



Clubs Australia

Parliamentary Joint Select Committee on Gambling Reform

Inquiry into Pre-Commitments Scheme

Clubs Australia Submission

28 January 2011

Introduction

“I say enough is enough. The debate is over. These machines are unsafe and need to be removed from the community.”

Senator Nick Xenophon, Parliament, 27 August 2008

[Mr Wilkie] admitted it was his ideal to see all poker machines vanish, but he accepted restrictions were a first step.

The Mercury, 28 August 2010.

Electronic gaming machines are a legitimate leisure and entertainment activity, enjoyed by millions of Australians. In the 1990s there was a rapid expansion in the number of machines and participation rates; now, the industry has matured and growth is similar to other consumer or entertainment industries. Through the provision of gaming, the Australian Club Movement is able to provide facilities and services to members and the broader community that governments do not. From sporting infrastructure to aged care facilities, community transport to childcare, clubs have helped regions to develop and build a sense of local community.

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.

Clubs Australia continues to be ready to work with all levels of government to ensure adequate protections are available for those players who cannot control their gaming expenditure. **No one in the Club Movement profits from the damage resulting from problem gambling.**

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, and without undermining the financial viability of the Club Movement. **Clubs Australia supports the introduction of voluntary, venue-based pre-commitment in all gaming venues.** 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, Professor Alex Blaszczynski. Clubs Australia and its members will continue to actively oppose its introduction.

Chapter One – The Australian Club Movement

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 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.**

In explaining why Queensland Premier Anna Bligh chose the Goodna and District Rugby League Football Club as the first location to be rebuilt under the Queensland Government/Channel 7 Sunrise “Operation Bounce Back” initiative following the Queensland floods, Bligh said on the Sunrise program:

This club is the absolute heart of [Goodna] community. It is the one place they have where... their children and their community members play football... [It] is the only place they can go and have community meetings, where they have community events, 21st birthdays, those sorts of things... it really is the community centre of this suburb. And I think that we really need to understand that... many of these places, they don't necessarily qualify for any of the government support out there. And if we want to see the community totally 'bounced back', this is where those people who don't have houses for the next 12 months, this is where they'll be gathering. This is where they will start to feel like they can achieve the 'bounce back' that we want to see them have.¹ [emphasis added]

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.²

¹ <http://www.youtube.com/watch?v=G6cB6PgniCo> on 20 January 2011.

² The Australian Bureau of Statistics Report 8687.0 – *Clubs, Pubs, Taverns and Bars, Australia 2004/05*

Economic Contribution

“The fact is that employment, for example, went down, or goes down in pubs and clubs with the introduction of poker machines; they don’t employ people.”

Mr Andrew Wilkie MP, in Narrabri, 6 December 2010

Clubs make a significant contribution to the Australian economy. In 2005, the total club industry value was over \$4 billion or 0.5 per cent of national Gross Domestic Product.³ 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).

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 2005.⁴ **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 directors, assisting in trading activities, and organising sport and community events.

According to the Australian Bureau of Statistics, **clubs with gaming facilities employ, on average, just under three times more staff as clubs without gaming machines.**⁵

According to the Australasian Performing Right Association, clubs represent 58 per cent of venues licensed to hold live music events. Clubs spend more than \$75 million on the provision of live entertainment nationally. New South Wales clubs represent nearly one-third of the live music spend by hospitality venues in Australia.⁶

Clubs also play an important role in regional economic security through their support for local business as major purchasers of local goods. For example, the Mildura Working Man’s Club purchases goods and services from 150 local businesses. In the ACT, 79 per cent of all goods and services sourced by Clubs were provided by suppliers within the Territory.⁷

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ APRA/AMCOS figures from 2008.

⁷ Socio-Economic Impact Study of Clubs in ACT (2007)

Social Contribution

“The amount of good [clubs] do is often grossly exaggerated by the industry. There is not nearly as much going back into the community as some of these clubs would have you believe.”

Mr Andrew Wilkie MP, in Narrabri, 6 December 2010

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.⁸ 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.⁹

In addition to a sense of community created by professional sporting teams, participation in non-professional sport has an important role in promoting community unity. Young people involved in organised team sports have substantially higher levels of self-esteem and a higher likelihood of behaving better in and out of school than their peers who do not participate. The range of benefits that sport and other physical activities can have in preventing antisocial behaviour among young people is widely documented.¹⁰

A guy told me in Campbelltown on one occasion that there are two things that give Campbelltown its own identity. One of them is the local radio station and the other one is the Wests Tigers. We support Wests Tigers. We’ve got a financial obligation to them, funds their games out at Campbelltown and that’s not even seen as a community contribution. You ask anybody in Campbelltown the importance of football or the importance of having local NRL games, they’ll say it’s substantial and yet it’s not recognised.¹¹

A typical example is the Hellenic Club in the ACT, which provides funding and in-kind support for Barnardos Australia’s Kids + Sport Program, a locally designed program that

⁸ This figure is conservative: IPART valued NSW clubs social contribution at \$811 million in 2007; Dickson Wohlsen Strategies and BDO Kendalls valued Queensland clubs social contribution at \$248 million in 2008.

⁹ The Allen Consulting Group, Socio-Economic Impact Study of Clubs in New South Wales (2007), February 2008, p. 48

¹⁰ Morris, L, J Sallybanks and K Willis, “Sport, Physical Activity and Antisocial Behaviour in Youth”, *Research and Public Policy Series*, Issue 49, Australian Institute of Criminology, Canberra, 2003

¹¹ Ucomm, Managers Focus Group Report, commissioned by ClubsNSW, July 2007, p. 8

focuses on using sport mentoring as a way to build relationships between disadvantaged children, young people, their families and the community.

Clubs also support a wide range of social groups and initiatives in their communities. Groups like Rotary, Lions, Apex and Legacy receive support from clubs and social services like Meals on Wheels also receive a substantial amount of support from clubs. **Clubs provide funding to a vast range of welfare services, including hospitals, mental health initiatives, Lifeline, drug and alcohol services and disability and mobility support.** Clubs also provide local scholarships and training opportunities for disadvantaged students and fund extra-curricular programs at nearby schools.

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.”¹²

Research has also shown that regular club attendance supported independence, self reliance and helped build ties to the community among isolated older people. The benefits of club going were found to be so significant that it was concluded clubs should “feature more prominently in the mosaic of resources available to older people for maximising independence, both now and perhaps also into the future.”¹³

¹² Patford, J & Breen, H 2009, 'Homes away from home: registered clubs as leisure providers for older people living in the Tweed heads region of Australia', *Annals of Leisure Research*, vol. 12, no. 2, p 230

¹³ Simpson-Young, V. & Russell, C. (2009) 'Social participation and independence in later life: an ethnographic study of older licensed club users'. *Ageing International* Vol. 34, Issue 4.

Chapter Two – Problem Gambling

MYTH: THE CLUB MOVEMENT IS ADDICTED TO GAMING REVENUE AND IS NOT INTERESTED IN TACKLING PROBLEM GAMBLING

“Some people lose six months’ wages in one hour.”

Mr Andrew Wilkie MP, *Herald Sun*, 28 August 2010

“Forget 0.5 per cent, think 1.5 million Australians worse off because of pokies.”

Senator Nick Xenophon, *SA Sunday Mail*, 5 September 2010

Apart from the 80,000 Australians who earn a direct income from clubs, and the 65,000 volunteers who freely give their time, millions of Australians are better off because of clubs. According to the Productivity Commission, around a third of Australian adults enjoy playing poker machines at least once annually (p5.22).¹⁴ Even after accounting for the costs of problem gambling, **the Productivity Commission found that the net social benefit provided by electronic gaming machines is between \$768 million and \$5.5 billion a year** (p6.39).

While the majority of the population enjoys gambling as a recreational pursuit, some people do experience significant problems. The Productivity Commission found that there are 95,000 problem gamblers who play poker machines regularly (p5.1).

Although the problem gambling prevalence rate is substantially lower than other public health issues such as obesity, smoking, excessive alcohol and illicit drug use, the incidence of problem gambling causes significant costs for individuals, their families, governments and the industry. As a result, there is a consensus among all stakeholders for the need to have in place harm minimisation strategies and to promote a culture of responsible gambling.

Due to the significant reduction in the number of problem gamblers, the anti-gambling lobby has resorted to the practice of including “at risk” categories in order to bolster the numbers in an attempt justify their arguments for mandating intrusive reforms. Moreover, they consistently fail to acknowledge the achievements of the industry, state governments and community groups in reducing the incidence of problem gambling in the community. **Claims that nothing substantial is being done to address problem gambling ignores the numerous responsible gambling strategies in place and strong evidence of their continuing efficacy.**

¹⁴ All Productivity Commission references Productivity Commission 2010, *Gambling*, Report no. 50, Canberra.

Club involvement in harm minimisation strategies

ClubsNSW is “so addicted to the \$1.6 billion a year problem gamblers lose on their machines they will say anything to fight sensible reforms.”

Senator Nick Xenophon, *The Australian*, 28 December 2010

Responsible gambling aims to reduce the incidence of problem gambling and minimise potential social costs and harm associated with problem gambling. The Club Movement has implemented a number of harm minimisation programs to assist problem gamblers, working with state and territory regulators and other stakeholders. The Club Movement categorically rejects any assertion that it has an interest in keeping problem gamblers at the machines: players are our members, and it is not in our interests that our members put themselves and their families into financial jeopardy.

This assertion is also premised on a supposed nexus between overall gaming revenue and problem gambling prevalence. In reality, such a nexus does not exist, as demonstrated in Queensland where prevalence rates have steadily declined whilst overall gaming revenues have increased (Table 1). In fact suggesting that industry is reliant upon problem gamblers ignores the commercial realities associated with problem gambling in clubs.

Table 1
Queensland Problem Gambling Prevalence Rates and Gambling Expenditure

Year	Prevalence (CPGI +8)	Expenditure
2001	0.83%	N/A
2003-4	0.55%	\$1,498,979,113
2006-7	0.47%	\$1,676,657,229
2008-9	0.37%	\$1,860,605,577

Source: Queensland Office of Liquor and Gaming Regulation

Problem Gambling represents a significant barrier to the long-term growth of industry revenues. Whilst it is acknowledged that an individual engaging in problem gambling behaviours may in the short-term have a positive effect on gaming revenue, this benefit is far outweighed by the long-run costs associated with problem gambling.

First, clubs’ patrons are their members. Short-term revenue gains from expenditure of a problem gambler will be offset by the eventual loss of the member. Clubs would much prefer to have responsible gamblers who are patrons for life, and who enjoy all aspects of club membership.

Secondly, the negative social consequences of problem gambling result in an increasing use of government regulatory intervention to offset gambling related harms. This regulatory intervention causes both direct and indirect costs on industry. The direct costs include the provisions of harm minimisation strategies such as self-exclusion programs, product restrictions and additional taxation to offset the estimated social costs. The indirect costs include measures that prevent future industry growth such as caps on the number of gaming machines, restrictions on the advertising and marketing of gaming machines.

It is in the industry's commercial and ethical interests to address the issue of problem gambling, which is why the industry works closely with government and other stakeholders in developing responsible gambling measures. The *2007 Gaming Machine Venue Survey* conducted in Queensland found that 90.2 per cent of clubs believed that responsible gambling practices were good for business.¹⁵

ClubsNSW launched the first responsible gaming code of practice, ClubSAFE, for the Club Movement in 2000, and similar programs have now been established in the ACT, South Australia and Victoria. In Queensland, Tasmania and the Northern Territory, clubs participate in umbrella codes of practice.

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. Courses are also designed for club management. Comprehensive consumer information is available to all patrons about the conditions of play for gaming machines, and there is public display of financial and complaint handling policies and procedures. The ClubSAFE program also includes a regular audit of all responsible gaming practices.

State and territory governments, in consultation with the gaming industry, enforce harm minimisation measures and codes of practice that have been shown to be cost effective and successful at reducing the prevalence of problem gambling. These measures include:

- Self-exclusion programs
- Controls and restriction of the content, placement and conduct of advertising, promotions and inducements
- Restrictions on gaming machine features, including maximum spins, bets and free games, restrictions on misleading information and non-linear pay tables and mixing high and low denominations
- Readily available consumer information resources, including information on the nature of gambling, the odds of winning, recognition of problem gambling

¹⁵ Queensland Government Evaluation of the Queensland Responsible Gambling Strategy (2010) p 51

behaviours and information regarding where to source appropriate support and treatment for problem gambling

- Mandatory lighting, clocks and signage to increase customer awareness of both the passage of time and responsible gambling practices
- Breaks in play via mandatory shutdown periods
- Caps in the number of electronic gaming machines in clubs jurisdiction-wide
- Payment of prizes by cheques and restrictions on the use of credit in venues
- Restrictions on the service of alcohol
- Access restrictions for minors
- Access restrictions for adults intoxicated by either alcohol or drugs.

Since the enactment of these measures all available evidence points to a considerable reduction in the prevalence of problem gambling in Australia, in concert with a maturation of the industry. For example, the Queensland Responsible Gambling Strategy was launched in 2002. Since then, State Government surveys have shown a 55 per cent decline in the prevalence of problem gambling (Table 2). Other states have recorded similar reductions in the prevalence of problem gambling, such as New South Wales where 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.

Table 2
Queensland Problem Gambling Prevalence Rates

Year	Prevalence (CPGI +8)	Trend
2001	0.83%	N/A
2003-4	0.55%	Decline
2006-7	0.47%	Decline
2008-9	0.37%	Decline of 55 per cent since 2001

Source: Office of Liquor and Gaming Regulation

Chapter Three – The agreement between the Prime Minister and the Member for Denison

MYTH: THE AGREEMENT BETWEEN THE MS GILLARD AND MR WILKIE IS IMPLEMENTING THE RECOMMENDATIONS OF THE PRODUCTIVITY COMMISSION

In June 2010, after the release of the Productivity Commission report, the Government announced that it would work with industry, state and territory governments and other stakeholders on implementing some of the report's recommendations, including a model for voluntary pre-commitment. The Government rejected further liberalisation of online gambling. The Government committed to implementing policy only when there was evidence of its merit on a cost-benefit analysis. Clubs Australia publicly welcomed the Government's response at that time.

However, after the August 2010 election, the Prime Minister and the Member for Denison announced an agreement that included:

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.

The agreement also threatened states and territories by stating:

In the absence of agreement with the States by 31 May 2011 on any of the reforms detailed [above], the Government will unilaterally seek to legislate in order to achieve these reforms, subject to the legal advice received...

The Member for Denison has said “the decision has been made.”¹⁶

Without the issue of problem gambling or poker machines ever being raised during the federal election campaign, without consultation with state and territory governments and without consultation with industry and other stakeholders, **the Government substantially modified its pre-election position.**

¹⁶ At a meeting with the local community, Narrabri Golf Club, 6 December 2010.

What the Productivity Commission actually said

The agreement to implement mandatory pre-commitment uniform across all states and territories by 2014 is not what the Productivity Commission recommended:

Realistically, most state and territory governments could not quickly implement a genuinely binding pre-commitment system (though there would be greater scope to do this in states with more advanced monitoring systems). **Full-scale implementation and advanced interfaces with the gambler would also require all machines to have card readers (or other player identification devices) and software upgrades — a costly measure if required to be done quickly.**

Accordingly, the Commission recommends a staged approach:

- in the next three years, partial pre-commitment should be introduced in jurisdictions with compatible monitoring systems, while ensuring that the systems underlying this are compatible with the later adoption of full pre-commitment
- a trial of a full pre-commitment system with the design features described above should be conducted. (p28-29 of Overview) [emphasis added]

Further:

The detail of any proposed scheme makes a large difference to its effectiveness. This suggests testing systems that have an appropriate set of minimum functions to establish that they work as intended... [In] the Commission's view, **a key to the ultimate delivery of effective pre-commitment would involve:**

...

- the introduction of partial [voluntary] pre-commitment in jurisdictions where central monitoring systems allow its low cost implementation [Tasmania, Northern Territory, Queensland]
- **a trial of a full pre-commitment system.** (p10.38) [emphasis added]

And further:

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 pre-commitment regime (recommendation 10.4), with trialling to commence by 2013.

Trialling should:

- test the design features of full pre-commitment for possible modification
- **substantiate that full pre-commitment has sufficient advantages over partial pre-commitment to justify proceeding with its implementation in all jurisdictions.** (Recommendation 19.2) [emphasis added]

There have been no trials of mandatory pre-commitment in any Australian jurisdiction. There has been no substantiation that mandatory pre-commitment has sufficient advantages over partial (voluntary) pre-commitment to justify its implementation.

In fact, there have been no trials of national mandatory pre-commitment in any jurisdiction in the world. Trials in Nova Scotia required the player to use a pre-commitment card, but it was not mandatory to use its features, i.e. committing to time or spending limits was voluntary. Norway is the only country that has introduced mandatory pre-commitment. This submission examines these jurisdictions in Chapter 5.

Moreover, **the Productivity Commission did not recommend a mandatory pre-commitment model that was universally applied across all Australian states and territories.** In foreshadowing mandatory pre-commitment, the Commission proposed each jurisdiction would have its own system, given the disparity among the different Central Monitoring Systems and operational platforms.

The Productivity Commission undertook no cost-benefit analysis of the implementation of pre-commitment. There was no assessment of the technical ability or cost to implement a nationally networked mandatory pre-commitment system. This submission outlines the existing highly diversified and complex arrangements in Chapter 4, and shows why it would be impossible to make the technical changes necessary to meet the proposed requirements by 2014.

Clubs Australia questions why trialling of mandatory pre-commitment will be by-passed. **The Productivity Commission regarded the trialling of voluntary pre-commitment as an essential step in determining whether mandatory pre-commitment was justified.** Why was voluntary pre-commitment acceptable to the Government in June, but unacceptable in August?

What is not being examined?

The agreement is also striking for what is not included. Recommendations of the Productivity Report that have been supported by all stakeholders, including industry, have been ignored in the agreement, even when these recommendations are cost effective and have been shown to be useful. Examples include:

- Promoting self-help and brief treatment options, which are 'cost effective ways of achieving self recovery' (Recommendation 7.1)
- Establishing a national minimum standard of training for problem gambling counsellors (Recommendation 7.2)
- Establishing a national centre for gambling policy research, funded by the Australian Government (Recommendation 18.3).

Transference and Internet gambling

Internet gambling and wagering has had dramatic growth in the last few years. Over 1,800 English language sites accept bets from Australia. While there is little research about the prevalence of internet gambling and problem internet gambling in Australia, Clubs Australia remains concerned that heavy regulation on poker machine play will simply transfer problem gambling from one medium to the other. Further, Clubs Australia maintains that there are unique dangers in internet gambling:

- Home-based, it is round-the-clock, unsupervised and solitary gambling, making it easier for problem gamblers to conceal their habit
- Internet gambling relies on credit betting, prohibited for electronic gaming machines
- It is more easily abused by minors, as often identification is not required, or identification is verified by only a credit card
- There is little protection to prevent fraud, money laundering or unfair gaming practices
- No internet gaming revenue is taxed or returned to the community in grants or donations
- Online advertising is unrestricted, and there are often other inducements to gamble, such as free credit for gambling accounts.

Should problem gamblers be unable to play poker machines, many will turn to the internet, where the dangers to exacerbate the problems will be inherently worse than community gaming. Transference is a common consequence of poorly targeted regulation. Clubs Australia believes that a more balanced regulatory structure that provides players with consistent safeguards is a more appropriate priority than imposing draconian, expensive and untested directives on one form of gambling.

Chapter Four – The features of mandatory pre-commitment

MYTH: MANDATORY PRE-COMMITMENT COULD COST AS LITTLE AS \$1.50 PER MACHINE PER DAY TO IMPLEMENT

[Andrew] Wilkie says he does not know what it would cost, “but I know it would cost a lot less than what scaremongers in the industry would have us believe.”

Sydney Morning Herald, 13 September 2010

In late 2010, Senator Xenophon wrote an open letter to the ABC presenting his case for mandatory pre-commitment.¹⁷ In it, he stated:

In a submission to the Productivity Commission the poker machine manufacturer's mouthpiece, Gaming Technologies Australia, claimed a mandatory pre-commitment scheme would be "prohibitively costly".

They estimate it would cost \$2 billion.

That's a nice round figure and I have a theory about round figures. They are usually plucked from a round place.

That figure, and the claim about it being prohibitively expensive is just not true.

Senator Xenophon proposed that the cost was actually \$1.50 a day, per machine, and this was negligible given “each machine earns between \$150 and \$800 per day.” Round figures indeed.

The actual average daily revenue per machine in clubs in New South Wales is \$130, before tax and other expenses. There are 250 small clubs with average daily revenue per machine of \$25 or less. The top 25 clubs in New South Wales earn average daily revenue per machine of \$250, not \$800 as claimed.

The costs quoted by Senator Xenophon of \$1.50 per day per machine are based on the MaxGaming system ‘Simplay’ currently operating in some Queensland venues. Simplay is a voluntary, venue-based pre-commitment model, which is not the model being pursued by the Member for Denison.

In fact, Senator Xenophon has described this model of voluntary pre-commitment as “a joke”.¹⁸ If nationally networked mandatory pre-commitment was introduced, ‘Simplay’ would have to be replaced, meaning the current investment in the voluntary scheme would be lost.

¹⁷ <http://www.abc.net.au/news/events/state-of-play/part2/nick-xenophon.htm>

¹⁸ <http://www.abc.net.au/news/stories/2008/07/23/2312551.htm>

The key differences between the models are:

- **Simplay does not include the network infrastructure and data warehousing required for a national multi-venue system that can administer pre-commitment limits for an estimated 5 million people.** This infrastructure represents significant capital and recurrent costs.
- **The Simplay device does not track player spending: this is done centrally, and this information can be accessed by the venue or the gaming operator.**
- Simplay does not utilise biometric identification.
- Simplay currently operates only with gaming machines in Queensland facilitated by the state's unique Centralised Monitoring System (CMS). Other states, such as New South Wales, do not have an appropriate CMS, and therefore require more costly solutions. **No machine outside Queensland could connect with the Simplay network.**

Therefore, Clubs Australia does not believe that the recurring costs of a venue-based voluntary system are reflective of the real costs of the proposed nationally networked mandatory scheme.

Looking at the Norwegian experience, the operating system for the gambling smart card is provided by MAOSCO Ltd., using MULTOS. The MULTOS case study for Norway's smart card advises:

The cost of providing a customer with a smart card – including the card itself, a card reader, a CD containing information and applications, PINs and postal distribution costs is estimated at Nkr400 [approximately A\$70].

Our return on investment in the card base is based on a three-year lifecycle. As well as paying a minimal annual fee ... customers pay fees for loading and unloading eCash to their card or to their NetPurse, and to some extent, also for executing business transactions.

Every Norwegian smart card has a \$70 start up cost, plus annual fees. With 5 million Australians who play the poker machines at least once a year, that is **\$350 million just for the start up costs for the smart cards**, not including on-going costs.

However, *even if* we were to accept the unrealistic base cost of \$1.50 per machine per day, over the 15 year life cycle of an electronic gaming machine, this would amount to industry costs of \$2 billion (Table 3).

Cost per machine per day	\$1.50
Cost per machine per year	\$547.50
Number of machines	197,000
Annual national recurrent costs	\$107,857,500
Total recurrent costs over 15 years*	\$2,006,032,234

*Indexed at 3% per annum

However, the reality is that machines outside Maxgaming's Queensland operations could not connect with this model without extremely expensive changes to other jurisdictions' Central Monitoring Systems and operational protocols, as well as upgrades or replacement to individual machines.

What are the necessary features of mandatory pre-commitment?

Although the specifics remain to be identified, at minimum, mandatory pre-commitment requires:

- Compulsory registration for all 5 million electronic gaming machine players, requiring player identification and verification
- Unique smart cards or USB sticks for all individual players, possibly with biometric, fingerprint or other identifiers to prevent swapping, with pre-commitment information and player tracking
- A nationally managed database of registered players, to ensure people do not register more than once and to authorise or replace lost or stolen devices
- A secure website, to enable players to set limits before entering the venue, with database hosting
- Software to be designed that allows the machines to read card/USB stick information about limits, and transmit information about play
- All 197,000 machines to have the hardware/technology retrofitted, or to be replaced, to accept smart cards/USB sticks, and the ability to shut down when limits are reached, by 2014
- All machines to have software upgrades to read smart cards/USB sticks compatible with the playing software, with older machines (around 50 per cent) to be replaced
- All machines to be networked to a national Central Monitoring System
- Cabling to every machine via a site controller for 5,700 venues with gaming machines
- Integration of nine different protocol developments, and possible replacement of the X-Series protocol (used for more than 50 per cent of machines)

- Replacement of existing player tracking systems which would become obsolete with a new national system, as most use their own proprietary protocol between the machine and site controller
- An amendment to regulatory standards which currently prohibit communications ports on machines due to security and integrity risks
- Re-certification of every machine

Electronic gaming machines cannot easily have hardware components bolted onto the unit. Machines are sophisticated pieces of technology. A standardised third party add-on has inherent risks for the reliability of the machine. It risks electrical safety and electro-magnetic interference. It can cause machine malfunction. It can affect the machine's graphics, interfere with normal play and cause disputes about liability of lost credits when disruptions occur. USB ports themselves are contrary to current technical standards, and would require sufficient testing before state regulators could allow them. Access ports for external devices leave a machine open to malfeasance and attempted hacking: there is a real risk that programs could be inserted through devices which affect the integrity of the machine's software, and create false outcomes for play.

Technical standards

GTA's spokesperson Ross Ferrar also claimed in a letter to the Productivity Commission that any mandatory pre-commitment scheme would require the development of currently non-existent technical standards.

This also is demonstrably incorrect.

The technical standards Ross is referring to already exist and are being used to run the pre-commitment schemes I mentioned earlier. Again, they've been there for years.¹⁹

Senator Nick Xenophon, Open Letter to the ABC

A new set of national technical standards needs to be developed to ensure consistency and standardisation how the various components of the pre-commitment system collect, process, store and transmit data. **Draft technical standards developed by the Queensland Office of Liquor Gaming and Racing (and referred to in Senator Xenophon's letter) do not address any of the networking issues, as they were designed with single venue implementation in mind.**

New technical standards are required to ensure correct communication between the various components of the system. **Currently in Australia there are nine different protocols**

¹⁹ <http://www.abc.net.au/news/events/state-of-play/part2/nick-xenophon.htm>

used to communicate between gaming machines and attached systems (Central Monitoring Systems or Player Loyalty Systems). There are vast differences in functionality among the protocols, which is likely to severely restrict pre-commitment system implementation. This includes the ability to enable or disable machines (when limits have been reached) and to display dynamic messaging on machines.

In particular, the protocol used in New South Wales does not support two-way communications between the Central Monitoring System and the machines, a necessary prerequisite to implement a mandatory pre-commitment system. A new protocol would be required. **The Productivity Commission found that all 97,000 gaming machines in NSW would need to be upgraded or replaced along with the entire monitoring system infrastructure** (p19.10). The cost of this would be several billion dollars.

To highlight the number of complex technical issues to be understood before proceeding with mandatory pre-commitment, Clubs Australia notes:

- A communication standard must be developed to facilitate gaming system-to-system networking in Australia. Before existing pre-commitment systems and Central Monitoring Systems can be consolidated into a single network, there must be an agreement among standard protocols. All existing pre-commitment systems and Central Monitoring Systems must be upgraded accordingly.
- It is not possible to network a site using one operator's pre-commitment system with another operator's pre-commitment system (for example, the Simplay and Odyssey voluntary systems cannot be networked).
- It is not possible to share data among the Central Monitoring Systems of the various state jurisdictions.
- All existing voluntary pre-commitment systems currently track player expenditure and store the relevant information in a database. If there is to be no central database tracking players' spending, these systems will need to be redesigned.
- Minimum standards also need to be specified in relation to system contingencies in the event of equipment failure or malfunction. For example, how to handle a situation where the central network goes off-line, potentially disabling play on poker machines nationally.
- Technical standards must include mechanisms to ensure the security and integrity of all data and associated transactions. For example, minimum standards must be imposed around protecting the privacy of personal and financial data stored on the both the database and the player device.
- There will need to be uniform technical standards in regard to the type of device issued, and the way data is accessed and stored on the device. Storing of data on the device will make the majority of existing pre-commitment system infrastructure redundant and require a new set of infrastructure to be deployed.

Clubs Australia cannot accurately estimate either the cost or time it would take to resolve the technical issues, some of which are listed above, as there are many permutations and combinations that could be considered, each requiring specialist analysis. However, it should be clear that **the difference between a voluntary, venue-based pre-commitment system, and the technological and financial investment required for a mandatory, nationally-networked version are poles apart.**

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.

Clubs Australia believes the Australian Government has severely underestimated the size and cost of the technical undertaking required to link electronically 197,000 machines, in 5,700 venues, with different manufacturers and models, currently operating on different state operating platforms and protocols, by 2014.

Chapter Five – The effectiveness of mandatory pre-commitment

MYTH: THERE HAVE BEEN EXTENSIVE, EFFECTIVE AND RELEVANT RESEARCH AND TRIALS OF PRE-COMMITMENT IN AUSTRALIA

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.

Professor Alex Blaszczynski (University of Sydney), a member of the Ministerial Expert Advisory Council, co-authored a recent article “Gambling Motivations, Money-Limiting Strategies, and Pre-Commitment Preferences of Problem Gamblers Versus Non-Problem Gamblers.”²⁰ The article concludes:

[The] study is the first to explore gambling motivations in the context of pre-session monetary limit-setting strategies and attitudes toward pre-commitment as a means of limiting gambling expenditures. An increasing number of manufacturers are marketing proprietary software and computer devices for pre-commitment without scientific evidence that such innovations will, in fact, decrease gambling expenditures among problem gamblers or arrest the progression toward problem gambling from those who are at low- to moderate-risk. **Results of the current study suggest that those most in need of limit-setting, problem gamblers, are the least likely to adopt the use of smart cards and other pre-commitment technologies and the most likely to find ways around limitations.** [emphasis added]

It is not surprising that in the debate about pre-commitment, companies are looking to market themselves as being at the cutting edge of providing technological solutions aligned to those advocating mandatory pre-commitment. As Professor Blaszczynski notes, however, these assertions are untested, and no device has been shown to work across the multiple operating systems present throughout Australian jurisdictions.

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.

²⁰ J Gambl Stud (2010) 26 pp 361 – 372.

The experts disagree among themselves

Even members of the Ministerial Expert Advisory Council disagree with each other's findings.

A 2008 report, prepared by Dr Charles Livingstone (another member of the Council) et al., on behalf of the Australian Institute for Primary Care for the Independent Gambling Authority South Australia,²¹ sought to determine the relevance and role of electronic gaming machines and game features on the play of problem gamblers. Although qualified in parts, the research suggested that there are particular features that are associated more commonly in the play of problem gamblers as compared to recreational gamblers.

Livingstone's work was subjected to critical peer review by Lia Nower and Professor Blaszczynski. The review concluded that:

[The] quantitative and qualitative studies referenced in [Livingstone's] Report suffer from a number of serious methodological limitations and faulty assumptions that render the findings unpersuasive. Using self-reported data from a small, highly-skewed, cross-sectional convenience sample of participants, uncharacteristically classified as "regular" gamblers, in combination with aggregated revenue data from machines in South Australia, is insufficient to support any conclusions about machine gambling preferences and/or the differences in those preferences across levels of problem gambling severity... For those reasons, the Report fails to adequately address or answer any of the research questions that were the subject of this inquiry.²²

MYTH: ACADEMIC RESEARCH IS CONCLUSIVE THAT POKER MACHINES ARE THE ANTECEDENT OF GAMBLING ADDICTION

Gambling is like any other consumer product

There is an assumption that the high spending patterns of a small percentage of heavy electronic gaming machine players means that this spending is irresponsible, or that these players are in need of government intervention or protection.

However, the spending pattern of poker machine players is not unusual when compared with expenditure on other consumer package goods. The well-known marketing "80-20 rule of thumb" means that 20 per cent of consumers account for 80 per cent of the expenditure. The disproportionate relationship between a small number of buyers making most of the purchases appears quite normal in repeat purchase of consumer goods. The heavy

²¹http://www.aph.gov.au/SENATE/COMMITTEE/CLAC_CTTE/poker_machine_harm_reduct/submissions/sub23b.pdf

²²http://www.pc.gov.au/_data/assets/pdf_file/0007/87865/sub201-attachment1.pdf at pp10-11.

consumption of a product merely reflects a consumer preference for that product. People who spend a lot of time and money playing poker machines are not automatically problem gamblers.

Professor Dick Mizerski (University of Western Australia) and others have analysed the data from the 1999 Productivity Commission report and concluded that the pattern of poker machine expenditure follows the Negative Binomial Distribution (NBD) exhibited by most consumer package goods and other gambling products (Table 4).²³ Specifically, the analysis found that the number of heavy electronic gaming machine players, and the amount these players spend, is not statistically different from the expected patterns for consumer goods.

Proportion of EGM players to general adult population	Expected (NBD)	Actual
Non-users	55.1%	55.1%
Light users (5 times a year or less)	25.2%	21.4%
Heavy users (6 times a year or more)	19.7%	23.5%
Proportion of expenditure		
Non-users	0%	0%
Light users	8.8%	7.3%
Heavy users	91.2%	92.7%

Mizerski analysed the figures when the definition of heavy users was increased to 10 times a year or more, and also found the spending distribution fit the expected NBD.

He concluded:

Using the Productivity Commission’s 1999, 2010 survey data, the analyses showed that self-reported EGM play fits the NBD model like other forms of gambling such as Lotto, online “pokies” and probably most other repeat purchase consumer package goods. Using this measure, the disproportionate distribution of users accounting for most of the sales appears quite normal and expected... **EGM betting behaviour is the same pattern than other games and other frequently purchased consumer packaged goods** (East, 1997). The method used to interpret pathological use by the Productivity Commission misses this obvious pattern of purchase that is driven by habitual behaviour (Lam and Mizerski, 2009)²⁴.

Comparing reported EGM play to other games that are judged to be less of a problem by the Productivity Commission (Lotto, racing, wagering) shows that EGM play has relatively fewer problem gamblers and less of a “risk” on many analyses...

²³ Mizerski, Dick, Bill Jolley and Katherine Mizerski,, “Disputing the ‘Crack Cocaine of Gambling’ Label for Electronic Gaming Machines,” *Culture and the Gambling Phenomenon*, National Association for Gambling Studies International Conference, Sydney

²⁴ Lam, Desmond and Richard Mizerski (2009), “An Investigation into Gambling Purchases Using the NBD and NBD-Dirichlet Models”, *Marketing Letters*, 20:3, 263-276

... It is apparent that policy makers wish to drive down the low level of problem gambling by severely limiting the regular gambler's access to gambling. The empirical evidence doesn't support that approach.²⁵ [emphasis added]

Problem gamblers and their spending patterns

The Ministerial Council on Gambling identified pre-commitment as a national research priority. Research was conducted into the feasibility and consequences of changes to gaming machine operations such as pre-commitment of loss limits. The research report was entitled 'Analysis of Gambler Pre-commitment Behaviour.'²⁶

The report investigated whether a problem gambler could set and keep to an expenditure limit which was realistic and affordable. The correlation between gambling expenditure and expenditure in other household matters was examined. The report found:

When asked about an inclination to overspend budgets in other life areas, results also interestingly showed that regular EGM/TAB gamblers reported that they

- went over their gambling spend limit about as frequently as they had their entertainment/leisure budget
- went over their gambling spend limit nearly as frequently as their alcohol/cigarette budget
- but not quite as frequently as they overspent their household grocery budget

Problem gamblers were significantly more likely to report overspending their alcohol/cigarette budget and entertainment budget, compared to lower risk groups...

[K]ey results suggest that "going over the limit" in other areas of life is as much a characteristic of general human behaviour, as it is in gambling. Moreover, there is emerging evidence to suggest that this tendency may be higher in problem gamblers and that affordability is not always considered in the decision to pre-commit.²⁷

These findings suggest that not only do problem gamblers over-spend in all aspects of their life (gambling, household products, other leisure activities) but that their ability to make rational choices about expenditure is impaired. In turn, this undermines their ability to pre-commit rationally, and raises further questions about the effectiveness of pre-commitment for this risk group.

²⁵ Ibid.

²⁶ [http://www.gamblingresearch.org.au/CA256902000FE154/Lookup/Precommit/\\$file/Report30March06.pdf](http://www.gamblingresearch.org.au/CA256902000FE154/Lookup/Precommit/$file/Report30March06.pdf)

²⁷ Ibid., p 8

The major trials of pre-commitment

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.

Australian trials

In Australia, there has been a limited number of trials for voluntary, venue-based pre-commitment in South Australia and Queensland. Of the four completed and evaluated trials which have been publicly released, only three have used a pre-commitment card: Worldsmart (South Australia); eBet/Odyssey (Queensland); and MaxGaming (Queensland).

The usefulness of the trials has been limited by:

- the small number of players who wanted to participate, even with incentives to enrol (e.g. less than 1 per cent uptake for Worldsmart)
- the very small number of identified problem gamblers who participated
- the lack of comparison of problem gambling prevalence before and after the trials
- the lack of examination of participants' expenditure on other forms of gambling simultaneously, or when their pre-commitment limits had been reached, including internet gambling
- the prevalence of card swapping between some participants to circumvent limits, which also contaminated the analysis of card play.

The trials generally concluded that voluntary pre-commitment may be a useful tool in helping players track the amount they spent during sessions, but **many participants felt there would be little benefit for problem gamblers**. The trials all found that an overwhelming majority supported voluntary, as opposed to mandatory, pre-commitment systems.

It is worth noting that these three trials used technology that was incompatible with each other; if there was to be a nationally linked mandatory pre-commitment system, they would have to be replaced. The Productivity Commission report noted:

[The trials in South Australia and Queensland] have reduced relevance to many alternative designs of pre-commitment systems, such as binding systems ('full' pre-commitment). (p3.23)

MYTH: PRE-COMMITMENT TRIALS IN NOVA SCOTIA WERE DESIGNED TO REDUCE PROBLEM GAMBLING

Nova Scotia

There are 2,234 video lottery terminals in Nova Scotia, with another 584 machines in First Nations venues. The terminals are owned by the Government of Nova Scotia, and the operators are also government-owned agents.

In December 2004, the Nova Scotia Gaming Corporation announced its intention to conduct a field test of a card-based system, called the Responsible Gambling Device (RGD). The goal of the RGD was to be a tool to help people manage their play, and **its target groups were no-risk, low-risk and some moderate-risk players, not problem gamblers**. The Nova Scotia Gaming Corporation said explicitly that the:

Problem Gambler category would not be positively impacted by the concepts associated with RGD as they have reached a point that the only form of intervention such as treatment or recovery model will be relevant.²⁸

Focal Research tracked play for a 6 month period in a region of Nova Scotia that only had player-card activated machines available (51 machines in 9 locations played by 1,824 players).²⁹ Although use of the cards was mandatory, use of the card's features was optional. These features included choosing a spending limit, play (time) limit, 1 or 2 day exclusion, longer-term self-exclusion and/or account summary (showing win/loss record).

The data collected during the late stage trials revealed that:

- 71 per cent of regular gamblers used one or more of the above features in the six month trial

²⁸ <http://www.nsgc.ca/files/factsongambling/IPCS%20Field%20Test%20Fact%20Sheet%20-%20January%202010%20FINAL.pdf>

²⁹ http://www.nsgc.ca/pdf/Focal%20Research%20Report%20_2_.pdf

- players were more likely to view their account balance (nearly 70 per cent) than to set a daily spending limit (11 per cent), and less than 1 per cent any longer term spending limits
- only 1.5 per cent used a one day break, 2 per cent used the 48 hour break and an even smaller share (0.2 per cent) used longer term self-exclusion
- the use of features declined over the six months.

Examination of individuals with high risk characteristics found no decrease in expenditure for high frequency players (18+ times in 6 months), and a tendency toward decreased per session expenditure offset by a tendency toward increased frequency of play for people with CPGI scores of 5 or higher.

Evaluation of the Nova Scotia trial confirmed card swapping as an issue, with around 37 per cent of players swapping cards at least sometimes.³⁰ As Clubs Australia has continually maintained, a problem gambler, having reached his or her limit, will not simply go home, satisfied that an enjoyable time has been had, and the budget maintained. A problem gambler will seek out an alternative card to keep feeding the addiction. Card swapping, or even a possible black market for cards that have been preset without limits, will eventuate.

After 5 years of extensive testing, from the evaluation report of the Nova Scotia trials:

A strong majority of the problem gamblers and non-problem gamblers believed that it would be naïve to suggest that this device would provide a solution for pathological gamblers. As one problem gambler put it, “it seems to me that **problem gamblers are probably going to find a way around this card anyway... I just don’t think it’s going to solve problem gambling.**”³¹ [emphasis added]

Following analysis over the trials, Nova Scotia has chosen to implement voluntary pre-commitment.

MYTH: NORWAY PROVIDES AN EXCELLENT EXAMPLE OF HOW MANDATORY PRE-COMMITMENT CAN REDUCE PROBLEM GAMBLING

Norway: How the system actually works

Norway is the only country in the world that has implemented mandatory pre-commitment. Gambling falls under the responsibility of the Minister for Culture and Church Affairs. The Norwegian Government has a state-owned monopoly on all forms of gambling.

³⁰ <http://www.nsgc.ca/pdf/Omnifacts%20Bristol%20Research%20Report.pdf> at p.17.

³¹ <http://www.nsgc.ca/pdf/Dr.Bernard%20Research%20Report.pdf> at p.20.

In July 2007, the Norwegian Government removed all 18,000 poker machines, including from bars, supermarkets, shopping malls, airports and gas stations. Norway approved 10,000 new machines with mandatory pre-commitment technology; however, to date, only 2,300 machines have been installed.

The Norwegian Government has set mandatory spending and time limits for all players: K400 (A\$70) per day; K2200 (A\$380) per month, and a 10 minute break after one hour play. Players can choose lower limits. The maximum win is K1500 (A\$260). The machines are networked and monitored centrally. Prizes are not paid in cash but transferred to players' accounts which are linked to the card. Money can be transferred in both directions between account and card.

Player account information is stored on a central server. When a player registers, he or she must show a government-issued identity card. In the registration process, the system links the player's card with a Norwegian Government's database for personal numbers.

Differences with Australia

- **Prior to mandatory pre-commitment, there were no harm minimisation policies enacted in Norway.** Australian jurisdictions currently enforce a considerable range of responsible gambling measures to minimise harm.
- Norway has one jurisdiction and one regulator. Australia has eight state and territory jurisdictions that have regulated poker machines over an extended period of time (more than 50 years in New South Wales) and the regulations, Central Monitoring Systems and operating protocols are now complex and incompatible.
- **In two years, Norway has only managed to install 2,300 new machines** (of 10,000 approved). Australia has 197,000 machines at present. At that rate, it would take Australia 170 years to replace our machines.
- Norway does not allow spinning wheel games. Australian EGMs are primarily spinning wheel games.
- **The Norwegian Government paid for the cost of implementing mandatory pre-commitment.** There is no private industry in Norwegian gambling. Australia's machines are owned by private companies or registered clubs.
- Machines can only be used by Norwegian citizens who have cards; foreigners cannot play. This is not the stated intention for Australia.

- Norway has only one EGM company involved. Australia has a range of EGM suppliers, systems suppliers, monitoring operators and venues.
- Norwegian players register with their ID card and the system links the players' card with a Government database. Australians do not have ID cards and are strongly opposed to a central database tracking their spending.

The results

Leigh Sales: Ok, I was reading something really interesting today about Norway and it was saying that in 2007 when Norway noticed an increase in problem gambling, it withdrew all 15,000 poker machines from every venue in the country and then it reintroduced them about a year later with the same sort of conditions that you are talking about. But then there was a study that was done that looked at whether it had helped problem gambling and it found that problem gambling still existed, it had simply moved online. How do you know that won't happen?

Nick Xenophon: Well, I haven't seen that Norwegian study, but I do know that there has been a real difference in the level of people affected by poker machines in Norway...

ABC Lateline, 21 September 2010

In November 2008, 16 months after the complete removal of the old poker machines and before the introduction of the new models with mandatory pre-commitment, SINTEF, Scandinavia's largest independent research organisation, found:

no change in the proportion of people with gambling problems in 2008 compared to 2007, despite the fact that all slot machines were removed from the market. Most problematic gamblers in the current study were young men who had played the slot machine the year prior to the ban, and a large proportion reported that Internet gambling was their most important form of gambling.³² [emphasis added]

Mandatory pre-commitment in Norway has had no impact on problem gambling, as gamblers simply switched to online services.

³² <http://www.sintef.no/uploadpages/218303/a8499.pdf> at p 3 (summary in English).

Chapter Six – Paternalism, prejudice and privacy

MYTH: ALL POKER MACHINE PLAYERS ARE VULNERABLE, AND THE GOVERNMENT MUST IMPOSE A SOLUTION ON ALL TO ENSURE THEIR SPENDING IS APPROPRIATE

“The chattering classes look down on pokies players and patronisingly feel that pokies players must be dupes for even wanting to gamble in this way.”

Richard Allsop, Institute of Public Affairs Australia

Gambling is a leisure activity for many Australians. Like any entertainment product, gambling expenditure reflects the subjective preference of adult consumers. Clubs provide a range of entertainment activities for members and their guests, including food and beverages, sports, live music and accommodation services, and many patrons choose to benefit from club membership by accessing some or all of these options on a typical night out. This can include spending money and time on electronic gaming machines.

The proposal to introduce mandatory pre-commitment for all players, irrespective of whether they play poker machines responsibly or recklessly, has not been justified. If a player uses a machine as it is intended, as the vast majority do, as a form of social recreation, why must they register to spend their own money on an entertainment product? If pre-commitment is really about empowering consumers, why is it opt-out, not opt-in? Why should a non-problem gambler who decides to spend more time or money at a machine than previously anticipated (or “pre-committed” to) be denied the ability to do so?

Fundamental to a free society is the right of individuals to spend their money as they choose, and that includes the freedom not to have unreasonably high barriers placed before them. Mandatory pre-commitment will be considered a laborious (and insulting) exercise for recreational gamblers. The suggestion that government should impose an expensive and untested mandatory restriction on recreational players’ freedom to change their minds is contrary to the notions of a liberal democracy.

Pejorative language, prejudicial policy

“The limits to the amounts of money and time that an individual could pre-commit to his/her card would be transparently computed along the same sort of lines by which mortgage and other credit/loan levels are currently established.”

Professor Mark Dickerson

Instead of working on the paradigm that individuals behave rationally and are best suited to determine how to spend their own money, anti-gambling lobbyists use behavioural economic theory to claim that individuals have problems with self-control and an inability to accurately determine their own best spending interests, and this in turn mandates government intervention to decide their choices for them.

The language used to frame the debate is pejorative: poker machine expenditure is labelled as 'losses', rather than 'spending'; the players are constantly referred to as vulnerable, their actions 'manipulated' by either 'unscrupulous' industry ("poker machine barons"³³), state and territory governments addicted to tax revenue, or by the flashing lights and music of the 'insidious' machines themselves. In the gaming venues, the players are described as highly suggestible and unable to exercise free will and make rational choices. The argument follows that 'dangerous losses' must be prohibited in these circumstances. **Senator Xenophon and others have put this level of 'dangerous' spending at \$20 per day.**³⁴

In one evening, why is spending more than \$20 on poker machines 'dangerous', but spending \$300 on a ticket to the opera not? A family of four purchasing cinema tickets will cost far more than \$20, and yet no one is suggesting an intervention to check that this is the actual intention of the family, and they won't change their minds and see a double feature. The distinction is explicitly value-laden. There is absolutely no evidence to show that all people need this type of government intervention, so there is no justification to impose it on all players. Indeed, the vast majority of Australian adults are capable of making responsible decisions about their expenditure, including their gambling expenditure, without government safeguards.

By imposing mandatory pre-commitment on everyone, the proposal misallocates resources away from the people whom they should target: problem gamblers who need intervention and treatment. Mandatory pre-commitment provides neither. Even if the machines could be successfully shut down for a problem gambler, and presuming they did not switch to an alternative gambling product, there is no explanation of how this system will enable a gambling addict to receive counselling.

Mandatory pre-commitment as an imposition for recreational players

On 29 September 2010, Senator Xenophon and Mr Wilkie wrote to federal MPs and Senators claiming there was no evidence to support the view that mandatory pre-commitment would be an unfair burden on recreational gamblers. To support the

³³ N Xenophon, *Pokie deal a winner*, SA Sunday Mail, 5 September 2010.

³⁴ <http://www.abc.net.au/news/events/state-of-play/part2/nick-xenophon.htm>

assertion, they quoted from a Victorian Government study titled “*Impact of Gambling Machine Characteristics on Play Behaviour of Recreational Gamblers*.”³⁵

The article was authored by Schottler Consulting, and stated:

From a recreational gambler perspective, it is also quite apparent that the new policy decision of compulsory limits during play is not likely to adversely impact the gaming experience of recreational gamblers, as most indicate that this would only very marginally affect their play. Similarly, the same applies to the concept of having a compulsory set limit past a certain expenditure point - this was not seen as major issue for recreational gamblers and hardly affected play enjoyment.³⁶

The study came to this conclusion by asking respondents via a phone interview whether setting an expenditure limit before starting play would impact their play frequency, time, spending or enjoyment. **Respondents did not experience using a pre-commitment device.**

In the study, no model for pre-commitment was mentioned to interviewees, nor was it said that players would have to pre-register and verify their identity and use a mandatory smart card or USB stick, possibly with biometric information. There was no mention of what would happen if the limit was reached. Furthermore, the survey did not include the views of *occasional* gamblers, who would likely be put off by the inconvenience for an occasional play.

Respondents were simply asked to “imagine” that poker machines were changed in their design, and guess how pre-committing to an expenditure limit may affect play.

In contrast, studies of pre-commitment trials in Nova Scotia examined players’ reactions to the actual use of smart cards. By interviewing respondents in focus groups, the study found:

Virtually all respondents indicated that they liked the device’s optional approach, which allowed patrons to access the responsible gaming features if they chose to – or ignore them if they so chose. “It shouldn’t be forced upon you” was a common belief articulated in all groups... while several were concerned with the implications of forced features: “I just don’t think anybody has the right to tell me I can’t drop two or three hundred, you know, just twenty.”³⁷ [emphasis added]

Similarly, people who participated in the Queensland and South Australian trials were also asked their views about optional versus mandatory use of smart cards. In each trial, three to four times as many participants favoured voluntary, as opposed to mandatory, pre-

³⁵ http://www.justice.vic.gov.au/wps/wcm/connect/b2955d00404a73a1aca2fff5f2791d4a/Part_1_CoverAndExecutiveSummary.PDF?MOD=AJPERES

³⁶ Ibid., p10

³⁷ <http://www.nsgc.ca/pdf/Dr.Bernard%20Research%20Report.pdf>

commitment.³⁸ Given that these results were from asking actual participants about a concrete application, not an imaginary system, Clubs Australia believes the views of these respondents more accurately reflect the attitudes of recreational gamblers to mandatory pre-commitment.

Privacy concerns

“Andrew [Wilkie] and I are both on the record as saying we would never support the sort of invasion of privacy any central database could create.”

Senator Nick Xenophon, media release, 2 November 2010

“I have got a commitment from the Prime Minister to introduce pre-commitment technologies across every State on every machine in 2014. To explain what that means ...[s]omething like a swipe card or USB plug. **Some means by which individual gamblers can be recognised** by the machines and recognised by the network of machines, **so we can keep track of problem gamblers, machines can shut down when a problem gambler has exceeded reasonable limits, where loss amounts per hour can be regulated.**” [emphasis added]

Mr Andrew Wilkie MP, *ABC 7.30 Report*, 2 September 2010

It is self-evident that concerns about privacy are a fundamental issue affecting the receptiveness of gamblers to a mandatory pre-commitment system. However, there has been a lack of detail about how privacy concerns will be protected. **Mr Wilkie’s comments above also flag his intention to move next to regulate the total amount of money a person can spend playing poker machines.**

From the Productivity Commission report:

The Commission envisages strict privacy arrangements for data collected as part of a pre-commitment system. In general, the only data collected should be that necessary for keeping a confidential record of spending (or time) to allow binding limits set by gamblers themselves, and to provide player statements... Maxgaming (sub. DR302, p. 9) and Eadington (2003, p. 210) have suggested methods that would ensure the privacy of data (and would address identity fraud). (p10.29)

But the ‘suggested methods’ provide little additional information.

³⁸ Worldsmart: 59 per cent voluntary versus 29 per cent mandatory; Simplay: 77 per cent voluntary versus 19 per cent mandatory; eBet/Odyssey 68 per cent voluntary versus 27 per cent mandatory.

From the Maxgaming submission:

The personal details of any individual are only divulged to that individual on them entering information that was recorded at the time they registered for the program. **This personal information would be recorded in a database** that does not reside on the gaming premises to ensure that if a venue is compromised there is no opportunity to extract information from the 'hardware' residing in a venue. [emphasis added]

And the relevant extract from Eadington, focusing on casinos:

There are two obvious problems with information that might be gathered as part of this process. If the gambling license is linked to information regarding the player's gambling volume or patterns, as is the case with the data bases of casino player tracking systems, then there is potential for violation of the privacy of the licensed gamblers themselves. If the information were made available to the casino industry, then it might be rich in marketing information in the same context as player tracking systems; without the player's consent, this could be inherently problematic. If the information were made available to government, it could be abused in the sense that government would be sorely tempted to use such information to determine whether players were spending outside the limits of their reported incomes. Thus, it could become an investigative tool for tax collectors.

To minimize these risks, a primary suggestion would be that the gambling license process be administered by an independent third party that would be clearly separate from government and the casino industry.

The Productivity Commission suggested that the trialling of voluntary pre-commitment might assist:

One of the advantages of introducing partial pre-commitment prior to the adoption of full pre-commitment is that it would allow gamblers to become familiar with pre-commitment cards (or other devices) and to build confidence about systems that protect their privacy. (p10.29)

Given that the Government is proposing to eliminate this step, such confidence building is lost.

Clubs Australia believes there is simply **no way to prevent players from registering for multiple pre-commitment devices without a national database of players enrolled in the system**. Further, if a player loses his or her pre-commitment device, there has to be a central database, administered by Government, with verifiable identification information, that can allow the issue of a replacement device.

Furthermore, for a player to be able to pre-commit to limits before arriving at a venue, as advocated by some,³⁹ a website would need to be established for players to log-on and set

³⁹ <http://www.iga.sa.gov.au/pubcons/smartcrd/Xenophon%20submission.pdf> at para 3.3; Livingstone & Woolley, submission 22 to this inquiry.

their limits. This website would need to be able to read pre-committed limits, and link with a national Central Monitoring System to ensure a player did not simply switch machine or venue when a limit was reached.

Currently available pre-commitment devices in Australia do not contain the processing ability to monitor a player's gaming machine expenditure or enforce pre-commitment limits. The current devices operate only on individual machines, or linked with machines in a single venue and operating platform. Functionality on a nationally-linked system would need to be conducted by a central computer that tracks the player's gaming machine expenditure, irrespective of where he or she played.

Assurances about privacy do not placate players when there is scant detail and a lack of understanding about the information that would need to be collected and held on Central Monitoring Systems and databases.

Privacy and biometric information

"The inconvenience to recreational gamblers of getting a pre-commitment card with some sort of biometric scanner or some sort of security system - the inconvenience will be quite minimal."

Senator Nick Xenophon, Oral testimony to the Productivity Commission, 1 December 2009

"Australia is a privacy laggard compared to many other nations that already have or are implementing tougher updated laws [on biometrics]."

Isabelle Moeller, Biometrics Institute General Manager

To prevent card swapping among gamblers who have reached their limits, supporters of mandatory pre-commitment have stated that identification devices must not be transferrable.⁴⁰ The Productivity Commission suggested that the "risk could be addressed using biometric technologies" (p10.26), an option the Government has not ruled out. Indeed, such an option is being considered by the Ministerial Expert Advisory Council.

The Productivity Commission report did not address the issue of privacy and biometric information.

On the issue of privacy more generally, the Productivity Commission report stated:

On investigating the national regulations in relation to privacy, the Commission considers that pre-commitment is unlikely to have issues regarding privacy if gamblers give consent for

⁴⁰ N Xenophon, *Pokie deal a winner*, SA Sunday Mail, 5 September 2010.

any use of information and the individual is aware of the relevant processes and bodies (including complaint processes). (p10.29)

Clubs Australia cannot accept that gamblers are freely giving consent for the use of their information if the use of pre-commitment devices is mandatory.

Furthermore, there has been insufficient consideration of the privacy implications of biometric information being stored on portable, easy to lose devices such as smart cards or USB sticks, and whether current legislation and national privacy principles are adequate for these scenarios. The Biometrics Institute is also reported as saying that strict national laws restricting the use of captured data would be required to ensure clubs, pubs and casinos adequately protect and do not abuse sensitive customer information:

"Who ensures how data is collected and when it is destroyed? The [Privacy] Act is not specific enough," Moeller said.

She said that biometric data is not included in the Act, and that government agencies and small businesses with revenues less than \$3 million are exempt.⁴¹

And from law firm Minter Ellison:

The privacy principles were developed at a time biometric technology was mostly limited to ink fingerprints. Biometric technologies have significantly advanced in the past two decades, and other technologies have allowed personal information to be stored, accessed and disseminated more easily, increasing potential privacy risks such as identity fraud.⁴²

To date, biometric information in Australia has been used primarily to verify identification for immigration and border control, or in criminal investigations. On behalf of its members, **Clubs Australia strongly opposes the mandatory use of biometric information to identify gamblers and permit them to participate.**

Best practice regulation

The Australian Government has an established process in the design of good regulatory practice. **A clear principle is that should regulatory action be necessary, a range of feasible policy options needs to be identified, and their benefits and costs, including compliance costs, assessed within an appropriate framework.** As a general principle, the level of detail within the analysis should be commensurate with the impact of proposed regulatory measures and should adequately identify and where appropriate, quantify the major costs

⁴¹ http://www.zdnet.com.au/privacy-act-doesn-t-cover-pokie-biometrics-339307746.htm?omnRef=http%3A%2F%2Fwww.google.com.au%2Fsearch%3Fq%3Dprivacy%2Bact%2Bbiometric%2Binformation%26rls%3Dcom.microsoft%3Aen-au%26ie%3DUTF-8%26oe%3DUTF-8%26startIndex%3D%26startPage%3D1%26redir_esc%3D%26ei%3D3DclTbD_HYHCcdyb5IoB

⁴² <http://www.minterellison.com/public/resources/file/ebbc2a4ff580d0a/SavingCitizensFromHelpfulTechnology.pdf>

and benefits of the proposal. Additionally, only the option that generates the best community benefit should be adopted.⁴³

The Government has also enunciated features of good regulation in the COAG process. Legislation should entail the minimum necessary regulation to achieve the objectives. When designing measures or standards, regulators should ensure that the potential regulatory burden of alternative measures on the community is identified. Regulatory standards should be developed in a way that minimises the financial impact on governments and the sectors of the community which will be affected by them.

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 pre-commitment, 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.**

However, the industry has been told that “the decision has been made.”

The Productivity Commission report alone cannot substitute for this process. Poor process leads to poor decisions.

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.

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.

⁴³ <http://www.finance.gov.au/obpr/docs/handbook.pdf>

Chapter Seven – Limiting Daily ATM Withdrawals

MYTH: RESTRICTIONS ON ATM WITHDRAWALS WILL ASSIST PROBLEM GAMBLERS AND DO NOT SUBSTANTIALLY INCONVENIENCE NON-PROBLEM GAMBLERS

“The overwhelming majority of problem gamblers access ATMs at venues; non-problem gamblers don’t access them.”

Senator Nick Xenophon, *The Age*, 22 November 2010

According to the Productivity Commission, the proposal to limit daily withdrawals from ATMs in clubs and pubs to \$250 for all people, irrespective of their gambling habits, is designed to:

help address gambling harms without unduly affecting non-problem gamblers and other patrons or other adverse impacts. (p13.31)

Clubs Australia does not accept the assertion that only problem gamblers use the convenience of ATMs in licensed venues to take out unaffordable amounts for the purpose of gaming. If this was true, then the average withdrawal amount for ATMs in licensed venues in Western Australia (which do not have poker machines) would be lower than other states. In fact, average ATM withdrawals from licensed venues in Western Australia are no different than from licensed venues in Victoria, Queensland and South Australia, and only marginally lower than in New South Wales.⁴⁴

Furthermore, if the availability of ATMs at licensed venues increased the prevalence of problem gambling, then the rate of problem gambling in Tasmania, where ATMs are banned in clubs and pubs operating electronic gaming machines, would be lower than in other jurisdictions. The estimates of the prevalence of problem gambling across jurisdictions in the Productivity Report show this not to be true (p5.18). Tasmania has a higher prevalence rate of problem gambling than New South Wales, Queensland and South Australia.

Further, the 2008 Socio-Economic Impact Study of Gambling in Tasmania found:

Only 22 per cent of Tasmanian EGM players withdraw money from their bank accounts when they are at venues (only EFTPOS in hotels/clubs, ATM at casino) and only 4.5 per cent do so on a regular basis. The distribution of responses [was] almost identical to those obtained in the recent South Australian survey...

A second more general question asked respondents whether they generally withdrew money before gambling on EGMs (irrespective of the source). The results showed that 70 per cent of the respondents never withdrew money, although the proportion who reported

⁴⁴ Submission of ATM Industry Reference Group to the Productivity Commission Report, http://www.pc.gov.au/_data/assets/pdf_file/0005/87575/sub137.pdf at p 5.

doing this regularly (often or always) was higher: 12.5 per cent. Once again, these figures were similar to those obtained in the South Australian survey...

These findings are odd in that ATMs are not available in hotels or clubs in Tasmania, so it appears that people may be using ATMs very close to venues before they begin gambling.⁴⁵ [emphasis added]

If removing ATMs from gaming venues does not prevent problem gamblers getting access to money, as in Tasmania, then it is unclear how reducing the maximum withdrawal in the venue ATMs will produce better results. Problem gamblers simply access money before arriving at the venue.

Noting that the Productivity Commission found that causality between access to ATMs and problem gambling was 'hard to demonstrate conclusively', Clubs Australia opposes a solution that would restrict everyone's ability to withdraw their own cash from ATMs, irrespective of whether they were a problem gambler, or even a gambler. As we noted in our submission to the Productivity Commission, only 35 per cent of people who use ATMs in clubs or pubs use them for the purpose of gambling. A much higher proportion of people use withdrawals for food (76 per cent), beverages (70 per cent) and to spend money outside the club (70 per cent).⁴⁶

Unintended consequences

The reasoning behind the proposal to restrict ATM withdrawals is to give the problem gambler a 'time out' to evaluate the need or desire to continue to gamble, as the gambler would have to exit the venue to search for a bank or alternative ATM to access further cash. While non-problem gamblers would unlikely go to such lengths for cash, problem gamblers may, in fact, still make the effort to find money in order to chase losses or to pursue self-medication for other problems. Indeed, in deciding against recommending a prohibition on ATMs in licensed venues, the Productivity Commission found that such a ban had uncertain benefits and costs:

including the risk that problem gamblers would seek to subvert the ban in various ways (Finding 13.2).

Clubs Australia believes that by the same logic, problem gamblers would seek to subvert the daily withdrawal limits imposed. Besides simply bringing large amounts of cash to the venue, this could mean the problem gambler would use a banking facility or ATM outside the venue that did not have restrictions on accessing credit accounts. Currently, in all jurisdictions, ATMs in licensed venues do not allow cash withdrawal from credit accounts.

⁴⁵ Social and Economic Impact Study into Gambling in Tasmania Vol 2, The Prevalence Study for Department of Treasury and Finance by the South Australian Centre for Economic Studies at pp 43-45

⁴⁶ http://www.pc.gov.au/_data/assets/pdf_file/0005/87665/sub164a.pdf at p 11.

An unintended consequence of the proposal would be to give the problem gambler even more options to access cash recklessly than if he or she had stayed within the venue.

Safety, convenience, and rural and regional communities

Withdrawing cash from venue-based ATMs is preferred by many club members and visitors as it is safe and convenient, compared with street-based ATMs, particularly at night. Larger clubs have security staff and CCTV. Elderly patrons, or patrons with disabilities or restricted mobility can seek the assistance of club staff to help them with ATM withdrawals.

In rural and regional communities, ATMs in pubs and clubs are often the only available source of cash in the local area, given the lack of alternative banking facilities. EFTPOS is not a viable alternative, particularly at night, when the club or pub is often the only facility open after hours.

Clubs Australia is aware that patrons often enter a club solely for using the ATM facility. Clubs in this instance are providing a 'banking' facility because of either a scarceness of such facilities in that area or other reason such as personal security and safety. An ANU study on ATMs in ACT venues found:

The most commonly mentioned reason for using gaming venue facilities to withdraw money is access – 22% of gaming venue ATM users and 29% of venue EFTPOS users say there are no other facilities in their local area. For other gaming venue ATM and EFTPOS users it is an issue of security, with 19% of venue ATM users and 14% of venue EFTPOS users concerned about travelling with money in their wallet.⁴⁷

It is highly likely that the situation would be exacerbated in more remote areas in larger states and territories.

As the Productivity Commission noted:

An exemption from a withdrawal limit may be also needed for those venues in regional areas that have no readily accessible alternative banking facilities. (p13.31)

Unnecessary duplication

It is worth asking the question: if mandatory pre-commitment is an effective way of preventing problem gambling, why is it necessary to restrict patrons' access to their own cash in licensed venues? Given that poker machine players have already committed to

⁴⁷ McMillan, Marshall and Murphy, *The Use of ATMs in ACT Gambling Venues: An Empirical Study*, Australian National University Centre for Gambling Research, September 2004.

spend a set amount at the machines, what are further limits of ATM withdrawals intending to achieve? The Productivity Commission itself said:

Such a withdrawal limit could be repealed if mandatory pre-commitment of the kind proposed in chapter 10 were introduced. (p13.32)

The linking of ATM withdrawal limits with mandatory pre-commitment appears reflective of the ill-conceived and rushed nature of the proposals, and only serves to highlight their superficiality.

Effective solutions are already available

The Productivity Commission argued that implementing a daily withdrawal limit was, in part, useful because:

the preference of problem gamblers themselves to see the removal of ATMs from venues suggests that the presence of those facilities contributes to problem gambling. (p13.11)

It is important to note that people who believe they have a gambling addiction can already 'pre-commit' with their financial institution to reduce their daily ATM withdrawal limit for their accounts. This would be effective for all ATMs, not just those in gaming venues.

Problem gamblers can already lower their daily limits by contacting their bank or financial institution directly. This allows problem gamblers to make rational decisions about their future spending ability, without restricting recreational and non-gamblers from accessing their own money from ATMs in licensed venues, and needlessly inconveniencing them. There is a role for regulators and counsellors in promulgating this option for gamblers who wish to better control their spending habits.

Chapter Eight – Unanswered questions

Clubs Australia believes that the Government has committed to a solution without fully identifying the problem, its size and nature, the alternative solutions, the cost and consequences for industry, the response of consumers, the ethical considerations and even its effectiveness. Many questions remain unanswered.

How will the Federal Government get the states to enforce mandatory pre-commitment?

Of course, how a uniform pre-commitment scheme would work depends a lot on the states and territories... [The] regulation of gaming machines in Australia is a state and territory responsibility. (Ms Macklin, 1 December 2010)

I'd be very concerned if the Prime Minister's political need to keep one Tasmanian MP on side was going to derail the comprehensive problem gambling policies that the Baillieu Government wants to implement. (Mr Michael O'Brien, Victorian Minister for Gaming and Racing, 5 December 2010)

The NSW government opposes mandatory pre-commitment. The Opposition Leader, Barry O'Farrell, said yesterday he favoured a voluntary system, setting up a clash with Ms Gillard if the Coalition wins power in March. "What's important for poker machines ... is to focus on those people who have a problem," he said. (*Sydney Morning Herald*, 28 December 2010)

Who is paying for the necessary changes to the various Central Monitoring Systems? Will there be a nationally-linked monitoring system? Will there be a federal regulator? Who is liable if the technology causes machines to default? Who will pay for lost revenue if the national Central Monitoring System crashes?

Does the Federal Government support the Victorian approach?

The Victorian regulations as drafted are a travesty... (Senator Xenophon, Mr Wilkie, 20 September 2010)⁴⁸

Some states, such as Victoria... have already made significant progress on pre-commitment (Ms Macklin, 1 December 2010)

There's a vast distance between making pre-commitment available to any player who wants to use it... and forcing anybody who ever wants to play a gaming machine at any time to have to register with some sort of card and provide personal details or fingerprints in some cases in order to be able to play... [It] is a massive infringement of people's individual rights (Mr Michael O'Brien, 6 December 2010)

Who will issue the smart cards or USB sticks?

Who will re-issue lost devices? Will there be a 24 hour hotline to cancel lost or stolen devices? How will the Government prevent a black market in devices without limits? How

⁴⁸ Submission to Victorian Government Consultation Paper on Pre-Commitment.

will the Government ensure devices are tamper-proof, and expenditure cannot be reset by hackers?

Will consolidating Central Monitoring Systems lead to a monopoly operator?

Will there be unreasonable costs for venues if a monopoly situation emerges for the Central Monitoring System or for the device that must be used by players?

Will the machines need to be re-certified?

Will adding hardware to a machine undermine its electrical safety and electromagnetic compliance responsibility? Will certification standards need to be uniform across all jurisdictions? Which venues will get their machines certified first? How will 97,000 machines be re-certified by NSW regulators by 2014?

What happens after a pre-commitment limit is reached?

A limit is reached, the machine shuts down. What happens next? Will a problem gambler go home? Or will a problem gambler seek alternative means of gambling? How do we stop the gambler from going online, or to the TAB, or the casino?

If a problem gambler has co-morbidities, how might they respond to the prevention of play? If problem gambling is a manifestation of depression, anxiety or other morbidity, will a person not seek alternatives for self-medication? How does the problem gambler receive treatment?

What happens if a time limit elapses mid-spin?

What about in the middle of free spins? What about in the middle of a payout? What happens to the credits? What happens to a progressive jackpot?

How will the Government prevent problem gamblers from selecting the “no limits” option?

Poker machines make half their profits from people who are addicted. People with an addiction do not exercise free choice. (Senator Xenophon, 24 August 2008)

Problem gamblers are addicts, so how will they make rational choices one minute, and then bad choices the next?

How will foreign tourists play?

Will there be pre-paid cards for foreigners and occasional players? At what limit? How will the Government ensure multiple pre-paid cards are not purchased by the same player?

How will two or more players play together on one machine? How will a player play more than one machine simultaneously? How will older people respond to the technology?

Chapter Nine – A better solution

Pre-commitment is a tool designed to empower electronic gaming machine players who seek assistance in controlling their expenditure of time and/or money while gambling. It helps players make informed decisions, and adjust their behaviour accordingly. As designed in the Australian and Nova Scotia trials, it targets in particular ‘at risk’ players who are not problem gamblers, but who may need some aid to stick to their limits. As stated earlier, pre-commitment will not assist problem gamblers, who need intervention and counselling.

Clubs Australia believes every player should have the option of utilising pre-commitment technology when using poker machines. **We would support an initiative that required every venue to provide machines with pre-commitment options available.** This solution would complement the investment already undertaken in providing pre-commitment models for their players in clubs, hotels and casinos in different jurisdictions. In larger venues, the system could be linked to all machines venue-wide.

If someone choosing to use pre-commitment reached their limit, the player would be forced to re-consider his or her behaviour. This break in play can assist at risk players who have volunteered to use these tools, and in exercising their option to pre-commit, these players have given their consent to have an enforced interruption in their play.

This solution would not require the replacement of the Central Monitoring System in New South Wales, and would not require every jurisdiction’s monitoring system to be interoperable. It would not require the establishment of a national database of players. It would not require replacing the current pre-commitment models already available. Many current machines would not need replacing, as this solution could be implemented through upgrades. It would mean a venue such as Crescent Head Country Club would not have to link its machines with Star City casino. For smaller venues, machines could be replaced over time with models which provide pre-commitment.

The Australian Club Movement is prepared to work with the federal and state and territory governments and other stakeholders to design and roll out this cost effective proposal.

Conclusion

“Clubs Australia are telling outright lies and it is going to make this reform harder. These are powerful and wealthy organisations.”

Mr Andrew Wilkie, *Sydney Morning Herald*, 7 December 2010

“ClubsNSW has been deliberately misleading its members with misinformation. It’s not hard to stir up people if you are willing to feed them fiction and fear.”

Senator Nick Xenophon, *Sydney Morning Herald*, 28 December 2010

In 2005, then Victorian premier Steve Bracks announced that the myki ticketing system for all Victorian public transport would be fully operational by 2007. The myki ticketing system was meant to replace Metcards and paper tickets for 1,700 metropolitan buses, 350 trains and 500 trams, regulated in one jurisdiction. There are approximately 1 million trips made on Melbourne’s public transport system daily.

By comparison, Clubs Australia estimates there are at least 650 million transactions each day on poker machines nationwide. There are 197,000 machines in 5,700 venues, with at least 15 existing systems operators, with 9 operating protocols, in 8 jurisdictions. In one year, around 5 million Australians will play a poker machine at least once, each requiring a smart card or similar device. And of course, a myki card that has reached its limit does not have to cause a bus to shut down.

For myki, more than five years and \$700 million later:

“Obviously it's been a disaster in the terms of the cost to taxpayers and its failure to roll out successfully... The bottom line is myki's been a financial disaster, it's been a functional disaster, there are serious questions about the Farebox, about the hand-held devices, about the functions available and indeed about its distribution and the take-up from commuters.”

Victorian Premier Ted Baillieu, *Herald Sun*, 28 December 2010

The lesson: **Technology-based solutions should be kept simple.**

Clubs Australia understands the attraction of the mandatory pre-commitment model for anti-gambling lobbyists. The solution sounds impressive in theory. However, mandatory pre-commitment is an extremely expensive, technologically complex and time-intensive policy approach, the effectiveness of which is, at best, highly questionable and unproven.

Individual clubs around Australia have made submissions, first to the Productivity Commission and now to the Parliamentary inquiry, outlining their legitimate concerns about

the implementation and impact of the Government's proposals. To assert that these clubs are merely puppets repeating our words is insulting and dismissive, and the Club Movement deserves better.

Clubs Australia has been, and will continue to be, a vocal opponent to these proposals because the future viability of the Australian Club Movement will be seriously impacted by them. It is vital that clubs continue to have sensible government regulation that properly balances harm minimisation with industry development. The proposals by the Member for Denison do not meet this standard.