 3.

48 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.35.

49 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.39.

50 Dr Charles Livingstone and Dr Kevin Harrigan, *Supplementary submission 1*, p. 3.

such as RTP (Return to Player) percentage that will need to be addressed in order to ensure an average hourly loss for players.

### **Recommendation 36**

**8.37** The committee recommends that low intensity machines, configured to reliably limit player losses to an average loss of around \$120 per hour, do not need to be part of the mandatory pre-commitment system. Specifically the committee recommends these machines feature a \$1 maximum bet limit, a \$500 maximum prize and a \$20 maximum load up. The use of these machines should be monitored by the national regulatory authority to identify any unintended consequences and the extent to which they contribute to reducing problem gambling prevalence rates.

### **Recommendation 37**

**8.38** The committee recommends that the timeline to introduce low intensity machines with the parameters specified in the recommendation above is consistent with the timeline to implement mandatory pre-commitment.

8.39 While the committee expects to see that all new machines coming onto the Australian market would be equipped for mandatory pre-commitment, it is not a requirement for low intensity machines. In addition, the committee will monitor the effects of the reforms proposed in this report.

# Chapter 9

## Industry issues

9.1 This chapter details concerns expressed by the industry which centre on the view that pre-commitment should not be mandatory and more practical concerns regarding timelines, cost and the inconvenience for recreational gamblers. The industry sector covers registered clubs, pubs and casinos as well as manufacturers and providers of EGM technology.

### **An overview of the industry**

9.2 Below is a brief overview of the industry including statistics from clubs, hotels and casinos which sets the scene regarding size of, revenue from and employment in the industry. Further information on the industry is provided throughout the chapter.

#### *Clubs<sup>1</sup>*

9.3 There are around 4,000 registered and licensed clubs which are not-for-profit organisations focussed on providing services and infrastructure for their members and the community. In 2005, the total value of the club industry was conservatively estimated to be over \$4 billion or 0.5 per cent of national Gross Domestic Product. Total income for the industry that year was \$7.3 billion. The main source of this income was from gambling (\$4.3 billion or 58 per cent of total income). Other major income items were sales of liquor and other beverages, which accounted for 21.7 per cent (\$1.6 billion) of total income, and takings from sales of meals and food, which accounted for 9.9 per cent (\$726 million). Clubs provide employment to approximately 80,000 full-time, part-time, casual and apprentice/trainee employees. In addition to paid employees, there are more than 65,000 volunteers in clubs, who are estimated to work around seven million hours per year as club directors, assisting in trading activities, and organising sport and community events.

#### *Hotels<sup>2</sup>*

9.4 There are around 5,500 hotels and around 3,400 of these operate gaming machines. The Australian Bureau of Statistics has reported that in hotels operating gambling facilities, around 70 per cent of income was generated by food and beverage sales, sales unrelated to gambling. A report by PriceWaterhouseCoopers in 2009 included a comprehensive review of the hotel industry and found that hotels employ 188,000 staff and spend about \$72 million training them. Total spending in hotels was estimated to be \$12 to \$13 billion per annum. It was pointed out to the committee that,

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1 Information drawn from Clubs Australia, *Submission 47*, pp 3–4.

2 Information drawn from Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 2.

in the absence of the hotel sector, Australian household consumption would contract by an estimated \$3.5 billion.

### *Casinos*<sup>3</sup>

9.5 There are 13 casinos nationally and all but Casino Canberra provide EGMs. The casino industry has only six per cent of the total number of EGMs in Australia and 6.9 per cent of all gambling expenditure. The sector employs around 20,000 people, is a major training provider and contributes \$1.2 billion or 30 per cent of its revenue in taxes at all levels of government. Casinos are 'destination venues' as they offer a range of accommodation, dining and entertainment options, as well as conference and convention facilities. The vast majority of casino customers tend not to gamble in community venues such as clubs and hotels as many are interstate and international visitors. The industry invests heavily in tourism infrastructure.

### **Calls for a voluntary system**

9.6 The overwhelming position of the industry was that if pre-commitment is to be implemented it should be voluntary. The reasons for this include the view that there is a lack of evidence that a mandatory scheme will assist those with a gambling problem and that it will cause inconvenience to the vast majority of recreational gamblers who do not have a gambling problem. These concerns and others are outlined below.

### *The industry consensus*

9.7 Clubs Australia supported the introduction of voluntary, venue-based pre-commitment in all gaming venues as:

Mandatory pre-commitment is an expensive, technologically complex and time-intensive solution, the effectiveness of which is, at best, described as highly questionable by Australia's leading research[er], Professor Alex Blaszczynski. Clubs Australia and its members will continue to actively oppose its introduction.<sup>4</sup>

9.8 Mr Anthony Ball, Executive Director, Clubs Australia, provided further detail on the system Clubs Australia would support:

We support a system that is worked properly through, is subject to full consultation, does not cost the earth and is effective. It has to be one where the player has the opportunity to use or not use the functionality. We think that will be a useful strategy, along with a whole lot of other things that can be done to help problem gamblers. Do not think that mandatory precommitment is the silver bullet solution to problem gambling—it is not...<sup>5</sup>

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3 Information drawn from Australasian Casino Association, *Submission 93*, p. 1.

4 Clubs Australia, *Submission 47*, p. 2.

5 Mr Anthony Ball, *Committee Hansard*, 4 February 2011, p. 66.

9.9 The Australian Hotels Association (AHA) outlined their support for voluntary pre-commitment:

The Australian Hotels Association supports a well designed, effective and evidenced based form of voluntary pre-commitment that protects the privacy of players.<sup>6</sup>

9.10 Mr Chris Downy, Executive Director, Australasian Casino Association (ACA), stated:

The ACA supports a system that is mandatory for operators to provide but optional for customers to use. It should be a system that is simple to use, that protects the player's privacy and that is actively promoted for use within a venue...<sup>7</sup>

### ***Questioning the evidence that it will help problem gamblers***

9.11 One of the reasons that the industry advocated a voluntary system was what they described as a lack of evidence to show that it will be effective in assisting problem gamblers. Mr Peter Newell, President, Clubs Australia, told the committee why Clubs Australia believes it will not be effective in reducing problem gambling:

...will the proposals be effective in reducing problem gambling? Our answer to that is also no. Norway introduced mandatory precommitment and the result was that players moved to Internet gambling. Nova Scotia, Canada, trialled precommitment cards. They determined that the solution was of no benefit to problem gamblers and so chose to introduce voluntary precommitment instead. Professor Blaszczynski submitted to this committee that problem gamblers would be the least likely to set affordable limits and most likely to seek ways around the system, if not through card swapping or black market precommitment devices then simply by moving to the TAB or internet gambling. Mandatory precommitment fails to provide what problem gamblers need most, and that is treatment. In doing so, it diverts attention and resources away from treatment so problem gambling continues.<sup>8</sup>

9.12 Clubs Australia emphasised that in their view there is no evidence to show that mandatory pre-commitment will be successful:

Given the costs associated with implementing a nationally-networked, uniform mandatory pre-commitment scheme, it would be reasonable to assume that there would be significant evidence to show that the scheme has successfully worked in reducing the prevalence of problem gambling in research and trials, both in Australia and overseas. No such evidence exists.<sup>9</sup>

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6 Australian Hotels Association, *Submission 86*, p. 12.

7 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 27.

8 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 54.

9 Clubs Australia, *Submission 47*, p. 21.

9.13 Mr Des Crowe, National Chief Executive Officer, AHA, told the committee:

In terms of responsible gambling, the AHA believe the government's focus should be on education, information and prevention rather than on a mechanism that will still allow problem gamblers to play gaming machines. Under the solution signed off by Mr Wilkie and the Prime Minister, a problem gambler will still be able to play a gaming machine with no loss limit. Problem gamblers would also still be able to gamble without restriction at the casino card table or the TAB, for instance, or online, where credit card bets are permitted.<sup>10</sup>

9.14 Mr Chris Downy, ACA, also expressed the view that mandatory pre-commitment 'will not necessarily provide the answer that everyone seems to be looking for—a way of assisting problem gamblers.' He added:

It is not a magic bullet; the Productivity Commission made that clear. It requires trialling, review and possible modification, but the current proposal is to introduce a mandatory system sight unseen, the attitude being along the lines of: 'Well, we'll keep our fingers crossed and hope it works.'<sup>11</sup>

9.15 Other members of the industry provided similar views.<sup>12</sup> For example the North Sydney Leagues Club stated:

In the absence of proven credible trials, the fact is that mandatory pre-commitment is nothing more than a whim. It is, in the absence of credible evidence-based research, nothing more than an exercise in social engineering. Australian citizens deserve better than that.<sup>13</sup>

### *Committee view*

9.16 The committee notes that most of the evidence put forward by the industry has already been addressed in previous chapters. Again, briefly, the committee is aware that the trials to date have involved voluntary systems. It does not mean that the findings have no relevance to a mandatory system. The experts the committee spoke with confirmed this. The trials have demonstrated that pre-commitment features such as limit setting can lead to reductions in gambling expenditure, not only for problem gamblers but also those at risk. The potential for this to assist problem gamblers was confirmed by the former problem gamblers the committee spoke with. In addition, the committee heard evidence that research cannot determine who will develop a gambling problem and that various triggers can set some people on this path. The committee therefore sees a mandatory pre-commitment scheme as a management tool to assist all gamblers to manage their gambling. It would help prevent those at risk from developing a problem and it would limit the losses and the devastating effects on

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10 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 3.

11 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 28.

12 See for example ALH Group, *Submission 15*, p. 2; RSL & Services Clubs Association, *Submission 108*, p. 3, 4; South Australian National Football League, *Submission 31*, p. 2.

13 North Sydney Leagues Club, *Submission 17*, p. 1.

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individuals who have a problem, and their families. It would help problem gamblers and those at risk recognise damaging behaviour and provide people with an alternative to hitting 'rock bottom' before they seek help. The committee recognises that mandatory pre-commitment is not a silver bullet but just one of a suite of measures required to address problem gambling.

9.17 The committee wishes to again clarify the evidence cited by the industry. Many referred selectively to the evidence provided by Professor Alex Blaszczynski. Professor Blaszczynski told the committee of his concerns centring on problem gamblers being able to set affordable limits:

...my submission is that precommitment has merit in principle but the whole process really does hinge on the capacity of the problem gambler to set the initial limits. This is I think where the difficulty arises. Problem gamblers almost by definition have difficulty controlling their behaviours, their urges and their decision making. In one sense the precommitment as it stands leaves it up to the problem gambler to set their own limits. My concern essentially is that after initial experiences they are going to set limits which are in excess of what they can really afford and that may lead to some negative consequences where, having set higher limits, they are more likely to gamble to those limits. There may in fact be a negative consequence as a result of that procedure...<sup>14</sup>

9.18 However, in his evidence to the committee Professor Blaszczynski did indicate qualified support for pre-commitment:

What we need to do is work out a system which is effective. Precommitment, in my view, can be effective if implemented properly. But it is not going to be the answer. Self-exclusion is not going to overcome the problems. I think it is going to contribute. My concern is that there is going to be a vast amount of money allocated to precommitment and its implementation at the cost of other interventions that may in fact be more effective—providing signage, providing linkages with treatment and so forth.<sup>15</sup>

9.19 Mandatory pre-commitment has its origins in recommendations made by the Productivity Commission which were validated by numerous witnesses. The merit and authority of Productivity Commission reports must not be underestimated. The Commission's first report into gambling released in 1999 and its follow-up in 2010 are widely considered to be Australian benchmarks and together represent a considerable and sustained body of work based on considerable research, hundreds of submissions, dozens of hearings, and multiple consultations.

9.20 Industry stakeholders offered their view that the introduction of mandatory pre-commitment would mean that people would migrate to other less regulated forms

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14 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 37.

15 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 51.

of gambling.<sup>16</sup> The comprehensive evidence to refute this view is provided in chapter five.<sup>17</sup> In addition the Victorian Interchurch Gambling Taskforce made contact with the Scandinavian research group SINTEF regarding the Norwegian experience and their response is provided in a supplementary submission:

The strong evidence from the national helpline statistics is that the removal of slot machines in mid-2007 and their replacement with machines with mandatory pre-commitment greatly reduced problem gambling related to slot machines without any evidence that those with gambling problems moved to other forms of gambling. This view is also supported in research conducted by Lund, which was mentioned in submissions to the Productivity Commission and which seems to have escaped the attention of the ALH Group and Clubs Australia in the construction of their arguments.

...Lund concluded that “the post-EGM prevalence of gambling problems was significantly lower than the problem prevalence under the EGM regime, a result that in itself suggests that the EGM’s reputation as a high risk game is well deserved.” Lund took the view that increased participation rates found for Internet gambling in general, and Internet lotteries and horse gambling in particular, were a shift from traditional gambling channels, and part of a general tendency in contemporary gambling, rather than as a substitution effect.<sup>18</sup>

9.21 The committee was concerned to hear from individuals and others about problems gamblers hitting rock bottom before seeking or accepting help<sup>19</sup> and that a mandatory pre-commitment system could just delay the crisis point at which they then presumably have their moment of clarity and seek help. Dr Sally Gainsbury, Centre for Gambling Education and Research, Southern Cross University, explained that the evidence for this point came from Norway where slot machines were removed and then replaced with machines with built in limits. The finding was around people continuing to gamble in a problematic way for extended periods before seeking help. However, she added that she was not using this point to argue against pre-commitment or that this is a reason not to put it in place.<sup>20</sup> This is addressed in chapter two where

16 See for example Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 54; ALH Group, *Submission 15*, p. 3.

17 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 52. The study is by Ingeborg Lund, 'Gambling behaviour and the prevalence of gambling problems in adult EGM gamblers when EGMs are banned. A natural experiment', *Journal of Gambling Studies*, vol 25, 2009, pp 215–225; See also Dr Ralph Lattimore, Mr Gary Banks, Productivity Commission, *Proof Committee Hansard*, 15 February 2011, p. 60; Mr Tom Cummings, *Submission 113*, p. 3; Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, pp 30–31; Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, pp 59–60; Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 60.

18 Victorian Interchurch Gambling Taskforce, *Supplementary Submission*, p. 4.

19 Mr Ralph Bristow, *Committee Hansard*, 4 February 2011, p. 79. See also Professor Malcolm Battersby, Director of the Statewide Gambling Therapy Service, SA, *Committee Hansard*, 14 February 2011, p. 61.

20 Dr Sally Gainsbury, *Committee Hansard*, 4 February 2011, p. 39.



former problem gamblers indicated that for some there were no alternatives to hitting rock bottom. Mandatory pre-commitment would provide this alternative. It is relevant to again quote the advice from Ms Kate Roberts, Gambling Impact Society of NSW:

I think it is really important that we do not get fixed on the idea that hitting rock bottom is the only way out. With a well-informed community and families that are strengthened and people with an understanding of this issue, we are not going to need people to hit rock bottom before they start reaching out for a variety of kinds of supports to assist them. It is rather an old model that says you have to wait for someone to hit bottom before they will change. In fact there is plenty of evidence that you do not.<sup>21</sup>

### **Questioning the effectiveness of some features**

9.22 Witnesses questioned whether particular features of a mandatory system would limit its effectiveness, particularly with problem gamblers. The main issue was the ability of problem gamblers to set realistic and affordable limits. This view was expressed by Professor Alex Blaszczynski who submitted that it would be difficult for problem gamblers to set affordable limits:

Again, irrespective of whether you have a voluntary or a mandatory system, the real question in my view is for those problem and pathological gamblers who have impaired control: how do you stop them from increasing the limits?<sup>22</sup>

9.23 He added:

There is a distinction, and clearly a mandatory system would be better than a voluntary system. But it still comes down to the question that, yes, a proportion of the recreational gamblers and a proportion of people will cease, but for those who do develop problems the system will fail if they are allowed themselves to set their own limits.<sup>23</sup>

### ***Committee view***

9.24 The committee received overwhelming evidence that when not in the throes of their uncontrollable urge to gamble, individuals are able to make rational decisions. This is covered extensively in chapter six. As noted by Mr Mark Henley, UnitingCare, Wesley Adelaide:

The counselling that we have done across a range of programs to do with addictions and other areas shows that people, when they are not involved with the cause of the addiction, are able to tell counsellors and family members very clearly what they are wanting, so they are able to make rational decisions. However, once the gambling, or whatever the addiction is starts, they lose that capacity to make rational decisions, and the deeper

21 Ms Kate Roberts, *Committee Hansard*, 4 February 2011, p. 80.

22 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, pp 46–47.

23 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 46.

the addiction then the more likely it is that there is going to be relapse as the path to recovery is long, slow and fraught.<sup>24</sup>

9.25 Problem gamblers advised the committee to let individuals set their own limits. The committee accepts that some problem gamblers may need to go through the process of setting limits more than once as they learn new gambling behaviours.<sup>25</sup> This is about leaving control in the hands of the individuals and providing them with a tool to better manage their gambling and reduce the harm that can occur. The committee reiterates that it is not recommending a 'no limit' option. People will be required to set a limit before they play, an action which will promote conscious decision-making. The process of making this decision is likely to encourage a player to think about affordability. As noted by Dr Mark Zirnsak from the Victorian Interchurch Gambling Taskforce:

This is a useful tool for those who say, 'I've got problems with affordability, I've got problems with control and I actually want something that is going to help me stick to a limit that is affordable.'<sup>26</sup>

### **Concerns about the cost of implementation**

9.26 Estimates by industry of the cost to implement mandatory pre-commitment varied widely depending on who presented it. Clubs Australia quoted billions of dollars.<sup>27</sup> The AHA repeated the content of a briefing provided to the Ministerial Expert Advisory Group on Gambling by a member, Mr John Duffy, General Manager of product development and compliance at IGT which is the world's largest EGM manufacturer:

In a December 2010 presentation to the Ministerial Expert Advisory Group, industry expert John Duffy advised to that meet the Prime Minister's commitment to Mr Wilkie, 100,000 older gaming machines (predominantly located in country & regional areas) will need to be replaced at a cost of around \$25,000 per machine – or \$2.5 billion across Australia.

Mr Duffy added that the remaining 100,000 EGMs will require some degree of expensive modification.<sup>28</sup>

9.27 This briefing was also detailed in the media which reported that half of all EGMs would need to be replaced and the rest would require a re-fit.<sup>29</sup> Mr Des Crowe, AHA, based the following calculations on this advice:

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24 Mr Mark Henley, *Committee Hansard*, 1 February 2011, p. 49.

25 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 38; Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 18.

26 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 18.

27 Clubs Australia, *Submission 47*, p. 19; Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 54.

28 Australian Hotels Association, *Submission 86*, p. 4.

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...the full precommitment solution signed off in the Wilkie-Gillard agreement will require 25 per cent of Australia's electronic gaming machines to have a software upgrade costing around \$3,000 to \$4,000 per machine, 25 per cent of Australia's electronic gaming machines to have a software and hardware upgrade costing around \$9,000 to \$12,000 per machine and 50 per cent of Australia's electronic gaming machines to be replaced at a cost between \$18,000 to \$25,000 per electronic gaming machine. Therefore the AHA strongly believes it is not appropriate to rush through this new technology without extensive research and trialling, particularly when implementation cost estimates range from \$2.5 billion to \$5 billion.<sup>30</sup>

9.28 In some cases the cost estimates provided to the committee assumed a particular technology would be introduced, such as biometrics or centralised monitoring. Robert Smith Manager, Twin Towns Services Club, outlined their estimated costs associated with a smart card based pre-commitment solution:

We also assume that there will be increased monitoring costs, compliance costs and the costs of smart cards or USB's. Issuing a smart card to every member alone would cost our club between \$450,000 and \$630,000.<sup>31</sup>

9.29 However, not everyone was persuaded that the costs to industry would be high. Mr Robert Chappell, IGA told the committee about an exchange in 2006 during a public hearing which included a discussion of costs:

In May 2006, the Independent Gambling Authority conducted a public hearing on matters related to gaming machines and there was an exchange between the then presiding member, Mr Moss's predecessor, and two industry providers—people who said they could provide this technology—and, if I might hand up an extract of the transcript of that, Mr Chairman, over these 15 pages there are a series of exchanges in which the presiding member bids the technology vendors down to about \$800 a terminal for what arguably was only a partial precommitment solution. But the question was posed, 'Let's not say you are doing a venue at a time but you are actually getting the contract to do 13,000 terminals at once, would you achieve some significant economies of scale and would you be able to reduce the cost?' Two people, who were at the time advocating the adoption of some sort of smartcard solution in this state, were prepared to say that a number of around \$800 a terminal was a fair number. A thousand dollars is a nice round number. There have been all sorts of changes in the five years that elapsed; technology has got cheaper, wages have got marginally more expensive, and the technology is certainly a lot smarter than it was five

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29 Joe Hildebrand, 'Flaw in Gillard's pokies promise', *Courier Mail*, 28 January 2011, p. 13. As the committee has not received this advice the committee can only note the estimates reported in the media. As the detail of the design features have not been agreed this estimate appears to be based largely on an assumption that the majority of machines will need to be replaced which is not what is being advocated by the committee.

30 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 3.

31 Twin Towns Services Club, *Submission 41*, p. 9.

years ago, but that is the basis for that number. Frankly, whether it is \$1,000 or \$2,000 a terminal, the costs are small when compared with the cost of buying a gaming machine or, indeed, the money that a slot machine would make in a year.<sup>32</sup>

9.30 Dr Charles Livingstone told the committee that the often cited view by industry that the costs would be exorbitant as it would require networking all machines and replacing a substantial amount of stock is not correct.<sup>33</sup>

9.31 Mr Gary Banks, Chairman, Productivity Commission, emphasised that cost is related to timelines and he pointed out the significant potential for long term savings to the industry:

As I said earlier, the cost is very much related to the rapidity of change. At the extreme, if you change the whole system overnight or in a very short period of time you would have to replace all of the machines, even some that were six months old et cetera, and the cost would be very high. A staged introduction means that, as Robert said, the normal replacement cycle would greatly reduce the costs of that. The second point I would make, and again it was made earlier but just to emphasise that, is that there will be nevertheless some initial cost to this, particularly for introducing the central monitoring system if not for the machines themselves because they were going to be replaced anyway. So there will be some costs there.<sup>34</sup>

If you look at it over some sort of investment horizon for the industry and the clubs, it could well see other costs being reduced to the extent that the net present value of all those costs is actually pretty low. In the future when the government decides to change some policy parameter it can do so from a central location, a remote location, and feed it through into all the machines in the jurisdiction at no cost to the establishments concerned. That is a great advantage from an economic point of view if you take a dynamic approach to this and do not just think of it as a static cost imposition on the industry at day one. You really do need to think of this as it has been in the past, an evolutionary process where policy will make changes over time, there will be changes, and you want to do that as cost effectively as possible. So that is the great advantage of the platform not just for precommitment but for the range of other harm minimisation measures that governments may want to introduce or amend in the light of evidence over time.<sup>35</sup>

9.32 The committee spoke with Mr Peter Cercone, Chief Compliance Officer, Playtech, a leader in gaming software technology market in Europe, who comprehensively rejected cost estimates from the industry of billions of dollars:

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32 Mr Robert Chappell, *Committee Hansard*, 1 February 2011, p. 36.

33 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 31.

34 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 58.

35 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, pp 58–59.

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It does not cost billions of dollars and it can be done in relatively short time frames, depending of course on the ultimate specifications for what you want to do...<sup>36</sup>

9.33 Mr Tom Cummings questioned the claims by industry that mandatory pre-commitment will cost billions of dollars to be implemented; while at the same time advocating a voluntary system:

The same organisations that make this claim (such as Clubs Australia) have also stated their support for voluntary pre-commitment. Given that the fundamental difference between the two is whether or not an individual chooses to take part, then surely the cost would be roughly the same regardless of whether the scheme was mandatory or optional.<sup>37</sup>

### *Committee view*

9.34 The committee finds it interesting that despite the industry advocating for a voluntary system, there were no concerns raised about the potential cost of voluntary pre-commitment even though it would be comparable with the cost of mandatory pre-commitment.<sup>38</sup> The wide variety of cost estimates are also interesting as the detail of the system has not been released and no technology has been specified. The committee heard a substantial amount of evidence to indicate that, depending on the technology used not all machines would need to be replaced and many of those that may need to be replaced can largely be accommodated in the natural cycle of replacement.

9.35 The committee is, nevertheless, conscious of the implementation costs and is advocating that the technical solution also be a cost-effective one. The committee encourages the industry to take a long term view as the design of the system and the technology used will provide the opportunity to put in place a system which can easily accommodate any additional future requirements, thereby reducing compliance costs over time.

### *Areas for savings*

9.36 As noted in chapter seven the committee recognises the regulatory environment is an area potential savings could be realised. The committee heard evidence that the current regulatory environment with different protocols and systems in each jurisdiction increases costs to industry and is an impediment to innovation. Mr Earle Rowan, Systems Analyst, Global Gaming Industries, emphasised the increased costs of the current regulatory environment:

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36 Mr Peter Cercone, *Proof Committee Hansard*, 25 March 2011, p. 51.

37 Mr Tom Cummings, *Submission 113*, p. 3. See also Mr Simon Schrapel, President, Australian Council of Social Service, *Committee Hansard*, 14 February 2011, p. 100.

38 For a voluntary scheme where all machines are configured for pre-commitment, but it is voluntary for players to adopt.

It is a cost issue. We have to have different systems for every state, in fact, different software for every state, in part, to manage it. The management side of that is quite significant, obviously, because we are managing all the different protocols all the time, so it is quite a cost issue. It is a knowledge based issue for people who understand these systems. They are quite complex in operation.<sup>39</sup>

9.37 The technical environment acting as an impediment to responsiveness and increasing costs for industry was confirmed in the following exchange with Mr Ross Ferrar, Chief Executive Officer, Gaming Technologies Association:

Mr CHAMPION—If you had a simpler regulatory framework, presumably that would allow you to—

Mr Ferrar—I would anticipate two things.

Mr CHAMPION—Competitive pressures would lower the price of the machines.

Mr Ferrar—I would anticipate a reduction in impediments to change, so a faster flow of innovation and change to address whatever the issues might happen to be. Also I would expect the efficiencies that that would generate may result in a reduction of the cost, yes.<sup>40</sup>

9.38 The Productivity Commission, recognised that the jurisdictional differences are costly for the industry:

Despite their name, gaming machine national standards are not really national standards, and the processes for their development and alteration are cumbersome and unnecessarily costly to industry.<sup>41</sup>

9.39 The committee notes that this jurisdictional variation in regulation constitutes a restriction on competition. This anti-competitive feature is made possible by a Permanent Exemption of gaming machines under the *Mutual Recognition (Commonwealth) Act 1992, Schedule 1(3)*. After a review in 1998, COAG noted:

There is no question that the variable regulation of the gaming machine industry across the States and Territories has an anti-competitive impact.<sup>42</sup>

9.40 However, interestingly, COAG could find 'no obvious alternatives to maintaining the exemption'.<sup>43</sup>

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39 Mr Earle Rowan, *Committee Hansard*, 14 February 2011, p. 23.

40 Mr Nick Champion MP and Mr Ross Ferrar, *Committee Hansard*, 14 February 2011, p. 31.

41 Productivity Commission, *Gambling*, vol. 2, Commonwealth of Australia, Canberra, 2010, p. 17.30.

42 Information available from:

[http://www.coag.gov.au/mutual\\_recognition/legislation\\_rev/potential\\_restrict\\_competition.cfm#63](http://www.coag.gov.au/mutual_recognition/legislation_rev/potential_restrict_competition.cfm#63) (accessed 10 March 2011).

43 Information available from:

[http://www.coag.gov.au/mutual\\_recognition/legislation\\_rev/potential\\_restrict\\_competition.cfm#63](http://www.coag.gov.au/mutual_recognition/legislation_rev/potential_restrict_competition.cfm#63) (accessed 10 March 2011).

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### *Committee view*

9.41 Industry highlighted the increased costs and barriers to innovation resulting from the current regulatory framework with competing protocols and systems in each jurisdiction. Addressing this area to achieve benefits and reduced costs for industry and decrease the regulatory burden on jurisdictions should be undertaken in parallel with the development of mandatory pre-commitment.

9.42 The introduction of mandatory pre-commitment provides an opportunity to increase uniformity and thereby reduce costs to the industry as well as increase protection for the consumer. The committee is concerned that such barriers to competition have been accepted by COAG and that internal reviews can find no alternatives. Given the reliance of state governments on revenue from EGMs the committee believes a review should be undertaken as a priority by an independent body.

### **Recommendation 38**

**9.43 The committee recommends that the process towards harmonisation of the national technical standards by the national regulatory authority include an independent review of the barriers currently impeding greater uniformity and competition as a matter of urgency. This should include a review of the continued use of the Mutual Recognition (Commonwealth) Act 1992, Schedule 1(3) and an analysis of the costs and benefits of the restriction as this was beyond the scope of the last COAG review.**

### *Costs for smaller clubs*

9.44 A number of submissions from small clubs expressed concerns that the cost of introducing full pre-commitment would be so onerous they would face significant financial problems. The Merimbula RSL Club estimated the cost of upgrading each machine for their club would be \$6,000, which they argued would be unaffordable.<sup>44</sup>

9.45 Moruya Golf Club pointed to the financial problems it would face in paying for the cost of upgrading each machine, estimated at \$5,000 per machine:

While specific details of the proposed pre-commitment system are unavailable, the Club does not have the cash reserves to install a system at the cost which has been suggested (\$5000 per machine). Whilst debt free, the club has no notable cash reserves. Given the grave potential impacts on revenue and hence the clubs ability to maintain payments on any such finance the club will not be able to source external funding for the implementation of a pre-commitment system.<sup>45</sup>

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44 Merimbula RSL Club, *Submission 7*, p. 1.

45 Moruya Golf Club, *Submission 69*, p. 2.

9.46 General Manager of Crescent Head Club Mr Colan Ryan explained to the committee that last year their club made just \$12,000 in profits.<sup>46</sup>

### *Committee view*

9.47 The committee is cognisant that the costs of implementation would impact more on small venues. For this reason it supports a longer timeframe for implementation for smaller venues and proposes the establishment of a transitional assistance fund. Both of these issues are further discussed below.

### **Timelines**

9.48 Another concern raised by industry was the implementation timeline outlined in the then member elect Mr Andrew Wilkie's agreement with the Prime Minister. The agreement indicates that implementation will commence in 2012 with the full pre-commitment scheme commencing in 2014.<sup>47</sup> Essentially industry believes the timeframes are unrealistic<sup>48</sup> and drew the committee's attention to the timeframes suggested by the Productivity Commission.<sup>49</sup> In addition, Aristocrat put forward what they believe to be a practical, cost-effective and realistic timetable which would give full coverage by 2016.<sup>50</sup>

9.49 However, many were not convinced this timeline would be unachievable.<sup>51</sup> The Social Issues Executive, Anglican Church Diocese of Sydney suggested:

A gaming card system need not require a lengthy phase-in period; the six year implementation period for mandatory pre-commitment as suggested by the Commission is overly generous. The length of the phase-in period should simply be determined according to whatever will best achieve effective universal application of a pre-commitment scheme. Morally speaking, it is more important to relieve the burden on problem gamblers and their families than to protect the balance sheets of clubs and hotels.<sup>52</sup>

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46 Mr Colan Ryan, *Committee Hansard*, 14 February 2011, p. 92.

47 The Agreement between the Hon. Julia Gillard, MP, Prime Minister and Mr Andrew Wilkie, MP, 2 September 2010, p. 7.

48 Mr Peter Newell, *Committee Hansard*, 4 February, 2011, pp 53–54; RSL and Services Clubs Association QLD Inc, *Submission 108*, p. 17; The Australasian Casino Association, *Submission 93*, p. 2.

49 Australasian Casino Association, *Submission 93*, p. 2.

50 Aristocrat, *Submission 38*, p. 6.

51 See also Mr Peter Cercone, *Proof Committee Hansard*, 25 March 2011, p. 48, 52.

52 Social Issues Executive, Anglican Church Diocese of Sydney, *Submission 112*, pp 4–5.



9.50 Mr Peter Cercone, Playtech, advised that the design features of mandatory pre-commitment could be easily met by current technologies in the timeframe required, depending on the specifications.<sup>53</sup>

9.51 Mr Alan Moss, Independent Gambling Authority, SA, expressed the view that the timeframe is optimistic but provided the example of implementing the smoking legislation to illustrate that the industry is able to adapt and is very resilient:

The smoking legislation was implemented over five years and the industry managed that very well. If it had been implemented over a shorter period of time it would have, of necessity, been more difficult. One of the problems with all of these things is that nobody really knows. The industry will say that the end of the world is at hand and that there will be no pubs left after this happens, which is nonsense. The industry is very resilient and has a long track record of dealing with these things very professionally and very well, but we think that they do need time and there would need to be a significant lead-in period for it to be done without any risk whatsoever.<sup>54</sup>

9.52 Mr Gary Banks, Chairman, Productivity Commission, spoke about the underlying assumptions which their timeframe is based on:

As I indicated earlier, the rate at which we introduce these technologies will obviously affect the cost. In particular, the key element of cost is the replacement of machines prematurely. Also, time is needed to design technical changes, protocols and so on. You will see in a table we have provided in the report that on one page we have set out from 2010 through to 2020 what we saw as the feasible staging points for this. I will get my colleague to talk in more detail about it but the logic of it, as I said, is to allow enough time for these things to come on stream that would not have unintended consequences. It is crucial that, for example, the technological capabilities in machines are brought up to speed progressively over time as machines are being made redundant rather than trying to do that all at once. Some of the large cost numbers you have are predicated on the whole stock essentially being replaced overnight, which is not what we have proposed. So the timeframe we have there, the one you have indicated by 2016—the precommitment becoming operational in all jurisdictions—is predicated on that.<sup>55</sup>

9.53 The Chair engaged the Productivity Commission in discussion about the timelines outlined in their report and the underlying assumptions which emphasised the trade off between cost and time. While acknowledging the political environment the Chair emphasised that the costs and faster timeline would be offset to some degree

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53 For example Mr Peter Cercone, Chief Compliance Officer, Playtech, *Proof Committee Hansard*, 25 March 2010, p. 47, 48.

54 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 41.

55 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 44.

by the social benefits. The Chair emphasised that the cost to industry over a number of years will be less than the amount problem gamblers lose each year.<sup>56</sup>

### ***Committee view***

9.54 The concerns about timelines appeared in the main to assume that the majority of EGMs would need to be replaced, which is not what is being advocated. While the committee recognises the imperative to act it is concerned to ensure that the system is cost effective and has integrity. In a regulatory environment subject to frequent change, the industry has shown itself to be highly flexible and adaptable. For example, it successfully responded and adapted to smoking legislation, changes in the hotel industry such as opening-hour restrictions, under-age drinking and off-premises sales, and the committee has confidence that this can occur again. See further discussion of timelines under concerns of the smaller venues below.

### **Possible consequences**

9.55 Industry was concerned that the introduction of a mandatory pre-commitment scheme would ultimately be so costly that it would result in loss of employment, reduced investment in facilities, the reduction of services to the community, the reduction of contributions to the community and may ultimately threaten the viability of some smaller clubs.

9.56 Most of these areas and others were a concern for the Blacktown Workers Club Group which is one of the largest club groups in NSW with over 55,000 members. It reported on the potential effect of a pre-commitment scheme:

If mandatory pre-commitment was introduced, this would have a dramatic downturn on, not only gaming revenue, but also the industry as a whole, which would see a massive reduction to gaming taxes available to the government, it could lead to a reduction in employee numbers across the 34 clubs in the Blacktown Workers Club Group, a major decrease in funds for sporting facilities (sub clubs) and so on. Recreational and occasional gamblers will simply not play gaming machines but look at alternatives such as lotteries or even overseas online gaming sites of which no revenue remains in the country.<sup>57</sup>

9.57 Mr Tom Cummings expressed his view on the claim by some in the industry that venues will go out of business and jobs will be lost:

This line of thinking is most heavily promoted by the Clubs industry, especially in NSW. If mandatory pre-commitment impacts the revenue flow from problem gamblers to such a degree that clubs and pubs are forced to close, then it is proof that these venues only survive today because of problem gamblers. That is an intolerable situation.<sup>58</sup>

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56 Mr Andrew Wilkie MP, *Proof Committee Hansard*, 15 February 2011, p. 64.

57 Blacktown Workers Club Group, *Submission 11*, p. 4.

58 Mr Tom Cummings, *Submission 113*, p. 3.

### *Treasury view*

9.58 Information released under Freedom of Information from Treasury indicated that based on the findings of the Productivity Commission (PC), the economic impact of the introduction of a mandatory pre-commitment scheme would not be as great as some in the industry believe:

While the introduction of the proposed reforms is likely to reduce employment in clubs, those who lose their jobs should in general be relatively well placed to find employment elsewhere. The overall economy-wide impact on employment should also be minimal as spending that would have otherwise been on gambling is redirected to other sectors of the economy...

The PC found that it is difficult to determine the extent to which clubs cross-subsidise food and beverages with EGM revenues.

While some clubs do significantly cross-subsidise food sales for their members, data from the Clubs Australia submission to the PC Inquiry indicated that the largest source of cross-subsidisation is in sports facilities, operating costs for accommodation, aged and child care, and a range of other expenses, such as promotion.

It should also be noted that cross-subsidies used to support cheaper food and beverages may be derived from revenue from problem gamblers....

...the PC notes that many of the benefits from these contributions accrue to members rather than to the public at large, and further, the correlation between gambling revenue and contributions to sporting activities and volunteering do not appear to be strong, and may even be negative for volunteering.

The Commission notes that the gross value of social contributions made by clubs is likely to be significantly less than the support the State and Commonwealth governments provide them through tax and other concessions.

The social contributions made by clubs have to be weighed against the costs to the community of problem gambling...<sup>59</sup>

9.59 These views were supported by Dr Jamie Doughney who argued:

It began with a fairly simple proposition. Because most of the losses on poker machines come from a relatively small number of people and are proportionately larger in size, they shift expenditures from other consumer items. I think that is a demonstrable proposition and is the proposition that the Productivity Commission maintains.

Because of that, one could see the possibility of greater benefit for other types of entertainment in local communities on which people would spend

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59 Document released by Treasury under Freedom of Information, *Executive Minute: Meeting with Gambling Industry Representatives*, <http://www.treasury.gov.au/contentitem.asp?NavId=087&ContentID=1958> (accessed 10 March 2011).

their discretionary dollar. Given also that non-discretionary dollars go into poker machines, one could see the benefits going into local shops and other forms of economic life. Imagine, for example, that we have 40 per cent reduction in revenue. That 40 per cent will go elsewhere into the economy. The net loss to the economy will be zero and would probably be positive because of the very profitable nature of the poker machine industry as it is currently structured. Other businesses within local communities put more back into the economy; they have follow-on effects. One industry will buy from another industry and another industry and so on. It is a simple proposition and I think it stands up to the economic argument. Certainly, the Productivity Commission also maintains that view.<sup>60</sup>

### *Concerns of the smaller venues*

9.60 Concerns about potential loss of employment, services and community contributions and financial viability were detailed comprehensively by smaller venues, mainly clubs. The smaller venues argued against being treated in the same way as larger ones many of which are more like a business than a community organisation. Mr Grant Duffy, the Manager of the Numurkah Golf and Bowls Club stated:

Every gambling venue and organisation is treated the same (However, they are not the same). As an example, our club's primary focus is not to increase shareholder wealth, and our management receive no financial incentives to drive profits. Our role is to provide a credible sports and recreation facility for our community, which we do. Our Board members receive no remuneration but play their role as active, interested contributors to our community.<sup>61</sup>

9.61 While supporting appropriate measures to assist problem gamblers, smaller clubs and hotels told the committee that the introduction of a mandatory pre-commitment scheme would result in a substantial decrease in revenue which would threaten not only employment but in some cases the viability of the establishment. The Merimbula Lakeview Hotel told the committee of the increasing costs it is facing already without mandatory pre-commitment:

Our hotel has already been burdened with a 300% increase in NSW land tax charges together with flow-on increases in council rates and taxes as well as facing a 60%+ increase in NSW electricity charges. These imposts will add close to \$60,000 to our annual expenses without the addition of proposed increases in staff superannuation contributions, workers compensation insurance and NSW payroll tax.<sup>62</sup>

9.62 Merimbula Lakeview Hotel assumed a drop in gaming revenue of some 40 per cent and warned of the following consequences:

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60 Dr Jamie Doughney, *Proof Committee Hansard*, 2 February 2011, p. 48.

61 Mr Grant Duffy, Numurkah Golf and Bowls Club, *Submission 16*, p. 1.

62 Merimbula Lakeview Hotel, *Submission 5*, p. 2.

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We can assure you that a loss of around \$96,000 to \$100,000 in our gaming revenue will result in the immediate loss in all casual employment positions and reduction in permanent staff in an attempt to contain financial losses and probably the closure of our establishment in a very short period.<sup>63</sup>

9.63 Using other assumptions Club Central Menai advised the committee of the following effects:

Based on 2009–2010 financial year results and taking into account statements made by proponents of pre-commitment...the effects of pre-commitment would be a serious risk to the sustainability of the club. Our forecasts predict a drop in overall club revenue of 36.2%. We also predict the business could not provide employment for the current level of staff and cuts would number upwards of 30 employees. State taxation would be reduced by \$1,049,000 per year. There would be a 20% reduction in the cost of goods which would have an adverse affect on supporting business (mostly local). CDSE donations for the local community would also be reduced by \$76,674.<sup>64</sup>

9.64 It added:

The Menai facility has an approx value of \$25 million. Taking into account the figures stated above we would expect an equivalent return of 1% p.a. This is considered unviable in any business circumstance. Any capacity for re-investment and improvements is removed as a result of pre-commitment rendering the facility unable to survive in the medium to long term.<sup>65</sup>

9.65 Crescent Head Country Club, with 3,450 members advised that EGMs and gambling services accounted for 37.25 per cent of its revenue in 2010. However, it advised that it would not survive the reduction in revenue that would result from a pre-commitment scheme.<sup>66</sup>

9.66 The Eden Fishermen's Recreation Club believes given the potential costs, that the introduction of a mandatory pre-commitment scheme would threaten the financial viability of the club.<sup>67</sup> It also outlined the broader effect on the community:

Eden's local economy will bear the brunt of this legislation. We will not be able to afford a golf course or bowling facilities for locals, visitors or tourists, they will have to close. This will have a detrimental effect on the community. Each year our premises and facilities are utilised by everyone in our community from our school aged children to our most senior community groups including our aged care residents. We just will not be able to sustain our two Clubs for the benefit of our members or visitors including tourists. There will be no sponsorship or donations for our

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63 Merimbula Lakeview Hotel, *Submission 5*, p. 2.

64 Illawarra Catholic Club Group, Club Central Menai, *Submission 8*, p. 2.

65 Illawarra Catholic Club Group, Club Central Menai, *Submission 8*, p. 3.

66 Crescent Head Country Club, *Submission 20*, pp 2–6.

67 Eden Fishermen's Recreation Club, *Submission 23*, p. 5.

community. There will be no meeting places, no raffles, no bingo, no member's draws, no restaurants, no Club facilities, no function rooms, no employment, what will this do to our town? The introduction of mandatory pre-commitment scheme will affect every single resident of our community, it will effect the value of our family homes as was the case when the cannery closed.<sup>68</sup>

9.67 The Merimbula Lakeview Hotel highlighted the flow-on effect that a loss of gaming revenue would have for other businesses that it deals with as well as charities:

Also impacted will be the suppliers of goods and services to our business, i.e. almost \$1million in food and beverage purchases and around \$750,000 in supplies of cleaning, advertising, maintenance, laundry and utility services, not to mention the benefactors of our annual charity fund raising events that receive up to \$15,000 per annum.<sup>69</sup>

### **Small venues should be treated differently**

9.68 The committee does not agree with the assumptions made by smaller venues about the predicted drop in gaming revenue because, presumably, all the clubs listed would also claim they have a low rate of problem gambling. The committee does agree, however, with the Productivity Commission that there are differences between the larger more commercial clubs and the smaller clubs found mainly in regional and rural areas. These differences in terms of revenue should be taken into consideration.

9.69 The committee notes the following examples to illustrate the differences. The Hellenic Club in Deakin, Canberra is proposing an \$8.6 million apartment complex on the site of the West Deakin Hellenic Bowling Club.<sup>70</sup> The committee also notes the size of the Twin Towns Services Club with 44,117 members, three venues, annual turnover of \$70 million and assets of \$184 million.<sup>71</sup> These are just two examples among many.<sup>72</sup> The committee contrasts the size of these clubs, revenue and activities outlined above with clubs like the Numurkah Golf and Bowls Club described above.

9.70 Dr Charles Livingstone outlined the differences across the sector and advocated that the industry should be considered in segments:

The point there is that, if you think about it, the origins of poker machine gambling in Australia were with relatively small social venues: clubs in New South Wales in the 1950s which used relatively low-impact old-technology machines to help pay for their new bowling green or fund the

68 Eden Fishermen's Recreation Club, *Submission 23*, p. 5.

69 Merimbula Lakeview Hotel, *Submission 5*, p. 3.

70 Nino Bucci, 'Battle looms over plan for \$8.6m Deakin development', *Canberra Times*, 7 March 2011, p. 1.

71 Twin Town Services Club, *Submission 41*, pp 1–2.

72 See for example Brisbane Broncos Leagues Club with total revenue of \$22 million in 2009–10, *Submission 32*, p. 1; Blacktown Workers Club Group, *Submission 11*, pp 1–2.

cricket club's new kit or whatever. That sort of social model—we call it the folk model—of gambling has been used to legitimise these monstrous clubs with \$100 million a year income, which I am sure you are very familiar with and which have very little relationship to the sort of grassroots community model from which this gambling mode has originated. There are still little clubs like that; you can see them throughout country New South Wales and in Victoria—not so much in South Australia. They are small venues with modest income needs that are run for the benefit of their members, not for the accrual of vast profit.

We need to start looking at this industry in segments, because what appears to be driving the current claims by the industry of ruin if these sorts of things are implemented may have an adverse affect on some clubs but they may not have much of an impact at all on smaller community oriented places, where they are not necessarily making vast sums out of it.

We also need to remember that a licence to print money, which a poker machine licence currently is, may not necessarily be in the best interests of the community into which that venue is located. Taking away that licence to print money or reducing the amount of money that can be printed is likely to provide far more social benefit to those communities than it is likely to act to their detriment.<sup>73</sup>

9.71 Dr Richard Woolley added:

Certainly, if you look at the distribution of poker machine revenues in New South Wales, a small number of venues earn a hugely disproportionate amount and a long tail of small venues do not earn very much. We call that ambient income, which they use for maintenance of whatever. If those kinds of venues had always had that level of access to gaming revenue from low-impact gaming machines, it would have been the same; they would still have made the same amount of money, because often they only have three to five machines, and none of the gaming-room feel of excitement or the minicasino atmosphere ever emerges in those kinds of venues. So it is very much what we used to call the folk model of simple entertainment where club members put \$5 through the machine knowing that it is going to come back to their own infrastructure.<sup>74</sup>

9.72 Dr Ralph Lattimore, Assistant Commissioner, Productivity Commission, described the phased implementation they suggested to assist smaller clubs:

The other observation is that we had in mind a different pattern of implementation for small venues. I think a lot of small venues were concerned that they were particularly exposed in terms of the cost of replacing machines. What we have suggested is a more phased introduction of the changes for those small venues recognising that.<sup>75</sup>

73 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 38.

74 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, pp 38–39.

75 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 59.

9.73 The definition of a small venue was considered by the Productivity Commission which relied on input from the industry<sup>76</sup> to reach the number of less than 10 EGMs. Their specific recommendation around smaller venues reads:

...apply to all gaming machines in all venues in a jurisdiction, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.<sup>77</sup>

9.74 However, the Productivity Commission recognised that in some jurisdictions such as the Northern Territory all hotels have 10 or less machines, reflecting the cap in this jurisdiction, but their high use results in very high revenues per machine. To address circumstances such as these, the Productivity Commission recommended an additional requirement that average revenues for EGMs would have to be low relative to implementation costs.<sup>78</sup> This point was emphasised to the committee when the Productivity Commission noted that the number of machines as well as the revenue per machine needs to be taken into consideration.<sup>79</sup>

### *Committee view*

9.75 The committee wishes to ensure that the introduction of a mandatory pre-commitment system will not place smaller venues, largely those in regional and rural areas, at a disadvantage and result in important services and facilities being removed from these smaller communities.

9.76 The committee recognises that smaller venues require special consideration and assistance regarding the implementation timeframe and costs and it wishes to target assistance to those venues. The committee's discussion with the Productivity Commission revealed the definition of a small venue is not a straightforward matter. The committee notes the definition used by Productivity Commission of 10 machines or less. However, the committee considers that the profile of numbers of EGMs in venues indicates that a number of 15 machines or less better reflects the segment of the industry that the committee acknowledges needs more time for implementation. The committee has been advised by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) which understands from jurisdictions that around 40 per cent of the total numbers of venues have 15 or fewer EGMs representing around 11 per cent of the total number of EGMs.<sup>80</sup> However, it was clear

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76 Mr Robert Fitzgerald, *Proof Committee Hansard*, 25 March 2011, p. 31.

77 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 54.

78 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, pp 10.39–10.40.

79 Productivity Commission, *Proof Committee Hansard*, 25 March 2011, pp 28–31.

80 Secretariat communication with FaHCSIA, 13 April 2011. A consolidated data set is not readily available but some states publish limited data on their regulatory websites. For example see Queensland: Queensland Office of Liquor and Gaming Regulation, EGM Range Statistics for Hotels and EGM Range Statistics for Clubs, <http://www.olgr.qld.gov.au/resources/index.php/gamingstatistics/> (accessed 13 April 2011)



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that the definition of a small venue also needs to take into account the revenue per machine.

### **Recommendation 39**

**9.77 The committee recommends that the definition of a small venue be 15 machines or less but that it also take into consideration revenue per machine.**

9.78 The committee supports a longer timeframe to implement mandatory pre-commitment as suggested by the Productivity Commission. However, as the timeframe recommended by the Productivity Commission has already slipped the committee believes that this needs to be taken into consideration and recommends that smaller venues are given until 2018 to establish mandatory pre-commitment. Mindful of the specific needs of small venues, they will be allowed four years more than large venues to implement these reforms.

### **Recommendation 40**

**9.79 The committee recommends that small venues, particularly those in regional and rural areas, be allowed until 2018 to implement mandatory pre-commitment.**

9.80 The increased timeframe for smaller venues will provide assistance to make implementation achievable for them. Around 40 per cent of venues will qualify for the longer implementation timeframe, so some 11 per cent of EGMs will not be immediately affected. This will also reduce the implementation costs for smaller venues and help ensure the national timeline for all venues is achievable.

9.81 The committee believes a transitional assistance fund should be established to which smaller venues could apply for assistance based on certain criteria developed in consultation with industry. For example, they could apply to this fund to assist with diversifying their activities away from gambling revenue or to cover a shortfall in a community service as a result of implementing mandatory pre-commitment, or it could assist them to implement mandatory pre-commitment, purchase low intensity EGMs or modify their existing stock.

9.82 The committee is not prescriptive about how the fund is financed but makes the following suggestions for consideration: financial assistance provided by larger clubs according to revenue; funded by all levels of government possibly through dedicating some of their tax revenue; or funded by targeted tax concessions (eg. GST exemptions) for a period of time. The committee also suggests that the \$20 million which is reportedly to be spent on advertising by clubs and hotels to oppose mandatory pre-commitment would be better directed to the transitional assistance fund<sup>81</sup> to which the industry should be encouraged to donate. The committee also suggests that the donations to the ALP made by Labor clubs around Australia could be

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81 Kirsty Needham, 'John Singleton joins clubs in \$20m pokie push', *Sydney Morning Herald*, 10 March 2011, available from: <http://www.smh.com.au/nsw/singleton-joins-clubs-in-20m-pokie-push-20110309-1bo1w.html> (accessed 10 March 2011).

temporarily redirected to the transitional assistance fund as a sign of good faith in these reforms.<sup>82</sup>

### **Recommendation 41**

**9.83 The committee recommends the COAG Select Council on Gambling Reform investigate establishing an industry transition fund to assist small venues to diversify their revenue stream away from gambling, cover a shortfall in a community service or enable low intensity machines. The criteria for access to the fund would be developed in consultation with industry.**

### **Providing a low intensity option for venues**

9.84 The committee believes strongly that low intensity machines should be introduced as part of the scheme for both large and small venues. Currently high intensity EGMs dominate the Australian market. These provide a high risk gambling experience with the potential for players to lose large sums of money due to design features which allow high maximum bets, high load ups and high jackpots. Low intensity machines on the other hand feature low bets, low load ups and low jackpots. This reduces the volatility and addictive features of EGMs by offering smaller, more frequent payouts which better reflect the advertised rate of player return. High intensity machines, on the other hand, have more volatility which means that the very high jackpots come up rarely. The committee is convinced that low intensity machines offer a less harmful gambling environment for players focussed on entertainment.

9.85 The committee is mindful of the concerns expressed by the industry. Those venues which do not wish to be included in the mandatory pre-commitment scheme for high intensity EGMs should have the option of choosing to run low intensity machines, as per the appropriate parameters outlined in the previous chapter,<sup>83</sup> to ensure they are genuinely low risk. The advantages for venues which choose this option are: machines modified to low intensity play can be drawn from the current fleet; venues have a choice of what machines to run;<sup>84</sup> and venues operating both high and low intensity machines give players greater choice. The committee also heard that EGMs could be enabled to offer either or both high and low intensity of play modes.<sup>85</sup>

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82 Niki Savva, 'Wilkie ready to Play his Ace on Gambling Laws', *The Australian*, 1 March 2011, p. 12.

83 An average loss rate per hour of around \$120.

84 Productivity Commission, *Proof Committee Hansard*, 25 March 2011, p. 40.

85 For example, the Productivity Commission suggested that an 'airbag' machine offering low intensity play could be enabled through the insertion of a player loyalty card; once the card was removed the machine would revert to its 'normal' high intensity mode. Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 11.41.

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## Recommendation 42

**9.86 The committee recommends that venues be given the choice to either run high intensity EGMs with mandatory pre-commitment or low intensity EGMs without pre-commitment enabled, or a combination of both.**

### *Low-level gambling*<sup>86</sup>

9.87 The industry was also concerned with how a mandatory pre-commitment scheme would affect low-level gamblers, citing the potential to cause them inconvenience. For example, Mr Ian Horne, General Manager, AHA, stated:

Our great fear with mandatory precommitment is it will disproportionately impact on the recreational gambler. That is our concern. When we look around the world, Nova Scotia is not a model that anyone would want, because it is not working, and the motivation in Norway—and I want you to read that document—was considerably more complex than just problem gambling but now it is a total monopoly by government. I would say our concern with the extreme end of precommitment—the universal mandatory boom, boom, boom—is the impact it will have on recreational gamblers.<sup>87</sup>

9.88 These concerns were echoed by Clubs Australia:

The continuing challenge is to identify harm minimisation measures that will target those in need of assistance, without unduly impacting on the legitimate enjoyment of recreational players who experience no problems...<sup>88</sup>

9.89 Mr Peter Newell, President, Clubs Australia, expanded on this view and the possible consequences:

As a recreational gambler myself, I am disturbed, to put it mildly, that there are people who think I need assistance in determining how I spend my money. And it is not just me. For most recreational gamblers, they will just not bother. Registering to use an entertainment product, carrying around a device and preselecting limits will be a disincentive to play for all. If clubs lose their recreational punters, they lose an important source of revenue and will no longer remain viable. This means the closure of clubs—of sport clubs, of ethnic clubs, of RSLs. It means the loss of sporting infrastructure, rural community centres and donations to local schools, junior sport and charities, not to mention the loss of jobs.<sup>89</sup>

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86 Commonly referred to as recreational gambling but the committee uses this term to refer to gambling at a low intensity as some gamblers would consider high intensity machines to be recreational.

87 Mr Ian Horne, *Proof Committee Hansard*, 15 February 2011, p. 24.

88 Clubs Australia, *Submission 47*, p. 2.

89 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 55.

### ***Committee view***

9.90 As detailed in chapter six, the committee is cognisant of ensuring that mandatory pre-commitment does not cause inconvenience for the majority of low-level or occasional gamblers. In response to this, in chapter six the committee recommended that the system be simple and easy to use and quick to sign up. In addition, with the inclusion of low intensity machines, low level gamblers will notice little, if any, difference to their gambling experience.

### **Casinos**

9.91 Along with smaller venues the committee acknowledged the different circumstances facing casinos. Casinos are widely seen to be destination venues which offer a range of entertainment options. They have only six per cent of the total number of EGMs in Australia. In addition, evidence presented to the committee showed that casino customers are a distinct group: the majority of casino customers do not tend to gamble in community venues such as clubs and hotels and many are international visitors.<sup>90</sup>

9.92 The issue of how foreign tourists should be accommodated under a mandatory scheme was raised particularly among casino operators. The peak body for casinos, the Australasian Casino Association (ACA) expressed the view that imposing a mandatory scheme on overseas tourists who visit casinos would be inappropriate:

Moreover the rationale for imposing a compulsory system on these players does not necessarily apply to tourists whose main purpose in visiting a casino and to a certain extent, one of their considerations for visiting Australia or a certain state or city where there is a casino, lie in spending money and maximising their fun and leisure time.<sup>91</sup>

9.93 The ACA pointed to surveys which showed that foreign tourists playing in casinos tend to: have higher incomes, spend less time on EGMs, pre-commit expenditure, and view casinos as social rather than gambling venues.<sup>92</sup>

9.94 Some argued there should be no exemption for these groups, particularly if the design of the scheme is simple and easy to use:

The submission does talk about that balance. We have argued that, if the identity check system and the system for access to precommitment are quick, efficient and easy, then there is potentially no reason why you need something outside the system for tourists and occasional gamblers. If it is quick and easy, it will be a minor thing to do. Having become a member at

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90 Information drawn from Australasian Casino Association, *Submission 93*, p. 1.

91 Australasian Casino Association, *Submission 93*, p. 9.

92 Australasian Casino Association, *Submission 93*, pp 8–9.

the Redcliffe RSL in order to use their precommitment system, I found it pretty quick and efficient—it did not take very long to do.<sup>93</sup>

### *Options suggested for overseas tourists*

9.95 It was suggested that overseas tourists be allowed to purchase special pre-commitment cards with low limits. The attractiveness of a temporary low-value card for use by occasional gamblers was canvassed by Mr Alan Moss, Independent Gambling Authority, SA:

But if you played two or three times a year you might not want to bother to put yourself to the inconvenience of getting the card, storing it and having it, particularly if it had money on it. If the card had \$500 on it you would not want that money just sitting there idle while you played only twice a year. So you would just get a temporary card to allow you to spend \$50 or \$100 on the day. That is how I would see it.<sup>94</sup>

9.96 Associate Professor Paul Delfabbro noted a temporary card was an option raised by the Productivity Commission:

The commission does raise the possibility of having small cash cards, once-only use cards, which can be purchased for \$5 or \$10. So around the world there are those ticket-in type cards that you can buy—New South Wales has them—where you can just buy a \$5 card, use it once and that is it, where you make no undertaking to play more regularly to get bonus loyalty points from playing EGMs. The commission's suggestion of having a temporary card is not a bad one, but it is one of the issues that is proving challenging as part of the discussions which certainly the expert advisory committee is having.<sup>95</sup>

9.97 Mr Robert Fitzgerald, Productivity Commission, explained the Commission's view:

In our recommendations we have been very clear that irregular players—players who play only occasionally—who have a very low spend would be able to go to a venue and receive a cash card or a card which has a limit of, say, \$20, a low-value card. All they have to do for that is produce some identification. There is no recording of any information. When that card is expended, that is the end of it. Most recreational gamblers will not even fall within the precommitment system, unless they so choose or they want to spend a larger sum of money.<sup>96</sup>

9.98 The ACA nevertheless rejected any registration process for overseas tourists, even for a temporary card:

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93 Dr Mark Zirnsak, Director Justice and International Mission Unit, Uniting Church in Victoria and Tasmania, *Proof Committee Hansard*, 2 February 2011, p. 26.

94 Mr Alan Moss, *Committee Hansard*, 1 February 2011, p. 31.

95 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 69.

96 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 49.

Even the provision of a temporary card will require some registration process that would be unnecessarily bureaucratic and take away from the visitor's overall entertainment experience.<sup>97</sup>

9.99 However, the committee heard evidence that the registration process for pre-commitment would not need to be onerous:

That is the balance we have indicated needs to be struck, and we do not believe it will be any more onerous than all those forms of ID that you have already identified—across other businesses when consumers rent a DVD, hire equipment or borrow a book from the public library. Opening a bank account or obtaining a credit card is probably going to require a higher level of ID. We would expect that less ID would be required by a venue than with most bank transactions.<sup>98</sup>

9.100 Evidence from the trials on voluntary pre-commitment showed that expectations that pre-commitment processes would be onerous and difficult were not sustained:

...when we look at the trials, because the first reaction of all of the people in the trials is often that it is going to be very onerous, very difficult, very time consuming and very costly. When people look at the initial stage, there is a little bit of work and there is a little bit of effort required to recruit and put people on the system, but thereafter, in a very short period, people start to realise it is not so onerous at all; once it is in place, it is quite easy to operate and people generally think it is a little easier than they thought it was going to be.<sup>99</sup>

9.101 A recent survey quoted by Ms Margie Law, Anglicare Tasmania, suggests that any impost pre-commitment would have on consumers could be overstated:

There was a survey in 2009 about the impact of precommitment schemes. The survey included setting an expenditure limit—and I know that there are comments that precommitment would be an impost on the ordinary gambler, the person who does not have a gambling problem—but this 2009 study by the Victorian Department of Justice in 2009 found that the majority of non-problem gamblers felt that there would be little change in their level of enjoyment, money spent, session length or the frequency with which they would gamble if there was an expenditure limit system in place or if they had to wait 24 hours before being able to change the limit. So I think that is one indication that people who do not have a problem with their gambling are not likely to find having a precommitment system too much of an impost.<sup>100</sup>

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97 Australasian Casino Association, *Submission 93*, p. 9.

98 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 25.

99 Ms Sarah Hare, Schottler Consulting, *Proof Committee Hansard*, 3 February 2011, p. 18.

100 Ms Margie Law, *Proof Committee Hansard*, 18 February 2011, p. 3.

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### *Committee view*

9.102 The committee accepts there are differing views on how to treat foreign tourists.<sup>101</sup> It notes suggestions that tourists be issued with a temporary low-value card, and proposals that low intensity machines be available, while also being cognisant of arguments that tourists not receive special treatment as registration for the mandatory scheme would not be onerous. Despite requesting it, disappointingly, the committee did not receive formal advice from the casino industry on how best to accommodate foreign tourists. In the absence of this input, the committee makes the following suggestions and recommendations.

9.103 The committee recognises that casinos are destination venues which offer a range of entertainment options. However, they remain a venue which is recognised by many as having a gambling focus whereas a club or hotel generally does not. In addition, the casino industry is regulated differently to clubs and hotels.<sup>102</sup> It should also be noted that in its first report into gambling, the Productivity Commission concluded that:

...there is insufficient evidence to argue that casinos are a *particularly* serious source of problem gambling. In fact, with respect to gaming machines, the evidence points the other way: less problems appear to be attributable to casinos than to clubs and hotels. In large part this reflects their small numbers, their location and role as a destination venue for many, and the small proportion of total expenditure on gaming machines that they represent.<sup>103</sup>

9.104 The committee also recognises that community concern over problem gambling appears focussed on the expansion of gambling into community venues after the rapid liberalisation and increased availability of EGMs in the 1990s.<sup>104</sup> The committee notes that providing low intensity machines is an option for larger as well as smaller venues.

9.105 Regarding foreign tourists in casinos, one option could be that upon reliably establishing their identity as a foreign tourist, the casino issue them with a special card which could override the mandatory pre-commitment scheme for 24 hours only. This 24 hour limit on use would assist to ensure that a black market for these cards does not develop.

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101 The committee is confining its comments to foreign tourists at casinos for although the committee heard about other venues that have numbers of foreign tourists the committee believes that allowing these mainly large venues to be treated differently would have the perverse effect of encouraging them to be even more like casinos.

102 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 2.34.

103 Productivity Commission, *Australia's Gambling Industries*, vol. 2, Commonwealth of Australia, Canberra, 1999, pp 14.30–14.31.

104 Productivity Commission, *Australia's Gambling Industries*, vol. 2, Commonwealth of Australia, Canberra, 1999, p. 14.3.

### **Recommendation 43**

**9.106 The committee recommends that, upon proof of identity, foreign tourists in casinos be issued with a card that overrides the mandatory pre-commitment scheme for a period of 24 hours. This should be monitored by the national regulatory authority for abuse.**

9.107 The committee would like to emphasise that the arrangements for foreign tourists in casinos are the only divergence from the mandatory pre-commitment scheme the committee is recommending. In all other respects casinos will need to conform with the mandatory pre-commitment regime and timeline.

### **Contributions of the industry to the community**

9.108 The committee recognises the benefits provided to the community which clubs have pointed to and include: donations to sporting teams, charities and community organisations; sporting and recreational facilities; promotion of volunteering and more intangible benefits, such as improved quality of life for the elderly, secure environments for community members to socialise, and greater social cohesion.<sup>105</sup> Regarding the quantum of community contribution Clubs Australia noted:

The annual social contribution of clubs, including the provision of activities, community donations and the maintenance of community facilities has been estimated at over \$1 billion. ClubsNSW pledged \$50,000 to launch its 2011 Queensland Flood appeal with more than \$600,000 raised in that state to date, and clubs in ACT have so far raised \$74,000. Clubs have previously displayed their generosity by raising \$3.4 million for the victims of the South East Asia Tsunami in late 2004, \$760,000 for the victims of Cyclone Larry in Far North Queensland in 2006 and \$1.8 million for the Victorian Bushfire Recovery in 2009.

Over 90 per cent of Australian clubs provide sports facilities to members, including 1621 bowling greens, 338 golf courses, 102 gyms and 325 sporting fields in New South Wales alone. In 2007, club expenditure on professional sport in New South Wales was more than \$28 million.<sup>106</sup>

9.109 Mr Des Crowe, National Chief Executive, AHA, spoke about the contribution of hotels to the community:

In terms of support, each year Australian hotels give \$75 million to community and sporting organisations. Each year, Australian hotels provide support to 20,000 sporting teams and 32,000 community, health and education organisations. We also host 123,000 local sporting and community meetings in our hotels annually.<sup>107</sup>

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105 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 6.5.

106 Clubs Australia, *Submission 47*, p. 5.

107 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 2.



9.110 The committee commends and supports the contribution made by the industry to the community. The industry expressed concern that the introduction of mandatory pre-commitment system would result in a reduction of these contributions to the community.<sup>108</sup> The ALH Group outlined the current level of community support and the effect on the future of contributions:

Given that, as I mentioned before, we are 75 per cent owned by Woolworths, we have two tiers to our corporate donations program but we manage that in conjunction with Woolworths. In 2010 Woolworths reported contributing \$36.3 million to community, which was verified by the London Benchmark Group. That equates to the equivalent of 1.15 per cent of pre-tax profits and compares to the LBG Australia and New Zealand corporate average of 0.63. Our individual component of that was a seven-figure amount...

Any variable costs are things that you look at when you experience a revenue downturn, so our level of community support would be significant in terms of reducing it.<sup>109</sup>

9.111 The committee notes the contribution made to the community by smaller clubs which generally do not have the resources and income stream of larger clubs. For example Mr Colan Ryan, Secretary-Manager, Crescent Head Country Club outlined their contributions to community and compared it with profit:

Mr Ryan—That was after we supported the community with about \$16½ thousand. We supported the community with more money than what we actually made in profit.

Senator XENOPHON—Which is unusual given some of the big clubs that we have dealt with, who might make \$5 million or \$7 million—

Mr Ryan—We are not about profit making; we are about looking after our own little community.<sup>110</sup>

9.112 He added:

Obviously we are different to a hotel, in that any profit we make has to go back into the community. So we are very different to a hotel in that respect. No one individual makes a heck of a lot of money.<sup>111</sup>

9.113 Mr Ryan detailed the support provided to the community:

The club supports the local community through development and maintenance of sporting facilities, sporting contributions, donations and sponsorship. For over 50 years Crescent Head Country Club has played an integral role in the sponsorship of many local juniors and sporting teams. Crescent Head's entire community also benefit greatly from the

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108 Mr Peter Newell, *Committee Hansard*, 4 February 2011, p. 55.

109 Mr David Curry, *Committee Hansard*, 14 February 2011, p. 84.

110 Mr Colan Ryan, *Committee Hansard*, 14 February 2011, p. 92.

111 Mr Colan Ryan, *Committee Hansard*, 14 February 2011, p. 96.

development and maintenance of the local golf course, tennis courts and bowling greens. Without the club's support these vital assets would not exist. All of those vital assets run at a loss. The reason we are able to run them at a loss is that they are subsidised by the income the club derives through poker machines. The club also has the only library in Crescent Head. There is no government-run library in Crescent Head. The club has the only toilet and disabled toilet in the CBD of Crescent Head. The club operates a seniors kiosk so that seniors can access the internet. The club operates a Heart Moves program, which is a vital health aspect for seniors.<sup>112</sup>

9.114 The committee notes a report from the ACT government which found that in 2009–10 the highest earning 20 EGM venues contributed on average only 13 per cent of their net gaming machine revenue while the lowest earning 20 clubs contributed on average 44 per cent of earnings.<sup>113</sup>

9.115 While acknowledging the contribution made by clubs to the community, it must be recognised that questions have been raised over the amount and direction of that contribution, given the tax concessions provided to clubs. This was questioned by the Productivity Commission in finding 6.2 where it felt there are strong grounds for governments to significantly reduce gaming tax concessions:

The large tax concessions on gaming revenue enjoyed by clubs in some jurisdictions (notably New South Wales) cannot be justified on the basis of realised community benefits. There are strong grounds for these concessions to be significantly reduced, though this would require phased implementation to facilitate adjustment by clubs.<sup>114</sup>

9.116 In NSW clubs contribute to the local community through the Community Development and Support Expenditure (CDSE) Scheme.

The Scheme provides a gaming machine tax rebate of up to 1.5 per cent to clubs that make eligible community contributions in accordance with the Scheme's guidelines. In the year to August 2009-10 \$58.7 million was expended on CDSE projects.<sup>115</sup>

9.117 The South Australian Council of Social Service indicated that in South Australia under the *Gaming Machines Act 1992* part of the revenue raised from gaming taxes is put into several funds.<sup>116</sup> The Act sets a fixed sum but the amount is not indexed so the real value of the contribution to these funds is declining every year.

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112 Mr Colan Ryan, *Committee Hansard*, 14 February 2011, p. 87.

113 ACT Government, *Community Contributions made by Gaming Machine Licensees 1 July 2009 to 30 June 2010*, ACT Gambling and Racing Commission, 26 October 2010, p. 9.

114 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 48.

115 NSW Government, *Submission 110*, p. 4.

116 The funds are the sport and recreation fund, charitable and social welfare fund, gamblers rehabilitation fund and the community development fund.

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Over the past five years the real value of the contributions to the funds has declined by 22 per cent or \$20 million.<sup>117</sup>

9.118 The Productivity Commission outlined findings from the Independent Pricing and Regulatory Tribunal (IPART) review of community contributions from clubs, indicating that clubs with lower numbers of gaming machines tend to be more embedded in the community:

The cash contributions to the community tend to be quite low. IPART in New South Wales identified a \$91 million direct cash contribution from New South Wales clubs to the community. So there are some in-kind contributions but the amount of cash that actually flows from clubs to the community, in general, is quite modest. You find it is the clubs which have the lower levels of gaming that are more rooted in the community—in volunteering, community sports and so on.<sup>118</sup>

9.119 Mr Robert Fitzgerald, Productivity Commission, added:

...the quantum of the contributions I think needs to be looked at very carefully. Ralph Lattimore has indicated, for example, in New South Wales that, in 2002 and 2008, \$91 million was made by direct cash contributions. It is also worth noting that in New South Wales the tax concessions related to gambling were in excess of \$500 million, so the tax concessions of over \$500 million were provided to the clubs.<sup>119</sup>

9.120 Dr Charles Livingstone also pointed to work questioning whether the benefits outweigh the costs:

...but we refer frequently these days to this book by Betty Con Walker, a former Treasury official from New South Wales, which undertakes a very excellent analysis of the income patterns of New South Wales clubs and talks about the tax implications. The Productivity Commission picked up on this work and spent some time looking at the various tax concessions. For example, registered clubs in New South Wales do not pay income tax because they are mutual organisations; nonetheless, some of them are making \$100 million a year out of poker machine gambling. The benefits that they are provided by the taxpayer far outweigh the benefits they might provide to the community.<sup>120</sup>

9.121 To offer a comparison, Mr Stephen Doyle, Chairman, St Vincent de Paul Society Queensland Social Justice Committee, mentioned the situation in Western Australia where gaming machines are only available at the casino:

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117 See Greg Kelton, 'Share pokie profits', *Adelaide Advertiser*, 10 February 2011, p. 3; See also South Australian Council of Social Service, *Gambling Revenue in SA, The Community Funds under the Gaming Machines Act 1992*. Note: the figures are calculated from the March quarter 2010 but the fact sheet has not been updated.

118 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 61.

119 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 62.

120 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 38.

Arguments will be put up by those lobbying for the licensed clubs and gaming machine industries that the gaming machine industry contributes substantially to community organisations, but this is only a very small percentage of the income they derive from gambling. For example, in states like Western Australia it is demonstrated that sporting clubs do not need to have that income in order to provide opportunities for participation, so some of the arguments that will be put up need to be looked at very closely. It is also argued that it will cause a loss of revenue and employment opportunities if these measures are brought in. Our position is that those employment and revenue opportunities will be created somewhere else, probably in more socially desirable areas such as housing and retail...<sup>121</sup>

9.122 WA clubs do not provide EGM gaming which has resulted in many being mostly small volunteer-run clubs. While noting that they are limited in the services and facilities they can provide Clubs WA advised that it represents 1,000 licensed clubs which have an average 600 members.<sup>122</sup> WA clubs earn about 50 per cent of their income from bar and food sales. In contrast the main source of income for NSW is gaming machines at 63 percent.<sup>123</sup> Clubs WA argued that:

Clubs form an important part of the social fabric of the community. They provide a wide range of social entertainment, lifestyle and community focused services to their members and to the broader population. Clubs provide affordable facilities and services, and promote friendship, volunteering, self-esteem and a supportive social environment for people of all ages.<sup>124</sup>

### ***Cross subsidisation***

9.123 Club Central Menai informed the committee that their brasserie and cafe are budgeted to run at a loss with the food being subsidised by revenue from EGMs. It detailed the range of services provided from EGM revenue:

The club offers a range of free services for local citizens and organisations. Some of these free services include function rooms free of charge, bingo, trivia nights, poker, entertainment and shows, courtesy bus and raffles. All of these services are enjoyed in a clean, safe and air-conditioned environment. Many participants in these activities are elderly, lonely or handicapped locals that have few other options available. These activities are made available directly from poker machine revenue.<sup>125</sup>

9.124 City Diggers Wollongong has over 12,000 members and in the last financial year, gaming machine revenue contributed 75 per cent of total revenue. It advised that this revenue is:

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121 Mr Stephen Doyle, *Committee Hansard*, 14 February 2011, p. 3.

122 Clubs WA, *Submission 3*, pp 4–7.

123 Clubs WA, *Submission 3*, p. 8.

124 Clubs WA, *Submission 3*, p. 4.

125 Illawarra Catholic Club Group, Club Central Menai, *Submission 8*, p. 2.

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...vital to retain our members facilities and be able to provide product and services at subsidised cost levels, and continue our support for local community and charity organizations. Without gaming revenue, our Club could not have developed to our current situation over the last eighty years.<sup>126</sup>

9.125 Mr Gary Banks, Productivity Commission, spoke about the findings in relation to cross subsidisation noting that with increasing commercialisation, the levels of cross-subsidisation are decreasing:

In relation to the casinos and clubs you would not expect much cross-subsidisation to occur. They are businesses and they want to make each part of their business effectively pay for itself, so I do not think it relates so much to them, although I should say there are a lot of hotels around the country that look a lot better as a result of gaming. They have had the money to actually refurbish the hotel...They can offer \$5 steaks as well, that is true, and you can have it in a more pleasant atmosphere than a tumbledown hotel, which might have been the case before, so there are some benefits there. For the clubs, equally, and probably more so 10 years ago, there was a degree of cross-subsidisation, special pensioner discounts, free Christmas lunches and lower cost food and beverages. My colleague might have some statistics on that. I am not sure that there is the same degree of cross-subsidisation in clubs, as they have become far more commercial than they were in the old days. To some extent, some of the big clubs more closely resemble casinos than the community clubs of the past. That is reflected in the way they have approached the gambling issue in this inquiry, and the one that we had, compared to the inquiry of 1999 when they had a much softer line that reflected their more community focus. We have looked at the actual spending of the clubs and this is where I might ask my colleague to comment. We thought it was very important to look at the nature of the cross-subsidisation and this community spending by the clubs and also to think about whether it is spending best done by the clubs or by the government that represents the people and therefore has some kind of control over priorities et cetera in its spending.<sup>127</sup>

9.126 Dr Ralph Lattimore, Productivity Commission, added:

...I guess sometimes people think that the basic amenities available to a member of a club are significantly subsidised. People do think of the \$5 steaks or the cheaper alcohol but, in fact, alcohol is still a profit source for clubs. Clubs Australia actually provided some very useful evidence on that to us during the inquiry and you might like to look at it in submission 164. What they demonstrated was that there were relatively small cross-subsidies for food, facilities, venue rental and even sports playing. Gaming machines accounted for 68 per cent of their revenue and 32 per cent of their expenses—these are their figures—so it raises the question of where the money goes if it is not spent on things like food, the bar, other gaming,

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126 City Diggers Wollongong, *Submission 12*, p. 1.

127 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, pp 60–61.

sports and so on. The answer is: on a variety of other investments—for example, long-term rental accommodation, aged and child care facilities, promotional activities and so on—and sports clubs. Most of us will know that the NRL and the AFL are to some extent receiving funding from clubs.<sup>128</sup>

### **The source of community donations is relevant**

9.127 While acknowledging the contribution to the community, witnesses questioned whether this outweighs concerns about the source of the revenue. Mr Robert Fitzgerald, Productivity Commission, pointed out:

One could argue the benefits of community activity, but one has to go to the source of the income. If a significant percentage of a business is derived from people who are exhibiting substantial harm and if there is a substantial portion of their consumers that are at risk of harm, would we believe that that source of revenue, however spent, is appropriate? What has occurred in Australia is that a significant percentage of the expenditure through gambling comes from people at risk of or with problem gambling. That is the starting point. Whether or not those moneys are applied beneficially or otherwise—and in some cases it is clear that they are—is a second issue.<sup>129</sup>

9.128 He added:

It is very clear that, if our measures were successful in reducing problem gambling, those venues that have higher reliance on problem gamblers will be most affected and those that have exhibited and claimed that they have responsible gambling practices and do not rely on problem gamblers for their revenue will be only marginally affected, because our measures are designed not to affect recreational gamblers. So, if a club, a venue or other person said to you that their expenditure would be dramatically reduced, it is more likely than not that they are heavily reliant on consumers who are problem gamblers or are at significant risk. I think we have to look at it in two ways: firstly, where is the revenue coming from and, secondly, how is it distributed?<sup>130</sup>

9.129 Further, Mr Fitzgerald expressed the view:

...this issue about the way in which the money is expended is a different issue. Perhaps what we really need to say is: where is the source of the funds and is it an appropriate business model going forward? So a high percentage of the expenditure is coming from people exhibiting real harms. Of course there are consequential effects and flow-ons.<sup>131</sup>

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128 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 61.

129 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 62.

130 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 62.

131 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 62.

9.130 The Productivity Commission also raised a broader question of who is best placed to decide issues around funding for social infrastructure as there may be priorities outside the jurisdiction of a particular club which deserve the money more.<sup>132</sup>

9.131 Dr Charles Livingstone supported this view that eliminating the revenue stream from problem and at risk gamblers will result in a sustainable income stream to support community activity:

It is hard to say that a community organisation that gets 80 per cent of its revenue from poker machine gambling is focused on its primary purpose, which is supposed to be some sort of social or sporting activity, and this is typical in New South Wales now. We know that, on average, clubs in New South Wales earn two-thirds of their revenue from poker machine gambling. Our argument would be that, if we can actually eliminate problem gambling from the system and come up with a safe, consumer-focused product which people can play enjoyably and safely, knowing that they are not going to risk losing their home because of it, that is obviously going to reduce the stream of revenue, but it can be reduced back to a reasonable level. It does not have to be an exorbitant or predatory level of profit. A modest stream of revenue which can support community activity at a local club level seems to us to be a reasonable outcome, but having vast clubs that are earning \$100 million a year, 80 per cent of which comes from poker machine gambling, strikes us as being exactly the wrong sort of model.<sup>133</sup>

9.132 Dr Richard Woolley acknowledged that some clubs are trying to take steps in this direction:

It should also be noted, I think, that some of the clubs associations themselves have it as an article of the future development of their business to reduce their reliance on poker machine income. They have been very unsuccessful in that in most cases, but they acknowledge, if you really push the point, that this is not sustainable.<sup>134</sup>

## Conclusion

9.133 The committee considers that a well designed mandatory pre-commitment scheme will reduce revenue from problem and at risk gamblers but should have little effect on the revenue derived from low level or recreational gamblers. Industry claims often that it does not wish to receive a single dollar from problem gamblers. So those who believe they already have effective responsible gambling measures in place or have no problem gamblers at their venue, which were the majority of venues, should not be concerned. Only those with a higher reliance on problem gamblers will be affected.

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132 Mr Gary Banks, *Proof Committee Hansard* 15 February 2011, pp 61–62.

133 Dr Charles Livingstone, *Proof Committee Hansard*, 2 February 2011, p. 39.

134 Dr Richard Woolley, *Proof Committee Hansard*, 2 February 2011, p. 39.

9.134 The committee expresses some concern that those arguing against mandatory pre-commitment, particularly those in the gaming industry, may not fully appreciate the devastating harms of EGM addiction. We hope the courageous personal stories provided to the committee and summarised in chapter two will go some way to enlightening these views. The committee would hope that the industry is mindful of not pursuing revenue streams that are shown to be harmful to vulnerable groups. Problem gambling currently inflicts a heavy burden on individuals, families and communities, but ultimately those who suffer most often suffer alone. The committee notes a comment from one of the witnesses in relation to the proportionality of harm:

Currently, this results in market failure because the EGM industry does not suffer any of the costs involved in the harm it causes unless taxes are levied on them, but even these are not in proportion to the cost involved. Therefore, they have no real incentive to deal with problem gambling in a serious way except to the extent that the threat of regulation forces them to do so...Precommitment, therefore, is a significant step to address the imbalance in law between the EGM industry and its customers.<sup>135</sup>

9.135 In the case of the introduction of smoking restrictions on venues, the industry demonstrated it was able to adapt to a policy change that affected its revenues. Likewise it needs to recognise it has the capacity to address the implementation challenges associated with mandatory pre-commitment.

**Mr Andrew Wilkie MP**

**Chair**

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135 Dr Mark Zirnsak, *Proof Committee Hansard*, 2 February 2011, p. 15.



# Coalition members' dissenting report

## Introduction

1.1 Coalition committee members were deeply affected by the personal stories of gambling addiction shared with the committee and do not deny the need to provide proper help, support and resources for people with a gambling problem and those close to them who are also affected. However, the evidence presented to this inquiry left the Coalition members of the committee concerned about a number of issues which raise questions over the effectiveness of a mandatory pre-commitment system.

1.2 It should be noted that the gambling industry provides significant employment, is a major contributor to the economy, and provides substantial contributions and services to the community. The committee heard that the implementation of mandatory pre-commitment will result in the loss of jobs and salaries, reduce contributions and services to communities and will threaten the viability of some venues. The way forward in any policy to help problem gamblers should be based on the best available evidence, including trials held over an appropriate timeframe. Proposals around mandatory pre-commitment in the committee majority report are not evidence-based, are too rushed and will result in a less than optimum response to assist problem gamblers—an outcome we all want to achieve.

1.3 Gambling is a legitimate and legal recreational activity enjoyed by many. Mandatory pre-commitment will negatively affect the vast majority of recreational gamblers who do not have a gambling problem by creating inconvenience and complexity to sign up to play and by intrusive recording of personal information.

1.4 This dissenting report will outline issues of concern in a number of areas. These include the lack of evidence that a mandatory scheme will assist those with a gambling problem; evidence from those in the industry that it will inconvenience the vast majority of recreational gamblers who do not have a gambling problem and push problem gamblers to other less regulated forms of gambling; the cost of implementation; the timelines and the consequences for venues. For these reasons the Coalition members support a well-designed, voluntary pre-commitment scheme, which is supported by appropriate evidence, including trials, and where there has been appropriate consultation with industry. We also believe that given the substantial cost of a mandatory scheme, particularly for smaller venues, a full cost-benefit analysis should be undertaken.

1.5 Mandatory pre-commitment is not the 'silver bullet' to eliminate problem gambling. Before taking industry down this expensive, technologically complex and personally intrusive path we must be sure that these negative aspects and others highlighted above are outweighed by positive outcomes.

## **Response to the recommendations in the committee majority report**

1.6 The recommendations made by the committee majority do nothing to assuage the concerns of Coalition committee members which are outlined in detail below. The design features of the system are complex. As expected problem gamblers will be able to set their own spend limits and there will be nothing to stop them setting unaffordable limits. In addition, they will be able to set limits in the venue despite witnesses, particularly former problem gamblers, telling the committee that limits need to be set away from the machines. No resolution to the technological challenges has been provided and we are no clearer on the cost. Some proposals to reduce costs are made but the harmonisation of machine standards is a longer term issue which will provide no assistance for the up-front costs. Coalition committee members are pleased to see recognition of the needs of small venues, requiring more time and assistance with costs, but reiterate the urgent need for a full cost-benefit analysis and further trials to be undertaken to ensure the future of the industry and its contribution to the community is not needlessly threatened by these proposed reforms.

1.7 Coalition members of the committee note the majority report recommendation which provides an exemption for 'low intensity' EGMs. The inclusion of this recommendation is surprising as the committee essentially took minimal evidence on so-called 'low intensity' EGMs. Low intensity machines, their definition, player usage, effect on recreational and problem gamblers all remained unexamined and untested. Indeed, there was little discussion on 'low intensity' machines among committee members and witnesses, and they were not a focus for the committee at all in submissions or testimony in preparation of this first report. The apparent 'compromise' of high and low intensity machines is confusing for gamblers and is not evidence based. Furthermore, no evidence was presented to the committee of international experience supporting low intensity machines having an impact of problem gambling. In fact, it appears to Coalition committee members to be little more than a 'political fix' that has only received attention from early April (after all public hearings were completed).

1.8 Coalition committee members note:

- No one has precisely defined what constitutes a 'low intensity' machine and we are unaware of their existence in any venues in Australia. The majority report suggests a 'low intensity' machine have a maximum bet limit of \$1, with a maximum hourly loss of \$120;
- We note an earlier proposal from the Productivity Commission to introduce a national \$1 maximum bet was estimated to lead to a reduction of 50 percent in casino industry non-VIP gaming machine revenue. This was estimated to equate to around \$500 million for the casino sector. Similar reductions could, therefore, be expected to occur in club and hotel revenues with obvious major consequences for employment, state government revenues, and funding of sport and community contributions;
- In the absence of conclusive evidence, Coalition committee members believe 'low intensity' machines are unlikely to have any appeal for problem gamblers

who will be able to continue to play existing machines using self selected high loss limits on their pre-commitment card. As such, 'low intensity' machines are unlikely to be in any way effective in reducing problem gambling, but will lead to a significant revenue loss for industry and government; and consequently lead to the loss of many jobs;

- Given 'low intensity' machines are not currently in Australia, the concept requires a 'start from scratch' design, development, production and regulatory approval of an entire range of new games and existing games presumably would not comply with the majority report definition of 'low intensity'. As such, this can be reasonably expected to take a long period of time and to be quite costly. The complete absence of any evidence from games providers or state and territory based regulators regarding the impact of introducing low intensity machines means the recommendation contained in the majority report is wholly without foundation and requires detailed further review.

1.9 This report will cover the following areas: questioning the evidence that mandatory pre-commitment will assist problem gamblers; issues with implementation including technology challenges and unrealistic timelines; the involvement of the industry; and the negative consequences mandatory pre-commitment will have.

## Questioning the evidence

1.10 Witnesses argued against implementing full mandatory pre-commitment by underlining the lack of evidence that such a measure will actually work. Clubs Australia highlighted this lack of evidence:

Given the costs associated with implementing a nationally-networked, uniform mandatory pre-commitment scheme, it would be reasonable to assume that there would be significant evidence to show that the scheme has successfully worked in reducing the prevalence of problem gambling in research and trials, both in Australia and overseas.

No such evidence exists.<sup>1</sup>

1.11 Clubs Australia pointed to a study conducted by Professor Alex Blaszczynski which showed that problem gamblers are least likely to benefit from pre-commitment and most likely to circumvent the system.<sup>2</sup>

1.12 It was pointed out to the committee that the pre-commitment trials to date have been inconclusive and limited. Clubs Australia asserted:

Advocates for pre-commitment point to the trials in South Australia, Queensland and Nova Scotia as evidence that pre-commitment can be

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1 Clubs Australia, *Submission 47*, p. 21.

2 Alex Blaszczynski, 'Gambling Motivations, Money-Limiting Strategies, and Pre-Commitment Preferences of Problem Gamblers Versus Non-Problem Gamblers', *Journal of Gambling Studies*, (2010) 26, pp 361–372.

implemented, and works. They also point to Norway as a country which has implemented mandatory pre-commitment successfully.

Clubs Australia does not agree with these assertions.

- Australia's trials have been for voluntary, venue-based pre-commitment.
- Nova Scotia's extensive trials had a requirement for participants to have a card, but it was voluntary to use the pre-commitment features on the cards, such as spending or time limits, or enforced breaks in play. Nova Scotia's trials were explicitly not intended to redress problem gambling.
- Norway has had no reduction in problem gambling since implementing mandatory pre-commitment.<sup>3</sup>

1.13 Industry does support an evidence-based approach. As Mr Trevor Croker, Aristocrat, stated:

It is critical that a robust evidence base be established and that any measures implemented in the interim be subject to review, evaluation and, if necessary, amendment to ensure gaming policy is constructed on the basis of firm evidence.<sup>4</sup>

1.14 Academic Dr Sally Gainsbury agreed on the importance of building an evidence base before introducing a new policy:

We very much think that the responsible gambling and harm minimisation measures are very important to address problem gambling in Australia but any strategies should be evidence based as much as possible so that money is spent in a manner that is going to make a difference and be an effective policy for the people and achieve the aims it is really trying to address. So before any policy is put in place there should be evidence behind it to support its effectiveness.<sup>5</sup>

### ***Problem gamblers won't set low limits***

1.15 Several witnesses pointed to the irrational beliefs held by problem gamblers and how this inhibits their ability to act rationally. Associate Professor Paul Delfabbro described these:

I have had mathematicians who are pathological gamblers. They will tell me how to calculate the odds of the machine—they will say it is one over 25 to the fifth, based on the five reels—and then they will turn around and tell me how they beat the machine, which is entirely irrational.

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3 Clubs Australia, *Submission 47*, p. 25.

4 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, pp 2–3.

5 Dr Sally Gainsbury, *Committee Hansard*, 4 February 2011, p. 37.

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It is recognised in cognitive psychology that you have what is called knowledge partitioning. It is the neuroscientist who believes in astrology. People's emotions will often override their rational thought.<sup>6</sup>

1.16 The committee heard evidence from Professor Malcolm Battersby that for problem gamblers, the compulsion to gamble distorts their thinking:

That compulsion about what they describe as an uncontrollable urge, which I tried to describe in my submission, actually means that their thinking processes become totally distorted.<sup>7</sup>

1.17 Given these uncontrollable urges override rational behaviours, it is hard to see how addicted gamblers will be able to set responsible limits on their gambling. Clubs Australia pointed out this contradiction in their submission:

Problem gamblers are addicts, so how will they make rational choices one minute, and then bad choices the next?<sup>8</sup>

1.18 As the setting of high limits is to be permitted, we are extremely worried that problem gamblers will simply set excessive limits in order to be able to play. The committee heard evidence from Associate Professor Paul Delfabbro that this is precisely what happened in Sweden:

...the findings from Sweden suggest that people will set limits which pretty much circumvent the whole system. In Sweden there is a gambling provider called Svenska Spel, which provides internet gambling and also lotteries—and lottery terminals are also a form of poker machine. They have a system called Play Scan, which is a voluntary system you can activate, and you can ask it to track your gambling. You can set limits, too, when you play with their products. They found that people will often set 24 hours a day on time limits, or they will set limits very much higher than what they would otherwise spend. This was also found in the Worldsmart trial in South Australia, too—people will set limits higher than what they would otherwise spend, just in case.<sup>9</sup>

1.19 Professor Alex Blaszczynski expressed his concern that problem gamblers will set excessive limits, and gamble to those limits:

My concern essentially is that after initial experiences they are going to set limits which are in excess of what they can really afford and that may lead to some negative consequences where, having set higher limits, they are more likely to gamble to those limits.<sup>10</sup>

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6 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, pp 71–72.

7 Professor Malcolm Battersby, *Committee Hansard*, 14 February 2011, p. 55.

8 Clubs Australia, *Submission 47*, p. 43.

9 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, pp 69–70.

10 Professor Alex Blaszczynski, *Committee Hansard*, 4 February 2011, p. 37.

1.20 Another academic, Dr Sally Gainsbury agreed that problem gamblers would be likely to set high limits in order to build-in a 'buffer zone':

Another that we highlighted that is quite important is that there is some evidence that precommitment levels will actually increase gambling for problem gamblers, who will set higher limits to give themselves a buffer zone and then end up actually spending more because they are changing their own mindsets of how much they have to spend. So another potential consequence is actually increasing gambling amongst certain problem gamblers.<sup>11</sup>

1.21 The possibility of this perverse outcome has been noted in a report from the Responsible Gambling Council, Canada. A participant in a gambling forum in Nova Scotia observed:

I might think I didn't go this week. I better go and spend all my money on gambling because I've still got all this money left.<sup>12</sup>

1.22 The Coalition members of the committee express their grave concern that problem gamblers will indeed set high limits and play to those. Experts have highlighted that this is a real risk.<sup>13</sup> Relying on the assumption that problem gamblers will have moments of lucidity where they will be able to set affordable and rational limits, ignores the fact that multiple moments of lucidity will be required, at the venue in order for problem gamblers to review and re-set their limits on a regular basis. Coalition committee members believe that multiple moments of lucidity falling at the times when limits are reviewed are unlikely to occur. In addition, these moments of clarity will need to occur in the venue where a problem gambler is at most risk of losing control. Rather than reducing harm, the Coalition members are extremely worried that mandatory pre-commitment will cause even greater harm, by encouraging addicts to spend even more than they currently do by setting higher limits. In order for these dangers to be addressed, it seems evident to Coalition committee members that a third party would need to make decisions about limits for an individual who is in the throes of a gambling addiction—an extreme policy response we would not support.

### ***Black market, card-swapping and lost cards***

1.23 Witnesses warned the committee that mandatory pre-commitment would have other unintended and damaging consequences. These include fuelling a black market in pre-commitment cards and fraud. Mr Trevor Croker, Aristocrat, described card swapping activity in Norway:

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11 Dr Sally Gainsbury, *Committee Hansard*, 4 February 2011, p. 40.

12 Professor Jan McMillan, *Submission 66*, Attachment A, p. 22.

13 For example, Dr Sally Gainsbury's evidence that problem gamblers would set high limits and play to those. Dr Sally Gainsbury, *Committee Hansard*, 4 February 2011, p. 40.

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Even in Norway and other jurisdictions where we have seen card based solutions, people are still buying and trading cards.<sup>14</sup>

1.24 He described how it even happens in Australia where people swap loyalty cards:

We have had reports that people in this situation, even domestically, will swap cards to redeem points. But largely the feedback we have had is that it is not a bulletproof solution. People will swap and trade cards and have been known to use multiple cards to continue to game.<sup>15</sup>

1.25 The evaluation of the Nova Scotia trials found card swapping was rife among players, with 37 per cent of players engaging in card swapping at least sometimes.<sup>16</sup>

1.26 Ms Sarah Hare, Schottler Consulting, agreed that a mandatory scheme could encourage a black market in cards:

In a mandatory model we have still got the issue that, firstly, as you mentioned, people could swap cards with other players, leading to a black market of cards.<sup>17</sup>

1.27 This danger was also highlighted by Professor Alex Blaszczyński and Dr Sally Gainsbury in their joint submission:

A further potential unintended negative consequence of introducing pre-commitment devices is the development of a black market in player cards, whereby player cards be sold or hired to players who have exceeded their personal limits, or devices invented to circumvent pre-commitment measures.<sup>18</sup>

1.28 Lifeline Australia agreed, fearing that individuals would face greater risks:

A major concern is the likelihood of problem gamblers finding a way to beat the system through a 'black market' of pre-commitment cards – being sold or given away or access codes shared, leading to increased legal and personal risks for individuals.<sup>19</sup>

1.29 It was argued by Mr Ralph Lattimore, Productivity Commission, that a gambler would be required to show ID in order to collect a jackpot prize which would ensure against player fraud.<sup>20</sup> The arguments that this would provide an adequate safeguard against card swapping are illogical, as they assume that the problem gambler's only motivation for gambling is to win the jackpot, which rarely occurs.

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14 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 14.

15 Mr Trevor Croker, *Committee Hansard*, 4 February 2011, p. 14.

16 Associate Professor Paul Delfabbro, *Committee Hansard*, 1 February 2011, p. 74.

17 Ms Sarah Hare, *Proof Committee Hansard*, 3 February 2011, p. 20.

18 Professor Alex Blaszczyński, Dr Sally Gainsbury, *Submission 13*, p. 9.

19 Lifeline Australia, *Submission 97*, p. 5.

20 Mr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 49.

Problem gamblers are also seeking the thrill of a win, not necessarily a large jackpot prize. Presumably, ID would not be required for smaller wins, which raises the question of where the threshold should be set in order to prove identity to collect winnings.

1.30 It was submitted to the committee by Professor Alex Blaszczyński and Dr Sally Gainsbury<sup>21</sup> that a mandatory system may fuel illicit activities such as a black market in cards, which as noted by Lifeline Australia,<sup>22</sup> will place all players at greater risk. These concerns are shared by Coalition committee members.

1.31 The committee heard the only way to prevent such disastrous consequences would be to implement strict and onerous identity procedures, including compulsory registration of all players, biometrics to record personal data and a nationally managed database.<sup>23</sup>

1.32 The issue of how to replace lost or malfunctioning pre-commitment cards was discussed. For example, managing the administrative processes around lost cards or cards that fail to work for some reason would require venues to commit significant resources. The committee was advised by the Productivity Commission that larger venues, such as casinos, already have in place the capacity for developing specialised responses to these issues.<sup>24</sup> But it was not clear where the ultimate responsibility for addressing such issues would lie if the venue was unable to deal with problems, as the following exchange shows:

Dr Lattimore—I can make a few comments. Firstly, a large venue has some advantages, in a way, over a small venue, because a large venue has the capacity for specialisation. In fact, if you go to these large casinos, they have dedicated counselling staff available 24 hours a day, in their own offices. They have been able to do that because they have so many patrons. So a large venue has the capacity for developing specialised responses to just the issues, and they have to for reasons too. There are all sorts of problems that beset gaming machines or other aspects of any venue that they have to fix, and for that reason they have a capacity to do that. On some of the issues you have raised, for example, a malfunctioning card, at least issuing a new card is not a substantial difficulty because there is a process you would have for issuing one in the first place, and the whole idea of any precommitment system is not to make it customer unfriendly. We did not examine complaint mechanisms, but I imagine that you would have a multilevel capacity for complaints, which is usual in any context like that.

Senator BACK—You would expect management to take responsibility for these matters.

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21 Professor Alex Blaszczyński, Dr Sally Gainsbury, *Submission 13*, p. 9.

22 Lifeline Australia, *Submission 97*, p. 5.

23 St Marys Rugby League Club, *Submission 82*, p. 9.

24 Mr Ralph Lattimore, *Proof Committee Hansard*, 25 February 2011, p. 32.



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Dr Lattimore—In many of the instances you have described, that is a foreseeable aspect of machine play and so you would want to have an answer to it before it occurred. The greater difficulty is when something occurs that was not foreseen, and management would be the first party to be alerted to it. If it were something they could do, they would deal with it. If it were a systemic issue, a reflection of the design of the arrangements, they would make a representation to government.<sup>25</sup>

1.33 Clearly, in the view of Coalition committee members, there will be increased compliance costs for venues which will be expected to devote additional resources to processing lost or stolen cards, not to mention the costs involved in monitoring gamblers for illegal activities. We accept that some of the much larger venues such as casinos may have the capacity to deal with increased compliance, but many other large venues without such existing infrastructure will not without dedicating significant additional resources. As Twin Towns Club noted in its submission, inevitably 'there will be increased monitoring costs, compliance costs' as well as the costs of smart cards or USBs.<sup>26</sup> For many, the additional costs of compliance could be 'the straw that breaks the camel's back'.<sup>27</sup>

1.34 In addition to the increased compliance burden is the lack of clarity around processes for lost or stolen cards. For example, a customer has a pre-commitment card from Crown Casino and travels to the Gold Coast for a holiday and wants to gamble at Twin Towns Services Club but forgets their card. Under the model proposed in the committee majority report, unless there is a national network in place, Coalition committee members do not see how this situation could be easily resolved and would likely result in another card being issued.

#### ***Impact on recreational gamblers and tourists***

1.35 A number of witnesses were concerned that the 'one-size' fits all approach that a mandatory scheme would impose, will be a hardship and imposition on occasional gamblers, as well as overseas tourists. Mr Chris Downy, Australasian Casino Association, argued:

An occasional customer will be wary about giving their personal details to a casino business and even more wary about disclosing details about their gambling and having them stored on a government regulated database. We see that as being a big issue.<sup>28</sup>

1.36 Mr Downy went on to express concern that casinos could lose valuable business if a mandatory scheme were imposed on occasional gamblers who are at no risk of becoming problem gamblers:

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25 Dr Ralph Lattimore, Senator Chris Back, *Proof Committee Hansard*, 25 March 2011, p. 32.

26 Twin Towns Services Club, *Submission 41*, p. 9.

27 RSL (Victoria Branch), *Submission 103*, p. 4.

28 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 29.

So you do not have a precommitment card, you do not particularly want one and if you come back to the casino again the chances are you will leave it behind. You just want to put a few dollars into a machine, you have no intention of filling out the forms and divulging your personal details and gambling records to any business and certainly not to the government. So you turn around and say, 'I've had enough of this. I'm going to leave.' You are not a problem gambler and you are not at risk of becoming a problem gambler. That would be the story with a lot of our recreational customers. They might go to a casino three, four or five times a year. They are really our occasional customers. That is our business. That is where we have concerns, that that is the business we will lose.<sup>29</sup>

1.37 He was also particularly concerned about the impact on tourism, as shown in the following exchange:

Senator BACK—Is it your understanding that if we move to this compulsory precommitment system that international visitors would also have to sign up to—

Mr Downy—That is a big concern of ours. We are not talking about our high rollers. We are talking about tourists who come in off the street. They are no different to occasional customers.

Senator BACK—They might be on the cruise vessels arriving here.

Mr Downy—They might be—or whatever. Basically they want to come to the casino for a night out and some thought has to be given as to how you would manage that situation. We put the figures there for you and it is a very important part of our business, not only for us but also for Australia.<sup>30</sup>

1.38 Mr Downy outlined the value of casinos to the tourism sector:

It is worth noting that in financial year 2008, of the 5.2 million international tourists who visited Australia, 1.1 million visited a casino. Total expenditure by international tourists visiting Australia in that financial year was \$16 billion. Of that, \$4.9 billion was spent by international tourists who visited a casino. Those international tourists who visited a casino spent approximately \$4,941 per head, as opposed to the \$2,628 per head spent by those international tourists who did not visit a casino.<sup>31</sup>

1.39 Clubs in tourist areas also expressed concern. Mr Colan Ryan, Secretary Manager, Crescent Head Country Club, highlighted the loss of business if a mandatory scheme was compulsory for domestic tourists:

But we have a floating tourist population. We have people who might save up all year and then, once a year, they will go away and they do not mind spending a few dollars. January is one of the few months of the year we

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29 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 32.

30 Senator Chris Back, Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 35.

31 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 27.

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actually make a profit. We rely on the money that we make in that one month to get us through the rest of the year.<sup>32</sup>

1.40 Mr David Curry, General Manager Government and Corporate Relations, ALH group, argued that recreational gamblers should be free to play without hindrance:

I do not think a recreational gambler should have to engage in any other transaction other than being to play the machine. A person who wants to engage in voluntary precommitment can sign up and use a device or whatever else to set appropriate time and/or spend limits to assist them.<sup>33</sup>

1.41 Coalition members of the committee strongly agree with the view expressed by Mr Chris Downy, ACA, that requiring occasional players to sign up to a 'one-size-fits-all' mandatory system is 'unnecessarily bureaucratic'.<sup>34</sup>

### ***Players will migrate to other forms of harmful gambling***

1.42 The committee heard evidence that problem gamblers who become frustrated with the strictures imposed under a mandatory scheme may migrate their gambling to other less regulated environments, such as the internet. Associate Professor Paul Delfabbro observed:

Younger males who are very heavy poker machine users might be tempted to then transfer their gambling expenditure more to the internet or other forms...<sup>35</sup>

1.43 Mr Peter Newell, President, Clubs Australia, pointed out that after the introduction of mandatory pre-commitment in Norway players migrated to the internet:

Norway introduced mandatory precommitment and the result was that players moved to Internet gambling.<sup>36</sup>

1.44 Mr David Curry, General Manager, Government and Corporate Relations, ALH Group, agreed and pointed to evidence from Norway which saw increased numbers of calls to gambling helpline services from gamblers with internet gambling problems:

The evidence that I have was from a senior adviser to the Norwegian government. In terms of iGaming 22 percent of calls through the national helpline were related to iGaming in 2006. In 2007 it was 41 per cent and 15 per cent sports betting on top of that. In 2008 it was 70 per cent of the calls and 23 percent of sports betting on top of that. In 2009 the first quarter was

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32 Mr Colan Ryan, *Proof Committee Hansard*, 14 February, 2011, p. 94.

33 Mr David Curry, *Proof Committee Hansard*, 14 February 2011, p. 77.

34 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 29.

35 Associate Professor Paul Delfabbro, *Proof Committee Hansard*, 1 February 2011, p. 75.

36 Mr Peter Newell, *Proof Committee Hansard*, 4 February 2011, p. 45.

54 per cent of calls and 17 per cent sports betting, remembering that from 1 July 2007 slot machines were banned in that jurisdiction.<sup>37</sup>

1.45 The dangers of internet or online gambling were highlighted to the committee. Mr Colan Ryan, Secretary Manager Crescent Head Country Club, expressed concerns about the levels of advertising of internet gambling products:

I just get worried when I see on TV the ads for internet gambling. When you watch sports games, betting on games is advertised continually through the cricket and rugby league to children. It is poured down our throats. I do not know about your local TV stations, but where I live you continually see ads for playing poker machines online. There are lots of different sports betting agencies around, and some of their operations in trying to make money to me seem very unscrupulous, I suppose, in some ways.<sup>38</sup>

1.46 Associate Professor Linda Hancock noted the problems in the UK where people can buy lottery tickets online:

One model here is the UK National Lottery. You can buy in the UK National Lottery by telephone or online, and they started to see some anomalous spending which they thought was very harmful to those consumers—people spending £1,500 a week on lottery tickets.<sup>39</sup>

1.47 Many were rightly concerned about the rapid emergence of internet gambling and the risks and negative effects, particularly for young people:

In terms of internet gambling I suspect—and this is the evidence from our gambling treatment clinic—that there is now a rapid rise in young males presenting with sports betting problems. That is reflected in some other clinicians that I have discussed. My prediction would be that there will be a shift of problem gambling from the traditional electronic gaming machines; it will still persist, but I think the internet gambling will start to expand...<sup>40</sup>

1.48 Mr David Curry, ALH Group, described discussions he had about concerns over internet gambling with former AFL player, problem gambler and now ambassador for responsible gambling programs, David Schwarz:

In addition, in my discussions at length with David Schwarz, a reformed problem gambler—and run a responsible gambling program with him—says categorically that if the internet were available to the level it is now, it would have been a disaster for him because he said that if one avenue chops off or becomes all too hard he would move somewhere else.<sup>41</sup>

1.49 Clearly, more research into internet gambling is needed:

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37 Mr David Curry, *Proof Committee Hansard*, 14 February 2011, p. 78.

38 Mr Colan Ryan, *Proof Committee Hansard*, 14 February 2011, p. 97.

39 Associate Professor Linda Hancock. *Proof Committee Hansard*, 2 February 2011, p. 8.

40 Professor Alex Blaszczyński, *Proof Committee Hansard*, 4 February 2011, p. 43.

41 Mr David Curry, *Proof Committee Hansard*, 14 February 2011, p. 72.

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No, we do not have that evidence; we have not done that research. But I would have to agree with you that we need to learn much more about the patterns of online and internet gambling and sports betting to understand the whole equation.<sup>42</sup>

1.50 In conclusion, the Coalition members of the committee share the deep concerns of those who fear that forcing a mandatory scheme on everyone will result in migration of gamblers to the less regulated, less protected and fast-growing internet gambling environment. Mr Anthony Ball, Executive Director, Clubs Australia, summarised the view we support, that gamblers should not be driven to an online environment where they can gamble unfettered and unprotected, but instead be given treatment:

The strategy must not be to drive them online; the strategy must be to find people with a problem, get them the right treatment and turn their lives around. That is the essence of public health policy, and I think it needs to be how we address this as well. That is why we say that mandatory precommitment will not help such a person—because they will find a way around the system. They will subvert it. They will jump online or go to the TAB or somewhere else where they can bet unfettered.<sup>43</sup>

### ***Prevalence of problem gambling***

1.51 The Productivity Commission noted in its report a fall in prevalence rates:

...on balance, the Commission's assessment of the evidence suggests that prevalence rates have fallen.<sup>44</sup>

1.52 This figure<sup>45</sup> from the Commission's report, graphically illustrates these declines have occurred across all jurisdictions:

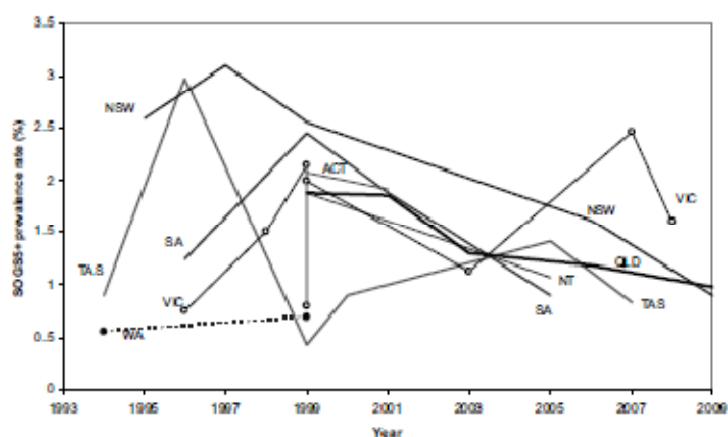
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42 Ms Penny Wilson, *Proof Committee Hansard*, 2 February 2011, p. 72.

43 Mr Anthony Ball, *Proof Committee Hansard*, 4 February 2011, p. 62.

44 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.39.

45 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.40.

Figure 5.5 Problem gambling prevalence rates<sup>a</sup>

<sup>a</sup> Problem gambling was measured using the SOGS 5+ criterion. There was only limited data where both CPGI and SOGS were used (three studies in Australia and seven in Canada, and so only a simple adjustment was feasible. The Australian SOGS 5+ prevalence rate was estimated as  $CPGI\ 8+ \cdot 0.394\ CPGI\ 3-7$  (reflecting the fact that all people categorised as CPGI 8+ will be categorised as SOGS 5+, while only a share of those rated as CPGI 3-7 (a looser categorisation of problems) would be rated as SOGS 5+).  
Data source: Commission estimates based on prevalence estimates from table 5.2.

1.53 The Productivity Commission agrees that the range of harm reduction measures has contributed to reducing risks for problem gamblers, stating that:

...governments and venues have introduced some harm prevention and harm minimisation measures, which are likely to have reduced risks of problems for gamblers...<sup>46</sup>

1.54 Clubs Australia also presented data which showed that prevalence rates of problem gambling have been falling. For example, Queensland has seen a decline in prevalence from 0.83 per cent in 2001 down to 0.37 per cent in 2008–09. In New South Wales the prevalence rate has fallen from 0.8 per cent in 2006 to 0.4 per cent in 2008. In the ACT, the 2010 figure was 0.5 per cent.<sup>47</sup>

1.55 Witnesses argued that falling prevalence rates point to the success of existing state and territory initiatives to reduce problem gambling harms:

Can I run through a few things that have happened. It is not an accident that the rate of problem gambling is falling. It is not spiralling out of control. The states and territories under their own steam, long before this came onto the federal agenda, have introduced self-exclusion schemes; problem gambling counselling services; responsible gambling training; 24-hour help lines; restrictions on ATM facilities, as far as credit goes; player activity statements; restrictions on advertising; machine shutdowns; bans on complementary alcohol; responsible gambling signage; and gambling warning notices. These have been developed by state governments, in consultation with the industry. No-one can tell you whether or not they

46 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 5.39.

47 Clubs Australia, *Submission 47*, p. 8.

have directly led to the rate of problem gambling falling, but it suggests that it has had an impact, because we know the rates are falling.<sup>48</sup>

1.56 Industry initiatives such as Club Safe have also played a significant role.<sup>49</sup> Clubs are committed to doing the right thing and supporting problem gambling initiatives. For example, more than 90 per cent of clubs in Queensland believe that responsible gambling codes of practice are 'good for business'.<sup>50</sup>

## Technology issues

### *Shortcomings with current technologies*

1.57 The committee was presented with a range of technical devices that it was claimed could facilitate pre-commitment. It became clear that all these technologies exhibit some weakness which problem gamblers would be likely to exploit—none are foolproof or complete on their own. Some technologies might even inadvertently encourage problem gambling or criminal behaviour.

#### *Magnetic stripe cards*

1.58 Magnetic stripe cards are cheap and familiar to users, but these cards are less secure and can be easily swapped with other players, even with the added security of a PIN. Associate Professor Paul Delfabbro noted:

Such cards are, however, less secure, can be easily damaged and can be swapped between players without easy detection.<sup>51</sup>

1.59 Magnetic stripe cards do not have a large storage capacity and can be easily swapped. Mr Ian Donald, Regis Controls, argued:

Mag stripe really will not do the job. It is very difficult to change the limits on mag stripe. It acts as an ID card, and all the smarts of the system are at the back end. That, by definition, is a more expensive system. I think you can rule out mag stripe as a long-term solution.<sup>52</sup>

#### *Smartcards*

1.60 Smartcards are cards that contain an embedded digital chip which store more data than a magnetic stripe card and are programmable. Their greater storage capacity means that more personal identification data can be stored on the card, which it is

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48 Mr Anthony Ball, *Proof Committee Hansard*, 4 February 2011, p. 67.

49 ClubSAFE and its sister programs are a comprehensive resource that includes induction information and interactive, face-to-face training and online training for new gaming employees, refresher training every two years, counselling services, a self-exclusion program and other information resources. Clubs Australia, *Submission 47*, p. 9.

50 Clubs Australia, *Submission 47*, p. 9.

51 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

52 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 54.

claimed will negate the need for a central database to hold this information.<sup>53</sup> As observed by Robert Chappell, Independent Gambling Authority, SA:

If privacy is a huge concern, then that points you more in the direction of a smart chip type card where the data is kept on the card. That would reduce the need for aggregation in a centralised database.<sup>54</sup>

1.61 Smartcards are also considered more tamper proof.<sup>55</sup> But even smartcards with their additional features could be swapped by a problem gambler determined to circumvent the system. Global Gaming Industries observed:

In general smartcards can be very secure devices. An individual's identity can be imprinted securely on such a device and defy all but the most strident attempts to break into it. There is no argument that terminals can be placed on or by a Gaming Machine and values can be set on a card or device to be transposed to a Gaming Machine, in some Australian states. It can tell a security terminal the identity of the person carrying it but, without some form of bio-metric it cannot tell if the person presenting the card/device is the person whose identity is contained within it. Even then there is no perfect bio-metric.<sup>56</sup>

### *USBs*

1.62 Like smartcards, USBs or memory sticks can store a lot of personal data and are programmable for a range of functions. However, the committee heard criticisms on this technology:

USB basically is overkill for purpose. It is a more expensive solution.<sup>57</sup>

1.63 The committee also heard that USBs would require software modifications to all EGMs, in order for the machine to be able to 'read' the device.<sup>58</sup>

1.64 Concerns regarding privacy and security of personal data on USB devices were raised as well as the ease with which they can be tampered with undetected.<sup>59</sup>

### *Tags*

1.65 Radio frequency tags incorporate an embedded transmitter that sends a secure signal to a tag reader located next to the machine. This signal can contain encrypted

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53 However, the serial number of the card may need to be recorded in a central database. Regis Controls *Submission 29*, p. 26.

54 Mr Robert Chappell, *Proof Committee Hansard*, 1 February 2011, p. 34.

55 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

56 Global Gaming Industries, *Submission 78*, p. 2.

57 Mr Ian Donald, *Proof Committee Hansard*, p. 54.

58 Clubs Australia, *Submission 47*, p. 16.

59 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 65.



data, such as player pre-set limits.<sup>60</sup> No PIN is required to initiate play. Whilst tags are already used in a voluntary pre-commitment trial in SA, the committee heard they have weaknesses. Regis Controls noted that a tag could be used by someone who is not the owner of the tag because sign-on and play is anonymous.<sup>61</sup> This calls into question the capacity of this device to prevent player fraud or tag swapping.

1.66 The provider of one of these tags, Global Gaming Industries, explained that their tag also requires the player interface on the machine to be linked to a centralised database allowing for the logging of all player activity.<sup>62</sup> As noted elsewhere, a centralised database raises issues around privacy.<sup>63</sup>

### ***Cashless gambling***

1.67 Smartcards and other programmable devices also facilitate cashless gambling, whereby a player's account is linked to the card allowing funds on the card to be used for gambling. The committee heard that cashless gambling is already available in some jurisdictions, such as Queensland.<sup>64</sup> While some might find cashless gambling an attractive feature because cash does not need to be carried, others argued it could encourage problem gambling. In her PhD project on problem gamblers Ms Sharon Nisbet surveyed gamblers about their attitudes to cashless gambling. Worryingly, she found that some players perceived it would allow them to spend more, faster:

These players thought it 'easier' to spend more when playing with the card, as 'you see an amount on there and you just keep pressing it and putting money in.' Likewise, another player said 'we spend our money faster sometimes with the cashless card', as a consequence of not having to 'wait for someone to come and attend to you and then go to the cashier.'<sup>65</sup>

1.68 The double-edged sword of cashless gambling that would be facilitated by a smartcard has also been noted by the Responsible Gambling Council, Canada:

On the other hand, the integration of a player account could present an ethical dilemma, in that it could make it easier for a gambler with problems to access funds. This problem, however, is a two-edged sword.<sup>66</sup>

### ***Biometrics required***

1.69 The committee heard that the only effective way to prevent card-swapping is the use of biometric identifiers embedded on programmable devices, such as USBs or

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60 Associate Professor Paul Delfabbro, *Submission 9*, p. 4.

61 Regis Controls, *Submission 29*, p. 13.

62 Global Gaming Industries, *Submission 78*, p. 6.

63 For example, concerns raised by Dr Livingstone and Dr Woolley, *Submission 26*, p. 10.

64 The Simplay system provided by Maxgaming and operating in Queensland features a cashless card. Maxgaming, *Submission 19*, p. 1.

65 Ms Sharon Nisbet, *Submission 77*, p. 5.

66 Professor Jan McMillan, *Submission 66*, Attachment A, p. 40.

smartcards enabling the player's identity to be verified before play commences. Dr Robert Williams, University of Lethbridge, Canada, has argued that:

It is also important that this identity system be biometric, otherwise some people (particularly problem gamblers) will endeavour to use other identities/cards when their own limits have been met. Smart cards with PINs are an improvement over regular cards, but still do not prevent card swapping, borrowing, or selling.<sup>67</sup>

1.70 Responsible Gaming Networks pointed out that 50 per cent of problem gamblers who participated in a pre-commitment trial swapped their PIN-based cards.<sup>68</sup> This highlights the weakness in the arguments of those who assert that only basic player identification will be sufficient to prevent misuse. Clearly, problem gamblers will seek to circumvent the processes around less robust identification protocols, as the experts recognise. The only way to prevent this occurring, according to the experts, is to implement biometrics otherwise the benefits of pre-commitment will not extend to those who desperately need it the most—problem gamblers.

1.71 Coalition committee members, however, have serious reservations about the use of biometrics. To begin with, a technology that requires the scanning of fingerprints or retinas smacks of 'Big Brother' and is overly intrusive. Secondly, even biometrics has technical shortcomings. Regis Controls pointed out there are 'significant challenges inherent in the use of fingerprint technology'. These include:

Age, injury, illness, medication, occupations, medical treatments and chemical exposure causes alterations to “fingerprints,” people such as bricklayers, concreters, labourers and other occupations have poor ridge or whorl structure because the ridges are being sanded smooth every day; the biometric pattern of their fingerprints are often unreadable.<sup>69</sup>

1.72 Senior citizens in particular are not considered good candidates for biometric scanning, due to the decline in skin elasticity and higher rates of arthritis as people age making scanning of fingerprints uncomfortable or painful.<sup>70</sup>

1.73 Biometrics is one of the more expensive solutions; significantly higher in cost than magnetic or smart cards. Biometric data can be stored on a USB stick or smartcard, but the cost of the scanning equipment would add further to the cost of the device.<sup>71</sup> Lastly, if a device with stored biometric data was stolen or lost, there could be a greater risk of identity theft.

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67 Responsible Gaming Networks, *Submission 39*, Attachment 1, p. 8.

68 Responsible Gaming Networks, *Submission 39*, p. 3.

69 Regis Controls, *Submission 29*, p. 27.

70 Regis Controls, *Submission 29*, p. 27, 29.

71 Biometrics costs will vary with the type of scan, but is likely to add around \$30–\$100 to the cost of a device.

1.74 Coalition members agree with the experts who argue that if identification processes are not robust, problem gamblers will simply circumvent the system by swapping cards fuelling a black market in lost/stolen cards.

***Player registration and centralised database***

1.75 If biometrics is not an option, then we are really only left with the option of a national player database with compulsory registration.

1.76 A central database to securely store personal data would be needed if a non-programmable device (such as a magnetic stripe card) is used, as the device itself cannot perform this function:

Mr Martschinke—I think it is important to tell you that there is no information stored on a mag stripe card other than the card number.

Senator BACK—I am aware of that. It is stored on a central database.

Mr Martschinke—And it is all PIN operated.

Senator BACK—From a privacy point of view, that is probably worse. To a sceptic it is worse that there is some big database somewhere.<sup>72</sup>

1.77 Problem gamblers wanting to circumvent the system might possess multiple devices, allowing them to effectively jump from machine to machine, underlining the need for a central database:

Mr CIOBO—Just to pick up on the point the chair raised, the concern that I have—correct me if I am wrong—with that system as outlined by the chair is that if you have a problem gambler with multiple USB sticks, they could effectively jump from machine to machine using multiple systems and it would be useless, wouldn't it?

Mr Ferrar—That is the way I understand it, yes.<sup>73</sup>

1.78 The need for a national database to address cross border issues was also highlighted to the committee. Relationships Australia (SA) noted:

However, there are numerous examples of towns/cities edging state borders where a gambler would have minimal difficulty crossing the border to gamble once selected limits have been reached. This may provide a basis for extending the reach of networked machines to nationwide over time.

A pre-commitment system that extends across all machines nationwide would enable the limits that people set to apply when they travel interstate for holidays or business meetings.<sup>74</sup>

72 Mr Declan Martschinke, Senator Chris Back, *Proof Committee Hansard*, 3 February 2011, pp 12–13.

73 Mr Steven Ciobo, Mr Ross Ferrar, *Proof Committee Hansard*, 14 February 2011, pp 40–41.

74 Relationships Australia (SA), *Submission 67*, p. 2.

1.79 Coalition committee members note examples of clubs such as Twin Towns Services Club on the border of Queensland and New South Wales<sup>75</sup> and Club Mulwala on the border of Victoria and New South Wales<sup>76</sup> which cater to high numbers of tourists. Unless there was a national database tourists could end up with a card from each jurisdiction, possibly even with different limits.

1.80 The need for a central database to verify identity was also highlighted by Mr Ian Donald, Regis Controls, in the event of the need to re-issue a lost device which still had credits attached.<sup>77</sup>

1.81 Concerns that players would be required to register in order to play a perfectly legal product were expressed. ALH group's concern also extended to privacy issues:

The requirement of players to register before playing a legal product is not warranted and also raises a significant number of issues relating to the Privacy Act.<sup>78</sup>

1.82 The establishment of a central database, however, raises a number of questions relating to player privacy, as noted by Dr Charles Livingstone and Dr Richard Woolley:

Thus the principal advantage of a networked solution would be real time data collection and all associated benefits of this, including capability for player tracking software to be utilised. A fully networked solution could also operate without the need for smart devices, relying instead on a less sophisticated access card (e.g., a mag-stripe card only). However central data storage would be required in this case with associated privacy concerns arising.<sup>79</sup>

1.83 A central database would need to demonstrate the highest integrity and due diligence. Mr Justin Brown, Aristocrat, explained:

The precommitment system that requires identification and therefore storage of data jurisdictionally or across Australia would need to be of the highest integrity and design. The redundancy and protection mechanisms around it would need to be of the highest order. That is a standing concern. Subject to the scope, details and mechanism of the design, we do not really have a position on how that would be achieved. But certainly going to an identification system requires due diligence upfront to ensure that the system has the necessary support, privacy protection and credibility.<sup>80</sup>

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75 Twin Towns Services Club, *Submission 41*, p. 1.

76 Club Mulwala, *Submission 22*, p. 1.

77 Mr Ian Donald, *Proof Committee Hansard*, 2 February 2011, p. 63.

78 Mr David Curry, *Proof Committee Hansard*, 14 February 2011, p. 70.

79 Dr Charles Livingstone and Dr Richard Woolley, *Submission 26*, p. 10.

80 Mr Justin Brown, *Proof Committee Hansard*, 3 February 2011, p. 13.

1.84 Recreational gamblers will object to having their personal data stored on a central database, where it is not clear who owns the data, who has access to the data and how secure it is. Mr Chris Downy, Australasian Casino Association, argued:

An occasional customer will be wary about giving their personal details to a casino business and even more wary about disclosing details about their gambling and having them stored on a government regulated database. We see that as being a big issue.<sup>81</sup>

1.85 Mr Tony Toohey, eBet, warned a national database could end up undermining player trust:

If you told the player that that information is now going to be freely available to other venues in a national database, I think there is a level of trust about privacy information that would lead people to stop using their cards.<sup>82</sup>

1.86 The National Welfare Rights Network (NWRN) also raised a concern around the potential for Centrelink to gain access to personal financial information, if a national database were implemented:

The NWRN is, however, concerned about the potential for Centrelink to have access to data in the event that it is collected and stored, and the use to which Centrelink may put the data.<sup>83</sup>

1.87 The NWRN gave an example of where this already occurs:

Members of the NWRN have had a number of cases where people receiving income support such as the Age Pension or the Disability Support Pension have had large debts raised against them by Centrelink on the basis that their alleged gambling “turnover” at a casino, can by the process of applying a forensic accounting formula, be said to amount to evidence of income for the purpose of assessing income under Social Security Law...<sup>84</sup>

1.88 The committee heard many reasons why nothing less than a national database would be required were a mandatory pre-commitment system established. Such a database would raise many concerns particularly in relation to privacy.

### ***Cost and technical barriers***

#### *Technical differences across jurisdictions*

1.89 The committee heard that multiple communication protocols and different technical standards apply across jurisdictions, creating difficulties for the industry. It

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81 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 29.

82 Mr Tony Toohey, *Proof Committee Hansard*, 14 February 2011, p. 45.

83 National Welfare Rights Network, *Submission 37*, p. 3.

84 National Welfare Rights Network, *Submission 37*, p. 12.

was argued that these differences should be addressed and standardised prior to the introduction of mandatory pre-commitment.

1.90 Mr Josh Landis, Clubs Australia, noted how these jurisdictional differences could impede a national solution:

It is also important to say though that each of the jurisdictions is quite different—different numbers of machines, different levels of play, different rates in terms of pay and revenue and all that kind of thing—so to try to impose a national so-called solution over the top can be fraught. If you have half the machines in New South Wales and very few, for example, in Tasmania, the outcomes will not necessarily be the same if you look to impose a one-size-fits-all solution.<sup>85</sup>

1.91 Mr Ross Ferrar, Gaming Technologies Association, agreed that a lack of harmony across jurisdictions impedes change:

...the lack of harmony between jurisdictions is an impediment to change.<sup>86</sup>

1.92 Mr Trevor Croker, Aristocrat, outlined the advantages to industry in addressing jurisdictional differences *before* implementing national mandatory pre-commitment:

From our perspective, there are costs because of the number of jurisdictions and the unique standards we have to make for each machine in each jurisdiction, driven by protocol and driven by various national standards. We think that a national standard that is appropriate across all jurisdictions is an appropriate enabler for a national standard for gaming machine operation...I think we would see, as we said in our submission, that a national standard and the development of national standards would facilitate and expedite the ability to create a solution in a precommitment network.

Otherwise the promised benefits to industry will not materialise, as multiple solutions will still need to be implemented by industry, at greater cost.<sup>87</sup>

1.93 He added that:

Multiple jurisdictions means multiple compliance costs. If that were to be removed then it is absolutely a cost base that could be aggregated.<sup>88</sup>

1.94 Notably, the Productivity Commission recognised the need to address standards:

So we see the biggest priority as being that of upgrading the technology to provide a platform and enabling technology for harm minimisation measures both now and into the future. Because that is the biggest priority,

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85 Mr Josh Landis, *Proof Committee Hansard*, 4 February 2011, p. 56.

86 Mr Ross Ferrar, *Proof Committee Hansard*, 14 February 2011, p. 42.

87 Mr Trevor Croker, *Proof Committee Hansard*, 4 February 2011, pp 3–4.

88 Mr Trevor Croker, *Proof Committee Hansard*, 4 February 2011, pp 15–16.

we have also stressed the importance of developing new standards and protocols as soon as possible. How that technology is introduced can make a big difference to the industry's initial cost...<sup>89</sup>

1.95 The current situation with differing standards prevents new measures being introduced:

The current system almost precludes new measures being introduced or, if they are, they are inordinately expensive.<sup>90</sup>

1.96 Dr Ralph Lattimore, Productivity Commission, emphasised that addressing standards is really the starting point for implementing pre-commitment:

The most important thing I would say about the implementation strategy is that it itself involves precommitment to precommitment and by that I mean really the technology platform. So the starting point for the implementation plan is to put in place the standards and the technology across the states that would allow precommitment.<sup>91</sup>

1.97 Coalition committee members agree that in order to provide certainty to industry and ensure the full benefit of a standardised technology is delivered, the current multiplicity in standards and communication protocols needs to be addressed urgently and prior to the introduction of mandatory pre-commitment. This will be a major task for the jurisdictions.

## **Recommendation 1**

**1.98 Coalition committee members recommend that the differences in technical standards and communication protocols be harmonised by jurisdictions.**

### *Cost of individual technologies remain uncertain*

1.99 The committee heard a range of estimates on the costs of individual technologies, but is none the wiser on what the final cost of these is likely to be, even though these costs could be substantial. The committee heard a range of estimates on hardware and other related costs, making it extremely difficult to assess the final likely cost. This uncertainty over cost estimates surely underlines the urgent need for a full cost-benefit analysis to be undertaken prior to implementation, in order to provide some certainty to industry.

1.100 Whether all EGMs would need replacing or just a proportion, is also unclear. Gaming Technologies Australia estimated that:

Our association's technical committee has estimated that the youngest 25 per cent of Australia's gaming machines would require a software upgrade

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89 Mr Gary Banks, *Proof Committee Hansard*, 15 February 2011, p. 43.

90 Mr Robert Fitzgerald, *Proof Committee Hansard*, 15 February 2011, p. 45.

91 Dr Ralph Lattimore, *Proof Committee Hansard*, 15 February 2011, p. 44.

to provide the necessary resources for new functionality associated with measures recommended last year by the Productivity Commission. The middle-aged 25 per cent would most likely require a significant hardware upgrade. The oldest 50 per cent are not capable of being upgraded and would need to be replaced. In December 2009 we said in our submission to the Productivity Commission that this could cost \$1.55 billion for software set redevelopments, replacements, retrofits and significant updates. We are now concerned that this figure is conservative.<sup>92</sup>

1.101 Clubs Australia estimated that 197,000 machines (that is, the entire fleet of current machines) will need to be fitted with readers or be replaced in order to implement mandatory pre-commitment.<sup>93</sup>

1.102 The Coalition committee members are concerned that what is currently being proposed in the majority report will result in a poorer quality, more costly pre-commitment technology being adopted, which will ultimately fail to help those who most need assistance, problem gamblers. Furthermore, the continuation of differences in standards and communication protocols will impose additional and unnecessary costs on industry. It also seems likely that more stringent security and identification features, such as compulsory registration of all players through a centralised database will be required to prevent player fraud and device swapping. This will create intrusive and unacceptable burdens on the vast majority of players who simply want the opportunity to enjoy a bit of harmless fun without being made to feel they are criminals.

### **Consequences for the industry**

1.103 It is important to note the contributions the gambling industry provides through employment, business activity and community contributions. The following section details these.

#### ***The club movement***

1.104 Clubs Australia informed the committee of the long history of the club movement, their role in providing a range of services to the community as well as contributions in cash and kind:

There are more than 4,000 registered and licensed clubs in Australia. Clubs are not-for-profit organisations whose central activity is to provide services and infrastructure for their members and the community. Clubs have been an important part of the development of Australia since the 1800s. Most were created to provide a community with a social meeting place or to provide sporting facilities. Others were established to support migrant communities or to provide support to veterans. Clubs contribute through employment, direct cash and in-kind contributions to local groups and charities, and through the formation of social capital by mobilising

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92 Mr Ross Ferrar, *Proof Committee Hansard*, 14 February 2011, p. 29.

93 Clubs Australia, *Submission 47*, p. 17.



volunteers and providing a diverse and affordable range of services, goods and facilities. Clubs are an established element of Australian culture, especially in rural and regional areas, where they are a bedrock of social inclusion.<sup>94</sup>

### *Membership*

1.105 The numbers of people who are club members across Australia was highlighted:

Club membership is notable in terms of its size and diversity. In New South Wales there were 5.5 million club memberships held in 2007. In Victoria, clubs account for 2.7 million memberships – covering approximately 50 per cent of the population. ACT clubs have a total 510,000 memberships, with 80 per cent of residents being a club member. There are approximately 400,000 club memberships in Western Australia and 3.2 million memberships in Queensland. New South Wales accounts for 49 per cent of registered clubs nationwide, with strong club movements in Queensland (22%) and Victoria (14%). Western Australia (5%), South Australia (4%), Tasmania (2%) and the Northern Territory (2%) have less established industries.<sup>95</sup>

### *Contribution to the economy*

1.106 Clubs Australia outlined the contribution made by clubs to the economy:

...In 2005, the total club industry value was over \$4 billion or 0.5 per cent of national Gross Domestic Product. These figures are conservative, with the Australian Bureau of Statistics accepting it underrepresented as much as 30 per cent of clubs. Total income for the industry that year was \$7.3 billion. The main source of this income was from gambling (\$4.3 billion or 58 per cent of total income). Other major income items were sales of liquor and other beverages, which accounted for 21.7 per cent (\$1.6 billion) of total income, and takings from sales of meals and food, which accounted for 9.9 per cent (\$726 million).<sup>96</sup>

### *Employment and volunteers*

1.107 Clubs provide extensive employment and volunteering opportunities:

Labour costs represent the largest expense item at \$2.1 billion or 31.4 per cent of the club movement's expenditure of \$6.7 billion in 2005.<sup>4</sup> Clubs provide employment to approximately 80,000 full-time, part-time, casual and apprentice/trainee employees. In addition to paid employees, there are more than 65,000 volunteers in clubs, who are estimated to work around 7 million hours per year as club.<sup>97</sup>

94 Clubs Australia, *Submission 47*, p. 3.

95 Clubs Australia, *Submission 47*, p. 3.

96 Clubs Australia, *Submission 47*, p. 3.

97 Clubs Australia, *Submission 47*, p. 4.

### *Social contribution*

1.108 The significant social contribution of clubs was pointed out by Clubs Australia:

The annual social contribution of clubs, including the provision of activities, community donations and the maintenance of community facilities has been estimated at over \$1 billion. ClubsNSW pledged \$50,000 to launch its 2011 Queensland Flood appeal with more than \$600,000 raised in that state to date, and clubs in ACT have so far raised \$74,000. Clubs have previously displayed their generosity by raising \$3.4 million for the victims of the South East Asia Tsunami in late 2004, \$760,000 for the victims of Cyclone Larry in Far North Queensland in 2006 and \$1.8 million for the Victorian Bushfire Recovery in 2009.

Over 90 per cent of Australian clubs provide sports facilities to members, including 1621 bowling greens, 338 golf courses, 102 gyms and 325 sporting fields in New South Wales alone. In 2007, club expenditure on professional sport in New South Wales was more than \$28 million.<sup>98</sup>

1.109 This includes playing an important role in social inclusion:

Academic research has shown that clubs have an important role in helping older people maintain social connections at a time of decreasing social participation for many. Such interaction has vital health and well-being benefits to this important and growing segment of our society. Clubs allow older people to meet and talk on a regular basis and “thus help to foster a sense of connectedness and may reduce the loneliness that older people often experience as a result of retirement, bereavement, and children moving away.”<sup>99</sup>

### *Hotels*

#### *Size of the hotel industry*

1.110 Mr Des Crowe, National Chief Executive Officer, Australian Hotels Association (AHA) outlined the size of the industry and the contribution of gaming machines:

In Australia, there are currently around 5,500 hotels, with approximately 3,400 of these hotels operating gaming machines. While gambling and gaming machines are important to the profitability and survival of the hotel industry, there is certainly more to the Australian hotels than gambling, with the Australian Bureau of Statistics reporting that, in hotels operating gambling facilities, around 70 per cent of income was generated by food and beverage sales— sales unrelated to gambling.<sup>100</sup>

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98 Clubs Australia, *Submission 47*, p. 5.

99 Clubs Australia, *Submission 47*, p. 6.

100 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 2.

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### *Employment and contribution to the economy*

1.111 The AHA reported on the major contribution hotels make to the economy:

According to the 2009 PricewaterhouseCoopers report into the industry, hotels make a significant contribution to the Australian economy and Australian society. Key findings of the report are:

Hotels in Australia employ 188,862 people

Hotels support the community to the extent of \$75 million each year

Hotels spend \$72 million each year training staff

In the absence of the hotel sector, Australian household consumption would contract by an estimated \$3.5 billion.<sup>101</sup>

### *Social contribution*

1.112 The value of social and community contributions provided by hotels was also outlined:

In terms of support, each year Australian hotels give \$75 million to community and sporting organisations. Each year, Australian hotels provide support to 20,000 sporting teams and 32,000 community, health and education organisations. We also host 123,000 local sporting and community meetings in our hotels annually.<sup>102</sup>

### *Casinos*

#### *Size of the Casino industry*

1.113 The Australasian Casino Association (ACA) reported on the size of the casino industry and contribution of gaming machines:

There are 13 casinos in Australia. All but Casino Canberra provide electronic gaming machines (poker machines) for play by customers. The Australian casino industry accounts for only 6% of the total number of poker machines in Australia, and just 6.9% of all gambling expenditure.<sup>103</sup>

1.114 The ACA also highlighted that casinos are destination venues as they are integrated resorts that offer a wide range of recreational facilities including dining, accommodation and entertainment as well as conference and convention centres. The ACA also emphasised that the majority of their customers do not tend to gamble in community venues such as hotels and clubs.<sup>104</sup>

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101 Australian Hotels Association, *Submission 86*, p. 1.

102 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 2.

103 Australasian Casino Association, *Submission 93*, p. 1.

104 Australasian Casino Association, *Submission 93*, p. 1.

### *Employment*

1.115 The casino industry employs around 20,000 Australians and is a major training provider.<sup>105</sup>

### *Contribution to the economy*

1.116 The casino industry contributes \$1.2 billion or 30 per cent of its revenue in taxes at all levels of government. It also invests heavily in tourism infrastructure.<sup>106</sup>

### **The position of the industry on pre-commitment**

1.117 The industry supports a well-designed voluntary pre-commitment system as part of a multi-faceted approach and subject to a number of caveats. Mr Anthony Ball, Executive Director, Clubs Australia, provided detail on the system Clubs Australia would support:

We support a system that is worked properly through, is subject to full consultation, does not cost the earth and is effective. It has to be one where the player has the opportunity to use or not use the functionality. We think that will be a useful strategy, along with a whole lot of other things that can be done to help problem gamblers. Do not think that mandatory precommitment is the silver bullet solution to problem gambling—it is not...<sup>107</sup>

1.118 The Australian Hotels Association (AHA) also supported a well-designed voluntary pre-commitment system:

The Australian Hotels Association supports a well designed, effective and evidenced based form of voluntary pre-commitment that protects the privacy of players.<sup>108</sup>

1.119 Mr Chris Downy, Executive Director, ACA, stated ACA's view:

The ACA supports a system that is mandatory for operators to provide but optional for customers to use. It should be a system that is simple to use, that protects the player's privacy and that is actively promoted for use within a venue...<sup>109</sup>

### **Existing harm minimisation measures**

1.120 Clubs Australia reported on its work reducing the harms from poker machines:

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105 Australasian Casino Association, *Submission 93*, p. 1.

106 Australasian Casino Association, *Submission 93*, p. 1.

107 Mr Anthony Ball, *Proof Committee Hansard*, 4 February 2011, p. 66.

108 Australian Hotels Association, *Submission 86*, p. 3.

109 Mr Chris Downy, *Proof Committee Hansard*, 18 February 2011, p. 27.

The Club Movement has a history of working to reduce the harms experienced by a minority of poker machine players. Clubs work with state and territory regulators to design and implement effective harm minimisation measures that seek ultimately to ensure that the people most in need of treatment and counselling receive it. This approach is working: problem gambling prevalence rates in every state and territory are decreasing. However, the anti-gambling lobby's ultimate goal is the complete removal of all poker machines in Australia. To do so would destroy the Australian Club Movement.<sup>110</sup>

1.121 Clubs Australia expressed its willingness to work with all levels of government to ensure adequate protection is available for problem gamblers. It stressed that:

No one in the Club Movement profits from the damage resulting from problem gambling.<sup>111</sup>

1.122 Clubs Australia noted that the challenge is to identify appropriate harm minimisation measures that will target those in need but which do not negatively affect the majority of recreational players or undermine the financial viability of clubs.<sup>112</sup>

1.123 The Australian Hotels Association argued the government's focus should be on education, information and prevention rather than on a mechanism that will still allow problem gamblers to play gaming machines.<sup>113</sup>

1.124 ALH Group's Mr David Curry, argued in favour of supporting evidence-based measures that were not at the expense of recreational gamblers:

The things that our group thinks are particularly important include education, and early education, so people understand the cost of gambling, as they do with other things that could potentially have some addictive nature. It is also important in addition to early education that people take a level of individual responsibility as well. We are happy to support robust, evidence-based measures in reducing the prevalence of problem gambling not at the expense of the utility of the recreational gambler.<sup>114</sup>

### ***Measures available***

1.125 Individual clubs outlined the specific measures they offer patrons and the extensive training that is provided to staff. For example, North Sydney Leagues Club consists of three premises employing 192 full-time, part-time and casual employees. It operates a self exclusion scheme and an associated counselling service which it

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110 Clubs Australia, *Submission 47*, p. 2.

111 Clubs Australia, *Submission 47*, p. 2.

112 Clubs Australia, *Submission 47*, p. 2.

113 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 3.

114 Mr David Curry, *Proof Committee Hansard*, 14 February 2011, p. 79.

believes 'has proven to work quite well'.<sup>115</sup> The Merimbula RSL Club informed the committee that since 2002 it has offered a self exclusion scheme which 31 patrons have used and five patrons have self excluded from the poker machine area.<sup>116</sup>

1.126 Club Central Menai reported that club staff are required to complete the accredited Conduct of Gaming course and the gaming staff undertake an annual refresher course. In addition, any patron who enquires about self exclusion is provided with information on this and professional help available.<sup>117</sup>

1.127 Crescent Head Country Club advised that it operates a self exclusion scheme where people can exclude themselves from the venue or the poker machine room. All employees undertake certified training to provide gambling services.<sup>118</sup>

1.128 City Diggers Wollongong and four other clubs in the area fund an onsite gaming counselling service which provides face to face counselling. This is in addition to ensuring all staff attend the responsible Conduct of Gaming course and being a member of the Club Safe initiative which includes a self-exclusion process linked to a counselling service<sup>119</sup>

1.129 A number of venues have voluntarily introduced systems to facilitate pre-commitment. The Blacktown Workers Club Group advised the committee that they have recently introduced voluntary pre-commitment which allows members to set spending limits. Players are notified via the console when they have reached these limits. It added that all employees working in gaming related areas undertake the Responsible Conduct of Gaming course and regular refresher courses are conducted.<sup>120</sup> The committee also heard from and visited a number of venues where pre-commitment is being offered.<sup>121</sup>

1.130 The ACA highlighted the measures and training in place in casinos:

The casino industry is a leader in the provision of responsible gambling. Over the last ten years more than two hundred initiatives have been implemented to promote responsible gambling and to assist those gamblers who need assistance with their gambling behaviour. All casinos provide dedicated staff to assist those who need assistance as well as training for all front line staff.<sup>122</sup>

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115 North Sydney Leagues Club, *Submission 17*, p. 1.

116 Merimbula RSL Club, *Submission 7*, p. 1.

117 Illawarra Catholic Club Group, Club Central Menai, *Submission 8*, p. 2.

118 Crescent Head Country Club, *Submission 20*, p.1.

119 City Diggers Wollongong, *Submission 12*, p. 2.

120 Blacktown Workers Club Group, *Submission 11*, p. 4.

121 For example the Sandgate RSL, Qld, which operates the Ebet pre-commitment system, Club Pine Rivers, Qld, which operated the Maxgaming Simplay, pre-commitment system, Sussex Hotel, SA, which operates the Maxetag system.

122 Australasian Casino Association, *Submission 93*, p. 2.

1.131 These initiatives demonstrate the extensive efforts made by clubs and other gambling venues, to assist problem gamblers. These efforts should be recognised as making a significant contribution to reducing the harms of gambling and the genuine concerns in the industry to ensure they provide a safe and enjoyable gambling environment. The effectiveness of these measures can be seen in the decreasing rates of problem gambling in Australia.

*Need is for targeted counselling and services*

1.132 A number of witnesses emphasised that what problem gamblers really need are better counselling and treatment services. Such services have been proven to work. Professor Alex Blaszczynski described the treatment interventions that best treat gambling addiction:

The empirical evidence base indicates that what works, essentially, is cognitive behavioural treatment—that is, effectively, identifying irrational beliefs and correcting them; reducing the arousal associated with gaming machines; providing information regarding things like the features and what they do; pointing out features such as losses disguised as wins, where the person wins but the return is less than the person has initially staked; providing information regarding those things; and then supplementing all that with understanding the reasons. If they are suffering from emotional vulnerabilities, then quite often the gambling is reflective of associated psychopathology—depression, anxiety and so forth. So those elements need to be identified.<sup>123</sup>

1.133 He added:

I think that there are other elements to look at which could be highly effective—eliminating features that tend to drive or attract problem gamblers, reducing the number of gaming machines throughout the community and possibly eliminating them from the hotels and limiting them to clubs. There are a whole range of initiatives that could be undertaken.<sup>124</sup>

1.134 Ms Cheryl Vardon, Australasian Gaming Council, pointed out there were other measures that can assist problem gamblers:

As an aside, from our perspective, some of the range of measures to assist with responsible gambling and problem gambling are actually nontechnological, to do with education, money management issues and self-exclusion. There is a bit of a tendency, I think, to always default to a gadget, to a technological solution, when we need to be looking at a range of ways of assisting gamblers to gamble responsibly or to deal with their problem gambling.<sup>125</sup>

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123 Professor Alex Blaszczynski, *Proof Committee Hansard*, 4 February 2011, p. 48.

124 Professor Alex Blaszczynski, *Proof Committee Hansard*, 4 February 2011, p. 48.

125 Ms Cheryl Vardon, *Proof Committee Hansard*, 15 February 2011, p. 30.

1.135 The need for greater education and awareness was also emphasised by Ms Kate Roberts, Gambling Impact Society, NSW:

From my perspective, there needs to be a lot more education in the community just about general awareness of it as an issue. I really do feel quite strongly—and I have a significant bias in this and I work under another hat as a health professional and have done for 30-odd years—that, while de-stigmatising and normalising it and helping people accept that it is a health issue like any other issue, it needs to be looked at as to the protective and preventive measures that we can take. We know that gambling is a risk-taking behaviour. Certainly people who have gambled problematically have talked to me at length about the general lack of understanding of how a poker machine works and that it is purported to be a leisure activity. I hear Ross regularly say, ‘It is like buying a movie ticket.’ But it actually is not. It is a product that we know can do significant harm.

I think we have done a really fantastic job with tobacco and smoking. It has taken a long time for the public to really come to grips with some of the healthier choices around that. Simon Chapman will tell you it has taken 40 years of looking at tobacco control to really start making a dent in the take-up rate. But we are making a dent and, from my perspective, because of the lack of those public health models and the lack of that experience and skills—because it lies outside of the health models often and certainly outside the expertise of staff that work there—basically we are denying the opportunity for a whole range of levels.<sup>126</sup>

1.136 Problem gamblers also indicated how important counselling was for their recovery. Mr Ralph Bristow observed:

Recovery is not all that easy. It would be the same for alcohol, drugs or cigarettes. I have been to three agencies for one-on-one counselling. I also belong to a self-help group. That is for all types of addiction. I find that balance between the personal, one-on-one counselling and the group therapy side of it a big advantage.<sup>127</sup>

1.137 These treatment and counselling services may even yield a cure for some problem gamblers. Professor Malcolm Battersby told the committee of the success of the program he runs:

The positive side of it is that the treatments we have been developing actually result in what some of our clients call a cure. They really believe they have been cured of their gambling addiction because they have found a way of extinguishing the urge to gamble. We are just about to start a randomised controlled trial with Professor Robert Ladouceur, a Canadian professor who has developed a cognitive program. We are going to compare our behavioural program versus the cognitive program, and that is being funded by the Victorian government.<sup>128</sup>

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126 Ms Kate Roberts, *Proof Committee Hansard*, 4 February, p. 75.

127 Mr Ralph Bristow, *Proof Committee Hansard*, 4 February 2011, p. 80.

128 Professor Malcolm Battersby, *Proof Committee Hansard*, 14 February 2011, p. 58.



1.138 The importance of addressing co-morbidities was also raised:

Mr FRYDENBERG—We have heard plenty of evidence that in problem gamblers there is a characteristic of co-morbidities—so it is not just a problem gambling issue, it can also be a mental health or a depression issue, alcoholism or some other issue. Is that your experience?

Mr Rowell—Yes, that is definitely our experience.

Mr FRYDENBERG—To take that a step further, if someone has a problem gambling issue, in your experience what has been the most successful way of treating problem gamblers?

Mr Rowell—From our Gamblers Help program we have seen great success and a lot of people manage their gambling and get it under control so it does not have an impact on their lives moving forward. As I said before, some people do come back to us if things do not go well in their lives. But if there is some co-morbidity or there are a number of pressures being experienced in different areas then we need to work on those at the same time.

We have a mental health program to which people are referred by GPs. We work with them using psychotherapy to deal with their depression or whatever they presented for and sometimes, during that process, people will acknowledge that there is some tendency towards problem gambling. Rather than referring them to our gambling program, the therapist will continue to work with them on the underlying issues or their mental health problem. We may refer them to a financial counsellor for support around how to deal with their budgetary issues or the trouble that they are in financially. It is not just mental health it is also alcohol, drug and a range of other issues.<sup>129</sup>

## Implementation issues

1.139 The industry outlined a number of issues of concern around implementation of mandatory pre-commitment including cost, the negative consequences for venues and the community and the unachievable timeline.

### *Cost of implementation*

1.140 The committee heard that the cost of mandatory pre-commitment will be substantial and is likely to run into billions of dollars.<sup>130</sup> Clubs Australia questioned figures that pre-commitment would cost as little as \$1.50 per day as the costs of a venue based voluntary system do not reflect the costs associated with a nationally networked mandatory scheme.<sup>131</sup> The company associated with the \$1.50 estimate,

129 Mr Mathew Rowell, *Proof Committee Hansard*, 18 February 2011, p. 22.

130 Clubs Australia, *Submission 47*, p. 19; Mr Peter Newell, *Proof Committee Hansard*, 4 February 2011, p. 54.

131 Clubs Australia, *Submission 47*, p. 16.

Maxgaming, later provided the following information to the committee which indicated that the costs would indeed be higher:

...Maxgaming would like to clarify a few points in relation to what is provided for \$1.50 per machine per day. This system supplied is a voluntary pre-commitment system developed in accordance with the specific commercial, regulatory and technical requirements existing in Queensland.

If Simplay was to be supplied to other jurisdictions the price would obviously need to be reviewed to reflect the unique functional, technical and regulatory requirements within each jurisdiction, the changes required to existing Simplay functionality and the broader commercial contract/supply terms in that jurisdiction.<sup>132</sup>

1.141 The committee was told about a briefing provided to the Ministerial Expert Advisory Group on Gambling by a member, Mr John Duffy, General Manager of product development and compliance at IGT which is the world's largest poker machine manufacturer. This briefing confirmed that the cost to the industry will be substantial:

In a December 2010 presentation to the Ministerial Expert Advisory Group, industry expert John Duffy advised to that meet the Prime Minister's commitment to Mr Wilkie, 100,000 older gaming machines (predominantly located in country & regional areas) will need to be replaced at a cost of around \$25,000 per machine – or \$2.5 billion across Australia.

Mr Duffy added that the remaining 100,000 EGMs will require some degree of expensive modification.<sup>133</sup>

1.142 Based on the information provided in this briefing, Mr Des Crowe, AHA, provided the following cost calculations:

...the full precommitment solution signed off in the Wilkie-Gillard agreement will require 25 per cent of Australia's electronic gaming machines to have a software upgrade costing around \$3,000 to \$4,000 per machine, 25 per cent of Australia's electronic gaming machines to have a software and hardware upgrade costing around \$9,000 to \$12,000 per machine and 50 per cent of Australia's electronic gaming machines to be replaced at a cost between \$18,000 to \$25,000 per electronic gaming machine. Therefore the AHA strongly believes it is not appropriate to rush through this new technology without extensive research and trialling, particularly when implementation cost estimates range from \$2.5 billion to \$5 billion.<sup>134</sup>

1.143 Other witnesses outlined the crippling costs they believed they would be facing. Mr Robert Smith Manager, Twin Towns Services Club, outlined their estimate of costs associated with a smart card based pre-commitment solution:

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132 Maxgaming, *Supplementary submission*, p. 1.

133 Australian Hotels Association, *Submission 86*, p. 4.

134 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 3.

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We also assume that there will be increased monitoring costs, compliance costs and the costs of smart cards or USB's. Issuing a smart card to every member alone would cost our club between \$450,000 and \$630,000.<sup>135</sup>

1.144 The cost of a mandatory pre-commitment system will hit smaller venues particularly hard. A number of them told the committee that they expected the cost to be so significant that it would threaten their financial viability. For example the Merimbula RSL Club estimated the cost of upgrading each machine for their club would be \$6,000, which it argued would be unaffordable.<sup>136</sup> The Moruya Golf Club pointed to the significant financial problems it would face:

While specific details of the proposed pre-commitment system are unavailable, the Club does not have the cash reserves to install a system at the cost which has been suggested (\$5000 per machine). Whilst debt free, the club has no notable cash reserves. Given the grave potential impacts on revenue and hence the clubs ability to maintain payments on any such finance the club will not be able to source external funding for the implementation of a pre-commitment system.<sup>137</sup>

1.145 The capacity of these smaller venues to meet these expected costs is limited. The General Manager of Crescent Head Club Mr Colan Ryan told the committee that last year their club made just \$12,000 in profits.<sup>138</sup> Clubs Australia noted the financial effect for smaller clubs:

Obviously the smallest venues will be impacted the most. Gaming is often a useful revenue earner, but rarely the focus of the facility. Poker machines are replaced on 10 to 15 year cycles. Small clubs earn less than \$25 per day per machine – less than \$10,000 per machine a year. Even with a two year extension to make the necessary changes, mandatory pre-commitment will not be affordable for small clubs. The issue for small clubs is not the amount of time they are granted to make the change, or even the impact it will have on gaming revenue (although this is significant); it is the sheer scale and cost of implementing the proposed model that makes it unviable.<sup>139</sup>

1.146 The financial difficulties for smaller venues, many in regional areas, were confirmed by the AHA:<sup>140</sup>

In fact, 32% of all Australian hotels with gaming machines are located in country & regional NSW.

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135 Twin Towns Services Club, *Submission 41*, p. 9.

136 Merimbula RSL Club, *Submission 7*, p. 1.

137 Moruya Golf Club, *Submission 69*, p. 2.

138 Mr Colan Ryan, *Proof Committee Hansard*, 14 February 2011, p. 92.

139 Clubs Australia, *Submission 47*, p. 19.

140 Australian Hotels Association, *Submission 86*, p. 4.

These smaller country hotels operate throughout Australia and are generally not in a position financially to adapt to any major regulatory change, such as mandatory pre-commitment.<sup>141</sup>

1.147 The AHA added:

These smaller venues typically have older gaming machines, of which the bottom 50 per cent will need to be replaced at up to \$25,000 per machine. We would say they simply do not have a spare \$300,000 to replace their 12 electronic gaming machines.<sup>142</sup>

1.148 Mr John Whelan, Director of Responsible Gambling, AHA emphasised:

I think it is important to recognise that what is being asked of the industry this time around will involve a multibillion dollar capital cost, and it is very unlikely that most venues around Australia have the cash to do that. It is equally unlikely that the banks will lend them the money to fund that capital cost.<sup>143</sup>

1.149 The ACA pointed out:

The Gaming Technologies Association, in a submission to the Productivity Commission, estimates that the cost of implementing such a system across all jurisdictions will cost an estimated \$2 billion. Industry estimates put the impact of the introduction of a mandatory pre-commitment system on industry revenue at approximately 40% of the revenue. This will have a flow-on effect on State government taxation revenue.<sup>144</sup>

1.150 Coalition committee members note with concern that the evidence provided to the committee indicated that the cost of implementing a mandatory pre-commitment scheme will be significant for the industry, particularly for small venues and those in regional areas. Estimates range from hundreds of millions to billions of dollars. The likely negative consequences of these costs on the industry and the wider community are outlined below.

## Consequences

1.151 The significant negative consequences of introducing mandatory pre-commitment have been given scant attention in the committee majority report. There are a number of downsides for the industry and the community. It will result in a loss of employment for venues of all sizes and will put at risk significant community support which will have flow on effects for important areas such as junior sport.

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141 Australian Hotels Association, *Submission 86*, p. 5.

142 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, pp 3–4.

143 Mr John Whelan, *Proof Committee Hansard*, 15 February 2011, p. 15.

144 Australasian Casino Association, *Submission 93*, p. 2.

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### *Loss of jobs and support to the community and questions over viability*

1.152 The introduction of mandatory pre-commitment will result in a loss of jobs. The AHA advised:

...PricewaterhouseCoopers found that, if mandatory precommitment is introduced, 89 per cent of hotels will be forced to cut staff while 81 per cent will be forced to reduce community support.<sup>145</sup>

1.153 It added:

Many country hotels operate gaming machines close to, or past retirement. With only a handful of gaming machines, these hotels do not have the financial strength or economies of scale to implement substantial gaming related regulatory change without threatening the ongoing operation of their businesses, the thousands of staff they employ throughout Australia and the communities they support.<sup>146</sup>

1.154 Clubs Australia warned that:

Based on a conservative presumption of a drop of 30 per cent revenue, KPMG assessed the impact to New South Wales registered clubs. Extrapolated nationally, it is estimated that there would be a loss in the short term of around 23,000 jobs and a reduction in Gross National Product in the short term of around \$1.6 billion.<sup>147</sup>

1.155 A number of clubs outlined the likely financial and other negative flow-on effects for them and their communities. Just a few of these are covered below. Club Central Menai outlined the consequences for their club:

Based on 2009 – 2010 financial year results and taking into account statements made by proponents of pre-commitment (see attached financial comparisons) the effects of pre-commitment would be a serious risk to the sustainability of the club. Our forecasts predict a drop in overall club revenue of 36.2%. We also predict the business could not provide employment for the current level of staff and cuts would number upwards of 30 employees. State taxation would be reduced by \$1,049,000 per year. There would be a 20% reduction in the cost of goods which would have an adverse affect on supporting business (mostly local). CDSE donations for the local community would also be reduced by \$76,674.<sup>148</sup>

1.156 It added:

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145 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 4.

146 Australian Hotels Association, *Submission 86*, p. 5.

147 Clubs Australia, *Submission 47*, p. 37.

148 Club Central Menai, *Submission 8*, p. 2.

Any capacity for re-investment and improvements is removed as a result of pre-commitment rendering the facility unable to survive in the medium to long term.<sup>149</sup>

1.157 The RSL & Services Clubs Association Queensland Inc, commissioned Lawler Partners, an independent research and consulting firm, to conduct a survey of RSL & Services Club in Queensland over the period December 2010 and January 2011. It received a 37 per cent response rate to the survey by clubs which represented 48 per cent of gaming machines in RSL & Services Clubs in Queensland. Answers were based on projections of 10, 20 or 30 per cent reductions in revenue. In relation to job losses the association concluded:

As a result should a worst case scenario occur (ie a reduction in revenue of 30%) it is not unrealistic to expect that the number of employees that would lose their jobs in Queensland RSL clubs would be significant and if added to the remainder of the club & hotel industry in the state and the suppliers to the industry the outcome is of grave concern.<sup>150</sup>

1.158 Many smaller venues told the committee that implementation costs would threaten their viability. The Para Hills Community Club, SA, advised that according to their estimates the predicted drop in revenue would force them to eventually close:

Armed with that knowledge and seeking advice from the both Clubs SA and Clubs Australia we estimate that our gaming revenue would drop by 60% should a mandatory system be forced upon our patrons. Applying a 60% reduction in gambling revenue to our 2009-2010 financials illustrates the Club would become insolvent and be forced to close in the second year of such regulatory reform.<sup>151</sup>

1.159 Pittwater RSL Club described the effect on their club:

A drop in revenue of between 30 to 50% (Mr Wilkie anticipates a drop of approximately 40%) would directly impact on the Club's viability. The contribution that the Club makes to the local community would also drop correspondingly by 30 to 50%.<sup>152</sup>

1.160 The Richmond Club also told the committee mandatory pre-commitment would affect their viability:

Based on the 2010 financial year results for the Club (excluding the aged care facility) and factoring in an estimated decline in gaming revenue of between 30% to 40% as a result of the proposed introduction of the mandatory pre-commitment and assuming there was no other adverse impact on other revenue areas of the Club, the Club would not be viable unless annual cost savings in the order of \$1.7m to \$2.4m were achieved

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149 Club Central Menai, *Submission 8*, p. 3.

150 RSL & Services Clubs Association Queensland Inc, *Submission 108*, p. 9.

151 Para Hills Community Clubs, *Submission 21*, p. 2.

152 Pittwater RSL Club, *Submission 53*, p. 5.

based on the elimination of all donations (currently approximately \$80,000) other than the CDSE requirements and a significant reduction of between \$785,000 and \$1,040,000 in State gaming duty .<sup>153</sup>

1.161 The negative effects on the casino and tourism industry in terms of investment and jobs were outlined by the ACA:

Implementation of a mandatory pre-commitment scheme will have a significant impact on the casino industry's capacity to continue to provide world-class gaming and non-gaming facilities as well as jobs. The casino industry is leading the way in Australia in reinvesting in and building new tourism infrastructure. The \$4 billion investment being made by the industry currently will be put at risk at a time when the Australian tourism industry needs investment in tourism infrastructure. New hotel accommodation and property refurbishments that have been recently announced by a number of casino operators will be jeopardized by the implementation of a mandatory pre-commitment scheme.<sup>154</sup>

1.162 Coalition committee members note the following view offered by the Productivity Commission:

Many people are employed in the gambling industry. However, most are highly employable and would be in demand in other parts of the service sector were the gambling industry to contract. In that sense, the gambling industries do not create net employment benefits, because they divert employment from one part of the economy to another.<sup>155</sup>

1.163 Even the Productivity Commission concedes that should mandatory pre-commitment result in the contraction of employment in the gambling industry, it will result in job losses in that sector. Coalition members of the committee are concerned that this will be cold comfort to someone who has lost their job to be told they can get a job elsewhere. This ignores the human impact of job losses. Job losses anywhere create difficulties for individuals and their families, but the ability to simply transfer jobs is made even harder for those in regional and remote parts of Australia where other employment options are limited.

1.164 The effect on support for junior sport was highlighted to the committee. For example the Twin Towns Services Club:

Home to the local junior rugby league, junior soccer and junior cricket the most prolific sport is touch football attracting 1100 children each season. All juniors sports are financially supported by the club...<sup>156</sup>

1.165 The South Australian National Football League advised that it:

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153 The Richmond Club, *Submission 87*, p. 4.

154 Australasian Casino Association, *Submission 93*, pp 2–3.

155 Productivity Commission, *Gambling*, vol. 1, Commonwealth of Australia, Canberra, 2010, p. 6.1.

156 Twin Town Services Club, *Submission 41*, p. 5.

...currently engages 100,000 South Australians in football participation and injects at least \$4m into junior development programs annually. Many of the programs are based in regional areas of the State. The capacity to deliver these positive results for the South Australian community would be significantly reduced if the gaming reforms were to occur.<sup>157</sup>

1.166 A letter from the Peninsula & District Football & Sporting Club to the Redcliffe Leagues Club detailed their concerns and likely consequences:

As you are aware the financial support that we receive from the Redcliffe Leagues Club allows our club to provide affordable sporting activities for our 500 community members. These funds provide the sporting equipment purchased every year for the children to play football on a weekly basis. Without this valuable funding parent's of the children participating in these football activities will bear the significant cost on an annual basis and fees will increase dramatically if the Redcliffe Leagues financial support is withdrawn.<sup>158</sup>

1.167 Coalition committee members are deeply concerned that the effects of introducing a mandatory pre-commitment system are not well understood and have not been worked through. Not only will jobs be lost but there will be a loss of services and donations to the community. In addition, Coalition committee members accept the arguments that the introduction of mandatory pre-commitment will threaten the very existence of some smaller venues, and are worried that this will affect the fabric of those local communities.

## **Recommendation 2**

**1.168 Coalition committee members recommend that further research is required to understand the effect of mandatory pre-commitment on employment, tourism, and contributions to the community.**

### *Need for a cost-benefit analysis*

1.169 Given the far-reaching consequences for the industry, Coalition committee members are of the view that a full cost-benefit analysis should be undertaken. It must be clear that this policy response, affecting everyone but assisting only a small percentage of the population, will result in a net benefit rather than a net negative. A cost benefit analysis was supported by those in the industry. For example the ACA stated:

The PC recognised that its proposal represented a “far reaching change in the gaming environment” but undertook no cost benefit analysis of its proposal. It said that full precommitment was not a “silver bullet” and that while a pre-commitment facility would clearly help problem gamblers its target was primarily the regular player.<sup>159</sup>

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157 South Australian National Football League, *Submission 31*, p. 2.

158 Redcliffe Leagues Club, *Submission 83*, p. 91.

159 Australasian Casino Association, *Submission 93*, p. 2.



1.170 Clubs Australia agreed with this view:

Professor Blaszczynski's submission to this inquiry again labels the effectiveness of mandatory pre-commitment as being "of limited benefit" to the majority of problem and pathological gamblers, and notes that no cost benefit analysis has been undertaken.<sup>160</sup>

1.171 It added:

The Productivity Commission did not undertake a cost assessment in its report. There was no preliminary examination of estimated costs for the implementation of mandatory precommitment, nor any detailed assessment on the likely impact on revenue for industry or government. There has been no regulatory impact statement. Nor did the Productivity Commission determine how many problem gamblers would be assisted by the policy to determine if the costs could be justified.<sup>161</sup>

1.172 The AHA expressed its view on the need for a cost-benefit analysis:

It is extremely concerning Mr Wilkie & the Prime Minister have agreed to a form of mandatory pre-commitment without knowing the cost of such a policy or undertaking any form of cost-benefit analysis.<sup>162</sup>

1.173 The RSL & Services Clubs Association Queensland Inc also believes that:

...in the absence of any cost/benefit analysis or evidence based research into mandatory pre-commitment, there has been no consideration given to what the economic and social ramifications will be if mandatory pre-commitment is introduced in the proposed form and within the proposed time frame.<sup>163</sup>

1.174 Data provided to the committee and the consequences outlined above show that it is essential for a full cost-benefit analysis to be undertaken urgently to see whether the possible benefits of a mandatory pre-commitment system outweigh the significant costs.

### Recommendation 3

**1.175 Coalition committee members recommend that a full cost-benefit analysis of the final mandatory pre-commitment scheme be undertaken before any decision is made on implementation.**

### Timelines are unrealistic

1.176 The issue of cost is further complicated by a timeframe that the industry believes simply cannot be met. Coalition committee members wish to highlight that

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160 Clubs Australia, *Submission 47*, p. 21.

161 Clubs Australia, *Submission 47*, p. 37.

162 Australian Hotels Association, *Submission 86*, p. 4; Mr John Whelan, Director of Responsible Gaming, Australian Hotels Association, *Proof Committee Hansard*, 15 February 2011, p. 26.

163 RSL & Services Clubs Association Queensland Inc, *Submission 108*, p. 3.

the mandatory pre-commitment scheme put forward in the Gillard-Wilkie agreement is not what was recommended by the Productivity Commission in its 2010 report. The Productivity Commission recommended a full pre-commitment system commence in 2016 with smaller venues given a further two years for implementation. This start date was subject to much further work which included development, trials and ensuring compatible monitoring systems.<sup>164</sup> The Gillard-Wilkie agreement has implementation of pre-commitment arrangements commencing in 2012 with full pre-commitment by 2014.<sup>165</sup>

1.177 Industry was very clear that this revised timeframe is unachievable and has been agreed without consultation with industry. Mr Peter Newell, President, Clubs Australia, explained what in his view needs to occur:

There are a number of prerequisites to mandatory precommitment that must be undertaken that are technologically and administratively complex as well as being prohibitively expensive for venues. These include: compulsory registration for all five million electronic gaming-machine players with smart cards or USB sticks for all players, possibly with biometric identifiers; a national database of registered players to ensure people do not register more than once and to authorise or replace lost or stolen devices; software to be designed that allows the machines to read devices and transmit information between a central monitoring system and machines about play; all 197,000 machines to have the hardware retrofitted or replaced to accept smartcards or USB sticks and the ability to shut down when limits are reached; all machines to have software upgrades to make the devices compatible with the playing software, with the older machines to be replaced at a minimum cost of \$2.5 billion; integration of nine different protocol developments and possible replacement of the X-series protocol, used for more than 50 per cent of machines, as it does not permit two-way communication; new uniform technical standards, including allowing communication ports on machines; and recertification of every machine in Australia, which means an inspection of 197,000 machines, one at a time.

Each of these steps will take extensive amounts of time and money, as each is complex and unprecedented in Australia. The two biggest machine manufacturers, Aristocrat and IGT, which collectively capture around 80 per cent of the Australian market, estimate the timeframe to be at least 14 years, with many billions of dollars in implementation costs. Existing voluntary precommitment schemes that currently operate in venues in some states will need to be replaced. They are not compatible with each other and they are not transferable to a national scheme.<sup>166</sup>

1.178 The ACA also expressed concern over the timeframe:

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164 Mr Des Crowe, *Proof Committee Hansard*, 15 February 2011, p. 3.

165 The Hon. Julia Gillard MP & Mr Andrew Wilkie, Member-elect for Denison, *Agreement*, 2 September 2010, p. 7.

166 Mr Peter Newell, *Proof Committee Hansard*, 4 February, 2011, pp 53–54.

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The ACA believes the government's timeline is unachievable and ignores the realities of implementation of any pre-commitment system. Leading manufacturers have indicated that it will take at least 10 years to implement.<sup>167</sup>

1.179 The inability to meet the deadlines was confirmed by venues including the RSL and Services Clubs Association Queensland Inc:

By all measures, the proposed timeframe for the introduction of a national pre-commitment scheme is completely unrealistic and the Government should follow the Productivity Commission's recommendations in regard to timeframe and the actual implementation (ie a voluntary pre-commitment scheme should be trialled to determine whether a mandatory pre-commitment scheme is justified.)<sup>168</sup>

1.180 The industry warned the committee that the timelines in the Gillard-Wilkie agreement are unachievable. Coalition committee members believe that the concerns expressed over the proposed timeline should be heeded and that the additional work recommended by the Productivity Commission, including trials, should be undertaken in parallel with the cost-benefit analysis. Delaying implementation in order for this necessary work to be undertaken and evidence to be gathered is the only way forward to ensure any system helps the people it is intended to help and that it has integrity as well as being cost-effective.

1.181 The committee notes the following contribution from Clubs Australia:

The Government has sought to impose a solution for a problem that is already being addressed effectively in collaboration with state regulators, has failed to undertake transparent and meaningful consultation with affected parties to understand the technological challenges of the proposed solution, has failed to consider adequately more cost effective alternatives, and has failed to make a detailed cost benefit analysis of the proposed solution.<sup>169</sup>

## Conclusion

1.182 Coalition committee members believe there are a number of outstanding issues to be resolved and further work to be undertaken before any conclusion can be reached that mandatory pre-commitment would be an effective policy. In order for a mandatory pre-commitment policy to be effective it would need to be shown that it would lead to a reduction in problem gambling; that recreational gamblers will not be unduly inconvenienced; that player privacy will be protected; that the technology options are fully considered; that the viability of the industry and its valuable contribution to the Australian community is not threatened; and that jobs and

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167 Australasian Casino Association, *Submission 93*, p. 2.

168 RSL and Services Clubs Association Qld Inc, *Submission 108*, p. 17.

169 Clubs Australia, *Submission 47*, p. 37.

investment are not put at risk. These issues would need to be resolved before a mandatory pre-commitment system could be considered an effective policy response.

**Mr Josh Frydenberg MP**

**Mr Steven Ciobo MP**

**Senator Chris Back**

## Additional Comments by Senator Xenophon

1.1 Poker machines in Australia are an unsafe and addictive product, and cause significant harm to hundreds of thousands of Australians.

1.2 In its 2010 Report into Gambling, the Productivity Commission found that 115,000 Australians are problem gamblers (95,000 addicted to poker machines alone), with a further 280,000 at risk of developing a full-blown addiction.<sup>1</sup>

1.3 The Productivity Commission also found that \$12 billion is lost on poker machines each year, with 40 percent of that coming directly from problem gamblers.<sup>2</sup>

1.4 Some examples of the harm caused to people's lives as a result of poker machine addiction were shared with the Committee – and the Committee is grateful to these individuals for bravely sharing their stories – but sadly these are just a handful of the thousands of similar experiences around the country.

1.5 The Alfred Hospital in Melbourne reported in 2010 that 1 in 5 people who attended its Emergency Department after attempting suicide identified problem gambling as the reason for their suicide attempt.<sup>3</sup>

1.6 The time to reform the poker machine industry is now. Uniform national mandatory pre-commitment will give those who play high intensity machines more control over how much they're willing to lose.

1.7 Today, for example, an individual may start to play on a machine with the intention of only spending \$50. But before he or she knows it, they're chasing their losses and suddenly they've put \$500 into the machine. Indeed, the Productivity Commission found that on today's machines, it is possible to lose \$1500 or more in just one hour.<sup>4</sup>

1.8 The reforms preposed are about making an inherently dangerous product safer.

1.9 To seriously tackle problem gambling, pre-commitment on high intensity machines must be mandatory. A study into poker machine pre-commitment schemes

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1 Productivity Commission, *Gambling*, Commonwealth of Australia, Canberra, 2010, p. 2.

2 Productivity Commission, *Gambling*, Commonwealth of Australia, Canberra, 2010, p. 2.

3 K Hagan, 'Gambling linked to one in five suicidal patients', *The Age*, 21 April 2010, <http://www.theage.com.au/national/gambling-linked-to-one-in-five-suicidal-patients-20100420-srri.html>, (accessed 27 April 2011).

4 Productivity Commission, *Gambling*, Commonwealth of Australia, Canberra, 2010, p. 2.

prepared for the Nova Scotia Gaming Foundation in Canada, found that voluntary schemes consistently failed because they relied on the willpower of players.<sup>5</sup>

1.10 The Nova Scotia study found that high risk players were unlikely to use a voluntary system. It also found that high risk players would often continue to gamble beyond their limits unless they were locked out of play and that they lost more money than they intended "most times they play".<sup>6</sup>

1.11 Unfortunately, State and Territory Governments are compromised when it comes to reform of the gambling industry.

1.12 Each year, the States and Territories receive an average of 10 percent of their revenues (higher in States such as Victoria (13 percent), South Australia (13 percent) and the Northern Territory (17 percent)) from gambling taxes.<sup>7</sup>

1.13 But what the States and Territories have overlooked is the social cost of gambling. The Productivity Commission found that the social cost of problem gambling is \$4.67 billion a year.<sup>8</sup> And for every problem gambler, the lives of between 5 and 10 others are affected.<sup>9</sup>

1.14 Because the States and Territories are compromised, the Commonwealth must intervene and the Australian Government Solicitor has found that the Commonwealth has the power to do so. Now it's a case of having the political will.

1.15 The campaign against gambling reform by Hotels and Clubs has been misleading, alarmist and nothing more than a scare campaign. (Calling the reforms 'un-Australian' smacks of hysteria and hypocrisy.)

1.16 Claims about the cost of implementation of a pre-commitment system have been grossly exaggerated. Hotels and Clubs have claimed that it will cost the industry

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5 T Schellink, et al, 'Evaluating the Impact of the "My-Play" System in Nova Scotia', Nova Scotia Gaming Foundation, October 2010, [http://www.nsgamingfoundation.org/uploads/Research/Technical%20Report%20Phase%201%20My-Play%20Benchmark%20Final%20%20\\_Focal\\_%20Jan%2028%202011.pdf](http://www.nsgamingfoundation.org/uploads/Research/Technical%20Report%20Phase%201%20My-Play%20Benchmark%20Final%20%20_Focal_%20Jan%2028%202011.pdf) (accessed 27 April 2011).

6 T Schellink, et al, 'Evaluating the Impact of the "My-Play" System in Nova Scotia', Nova Scotia Gaming Foundation, October 2010, [http://www.nsgamingfoundation.org/uploads/Research/Technical%20Report%20Phase%201%20My-Play%20Benchmark%20Final%20%20\\_Focal\\_%20Jan%2028%202011.pdf](http://www.nsgamingfoundation.org/uploads/Research/Technical%20Report%20Phase%201%20My-Play%20Benchmark%20Final%20%20_Focal_%20Jan%2028%202011.pdf) (accessed 27 April 2011).

7 L Hancock and M O'Neil, *Risky Business – Why the Commonwealth needs to take over gambling regulation*, Deakin University Australia, 2010, p. 11.

8 Productivity Commission, *Gambling*, Commonwealth of Australia, Canberra, 2010, p. 2.

9 Productivity Commission, *Australia's Gambling Industries*, Commonwealth of Australia, Canberra, 1999, p. 23.

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around \$4 billion,<sup>10</sup> however the Independent Gambling Authority told the Committee that it would cost around \$1000 per machine to upgrade it with pre-commitment technology.<sup>11</sup>

1.17 The Hotels and Clubs have also said that people will "have to apply for a licence just so you can have a \$5 punt". This is a big fat lie. The proposed reforms are directly aimed at poker machines, not on all forms of gambling, which the word 'punt' implies. People will not have to meet a test nor have to qualify to be able to play on a poker machine. The reforms will not impact recreational players and certainly will not affect those wanting to play \$5 (or even \$50 or more) on a low intensity poker machine, as the Committee has recommended.

1.18 The Clubs have also claimed that there will be a "loss of freedom and privacy". Again, this is untrue. Under any pre-commitment scheme, players will still be able to choose how much they are willing to lose and over what period of time. It will not restrict people's ability to play on poker machines.

1.19 Further, there will be no central database or player tracking – there is no interest in collecting such data and this suggestion is hypocritical because Hotels and Clubs already collect personal details through their loyalty schemes and member cards.

1.20 Hotels and Clubs also spuriously claim there will be a "loss of support to sporting clubs and community groups". The Productivity Commission in its 2010 Inquiry Report into Gambling refers to the community benefits the Clubs espouse they provide.

Gambling venues, particularly clubs, also make significant social contributions. However:

- many of these benefits are to members, not to the public at large
- the claimed benefits of gambling revenue on sporting activities and volunteering do not appear strong. Indeed, the presence of gambling may adversely affect volunteering rates
- the (gross) value of social contributions by clubs is likely to be significantly less than the support governments provides to clubs through tax and other concessions
- given this, there are strong grounds for the phased implementation of significantly lower levels of gaming revenue tax concessions for clubs, commensurate with the realised community benefits.<sup>12</sup>

1.21 Twin Towns Services Club in Tweed Heads is a typical example.

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10 John Whelan quoted in 'Pokies limits 'would cost hotels \$4b'', ABC News Online, 15 February 2011, <http://www.abc.net.au/news/stories/2011/02/15/3139200.htm> (accessed 27 April 2011).

11 Independent Gambling Authority, *Submission 33*, p. 3.

12 Productivity Commission, *Gambling*, Commonwealth of Australia, Canberra, 2010, p. 6.1

1.22 In 2010, it received \$36.7 million in revenue from pokies and only donated \$946,000 in cash, gifts or services. And these 'services' include things for the exclusive use of club members such as the bar, beer taps and building improvements.<sup>13</sup>

1.23 The campaign by Hotels and Clubs is blatantly misleading and designed to do nothing but misinform and scare the public. It does not accurately represent the intention of the proposed gambling reform agenda; rather it proves once again that this self-interested industry does not seriously want to address the issue of problem gambling.

1.24 Mandatory pre-commitment on high intensity machines will be a significant measure to tackle problem gambling and will directly help those addicted to poker machines to better control how much they are willing to lose.

1.25 Further to Recommendations 34 and 35, any national standards for poker machines should require all new machines to be pre-commitment ready.

1.26 I have reservations in relation to loyalty schemes being linked to pre-commitment schemes (Recommendation 27). Any national regulatory authority should have strict criteria to prevent such linkage if there is an appreciable risk of adverse consequences.

1.27 I also have reservations over machines without mandatory pre-commitment being configured to reliably limit an average loss of around \$120 per hour (Recommendation 36). This recommendation would have more merit if all machines were reduced to such a maximum limit. While this would be a significant improvement on the status quo, a preferred approach would be for losses to be limited to an average of around \$20 or \$30 an hour (akin to the spending for a night at the movies or going out to dinner) with a smaller maximum jackpot of \$250.

1.28 Further, I have reservations about foreign tourists in casinos being issued with a card that overrides the mandatory pre-commitment scheme for a period of 24 hours (Recommendation 43). Given mandatory pre-commitment would not apply to casino table games, and overseas students and permanent residents with dual citizenships could use their passport to override safeguards, the exemption is inherently open to abuse.

**NICK XENOPHON**

**Independent Senator for South Australia**

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13 Mr Robert Smith, *Committee Hansard*, 4 February 2011, pp 32-33.



# Appendix 1

## Submissions Received

### Submission No.

- 1 Cash ATM
- 2 Schottler Consulting Pty Ltd
- 3 Clubs WA
- 4 Scientific Technology Innovations
- 5 Merimbula Lakeview Hotel
- 6 FamilyVoice Australia
- 7 Merimbula RSL Club Ltd
- 8 Illawarra Catholic Club
- 9 Associate Professor Paul Delfabbro
- 10 Mental Health Council of Tasmania
- 11 Blacktown Workers Club Group
- 12 City Diggers Wollongong
- 13 Professor Alexander Blaszczynski and Dr Sally Gainsbury
- 14 Dr Clive Allcock
- 15 ALH Group
- 16 Numurkah Golf & Bowls Club Inc.
- 17 North Sydney Leagues Club Ltd
- 18 Confidential
- 19 Maxgaming Pty Ltd
  - *Supplementary submission*
- 20 Crescent Head Country Club
- 21 Para Hills Community Club Inc.
- 22 Club Mulwala
- 23 Eden Fishermen's Recreation Club
- 24 Club One (SA)
- 25 Ms Sue Pinkerton
- 26 Dr Charles Livingstone and Dr Richard Woolley
  - *Supplementary submission*
  - *Supplementary submission*
  - *Supplementary submission*
- 27 The Royal Australian and New Zealand College of Psychiatrists
- 28 Centrelink

- 29 Regis Controls Pty Ltd
- *Supplementary submission*
  - *Supplementary submission (Confidential)*
- 30 Benalla Bowls Club
- 31 South Australian National Football League Inc.
- 32 Brisbane Broncos Leagues Club Ltd
- 33 Independent Gambling Authority
- 34 Pokies Anonymous
- 35 Victorian InterChurch Gambling Taskforce
- *Supplementary submission*
- 36 Gambling Impact Society (NSW) Inc.
- *Supplementary submission*
- 37 National Welfare Rights Network
- 38 Aristocrat Technologies Australia Pty Ltd
- 39 Responsible Gaming Networks
- 40 Mr Kelvin Thomson MP
- 41 Twin Towns Services Club Limited
- 42 Dr Jamie Doughney
- 44 Gaming Technologies Association Limited
- 45 Belmont 16 Foot Sailing Club
- 46 Mr Allen Windross
- 47 Clubs Australia
- 48 Responsible Gambling Advocacy Centre
- 49 eBet
- 50 St Vincent de Paul Queensland Social Justice Committee
- 51 Senator Cory Bernardi
- 52 Tasmanian Inter-Church Gambling Taskforce
- 53 Pittwater RSL Club
- 54 Mr John Donnellan
- 55 Gallagher Security
- 56 Anglicare, Tasmania
- 57 Mr Timothy Faulkner
- 58 Uralla Bowling and Recreation Club
- 59 St Vincent de Paul Society National Council of Australia
- 60 DOOLEYS Lidcombe Catholic Club
- 61 Pacific Paradise Bowls Club
- 62 Name Withheld
- *Supplementary submission*
- 63 Wagga RSL Club

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64	Associate Professor Linda Hancock
65	Easts Group
66	Professor Jan McMillen
67	Relationships Australia (SA)
68	Professor Malcolm Battersby
69	Moruya Golf Club Ltd
70	Archdiocese of Hobart
71	Clubs Queensland
72	Relationships Australia Inc
73	Clubs ACT
74	Wests Ashfield Leagues
75	Clubs Victoria
76	Australian Hotels Association (Victoria)
77	Ms Sharen Nisbet
78	Global Gaming Industries P/L
79	Community Clubs Association of Victoria Incorporated
80	Clubs SA
81	Australasian Gaming Council
82	St Marys Rugby League Club Ltd
83	Redcliffe Leagues Club
84	RSL and Services Clubs Association of NSW
85	Revesby Workers' Club
86	Australian Hotels Association
87	The Richmond Club
88	Redlands Sporting Club
89	Leagues Clubs Australia
90	South Australian Council of Social Service
91	AMC Convergent IT
92	Mt Prichard and District Community Club Ltd
93	Australasian Casino Association
94	Mr Robert Galt
95	Mr Stephen Menadue
96	Mr Clive Dawson
97	Lifeline Australia
98	Mr Lincoln Poole
99	iBus Media Limited
100	Convenience Advertising
101	Tourism and Transport Forum
102	Project ERNA
103	Returned and Services League (Victorian Branch) Inc

- 104 Professor George Williams
- 105 Datacard Group South Pacific
- 106 Mr Bob Wylie
- 107 The Hon Dr Mike Kelly AM MP
- 108 RSL and Services Clubs Association Queensland Inc
- 109 Dr Jennifer Borrell
- 110 NSW Government
- 111 Biometrics Institute
- 112 Social Issues Executive of the Anglican Diocese of Sydney
- 113 Mr Tom Cummings
- 114 South Australian Heads of Christian Churches Gambling Taskforce
- 115 UnitingCare Australia
- 116 Dr Kerry Chambers
- 117 Mr David Graham
- 118 Dr Charles Livingstone and Dr Kevin Harrigan
  - *Supplementary submission*
- 119 Name Withheld

## **Additional Information Received**

1. Tabled document by Independent Gambling Authority, at Adelaide public hearing 1 February 2011
2. Tabled document by Australian Hotels Association, at Canberra public hearing 15 February 2011
3. Tabled document by Australian Hotels Association, at Canberra public hearing 15 February 2011
4. Letter from ACT Gambling and Racing Commission
5. Letter from Tasmanian Gaming Commission
6. Letter from the WA Department of Racing, Gaming and Liquor
7. Letter from the NT Department of Justice
8. Letter from Communities NSW
9. Letter from the VIC Department of Justice, Office of Gaming and Racing
10. Additional information from Responsible Gaming Networks Pty Ltd

## **Answers to Questions on Notice**

1. Crescent Head Country Club
2. eBet
3. Mr Robert Smith, General Manager Twin Towns Services Club
4. Clubs Australia
5. Department of Treasury
6. ALH Group
7. Australasian Gaming Council
8. Aristocrat Technologies Australia Pty Ltd
9. Productivity Commission



## **Appendix 2**

### **Public Hearings and Witnesses**

**Tuesday, 1 February 2011 – Adelaide, SA**

**Pokies Anonymous**

Ms Julia Karpathakis, Manager

**Independent Gambling Authority (IGA)**

Mr Robert Chappell, Director

Mr Alan Moss, Presiding Member

**UnitingCare Wesley Adelaide**

Mr Mark Henley, Manager Communications

**Ms Sue Pinkerton**

**Associate Professor Paul Delfabbro**

School of Psychology, University of Adelaide

**Wednesday, 2 February 2011 – Melbourne, VIC**

**Associate Professor Linda Hancock**

Deakin University

**Victorian InterChurch Gambling Taskforce**

Dr Mark Zirnsak, Chair

Mr Denis Fitzgerald, Catholic Social Services Victoria

Major Brad Halse, Salvation Army

Father Graham Reynolds, Anglicare Victoria

Rev. Brent Lyons-Lee, Victorian Baptist Church

Ms Gabriela Byrne, Free Yourself Program

**Dr Charles Livingstone**

**Dr Richard Woolley**

**Dr Jamie Doughney**

**Regis Controls Pty Ltd**

Mr Elik Szewach, Chief Executive Officer

Ms Lisa Horten, Director

Mr Ian Donald, Technical Director

**Responsible Gambling Advocacy Centre**

Ms Penny Wilson, Chief Executive Officer

**Thursday, 3 February 2011 – Brisbane, QLD**

**Maxgaming**

Mr Peter Hall, General Manager, Queensland and Northern Territory

Mr Declan Martschinke, National Product Marketing Manager

**Schottler Consulting Pty Ltd**

Ms Sarah Hare, Director

**Friday, 4 February 2011 – Sydney, NSW**

**Aristocrat**

Mr Trevor Croker, Managing Director, Australia and New Zealand

Mr Justin Brown, General Manager, Design and Development

Ms Kristene Reynolds, General Manager, Corporate Affairs

**Twin Towns Services Club Ltd**

Mr Robert Smith, Chief Executive Officer

**Professor Alex Blaszczynski**

Gambling Treatment Clinic and Research Unit, Sydney University

**Dr Sally Gainsbury**

Post Doctoral Research Fellow, Centre for Gambling Education and Research,  
Southern Cross University



**Clubs Australia**

Mr Peter Newell, President

Mr Anthony Ball, Executive Director

Mr Josh Landis, Executive Manager, Policy and Government

**Gambling Impact Society (NSW) Inc**

Ms Kate Roberts, Chair

Ms Dorothy Webb, Secretary

Mr Ralph Bristow, Committee Member

**Monday, 14 February 2011 – Canberra, ACT****St Vincent de Paul Society**

Dr John Falzon, Chief Executive Officer, St Vincent de Paul Society National Council

Mr Steve Doyle, Chairman, St Vincent de Paul Society Queensland Social Justice Committee

**Global Gaming Industries Pty Ltd**

Mr Scott Macdougall, Managing Director

Mr Earle Rowan, Systems Analyst

**Gaming Technologies Association Limited**

Mr Ross Ferrar, Chief Executive Officer

**eBet Ltd**

Mr Tony Toohey, Chief Executive Officer and Managing Director

**Professor Malcolm Battersby****ALH Group Pty Ltd**

Mr David Curry, General Manager, Government and Corporate Relations

Mr Ross Blair-Holt, Director and Chief Operating Officer

Mr Bruce Mathieson Jr, National Operations Manager

**Crescent Head Country Club**

Mr Colan Ryan, Secretary-Manager

**South Australian Council of Social Service**

Mr Simon Schrapel, President, Australian Council of Social Service

Mr Ross Womersley, Executive Director, South Australian Council of Social Service

Dr Greg Ogle, Senior Policy and Research Analyst, South Australian Council of Social Service

Ms Helen Connolly, Chairperson, South Australian Council of Social Service

**Convenience Advertising Pty Ltd**

Mr Christopher Puplick AM, Chair

Mr David Stanley, Chief Executive Officer

**Tuesday, 15 February 2011 – Canberra, ACT****Australian Hotels Association**

Mr Des Crowe, National Chief Executive Officer

Mr John Whelan, Director of Responsible Gambling

Mr Ian Horne, General manager, Australian Hotels Association and Chief Executive officer, Australian Hotels Association (South Australia)

**Australasian Gaming Council**

Ms Cheryl Vardon, Chief Executive

Ms Nadine Grinblat, General Manager

**Productivity Commission**

Mr Gary Banks, Chairman

Mr Robert Fitzgerald, Commissioner

Ms Louise Sylvan, Commissioner

Dr Ralph Lattimore, Assistant Commissioner

**Department of Families, Housing, Community Services and Indigenous Affairs**

Ms Liza Carroll, Deputy Secretary

Ms Robyn Oswald, Branch Manager, Problem Gambling Taskforce

Ms Caroline Edwards, Group Manager, Problem Gambling Taskforce

Ms Helen Hambling, Group Manager, Problem Gambling Taskforce

**Treasury**

Ms Peta Furnell, General Manager, Social Policy Division

**Friday, 18 February 2011 – Hobart, TAS****Anglicare Tasmania**

Ms Josephine Flanagan, Manager, Social Action and Research Centre

Ms Margie Law, Policy and Research Officer

**Relationships Australia, Tasmania**

Mr Mathew Rowell, Chief Executive Officer

**Australasian Casino Association**

Mr Chris Downy, Executive Director

**Mr Stephen Menadue****Friday, 25 March 2011 – Canberra, ACT****Dr Kerry Chambers**

Public Issues and Stakeholder Relations Officer, Gambling Awareness Nova Scotia

**Productivity Commission**

Mr Gary Banks, Chairman

Mr Robert Fitzgerald, Commissioner

Dr Ralph Lattimore, Assistant Commissioner

**Mr Peter Cercone**

Chief Compliance Officer, Playtech



## Appendix 3

### Tables from Productivity Commission Report no. 50

**Table 3.1 Regular and EGM players face more problems**  
Queensland 2008-09

<i>Outcomes</i>	<i>sometimes</i>	<i>often</i>	<i>always</i>	<i>Risk relative to non-regular gamblers (sometimes to always)</i>	<i>Risk relative to non-regular gamblers (always)<sup>a</sup></i>
	%	%	%	Ratio	Ratio
<b>Non regular gamblers</b>					
Bet more than could afford	1.15	0.12	0.03	1.0	1.0
Felt might have problem	0.28	0.07	0.03	1.0	1.0
Caused health problems	0.24	0.02	0.02	1.0	1.0
Criticised about gambling	0.24	0.05	0.01	1.0	1.0
Caused financial problems	0.12	0.04	0.01	1.0	1.0
Felt guilty about gambling	1.09	0.22	0.14	1.0	1.0
<b>Non-regular EGM gamblers</b>					
Bet more than could afford	1.66	0.19	0.10	1.5	4.0
Felt might have problem	0.74	0.02	0.08	2.2	2.8
Caused health problems	0.35	0.00	0.05	1.5	3.1
Criticised about gambling	0.47	0.26	0.03	2.4	2.1
Caused financial problems	0.37	0.02	0.03	2.4	3.3
Felt guilty about gambling	2.04	0.45	0.26	1.9	1.9
<b>Regular (non-Lotto) gamblers</b>					
Bet more than could afford	11.59	0.93	2.39	11.5	95.0
Felt might have problem	8.34	1.37	1.83	30.8	63.2
Caused health problems	2.46	1.21	1.42	18.5	88.8
Criticised about gambling	7.60	1.44	1.47	33.7	101.8
Caused financial problems	4.00	1.05	0.79	33.6	87.5
Felt guilty about gambling	12.1	3.9	1.4	12.0	10.2
<b>Regular EGM gamblers</b>					
Bet more than could afford	14.68	1.38	2.51	14.3	99.8
Felt might have problem	10.91	1.98	2.79	41.9	96.4
Caused health problems	2.54	1.72	2.09	23.0	130.7
Criticised about gambling	9.58	1.00	2.33	41.4	161.4
Caused financial problems	5.05	0.85	1.15	40.5	127.4
Felt guilty about gambling	14.32	5.27	2.15	15.0	15.5

<sup>a</sup> A regular gambler is someone whose total frequency of gambling involving gaming machines, wagering, keno, casino table games and sportsbetting is 52 or more times per year. (The frequency of playing lotteries, scratchies, bingo and a variety of other gambling forms do not make any contribution to the total used to compute regular play — hence the term 'non-Lotto'.) A regular EGM gambler is one who plays EGMs once a week or more. A non-regular gambler includes people playing lotteries, scratchies or other games 52 times or more per year. The risk ratios in columns 5 and 6 are calculated respectively as  $(S_R + O_R + A_R) / (S_{NR} + O_{NR} + A_{NR})$  and  $A_R / A_{NR}$  where R denotes regular (non-Lotto) or regular EGM players, and NR denotes a non-regular gambler. S, O and A are respectively the shares of the relevant gambling groups who say sometimes, often or always. For example, the likelihood of someone who is a regular EGM player saying they sometimes, often or always get criticised about their gambling is 41.4 times higher than a non-regular gambler. The likelihood of someone who is a regular EGM player saying they always are criticised about their gambling is 161.4 times higher than a non-regular gambler.

Source: Queensland prevalence survey 2008-09.

**Table 3.2 Regular and EGM players face more problems**  
Victoria 2008

<i>Outcomes</i>	<i>Rarely or sometimes</i>	<i>often</i>	<i>always</i>	<i>Risk relative to non-regular gamblers (rarely to always)</i>	<i>Risk relative to non-regular gamblers (always)<sup>a</sup></i>
	%	%	%	ratio	ratio
<b>Non-regular gamblers</b>					
Bet more than could afford	4.41	0.28	0.23	1.0	1.0
Felt might have problem	1.30	0.12	0.11	1.0	1.0
Caused health problems	0.89	0.09	0.11	1.0	1.0
Criticised about gambling	1.36	0.07	0.07	1.0	1.0
Caused financial problems	0.93	0.07	0.06	1.0	1.0
Felt guilty about gambling	3.34	0.26	0.42	1.0	1.0
<b>Non-regular EGM gamblers</b>					
Bet more than could afford	13.86	1.21	0.88	3.2	3.8
Felt might have problem	5.65	0.39	0.6	4.3	5.5
Caused health problems	3.31	0.36	0.48	3.8	4.4
Criticised about gambling	4.16	0.4	0.35	3.3	5.0
Caused financial problems	3.41	0.26	0.28	3.7	4.7
Felt guilty about gambling	10.98	1.14	1.63	3.4	3.9
<b>Regular (non-Lotto) gamblers</b>					
Bet more than could afford	23.14	2.70	2.60	5.8	11.3
Felt might have problem	13.37	1.43	4.67	12.7	42.5
Caused health problems	8.29	2.03	1.87	11.2	17.0
Criticised about gambling	10.31	1.83	3.99	10.8	57.0
Caused financial problems	7.97	1.60	1.50	10.4	25.0
Felt guilty about gambling	18.50	4.29	5.16	7.0	12.3
<b>Regular EGM gamblers</b>					
Bet more than could afford	28.00	5.46	5.82	8.0	25.3
Felt might have problem	16.82	2.88	9.58	19.1	87.1
Caused health problems	9.38	5.18	4.37	17.4	39.7
Criticised about gambling	9.23	1.79	9.30	13.5	132.9
Caused financial problems	10.16	4.07	3.65	16.9	60.8
Felt guilty about gambling	19.18	8.75	9.81	9.4	23.4

<sup>a</sup> The second column of this table provides data for people scoring 1 on the relevant CPGI category (rarely or sometimes), rather than 'sometimes' only, as in the data shown for Queensland. See above table for construction of the table and its interpretation.

Source: Victorian prevalence survey 2008.

**Table 3.3 Problems consistently rise with frequency of playing EGMS**

<i>Outcome</i>	<i>Share of group affected</i>				
	1-6	7-12	13-24	25-52	53+
	times	times	times	times	times
	%	%	%	%	%
<b>Queensland 2008-09</b>					
Bet more than could afford (sometimes or more)	1.0	2.4	5.5	13.6	28.8
Thought might have gambling problem (sometimes or more)	0.2	1.0	3.7	9.9	27.2
Health affected (rarely or more)	0.4	1.1	2.5	4.1	16.9
Criticised about gambling (sometimes or more)	0.3	1.0	2.5	9.2	20.0
Caused financial problems (sometimes or more)	0.0	0.1	2.9	4.7	12.9
Felt guilty about gambling (sometimes or more)	1.5	2.9	9.1	15.2	33.5
Wanted help	0.2	3.7	2.2	5.3	28.3
<b>Victoria 2008<sup>a</sup></b>					
Bet more than could afford (often/always)	0.8	3.3	6.2	8.7	19.4
Health affected (rarely or more)	2.1	5.8	11.5	11.6	37.6
Criticised about gambling (often/always)	0.2	1.4	3.3	6.7	20.5
Caused financial problems (often/always)	0.1	1.4	1.9	3.7	15.4
Felt guilty about gambling (often/always)	1.4	4.3	6.1	15.5	27.7

<sup>a</sup> Other than the item relating to health problems, the data for Victoria use a more stringent categorisation of harm (often/always) than the Queensland data shown (sometimes to always). This reflects the fact that the unit record data for Victoria relate to the CPGI score, not the Likert rating. Were a CPGI 1+ score to be used to categorise some level of harm, then that would include rarely as well as sometimes, and would raise the probability of harm at any given frequency. For example, if the probabilities were calculated for feeling guilty about gambling (rarely to always) for Victoria, the probabilities associated with the frequency of playing EGMS from 1-6 to 53+ are, respectively, 8.5, 20.8, 25.9, 30.8 and 51.5 per cent.

Source: Queensland prevalence survey 2008-09 and Victorian prevalence survey 2008.





## Appendix 4

**Table 7.1: Summary of main technologies<sup>1</sup>**

Technology	Technical requirements	Security issues	Relative cost	Advantages and Disadvantages
Magnetic strip card	Requires card reader be installed on EGM	Higher risk – cards easily swapped or copied; verification of ID such as driver's license also required	Very low cost up to \$2; additional cost of card reader \$5–\$30 (plus installation costs)	<p><i>Advantages</i></p> <p>Easily replaced and cheap; familiar to users; many EGMs already have card readers installed;</p> <p><i>Disadvantages</i></p> <p>Easily damaged, prone to wear and corruption; non-programmable; may require additional ID or central database</p>
Smart card with embedded chip	Requires card reader be installed on EGM; cashless gaming (money/credits stored on card)	Low risk. Used in conjunction with PIN or other ID eg photo on card; could be tampered with but tampering would be obvious.	Low cost around up to \$5; additional cost of card reader \$5–\$30 (plus installation)	<p><i>Advantages</i></p> <p>Can collect and store data, can be programmed for additional functionality eg self exclusion, personal messaging; cards already widely used and familiar to users, no need for central database as data stored on card; many EGMs already have card readers installed</p> <p><i>Disadvantages</i></p> <p>Sign up process may take longer; only possible where cashless gaming is permitted</p>
RFID (radio frequency identification) tags	Requires installation of tag reader on EGM	Anonymous play – no player registration required	Low cost – most tags cost less than \$1 due to wide application in tracking	<p><i>Advantages</i></p> <p>Anonymous play may appeal to users; easy swipe action</p> <p><i>Disadvantages</i></p>

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<sup>1</sup> Sources: Evidence presented to the committee; Responsible Gambling Council of Canada *Insight 2009: Play Information and Management system*, [www.howstuffworks.com](http://www.howstuffworks.com) (accessed 11 March 2011).

			consumer products	Limited functionality; radio signal between tag and reader may be disrupted
USB memory stick/flash drive or	USB ports the same across machines, does not require a wedge	Can be tampered with in ways not obvious  Requires additional security features eg PIN or other ID such as biometrics	Medium cost \$10–\$20	<p><i>Advantages</i></p> <p>Most EGMs have existing ports; device is programmable as with smart card; no need for central database; can link to internet and be used for other data storage requirements (eg music, video etc)</p> <p><i>Disadvantages</i></p> <p>Unclear if ports on EGMs are easily accessible to players; not all users would be familiar with USBs</p>
Biometrics – fingerprints, voice recognition, retina scanning (note the committee only received evidence on fingerprints)	Requires USB with scanning capability or USB plus a separate scanner/reader	Generally low risk but higher risk of identity theft if device is stolen	Higher cost – varies between \$30–\$100 depending on USB capability or separate scanner	<p><i>Advantages</i></p> <p>As under USB plus biometric ID unique to player;</p> <p><i>Disadvantages</i></p> <p>More intrusive and less familiar to players; fingerprint scanning limitations (eg those without fingerprints; those impeded by disability)</p>