



LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: [Inquiry into elements impacting on the future of the ACT Clubs sector](#))

Members:

MR B SMYTH (Chair)
MS M PORTER (Deputy Chair)
MS M FITZHARRIS
MS N LAWDER

TRANSCRIPT OF EVIDENCE

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Secretary to the committee:
Dr A Cullen (Ph: 620 50142)

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents, including requests for clarification of the transcript of evidence, relevant to this inquiry that have been authorised for publication by the committee may be obtained from the Legislative Assembly website.

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Amended 20 May 2013

The committee met at 2.01 pm.

XENOPHON, SENATOR NICK, Independent Senator for South Australia

THE CHAIR: Good afternoon, everybody, and welcome. I formally declare open this public hearing of the Standing Committee on Public Accounts inquiry into the elements impacting on the future of the ACT clubs sector. On 26 March 2015 the Legislative Assembly referred this inquiry to the committee for inquiry and report by the last sitting day of September 2015. Specifically, the Assembly referred the following nine elements and related matters to the committee for further investigation and consultation with the wider community: (1), revenue and profitability; (2), legislation and regulations; (3), taxation and charges; (4), land development and sales; (5), problem gambling; (6), diversification and mergers; (7), new business models; (8), poker machines and gambling technologies; and (9), water and resource management.

On behalf of the committee I would like to thank you, Senator Xenophon, for appearing via teleconference in your capacity as Independent Senator for South Australia. Can I remind you of the protections and obligations afforded by parliamentary privilege and draw your attention to the privilege statement, which I understand you have been provided with. Could you confirm for the record that you understand the privilege implications of the statement?

Senator Xenophon: All too well, chair.

THE CHAIR: I also remind you that the proceedings are being recorded by Hansard for transcription purposes, as well as being webstreamed and broadcast.

Before we proceed to questions, Senator Xenophon, would you like to make an opening statement?

Senator Xenophon: Yes, I would. Thank you very much, chair, and members of the committee. I will make a short opening statement. I am very happy to take your questions and to engage in a dialogue with the committee. You have my brief written submission that was received by the committee on 13 May. I do not intend to unnecessarily restate that.

I will focus on a couple of issues in terms of the proposed legislative changes in the ACT. They are similar to the changes that went through in the South Australian parliament when I was a member a number of years ago. I supported those changes. I thought they were worthy, to try and reduce the number of machines, and it was a complicated trading system that seems to have similar elements to what is being proposed in the ACT.

I suggest that reducing the number of machines may make people feel a little better that they are doing something to tackle problem gambling, but, in practical terms, it may have a minimal or negligible impact. The key appears to be: how do you make the machines less problematic, when you consider that the Productivity Commission says that about 40 per cent of poker machine losses come from problem gamblers? So how do you make the machines less addictive? Combined with that, how do you assist those people who need help to get help? Obviously, it is preferable to have a machine

that is less addictive or a machine design that is less problematic, but, in the absence of that, how do you get more people getting help?

The Productivity Commission's 2010 report made it clear, and it has been confirmed by a more recent joint select committee on gambling under the Gillard government in the House of Representatives and in the Senate, that something like 85 to 90 per cent of problem gamblers do not get help. With regard to the fact that there are so many people that are falling through the cracks, even the most vocal supporters of the poker machine business or the poker machine lobby all agree that if somebody has a problem they ought to be getting help for it.

I will address part (1)(c) of the terms of reference in some of the remarks that I make. I have had the opportunity to have a brief discussion with Dr Charles Livingstone at Monash University, who has been researching extensively on the issue of problem gambling and gambling regulation. If it is permitted, chair, I will send the committee a copy of a couple of his articles, including a seminal research piece from several years ago called "Risky business", which sets out the regulatory framework for poker machines around the country.

A 20-second precis of the article is that essentially in Australia we have some very strict regulatory environments, particularly in terms of probity, which is, of course, welcome in terms of those that run poker machines, and we also have strict requirements as to the design of machines in the bluntest terms, in the sense that machines will not electrocute you but they could well bankrupt you. We have this very narrow focus on regulation which does not tackle the actual problem.

I will deal with a few specific issues that may be of particular relevance to the ACT. With the limit on ATM withdrawals, there is no limit on EFTPOS withdrawals, as I understand it, which means that venues can circumvent the limit on ATM withdrawals quite easily. That has happened also in South Australia where the ATM withdrawal limits can be circumvented very easily by having an EFTPOS machine and you can take cash out of that. I would suggest to the committee that that is something you may want to be aware of, because any benefit from limiting withdrawals from ATMs can be easily overcome by access to EFTPOS. Victoria seems to have a stricter level of control, so they have done things a little better in that jurisdiction.

I also raise the issue of how you identify problem gamblers. I have spoken to many problem gamblers that I have seen as constituents, and they say they are losing the equivalent of their pay packet in a very short period of time and the venue does not intervene at all, even if there appears to be some palpable level of distress on the part of the problem gambler. I suggest to the committee that it would be worth looking at mandating the requirement for the loyalty program data that clubs and pubs would have in the ACT to be accessible by your regulator. That could be very useful.

My understanding is that it is not difficult to develop an algorithm that can show patterns of play that are consistent with problem gambling. If somebody does have that level and if someone is coming up on that algorithm, I do not think it is unreasonable for a venue or for the regulator to say, "This is what the algorithm shows. We're not saying that you have a gambling problem, but in the event that you want to discuss this further, this is where you can get help." It may be a wake-up call

for a number of people to seek help on the problem. When you consider the Productivity Commission finding, that 85 to 90 per cent of problem gamblers do not get help, that indicates either inadequate screening mechanisms or perhaps inadequate levels of help that are available.

The other thing is whether there ought to be a differential tax rate on venues that have more stringent problem gambling measures—whether there could be an incentive for venues to take up measures such as better screening, more active intervention and also, for instance, having machines where there are lower loss limits and where the rate of loss is nowhere near as great as for, say, the current machines, where you can lose up to \$1,200 an hour. That is in stark contrast with that key recommendation of the Productivity Commission that found that in the order of 88 to 90 per cent of recreational gamblers do not spend more than \$1 per spin, and if machines were calibrated to a maximum \$1 bet per spin, with a maximum of a \$120 hourly loss, that would make a significant difference in problem gambling. That, of course, would require the particular machines to have a much lower jackpot, which means the machines would be less volatile. According to gambling researchers, they would be less addictive, in a sense, because you do not have that random reinforcement with large rewards that intermittently falls.

That is all I want to say in terms of an opening statement. I am very happy to engage in a discussion with committee members.

THE CHAIR: Thank you for that. You mentioned two things when you started: a need for less addictive machines; and making sure people get help earlier. Beyond what you have said, is there anything that we really need to do to make machines less addictive?

Senator Xenophon: The key issue which the industry will fight against vehemently is adopting the Productivity Commission's recommendations of \$1 bets and \$120 hourly limits in terms of losses. That would make the machines much less volatile. The gambling researchers and gambling counsellors that I speak to say to me that that would make machines less alluring from an addiction point of view. I think the problem you have in a practical sense is that, because you are surrounded by New South Wales and their machines, the argument of the clubs and the hotels would be, "We'll lose all our business across the border to Queanbeyan." That will be their argument. That is not an argument not to do it, but I imagine that is the argument that would create a lot of resistance.

That is why, in a practical sense, if you look at the whole issue of the algorithms of a machine in terms of the loyalty card data, that could actually provide a lot of useful information and act as a trigger for earlier intervention. It is quite shameful that only between five and 15 per cent of problem gamblers actually get help for their problem. It shows there is a huge unmet need there, in a sense, in that people are not getting help. Often people seek help when it is too late, when they have lost all of their savings, they have mortgaged their home, their relationship has broken up or they have tried to self-harm, which is the worst aspect of gambling addiction.

THE CHAIR: A new question from Ms Porter.

MS PORTER: Senator, thank you very much for your introductory remarks. I want to ask a question about gambling per se. You obviously are very concerned about poker machines and the way people can get themselves into trouble through gambling on poker machines. What is your attitude towards other forms of gambling?

When we had other witnesses here before us in a previous hearing, they talked about the fact that the evidence has been showing that young people, young men in particular, and those that perhaps have not had high forms of education are the ones that are at risk mostly. Of course, it is also showing that these young people are going on to online gambling as well. Also, we have had evidence that people do not necessarily have problems with one form of gambling but usually have problems with a number of forms of gambling.

Senator Xenophon: If I can address the last point first and do it in reverse order: one of the arguments that have been put, particularly when poker machines were introduced in South Australia in 1994—so just over 20 years, coming up to 21 years—is that if people do not gamble on poker machines they will gamble on something else. The level of gambling losses in South Australia went up exponentially with the increase in poker machines, and there was also a massive increase in the number of people seeking help for problem gambling. The gamble surveys indicated a massive increase in the number of people with gambling problems.

This issue of a transference of one form of gambling to another does not quite wash. I think the best example of that is in Western Australia, where poker machines exist at only Burswood casino. You do not have them in pubs; you do not have them in clubs. The levels of problem gambling, particularly pathological, severe levels of problem gambling, are a fraction of what they are in the rest of the country. Admittedly, people do spend more per capita on X Lotto or TattsLotto—I am not quite sure what you call it in the ACT—but the levels of problem gambling overall are much lower. There is not that transference.

I am happy to dig up those details from the Productivity Commission report back in 1999, which was quite instructive in terms of levels of problem gambling in Western Australia compared to the rest of the country. It is almost a controlled environment there. It is not like skipping across from the ACT into Queanbeyan for a bet; it is a bit hard to do that when the Nullarbor is in the way for the rest of the country. I am happy to provide that.

The other aspect of it in terms of online gambling—one issue I do agree with the clubs and the hotels vociferously on—is that we are not doing enough in terms of online gambling. I am planning to put up some further legislation in the coming session of the Senate to do with online gambling. I think we have not managed the Interactive Gambling Act very well. The act is 14 years old but it may as well be 140 years old because of so much that has happened in terms of technology and the ease with which people can gamble. I think that there is a role for the commonwealth to play to regulate that sector in a way that restricts credit, has proper warnings in terms of problem gambling and also these bonuses and the like that occur that draw people in.

The interesting thing with online gambling is that if you win, you cannot take your

winnings out very easily; it takes a while for your winnings to go out at least on some online gambling sites. You are right; I think, in regard to other forms of gambling, particularly online gambling and sports betting—there has been an exponential increase in that—that is not to say that still the biggest source of problem gambling in this country is poker machines and it is unlikely to be overtaken any time soon despite the exponential growth of sports betting by other forms of gambling.

MS PORTER: In relation to approaching people whom a club may believe are in danger or already experiencing problems, from data the club has been able to obtain, you do not think the clubs are in danger of that person being upset by this approach and then going to another venue or, in fact, going to another form of gambling?

Senator Xenophon: That is a very good point. I think the key to this is that it should not be judgemental. I remember a constituent of mine that I saw many years ago who had a gambling problem and prior to that she had a heroin problem, and she said to me that she was more ashamed about her gambling problem than the heroin problem. That is a common issue I come across in talking to people that have had other problems in their lives, particularly substance abuse. They feel more ashamed about the gambling problem than substance abuse.

I think it is how you do it. I think you do it in conjunction with problem gambling counsellors and focus-test it on problem gamblers. I think it should be in a non-judgemental way, saying, “We’re required to let you know that here is an algorithm. On the basis of this algorithm, it says that you may be gambling excessively. We’re not saying that you are, but that’s what the data tells us. If you don’t think you’ve got a problem, that’s fine, but if you think you may have a problem, then you can call this number,” and leave it at that. I think that will still be beneficial. It should not come from the venue; it might come from the regulator. But you would need some legislative amendments in terms of privacy to do that. All I am saying is that it would be a fairly soft touch, low key approach.

But I think another issue that needs to be resolved is whether there is adequate information about problem gambling services. Every time there has been a television ad campaign about problem gambling services, services get inundated because it can jolt people into some action. The most successful campaign I saw was the one carried out by the Victorian government about a decade ago, which was copied in other states and perhaps other territories, about think of what you are really gambling with. That gave some real-life situations and that led to a doubling in the number of people coming forward to get help. I think it is how you do it. The last thing you want is to be judgemental or sanctimonious about it. It needs to be done in a very low key way, in a very gentle way that might encourage people to come forward to get help if they need help.

THE CHAIR: Ms Nicole Lawder.

MS LAWDER: Senator, I am interested in your views about research. In many sectors that I deal with people are always talking about the evidence base to influence or to guide what actions may take place. A *Canberra Times* article yesterday I think implies that you feel that there is already enough evidence. Would you like to talk a bit about your views of the research?

Senator Xenophon: I think that there is already enough evidence—two Productivity Commission inquiries. Let us put it in perspective. The 1999 inquiry is acknowledged around the world as a gold standard in terms of the thoroughness of its research, and it was followed through by the 2010 inquiry. It is just that the 1999 inquiry included a survey of 10,000 Australians. In terms of a survey of problem gambling behaviours it was extremely comprehensive. I think it was one of the largest surveys ever conducted anywhere. The research indicates consistently that poker machines have an alarmingly high proportion of their revenue coming from problem gamblers. So we know there is a problem.

The issue where research could be useful is: what measures work or do not work? But in some respects in order to work that out you need to implement some measures and control those measures and to follow up with adequate backup. What some researchers say to me is that you do not know what will work unless you try. If some of the measures such as the algorithm mean more people would get help with gambling, in a fairly low impact, low intrusion way, it would establish what would help.

We know that under the Gillard government there was a proposal for ACT clubs to participate in a trial of pre-commitment. And pre-commitment in my view has always been much more problematic than the \$1 bet, which was easier to explain and simpler to implement in terms of dialling down machines so that you could not lose as much money as with pre. I think the research shows that there is an enormous impact of poker machines in their current configuration and that about 40 per cent of the revenue comes from problem gamblers, and that needs to be acted on. In terms of measures that would make a difference, I think that it is a question of trialling various measures so that venues are not prejudiced and that there might be a compensatory mechanism initially before something is trialled.

The Productivity Commission found that the \$1 bet axiomatically means that if you lose less money, you are less likely to be a problem gambler, and \$120 an hour in maximum losses will not impact on the vast majority of those recreational gamblers, poker machine players, who just want to have a flutter on the pokies and can put in \$10 or \$20 at a time and that is it. It would have a profound impact on those who have a problem in terms of reducing that level (a) of losses for a person who already has a gambling problem and (b) preventing that tipping point for a person who goes from recreational to problem gambler. I think that could be useful as well. I am not sure whether that addresses your issues. I am happy to elaborate on that.

MS LAWDER: That is good, thank you.

THE CHAIR: Ms Meegan Fitzharris.

MS FITZHARRIS: I want to get a picture from you of what you observe happening around the country in the context of our inquiry, which is about the clubs sector in the ACT. I understand it is fairly different from the rest of the country in terms of the role that clubs play in our community across the whole territory. Can you give us a sense of what is happening around the country? In particular, I have a supplementary question on what works and what does not.

You mentioned the WA experience, that they have lower levels of problem gambling largely, I think, because of the location and the number of poker machines—ie, they are only in one location. Do you have a view on poker machines being distributed across the community and whether that makes the problem gambling problem any worse?

Senator Xenophon: I will address the last question first. In terms of the spatial distribution, it is clear that if you have to travel 20 or 30 kilometres to go to a poker machine venue, that acts as a disincentive. The whole thing about Burswood is that it is a gambling venue; it is a casino. You go there basically with the express intention to gamble, largely, whereas if you go to a local pub, you go there for a meal or to play pool with your friends or darts or whatever, all the other social activities. You do see a difference in the sort of people that might otherwise not have started gambling but the proximity of the poker machines in that particular venue makes them want to gamble.

In terms of what some researchers call the feminisation of problem gambling, before the introduction of poker machines in Victoria back in 1992 the statistics—I am happy to pick them up somehow if the committee requires them—I have seen show that only three per cent of problem gamblers in Victoria were women. I think that is a figure that would be reflected pretty much in most of the rest of the country around that time, apart maybe from New South Wales, which already had poker machines. But after I think three or four years—it might have been five or six years—women made up about 50 per cent of problem gamblers. In other words, they caught up with what their population distribution was. That is interesting.

I have been to speak to groups of problem gamblers or women with problem gambling and they have some really good services here in South Australia focusing on supporting women. They told me they found pubs, before the introduction of poker machines, a much safer venue; it was quite comforting in the sense that they could have their tea and coffee. But the nature and the ambience of the pub changed with the introduction of poker machines, and it was much easier for them to go to that venue, particularly with promotions in terms of cheaper meals and the like and the offers of free tea and coffee and snacks, and that made a difference in terms of people wanting a respite from the rest of their day. That is an interesting phenomenon with the introduction of pokies.

In terms of what has happened in the rest of the country, I think it is fair to say that in New South Wales and in the ACT clubs are much stronger in terms of the distribution of machines and the percentage of losses. Queensland clubs are not as strong as they are in Victoria and Tasmania. In South Australia clubs really missed out. Even though a number of clubs have poker machines, particularly the AFL clubs, they are really struggling. They only make up about five or six per cent of total poker machine turnover in South Australia. The hoteliers have done really well out of that private but proper gambling.

In terms of the issue about a community model—and I am referring to the terms of reference—I respectfully suggest that you need to look at whatever benefits the clubs are providing to the community because of their poker machine revenue. You also need to look at the flipside of that: what harm is being caused as a result of 40 per cent

of poker machine losses coming from problem gamblers. I think that needs to be looked at. I think one of the terrific parts of the terms of reference of your inquiry is: how can you encourage clubs to diversify their sources of revenue so that they are not so heavily reliant on poker machines?

MS FITZHARRIS: Of the problem gamblers or former gamblers that you have spoken to, is it the 40 per cent that really concerns you? Is that what you have learnt over a long period of being involved in this? Is it the 40 per cent that is the concern or is it the whole poker machine business itself?

Senator Xenophon: It is a question of degree. With TattsLotto or X Lotto, about 5.7 per cent—this goes back to the 1999 survey—of losses on lotto comes from problem gamblers. So it does not seem to encourage that sort of problem gambling behaviour. Keno is a bit more problematic—in the order of 20 per cent. With horse racing or TABs, it can be up to a third in terms of coming from problem gambling behaviour. But the 40 per cent is the number of people that get hooked up on poker machines. The Productivity Commission's findings in their earlier report was that one in 20 people that actually ever touch poker machines go on to develop a gambling problem.

If you want to put it in terms of a hospitality sense, could you imagine if one in 20 people that went to a restaurant got sick at that restaurant by food poisoning, that restaurant would be shut down until they had got their act together. You have cars that are recalled if one in 1,000 of them has defective air bags or defective brake linings, but it seems that we are prepared to take a much higher level of risk with problem gambling behaviour.

I think it goes to the design of the machines. I know that in previous submissions I have made I stated that Aristocrat a number of years ago spent about \$122 million, according to their annual report, on R&D, research and development. I am not saying they are doing it deliberately, but their job is to make machines as alluring as possible for people to spend as much money as possible on a machine. That is their job. But with it comes a cohort of addiction. If you have a business model that relies so heavily on addiction, the way to deal with that is to ask how you make the machines less addictive so that the general recreational players are not inconvenienced but it makes a difference with the problem gamblers. I am not sure if that deals with that.

MS FITZHARRIS: That is great, thank you.

THE CHAIR: Mr Shane Rattenbury.

MR RATTENBURY: Good afternoon, senator. I want to ask you about whether there is any movement at a national level in terms of reform. We obviously saw discussions when Prime Minister Gillard was in place. Is there any sense of movement in the federal parliament at this point in time?

Senator Xenophon: The short answer is no. I think it will only become an issue again if there is a hung parliament. That is being quite blunt about it. It seems that, with my colleagues on both sides of the fence, the prospect of a hung parliament can turn them into born-again gambling reformers. I say that as a gentle rebuke and with some

cynicism. It was not on the agenda prior to the outcome of the 2010 election.

The Productivity Commission report came out on 22 or 23 June, which happened to be the day that Kevin Rudd lost the prime ministership. So it obviously did not get much coverage that day in terms of the report. The coverage it did get was that the Gillard government, also the Rudd government at that point, said, “We are just going to refer this on to a COAG. We are not going to do anything about it.” But, of course, it then got on the agenda because of Andrew Wilkie’s vote on the crossbench in the lower house.

I think this will not go away as an issue for the simple reason that there are still people out there who every day are being hurt by poker machine addiction. I do not have the direct figures in front of me but the Productivity Commission indicates in their most recent report that there are between 90,000 and 120,000 people with a fairly significant problem and another 250,000 people at risk of developing a full-blown gambling problem. Every person affected affects the lives of seven others. Even conservatively, you are looking at 700,000 to 800,000 people around the country whose lives are being directly affected today by problem gambling on poker machines. That is pretty significant.

MR RATTENBURY: I also want to ask a couple of questions from your submission. On page 3 you made reference to chapter 8.4 on clubs and mutuality from the Productivity Commission report. You flagged this concern about the way clubs are using money to expand their traditional business models. Could you elaborate on the point you were making there?

Senator Xenophon: Clubs get tax concessions. I am not against the idea of that. I think that mutuals—and clubs are effectively mutuals—do provide a lot of benefit to the community. But where a mutual is getting a proportion of its revenue from something that has been associated with a significant level of harm, you need to ask whether there ought to be a greater onus—a quid pro quo, if you like. If they are getting the benefit of tax-free concessions, does that mean that they ought to have stronger mechanisms in place to deal with problem gambling?

I think the irony is that they do not pay tax. I think it is too big a debate to take away the tax concessions of clubs per se, and I do not support that. But I think we ought to look closely as part of that mutual obligation, if you like, of giving a benefit to clubs in return for the services they provide to the community. We need to look behind some of the revenue they obtain from poker machines. A fair bit of that is coming from a significant proportion of problem gamblers. Do they have an obligation to do more to tackle problem gambling? I think the answer is yes.

MR RATTENBURY: The other question also comes from page 3. You provided us with UnitingCare Australia’s submission, which made a number of observations around the inefficiency of the support to community groups and clubs. In your submission you talk about the comparison between sporting participation rates in Western Australia compared to other jurisdictions. I took the impression you were saying that it is no higher or no lower in Western Australia than other places where clubs do back the sports. Is that the point you were making?

Senator Xenophon: The point I am making is that—at the time I wrote the submission, as I said, parliament was sitting and I could not find the reference. I have seen reference to this and I need to dig this up if the committee can indulge me and just give me a few days to dig this up. I have references to say that WA has an even higher level of sporting participation than, say, New South Wales where clubs say they do a lot for local sporting clubs.

I think the safe thing I can say is that WA does not seem to suffer from sporting participation. There are healthy levels of sporting participation in the absence of poker machine revenue. They get some revenue from the Lotteries Commission or lotteries WA, which obviously helps them. But that community benefit model seems to be quite different in the sense that the source of revenue—that is, from lottery products—comes with a much lower rate of problem gambling behaviour and a lower rate of expenditure overall from problem gamblers. I am happy to dig that up in terms of the WA figures, which indicate that they have healthy sporting participation in the absence of a clubs sector fuelled by poker machines.

THE CHAIR: Some of the groups that I have spoken to have thrown some doubt on the data in the most recent Productivity Commission report. I note that you claim the 1999 one was the gold standard, but in relation to the recent report, in respect of things like the spin rate and the actual number of problem gamblers, there seems to be some confusion where problem gamblers and moderate risk gamblers are often lumped together, thereby distorting the numbers. Are you happy with the work that the Productivity Commission has done or are there any corrections that need to be put on the record?

Senator Xenophon: The Productivity Commission gave evidence before the Joint Select Committee on Gambling Reform. My recollection is that I thought they took a fairly conservative approach. They published a draft report and then a final report. The draft report allowed the industry, in particular, to challenge their assumptions. I thought they, if anything, were relatively conservative about how they couched it. I think it was that there were 90,000 to 120,000, or thereabouts, problem gamblers with another 250,000 at risk. Of course, I will provide you with the relevant extract if I may provide a very short supplementary submission on this.

I think they were quite cautious. They did not have the resources to do that broad study of 10,000 that they did in 1999. But it is still a very useful report. The figures they quote are not inconsistent with other gambling surveys that have been undertaken. The industry said, “Look, it is only one or two per cent of the population.” But if you look at the fact that only one in three Australians adults actually play poker machines, the fact that you might have two or three per cent of those at any one time who have a problem on poker machines is quite worrying.

If you use the restaurant analogy, even one in 50 or one in 100 patrons getting sick at a restaurant due to, say, a defective product more broadly would be a real issue. You would need to clean up your act in terms of making the machines less likely to cause harm in terms of problem gambling behaviour.

THE CHAIR: I agree, and I do not think any of us would doubt that something needs to be done for those that are affected. But, for instance, the Productivity Commission

report based their data on a spin every three seconds. I understand that a University of Sydney report says that the average spin rate is about 7.5 seconds; so 2½ times greater. That would throw a bias into the report, surely?

Senator Xenophon: It would, although if you have it on auto spin, my understanding is that you can. For obvious reasons, if there is one person in the country that should not be playing poker machines, it is me. I do not even buy Lotto in case I were to win. But from what I have observed, if you put it on auto, you can play much more frequently than that. But I am happy to take that on notice in terms of providing you with some extra data in respect of that. I think that the uni of Sydney report can be rebutted in part in respect of that.

THE CHAIR: Again, with the \$1 maximum bet, most jurisdictions do not have a \$10 maximum bet. Are we overstating the losses? I think CIE did a report that said that most people do not play to the \$10 limit anyway.

Senator Xenophon: I guess that the flip side of that argument is that if most people do not play, only about 10 per cent actually ever play more than \$1 at a time. Then what would the problem be if you are not inconveniencing recreational players or 90 per cent of your patrons? The problem I think the industry has that it will not readily admit to is that they would get a disproportionate amount of their revenue from a relatively small proportion of players, the 10 to 15 per cent of regular players.

If you are a regular player—if you are a weekly player at a poker machine venue—I think the statistics are somewhere in the order of a one in six chance of having a gambling problem and more so for a daily player. In terms of your opening question, chair, about people needing help once they have a gambling problem, I think everyone is in furious agreement on that. But I think the public policy issue that is difficult, or that is more difficult, is: how do you prevent people from getting hurt in the first place, from getting to that tipping point of being a recreational player to being a problem gambler?

I think what the Productivity Commission is saying is that if you can reduce the level of the average hourly loss, you are less likely to get problem gamblers in the first place. There is an old adage that it is much better to have a fence at the top of the cliff rather than the best-equipped ambulance at the base of the cliff.

It seems to me right now that not only do we not have a fence, but we seem to have signage saying in some cases, given the design of the machines, “Walk over the edge.” If people do fall over the edge, only 10 to 15 per cent at most are getting help for their problem. I think that even some of my most diehard opponents in the industry agree with me that if anyone has got a genuine problem, they need to get some effective help fairly urgently.

THE CHAIR: Ms Porter.

MS PORTER: Senator, you talked just now about preventing people from getting hurt in the first place. What part does education of the community play in a broad sense? You talked about an advertising campaign that you thought was fairly effective. Do you think the clubs should be required to put a certain amount of their profits or

their income into advertising campaigns, or do you think it is something governments should be doing?

Senator Xenophon: I am not too fussed as to where the money comes from as long as the money is there. You are never going to get all problem gamblers getting help, but at least there should be some target to aim for 50, 60 per cent or 70 per cent of problem gamblers to be getting help. That would involve destigmatising problem gambling. People should not be embarrassed if they have a gambling problem. The fact that I have had constituents over the years who have had serious substance abuse issues who found that less embarrassing than their gambling problem is a real worry. That is a common theme I hear from people. So we need to destigmatise the whole issue of having a gambling problem, in that it can happen to anyone. I have seen it in people from all walks of life, from all professions, all levels of education and all socioeconomic backgrounds.

If it was destigmatised, that would help. If people are able to get that 24/7 help with a gambling problem in a way that is non-judgmental, that would be helpful. Even in a trial, you could apply it in a very gentle and non-judgemental way. People could be told, “You’ve come up in our algorithm as being a heavy spender. You may not have a problem, but we’re required to provide this to you. We apologise for any intrusion, but call this number if you think you want to talk to somebody about it.” Apologise in advance if you sounded offensive, but I would be surprised if you did not get quite a few people coming forward for that.

MS PORTER: What about an education program that would be—

Senator Xenophon: Sorry, I meant to answer that. I think an education program is very useful, particularly amongst high school kids. What worries me—I hope this does not happen in the ACT—is that when I have gone to speak to school groups, particularly years 11 and 12 where the kids are between 16 and 18, I ask the teachers to turn their backs on the class and I ask for a show of hands of how many kids under 18 have gone to poker machine venues and gone inside a gaming room, a poker machine room, and have played. I have always been a bit gobsmacked by the number of students—as high as 20 or 30 per cent. That is completely unscientific, but the fact that there are a number of young people able to go into venues, at least in my home state, and I suggest in other states, is an issue in terms of underage gambling. An education program in conjunction with those that help treat problem gamblers would be very useful.

THE CHAIR: Ms Lawder.

MS LAWDER: Senator, you spoke earlier about how when electronic gaming machines were introduced the amount of spending on gambling increased.

Senator Xenophon: Yes.

MS LAWDER: From your observation or research have you seen the opposite, where EGMs may have been removed and what might have happened to that gambling percentage?

Senator Xenophon: That is why the issue of machine numbers is that, if you reduce the machines by a small proportion, as is being planned in the ACT—I am not saying it is a bad thing; it is probably overall beneficial but probably will have a minimal impact, as has happened in South Australia as well—that, in itself, does not make that much difference. The only thing that has seen a drop in poker machine losses appreciably was banning smoking in pokies rooms. Victoria was the first state to do this a number of years ago, and there was a drop of about 10 per cent. Eventually the figures climbed up, but I suggest that was in terms of natural population growth and the venues were very good at trying to get more people back into venues with promotions and the like.

Unless you radically reduce the number of machines and make them less addictive, you will not see much difference. For instance, there is a much smaller proportion of machines per thousand people in Victoria than in the ACT or particularly New South Wales. But the machines in Victoria seem to work much harder in terms of gambling losses per machine. I think it is about double the amount of gambling loss per machine.

THE CHAIR: Ms Fitzharris.

MS FITZHARRIS: Senator, you mentioned, and your submission concludes, that the clubs sector be supported to move away from this business model. We have also heard that from other people who have appeared before the committee. Do you have any sense of what that business model is, though? A lot of people share that view, but it is not at all clear what another business model is.

Senator Xenophon: Of course. I think it needs to be a carrot and stick approach. The carrot is that if you have more proactive measures to reduce problem gambling, such as the algorithm approach where the gamblers are approached, you should be rewarded with a lower tax rate. Similarly, that should be met with a slightly higher tax rate for those venues that do not do it. Interestingly—this is completely out of left field—one that has been put to me by gambling counsellors is that there was a move a number of years ago to put felt at the bottom of the coin machines. I am not sure whether in the ACT they spit out coins or only vouchers. I am sorry; I do not know that.

MS FITZHARRIS: So you do not hear it?

THE CHAIR: They still get the coins; they get the coin drop.

Senator Xenophon: There is a coin drop? It was put to me that having felt in the coin drop would mean less noise, which is often a trigger for problem gambling behaviour. A simple thing like that was resisted by the industry. They were looking at putting in plastic trays because plastic is much cheaper than a metal tray, but the machine designers thought it made machines less alluring and you would have less so-called ambience by not having the noise of coins hitting metal. Even minimalist measures like that can make a bit of a difference to a venue. I think you need to encourage that.

Effectively, if you accept that there is a relatively high social cost or an unacceptably high social cost with problem gambling, you reduce levels of problem gambling by

providing more help, but it is also about making the machines somewhat less addictive. If a venue, for instance, decides to offer \$1 machines and \$120 an hour in losses, it is about whether you would give them significant tax breaks. No pun intended—I am not a betting man—but I bet there would hardly be any venues, even if you offered them huge tax incentives, that would take up that \$1 bet. Why don't you try and say, "Here's a carrot. If you take up the \$1 bet with \$120 in hourly losses, you will get some significant concessions in relation to that to encourage you to do it." It is an experiment worth having in terms of seeing whether that would make a difference in terms of problem gambling.

MS FITZHARRIS: Do you have any sense of what would be involved in making that shift? Is it a fairly simple setting on each machine or is it something that would require a major upgrade of each machine or entirely new machines to be bought across the board?

Senator Xenophon: The key issue to this is how you do it. The Independent Gambling Authority of South Australia said that, in terms of mandatory pre-commitment, you could retrofit machines for about \$1,000 or \$1,500 each. But retrofitting is always something that is understandably resisted. You could require, for instance, machines to be, firstly, mandatory pre-commitment ready; in other words, have the software installed and also have the software installed so that you could adjust a machine quite easily to \$1 maximum bets and \$120 in hourly losses, which would involve a much lower jackpot.

If the ACT, for instance, said, "We're not actually requiring you to do \$1 bets at this stage, but we're saying that for any other machines to come into this jurisdiction, they need to have that capacity so that they can be dialled down, in a sense," in the future, I think that would be a bit of a sword of Damocles hanging over the heads of venues. They could say, "We need to be a bit more active in how we reduce levels of problem gambling, a bit more cautious and have a greater duty of care to our players." Even that rolled out nationally would, I think, have a fairly significant impact on the way that clubs and hotels would manage the risk of problem gambling—having the potential for that measure, which would not be onerous. It is a software change; it is not a difficult issue to say, when you are designing a machine, "You need to put this extra bit of software in it." The cost would be absolutely minimal at the design stage.

MS FITZHARRIS: In terms of your suggestions on the business model, it is not a business model that moves completely away from any form of gambling; you are talking more about minimising problem gambling at venues as opposed to a wholesale change in business model?

Senator Xenophon: Again, it is the carrot-stick approach. If a venue decides to sell its poker machines or divests itself of poker machines, presumably they would get a fair bit of revenue coming from it; then you may be just shifting the problems down the road. But if the machines were actually out of the system entirely, do you offer incentives to that venue in terms of tax breaks, almost funded by those venues that do have poker machines? It could be that you end up with a model of fewer venues with poker machines and more pokies-free venues as well.

One of the issues raised with me by problem gamblers and those who want to avoid

poker machines is that it is hard to find a pokies-free venue. It is even about something as simple as funding an app. If the ACT government was interested in funding an app, it would not cost a fortune, and people could look at their smartphones and find the nearest pokies-free pub or club. That, in itself, would be part of that cultural shift to give people that genuine choice if they want to keep away from a venue with poker machines.

THE CHAIR: To follow up on Ms Fitzharris's question before we go to Mr Rattenbury, I understand the Senate was told by the government in May 2012 that to reconfigure all the machines in Australia for this minimum bet would cost about \$1.5 billion. Do you accept that number?

Senator Xenophon: No, I do not. There was a lot of debate about that. It was a view given by the industry. I say tongue in cheek: did that involve gold-plating the machines as well, literally? It is a software change. There are people that have worked within the industry that say you can actually alter the software. It is obviously better to do it when the machine is being made. So if you consider that machines are being turned over every few years or having a software change every few years, if you require machines to be pre-commitment ready or, alternatively and I think more effectively, \$1 bet ready, the costs would be much lower.

That \$1½ billion figure, as I recollect, involved forcing a change of machines overnight, which would have huge logistical problems. If you do things gradually and say, "We as a community say that this level of problem gambling is unacceptable on poker machines; we will transition the machines with software changes, and for new machines especially to be ready to take this preventive technology to reduce the level of risk," I think you could do it. It will not happen as quickly as I would like it to, but it would be much more practical from a cost point of view.

THE CHAIR: Any final comments, Mr Rattenbury?

MR RATTENBURY: No, I think we have gone as far as we need to.

THE CHAIR: We are at the limit of our time, senator. Thanks for your participation today. Given that we have run out of time, you have undertaken to take at least four things on notice—rate of problem gambling in WA, percentage increase in problem gambling with the introduction of machines in Victoria, sport participation in Western Australia that is not funded through clubs, and some work and quotes on the Productivity Commission. If you could follow up on those, we would be very grateful. If we could have that perhaps within two weeks of the hearing, that would be appreciated.

Senator Xenophon: Thank you. Can I just say how strange it feels to be on the other side of these things.

THE CHAIR: A salutary lesson! It may temper your behaviour in the future. Then again, it may embolden you.

Senator Xenophon: It depends who the witnesses are, chair!

THE CHAIR: If committee members have any supplementary questions from today's hearing, could we have those within a couple of days so that we can forward them to the senator. On behalf of the committee, senator, I thank you for your participation today. When available, a copy of the proof transcript will be forwarded to you for an opportunity to suggest any corrections.

HENLEY, MR MARK, Manager, Advocacy and Communications, Community Engagement Unit, Uniting Communities, SA
RICHENS, MS MEG, Executive Officer, UnitingCare Kippax

THE CHAIR: Good afternoon and welcome to this hearing this afternoon into the future of the clubs industry in the ACT by the public accounts committee of the ACT Assembly. On behalf of the committee I thank you both for attending today. I remind witnesses of the protections and obligations afforded by parliamentary privilege and draw your attention to the pink-coloured privilege statement before you on the table. Could you please confirm for the record that you understand the privilege implications of the statement?

Ms Richens: Yes, I understand.

Mr Henley: Yes, I understand.

THE CHAIR: I remind witnesses that the proceedings are being recorded by Hansard for transcription purposes as well as being webstreamed and broadcast. Would you like to make your opening submission?

Mr Henley: Thank you very much for the opportunity to present. I am representing UnitingCare Australia, an agency with over 600 member agencies across Australia. Today we draw very heavily on the experience of financial counsellors, emergency financial assistance services and a range of other services, but those in particular. I also note that I am a member of the Australian Churches Gambling Taskforce and that UnitingCare Australia was the inaugural host of that body. I will ask Meg to introduce herself.

Ms Richens: Thank you again for the opportunity to present. I am a local service provider who has some contact in this area as well.

Mr Henley: We will focus on the terms of reference dealing with social and economic wellbeing. In particular, we are going to reference problem gambling issues and some comments about taxation and charges. Probably not surprisingly, we reiterate many of the comments that Senator Xenophon made earlier. I will try not to restate exactly what he said, but we will certainly be drawing on some of the same evidence sources.

I will start with problem gambling. We wish to make a couple of headline points about problem gambling, starting with the Productivity Commission's 2010 report. I note that Professor Robert Williams from Canada, a professor at the University of Lethbridge and the coordinator of the Alberta Gambling Research Institute—one of the world's most highly regarded gambling research establishments—a couple of years ago undertook a study from an academic point of view of the best gambling research that has been undertaken, bearing in mind that there are thousands of reports.

He identified seven which reached all criteria of excellence in terms of academic standards. Two of those were the two Productivity Commission reports. The third, in fact, was from the South Australian Centre for Economic Studies, which looked specifically at provincial gambling. So I note that from an independent gambling

researcher's point of view, the Productivity Commission's work is world-best practice.

I will quote very briefly from their key points. They said:

While survey results vary, around 15 per cent of regular players—
of poker machines—

are 'problem gamblers'. And their share of total spending on machines is estimated to range around 40 per cent.

They also make the statement:

The significant social cost of problem gambling—estimated to be at least \$4.7 billion a year—

that is, nationally—

means that even policy measures with modest efficacy in reducing harm will be often worthwhile.

I note that while there are different measures of problem gambling, it is still conservative, we suggest, to say that about two per cent of the adult population are harmed by gambling and most of that continues to be poker machine related, although there is some evidence that there is a small percentage increasing around online and interactive sports betting, but that is probably a separate issue. The majority of gambling-related harm is still very much associated with poker machines. We make the point that Senator Xenophon also made—that there is no other legal product, with the exception of tobacco, that has anything like similar levels of harm.

I also note a range of research which identifies that for every person with a gambling problem, at least seven other people are adversely affected and that on average at least one of those is a child. In fact, the ripple effects, if you like, of problem gambling are quite substantial. I will leave those headline figures from the Productivity Commission regarding problem gambling there and ask Meg to speak about some of the Kippax experience.

Ms Richens: Thanks, Mark. The relevant stuff here are the points about the effects on others as well as the effects on the gambler themselves. As many members of the committee will know, we have an emergency financial and material aid program based at Kippax. We have looked into some of the questions around people who are accessing that program and the drivers that bring them to that space.

One of the things that became very clear is that gambling is one of the hidden issues in this space. People are actually more comfortable talking about substance use or substance misuse than they are about discussing gambling. When they do talk about it, they will often minimise its impact and say things like, "I just had a bit of a punt. It wasn't too bad. It's all right." When we investigate that in more depth it can be anything up to \$400 lost at a go. For the people we are working with in that space, that is a remarkable amount of money to lose.

The majority of those who will talk about gambling as part of the drivers that are creating difficulty for them financially say that poker machines are their chosen modality. There are some people with other issues. I cite one case of a person who self-banned themselves from newsagencies in order to avoid scratches. But the majority of the people we see are, in fact, dealing with poker machines.

The services that assist problem gamblers that are around that provide counselling are well known to us. We refer on a regular basis. The big issue we have in that space is getting people to attend. We will take people to those services if they request us to, if we can convince them to go with us, but frequently they will not attend. There is some previous research done in the ACT, the ACT gambling prevalence study. It was published in November 2010 and it talks about problem gamblers and those at risk typically not seeking intervention—counselling supports—until they are at risk of or contemplating suicide. Going to counselling or seeing this as something that needs to be supported is a really last-ditch effort for these folk.

Arising from EFMA out at Kippax, there are a couple of things we have noticed. There seems to be some relationship between the conflicts that gambling can cause in families and associated violence. There seems to be some combinations of alcohol use and heavy gambling. Those things are anecdotal from our space, but the people who are prepared to talk about it are also talking about a range of other issues that are impacting on their lives. It is not an issue that operates independently of the rest of people's lives. It is something that has to be seen in the context of what is happening for them in general.

Mr Henley: Meg has mentioned the prevalence study undertaken in the ACT in about 2010 at a similar time when the national Productivity Commission report was also being released. We note that there is a very high correlation between the findings for the ACT and the Productivity Commission, suggesting to us that the situation in the ACT is pretty similar to the rest of Australia. The actual data sets apply pretty well on a proportionate basis to the ACT as well. We make that note. We observe that a business model that derives 40 per cent-plus of revenue from people adversely affected is a poor business model.

I now want to turn to an issue that perhaps is not discussed in great detail—the correlation between gambling and crime. I will read a couple of brief extracts. The first relates to the relationship between crime and gambling expenditure in Victoria. It is from a June 2010 report prepared by the Centre for Regulation and Market Analysis, School of Commerce, University of South Australia. The authors were Sarah Wheeler, David Round and John Wilson. They conclude:

Gambling expenditure per capita is significantly positively associated with nearly every type of crime in all years of the analysis. The strongest relationships ... were found respectively with total crimes, followed by high-income-generating crimes

More recently a January 2013 report *Problem gambling and the criminal justice system* produced for the Victorian Responsible Gambling Foundation reported:

Over a third of prisoners surveyed (37%) reported having committed a gambling-related offence at some point in their lifetime. Of these, 54 per cent were under

sentence for a gambling-related offence at the time of this research.

There is a significant correlation, we suggest, between the addictive nature of gambling and crime, particularly property income generating-related crime.

I will now move briefly to the incidence of gamble activity and quote from a recent report the South Australian Treasury has produced on the issue of state taxes. They commissioned the National Centre for Social and Economic Modelling—NATSEM—to do a bit of work on the progressivity/regressivity of various state taxes. That report found overwhelmingly that the most regressive form of taxation was state gambling taxes. Again, we would expect that to be the same across the country.

We draw from that not that the states should not be taxing gambling but, rather, that gambling is most heavily undertaken by lowest income households, particularly in terms of the proportion of their income. In fact, the incidence of and the impact of gambling across the board falls most heavily on lowest income people. The level of gambling, particularly poker machine gambling, amongst the fourth and fifth income quintiles is really quite low. It is the first two income quintiles that are most heavily involved with gambling activity. Gambling is a very regressive activity, irrespective of where the profits or the surpluses end up.

Finally, we make this point about taxation. We note that most western countries tax gambling in a similar way to alcohol and tobacco—that is, it is treated as a dangerous product, a product that is heavily influenced by addictive behaviours, very high elasticity. It is an inelastic demand, if you like. The way that most western countries tax gambling is to tax gambling at a higher rate than the standard corporations tax rates.

J E Anderson, who wrote a paper entitled “Casino taxation in the United States” in the *National Tax Journal* in 2005 talks about some of these higher rates of taxing and indicates some of those levels. But it is interesting that even in Nevada, the home of Las Vegas, now the second largest gambling centre of the world after Macau, gambling taxation rates are higher than standard corporate tax rates. That begs the question about the relationship between taxation and clubs, which are reliant very heavily on poker machine gambling as a major source of income.

We suggest that there are two ways of dealing with this. The first is actually to recognise that gambling is a dangerous activity and that the accepted taxation regime pretty much around the world is to tax it at a higher rate than the corporate tax rate. We are saying that the default rate for taxation of club gambling activities should be set at a higher rate than corporate tax rates.

Then we suggest that if clubs are as community focused and concerned about problem gambling as they claim, there would be a lower tax rate applied for those clubs that pick up the key recommendations from the 2010 Productivity Commission report—namely, the introduction of a \$1 per spin maximum bet limit for all poker machine play and the requirement that all gamblers set a budget prior to their gambling activity. These are the two key recommendations coming out of the Productivity Commission, and we suggest a lower default tax rate would be appropriate for clubs that, in fact, introduced those measures.

We also note that one of the arguments the clubs give is that they provide a range of community activities. We do not argue with that. However, the revenue they get from gambling we see as a very ineffective way of distributing money to sport for young people or whatever. A much better way, we suggest, for those clubs that chose to be taxed at a higher rate, would be for a proportion of the taxation on clubs' gambling to be hypothecated to a community chest. That money could then be sought by communities from across the ACT that are involved with any of a range of alternatives to gambling, both at the prevention level as well as at the treatment level.

There are a couple of brief sketches about what could be done. We will leave our presentation there. We are more than happy to answer any questions or to enter into discussion.

THE CHAIR: I will start where you finished: the \$1 bet limit and pre-commitment to how much you will put into a machine. Are such things in operation in any jurisdictions anywhere in the world and have they been shown to limit the dangers of gambling?

Mr Henley: I cannot argue definitively. My understanding is that there have certainly been some betterments applied in some Canadian jurisdictions—Nova Scotia comes to mind as well as some of the Scandinavian jurisdictions; I understand Norsk gambling—Norway and probably Finland. I am a little bit hazy on those. Again, I am happy to take that on notice and get back to you. My understanding is that there have certainly been some attempts in those jurisdictions to introduce a bet limit.

I note in terms of the full exercise that we talk about gambling, poker machine play, being a recreation. It might cost about \$15 an hour to go and see a movie or \$25 an hour to eat a reasonable meal. Bowling might be \$12, \$15 an hour. These are the most popular recreational pursuits. Gambling, where you can be spending over \$1,000 an hour, simply does not come close to being comparable spend for a comparable recreational activity.

THE CHAIR: Can you spend \$1,000 an hour?

Mr Henley: Yes.

THE CHAIR: Where? In what jurisdictions can you do that?

Mr Henley: Certainly in South Australia and New South Wales, where you play basically a high credit machine; so a \$1 credit machine, maximum lines, maximum bets. With some of those machines that auto play, you can be looking at three seconds to 3½ seconds per spin. So it is certainly quite possible to spend \$1,500 an hour, or \$1,200 to \$1,500 an hour.

THE CHAIR: It was put to me that there is a University of Sydney study that says you cannot do a spin every three seconds.

Mr Henley: That surprises me, because I have sat down and got up to 20 spins a minute. That was in South Australia. My understanding is that the industry standard is

around 2.3, 2.5 seconds per spin. Indeed, UnitingCare Australia have argued previously for slowing down the rate of play to something like five to six seconds per spin and the industry has argued back that that will make the machines much less attractive, much less interesting.

Part of the vibe, if you like, of being in the zone that regular gamblers talk about comes from the rapidity of play. Indeed, we would say that the research is overwhelming: one of the major factors predicting risk of problem gambling is speed of play. A poker machine which is effectively a new game every two or three seconds is much more addictive than a once-a-week Lotto draw, for example. Keno, for example, with a new game every 3½ minutes, is the most addictive of the standard suite of lottery products because, again, it is that higher speed of play. So we are very concerned about speed of play. Certainly slowing down poker machines, even to seven or eight seconds, we believe would be a step forward.

THE CHAIR: Ms Porter.

MS PORTER: I have two questions. One is about the community chest model. I think we have experienced it a couple of times in the ACT, if my memory serves me. We do not seem to have found a model that works. What model do you suggest?

Mr Henley: There are a couple that come to mind. There is Oregon shines in Oregon; that has been very effective. Community benefit in South Australia has worked quite well; that was introduced when poker machines were introduced. The critical elements are, first of all, allocation by a body independent of any direct interest, so a small board appointed by government or whoever, from a range of interests who are able to sit dispassionately and allocate on the basis of merit; and, secondly, criteria which focus on involvement of local communities, identifying a range of useful social activities. And the third thing is just knowledge about the availability of the fund. It seems that where those three factors are at play, outcomes are pretty successful. And the community is pretty positive at responding to community chest type programs when there is a bit of flexibility and when they are known about.

MS PORTER: My other question is around educating people about the harms that could flow. What kind of education program do you think, in your experience, may be effective? You mentioned other activities a person could well do instead of spending their money on a poker machine. I put it to you that if they are spending their money on a poker machine, they probably do not want to participate in those other kinds of activities, largely, and they would not necessarily get that same effect that the poker machine is giving by going to watch a concert or going for a walk, for instance. There are many activities that I can think of that would not cost as much as sitting and feeding a poker machine, but obviously for these people, this is their recreation of choice. How do you pitch your message to those people in order to alert them to the fact that there are these dangers that you were talking about—the danger of addiction?

Mr Henley: I would certainly be saying that there is a limit to how far education programs can go. I have sat down with many financial counsellors, many gambling counsellors, and they have said they can tell people over and over again how the machines work, how you will lose and how, in the long run, you will lose all the more certainly. They tell them how the machines work. Often it is six, seven or eight

sessions into a counselling program that the penny suddenly drops. They say, “Why didn’t you tell me?” “I told you half a dozen times.” I think that is a notion of addiction: rational thought is suspended.

Educating people is certainly part of the story. The critical thing is to try and stop them from getting into the gambling spiral up front. I think the strongest way to do that is by having alternatives to poker machine venues. One of the great advantages of poker machine venues across the country is that they have provided safe, secure places for a whole range of demographics across society to go to—older women, young people, single men: all sorts of people have been able to go to pokie venues and feel relatively safe. They often feel they are welcome because of the way the staff interact with them and all that sort of stuff. The dilemma is that they have not got the alternatives that provide the same degree of welcome, the same accessibility. For us, a large part of the story is about not eliminating gambling from clubs but encouraging and enabling clubs to provide a greater range of services and helping communities to develop a bigger range of options than pokies gambling.

Ms Richens: I will supplement that, if I may. One of the interesting things we can learn from is the experience in public health and the processes of educating people around the benefits, or not, for example, of smoking and similar sorts of things. An educational program is one piece of the process, but the evidence around that area talks about the fact that it is the comprehensive nature of the response that makes a difference over time. It is education with legislation with taxation change with prevention work that makes the difference. Then, substitution of behaviour is the last step, if you like, in that process. We know from health promotion work that substitution of behaviour is only one piece of the process. On its own, it does not achieve what we are looking at; it has to be a piece of a much more comprehensive process.

THE CHAIR: A supplementary, Ms Lawder; then I have one.

MS LAWDER: Are you a believer in the theory of addictive personalities and that addiction will manifest in another way or people are moving to poker machines from another addiction and how we might deal with that?

Mr Henley: This is almost the holy grail of gambling conferences. I have sat through many papers on that very question. As a non-psychologist—I am an economist—I remain unconvinced by the notion of a gambling gene or an addictive personality. There are some tendencies towards that. I think, and this is a personal view based on what I have heard and observed, that it is more often crisis moments or crisis times which are triggers for predictive behaviours: major relationship breakdown, loss of job, motor vehicle accident, injury at work, onset of mental health condition—those sorts of more crisis-type events which can hit at any time.

Bear in mind that poker machine gambling is very widely distributed throughout the community. It is men and women, unlike other forms of gambling which are much more gender specific. Poker machines are male and female—and across the ages; it is younger; it is older. Many of the most tragic stories about gambling harm are about response to crisis. It can be domestic violence; it can be mental health; it can be a whole range of things—which comes back to the next point about the importance of

comprehensive social policy and responses to the range of triggers which can be factors in pushing people into gambling harm.

Another critical issue is the ability of venues to identify risky behaviour early on. Dr Paul Delfabbro has done a whole range of work on that—in fact, with the AHA, on in-venue identification of gambling harm. It is the spectrum of measures that is really important.

THE CHAIR: You mentioned that the difficulty is that there are lots of programs but it is getting people in. Are there enough programs? Does, for instance, the government do enough? A lot of these programs are funded directly by the clubs or funded by the clubs and run by others? Is the government playing its part?

Ms Richens: My sense is that in the process of encouraging people to attend those sorts of programs, if we were successful in doing that, we would probably find that demand would outstrip supply once we were at the point where people were choosing to use those services. But from what I can see, the situation has not changed much from the study that was done back in 2010 which says that people will rarely use them. It is a problem if we cannot demonstrate sufficient demand for those services because people will not go to them. It is very hard to maintain them or to increase them.

THE CHAIR: What are the things stopping people from accessing the services?

Ms Richens: I think there is a range of things. My knowledge of what is happening is based very much on the people that have accessed services at UnitingCare Kippax, so I am speaking from a very local perspective. In some cases, it is, as Senator Xenophon was saying, issues of stigma and being identified as having a problem, being “problematised”. The barriers in that sense are very much around a cultural assumption that gambling is nothing unusual and that there is not anything majorly wrong with what is happening, there is no major impact from what they are doing.

I think the other thing that is a barrier to participation in that sort of thing is that sense of being identified as having something wrong, that there is a problem that needs to be fixed. It is similar to the situation where people choose to access or not access mental health support agencies. It is that issue about being created as a problem, of people being seen to be a problem instead of being seen as people who need to react to certain situations in their lives. That, I think, is one of the biggest barriers to participation.

Mr Henley: It is pride. In fact, I note that attendance at gambling help services is pretty similar to rates of people that present at drug and alcohol services. As human beings, we are proud and we do not want to admit we have a problem. And we certainly do not want to admit that there is a problem with something that is highly stigmatised in our community.

THE CHAIR: New question, Ms Lawder; then Mr Rattenbury.

MS LAWDER: You spoke earlier in your statement about inelastic demand and compared it, I think, to tobacco usage and the taxing of tobacco. One of the differences is that with tobacco you are taxing the consumer. Are you suggesting that

the consumer—the gambler—should be taxed more at that point or are you suggesting that the clubs themselves should be taxed to the max and that in effect that will force them to change their ways?

Mr Henley: I would suggest that the incidence of taxation, whether it is producer or consumer, is always going to end up with the consumer. The point I am making is that, particularly as you move into more addictive gambling, it is an inelastic activity, so the price goes up because people keep gambling once they are addicted. The higher price acts as a barrier to new entrants. That is why I think the elasticity of demand is quite important.

In terms of incidence of taxation, I think taxation has a number of purposes in the gambling space. One is to help send price signals—the classic economic model. It is also about influencing behaviour and reducing, particularly, problematic gambling. My view is that the venue is the appropriate place at which taxation should be levied. It is simpler; it is easier. That is where it is most efficient; that is where, frankly, the mechanisms are set up. And it is the producer. It is the provider that is benefiting.

THE CHAIR: Mr Rattenbury.

MR RATTENBURY: Ms Richens, you might be able to elaborate on the observations you were making about what you see at Kippax. With the people who are coming to you with a gambling problem, the ones that we will talk about, do you see any particular trends in the way they access that gambling? Do they go to just one club or are they moving around to a range of clubs? Do you see any patterns in that sense?

Ms Richens: I would have to take that question on notice. I note that in the west Belconnen region there are four clubs with five premises very close by. It speaks to the material that Mark was talking about before around who gambles and where those spaces are. It is distinctly possible that people may be moving from club to club in that space, but I will have to investigate that for you.

MR RATTENBURY: I appreciate that it is obviously an anecdotal thing. I guess my question is: do your staff see any particular trends coming out that might be insightful for us? I will leave the question at that.

I also wanted to ask this. Senator Xenophon provided us with a report by UnitingCare Australia that was done in April 2012. Are you in a position to answer questions on that?

Mr Henley: I am trying to remember which report it was, but I am more than happy to—

MR RATTENBURY: *Assessment of poker machine expenditure and community benefit claimed in selective commonwealth electoral divisions.*

Mr Henley: I am certainly happy to answer as best I can.

MR RATTENBURY: The report looks at a number of commonwealth electoral

divisions across Australia—about 41 of them. It includes the two ACT federal electoral districts at an aggregate level. It is a bit of a general question, so bear with me. It looks at the two ACT electorates. Does the data about the ACT come at a more granular level—not just the electoral districts, but with more suburban-level data across the ACT that the committee might find useful?

Mr Henley: I cannot answer that. I know Charles Livingstone, who authored this report for us, used national data sets. Because most gambling regulation is conducted at a jurisdictional level, the data is extensively jurisdictional. I would have to look at what is available within the ACT jurisdiction. I am happy to chase that up, but I cannot answer that at this stage.

I note that granular data on gambling is generally reasonably hard to obtain. The occasional prevalence studies provide pretty good data sets, but they are quite expensive so are not run all that frequently.

THE CHAIR: Would it be more useful if the prevalence studies were done on a more regular basis?

Mr Henley: I suggest not. It is in no small part because of the cost, but it is also because the prevalence studies—again, a personal observation—tend to end up focusing very much on quite fine detail about measurement details and those sorts of things. One of the issues we have in Australia in even quoting levels of problem gambling is that 10 or 15 years ago the most commonly used measure was the South Oaks gambling screen; anyone who scored more than 10 on that screen was defined as having a gambling problem. For a range of reasons—more academic than, I think, because of public policy benefit—we have moved to the Canadian problem gambling index over the last decade or so. That provides a bigger range of measures and talks about pathological gambling, high risk, moderate risk et cetera. When you compare pathological gambling rates from the CCTI against the 10 or more on SOGS, you get different levels of problem gambling. One of the problems of prevalence studies is that we have been using different measures over the years so we have not had really good standardised data.

What I think the prevalence studies tend to show is that problem gambling levels are still around reasonably similar levels. There has been probably some small reduction over the last decade or so, but we have got a problem. It is about what we do about the problem that is more important, I think, than spending a lot of money on reaffirming that we have got a problem. But that is a more personal view.

MR RATTENBURY: In a similar vein, your report was quite critical of the link between poker machines and the support for community activities; it said it was very inefficient.

Mr Henley: Yes.

MR RATTENBURY: I am interested in what sort of reaction there was to that conclusion in terms of public policy debate at the time it was released. I do not recall it coming out. Are you able to give us any history on that?

Mr Henley: You will recall that it was such a fraught time in terms of public policy debate because, frankly, the clubs industry was investing such large amounts of money in prosecuting their case that it was very difficult for any other perspective to get much public space. I am making that as an observation as somebody that was part of trying to generate public debate at the time. We did not get as much public response as we had hoped for, although there was certainly strong interest at the political level, at the regulatory level. I have forgotten your question. I apologise.

MR RATTENBURY: I am interested in the reaction at policy level, at political level, from the industry.

Mr Henley: Obviously the industry would say the model is fantastic. They certainly talk up about how much money goes from clubs into—it is always—youth sport, which is at risk. There has certainly been quite some critiquing of how the benefits from clubs to the communities are actually calculated. Does 50c less for a pint of beer relate as a community benefit or is that just a discount to members? Who knows? That certainly is the sort of thing that has been counted in benefits to the community.

We would certainly stand by the conclusion that looking at clubs that are relying on poker machine revenue as the means of supporting socially beneficial activities, including youth sport, recreational activities, all those sorts of things, is a very inefficient model. It is much more efficient to tax the clubs, to hypothecate a percentage of tax revenue into a community chest or directly into other services.

MR RATTENBURY: Lastly with this group, you talked about a correlation between gambling and crime which I think you said was a clear positive correlation.

Mr Henley: Yes.

MR RATTENBURY: Do you have any sense of the prevalence of that in the ACT, going again perhaps to some of the anecdotal evidence?

Mr Henley: Again, I am going on the research that has been done and making the link that that is Australian data, it is Australian experience, so there is a very high probability that it is at similar levels of correlation in the ACT. But I cannot point you to a recent ACT study which makes that point. In fact, most of the data comes out of Victoria, as the state government has put a lot more into gambling research than any other Australian jurisdiction.

Again, the correlation between gambling and crime is also an experience in Europe, Canada and the US. I do not think it is an outrageous position to make that increasing levels of gambling have a deleterious impact on crime levels in the ACT as well.

THE CHAIR: In the last paragraph of that report, at the top of page 5, it talks about a correlation with those areas that have a lower socioeconomic indicator. Perhaps with the Canberra experience in mind, how clear is that and how certain are you that the impact of problem gambling is worse in those less well-off areas?

Mr Henley: Certainly I can again make the general point that it is very clear that the dilemma is going to be always really good data. As I said, some of the best research I

have seen most recently was the work that NATCEM did for the South Australian Treasury. I am happy to forward that information to you. I went back to NATCEM and asked if they had similar data for other states, other jurisdictions, and they said no, although the ABS household expenditure survey has some data in it. But their observation was that that tends to understate levels of spending on gambling. We do not have really good data sets. That is the bottom line here.

THE CHAIR: Are you able to help us with other information?

Ms Richens: The report of the ACT gambling prevalence study released in November 2010 highlights that problem gamblers, compared to the rest of the population, are more likely to be male, young, Australian born, less well educated, never married and either unemployed or employed full time. For a large proportion of that subset, you are going to be looking at people who are in the lower socioeconomic demographic.

There are no stats attached to that statement in this piece of the document I have here but the focus is, again, for high frequency gamblers, not problem gamblers. They are more likely to be male in an older age group, less educated, with income derived from pensions, benefits or superannuation, or in full-time employment. The implication is that it is either those with limited resources to spare or those with resources to spare, not people in the middle as much. There is some indication from this document that it falls into those spaces but that is indicative.

THE CHAIR: Senator Xenophon in his conversation with us mentioned he was not sure of the beneficial effects of reducing machine numbers. How do you feel about machine numbers, again, Mark in the broad and Meg in particular? Is it something we should pursue or are there other things you would rather see pursued in lieu?

Mr Henley: The one piece of work that I have been aware of on reducing machine numbers has been in South Australia where there was a 3,000 machine reduction, 15,000 down to 12,000. I note the target figure of 12,000 machines has still not been reached 10 years out, but there was an initial reduction of nearly 2,000 machines.

We did a little bit of econometric modelling of the impacts. What we had argued was that, in fact, reduction of venues was more important than the number of machines. In fact, the South Australian experience would bear that out, that in fact reducing venues has a more significant correlation with reduced levels of gambling activity. That stands to reason.

Our argument has always been that one of the major problems with problem gambling with poker machines is accessibility of venues, which is why there are much lower rates of problem gambling in Western Australia where you basically have Burswood casino and nothing else. It is about access to venues. I think most people gamble within five to 10 minutes of homes. So fewer venues reduces accessibility, reduces problem gambling. Frankly, we would much rather have a smaller number of venues with more machines than more venues with fewer machines.

THE CHAIR: To explore that, if the number of machines in the venue does not matter, if it is a small club and it is local, that could be more dangerous than a large palace of gambling?

Mr Henley: I would say clearly large venues still have gambling problems. But I would say larger venues have more scope to regulate, there is more scope for inspection, there is more reality to be expecting as a community and as government that there are help programs going on within the venue. That is part of the story. However, accessibility to machines is one of the major predictors of problem gambling. So fewer venues, less harm rather than fewer machines, less harm.

MR RATTENBURY: A supplementary on that: one of the things I have picked up in visiting some of the clubs over the years is the suggestion that the smaller clubs are, in fact, better from a problem gambling point of view because people get to know the customers, they recognise them when they come in and there is an intimacy you perhaps would not see in a really large club. That goes a little bit against what you have just suggested.

Mr Henley: Yes, and the predication there is that the smaller club does, in fact, have that relationship with customers and is prepared to basically talk to patrons and say, “Have you thought about how much you’re gambling?” They actually make the move. I have done quite a bit of training over the years with gambling venues and, in fact, staff in smaller venues tend to say, “We would never take on a regular. We would never talk to a regular.” I think that is one that we could debate. There is probably not a lot of research about the behaviour from staff within venues, between smaller and larger venues.

Again, the one bit of evidence I can pass through is some work we did on the South Australian reduction in number of machines versus number of venues. The reduction in the number of venues, even though it was relatively small, was more statistically significant than the reduction in the number of machines. Again, it is certainly an incomplete area of research. I certainly accept that.

THE CHAIR: If the committee were to make one recommendation, it should be more research on the location and size of venues?

Mr Henley: That would be a useful recommendation. However, I push the committee to be suggesting that reduction in the number of venues and reduction in accessibility of gambling in the ACT would be a positive thing.

THE CHAIR: A supplementary.

MS LAWDER: On that reduction in the number of venues, it appears to me that much of the research may have taken place before a recent large uptake of online gambling. In your engagement with clients and especially financial counselling, is there much discussion about online gambling? Is it an area that your clients talk about as a problem?

Ms Richens: No, we hear much more about machines than we do about online gambling. I think the demographic is different. I would have to defer to Mark on that, but I think the group of people who are likely to participate in online gambling is a different demographic to those that we are likely to be seeing and working with. Certainly our issue in terms of the access is that if we are looking at trying to ask

people to change behaviour, one of the things we need to do is change the context in which that behaviour is happening. So reducing accessibility is a critical piece of them being encouraged to support the new behaviour or the changed behaviour.

The same would go for online gambling. The level of access to online gambling is going to become, I think, an issue later unless there are particular boundaries, quite strong boundaries, placed around that.

Mr Henley: I add that, whilst the level of online gambling is increasing reasonably significantly, it is from a very small base. The level of online gambling is still dramatically lower than poker machines. I think we are still looking at 75, 80 per cent of gambling in Australia is with poker machines. I predict that in 10 years time that will have shifted to some extent but it is still very largely poker machines, notwithstanding that we think it is really important that government is being much more proactive than it is about regulating and controlling online and interactive gambling. Also, as Meg says, the major demographic for online sports betting is young males, not surprisingly. Trying to get them into help seeking is well-nigh impossible. That is another story

MR RATTENBURY: Do you have any sense of whether people are doing that from hand-held devices or are they sitting at home on the internet? There are two different experiences as well from a behavioural point of view.

Mr Henley: Certainly it is both. The research is certainly indicating that it is the hand-held devices such as the rollout of the smartphone. It is an international issue. The areas where problem gambling is highest in online gambling are the Baltic states, Iceland, basically the really cold countries. The experience is that it is also moving from home-based computers, if you like, into hand-held devices. But the big growth in gambling risk in second world countries, certainly coming in South America, Baltic states and places like that, is certainly coming from hand-held devices.

THE CHAIR: A new question, Ms Porter, then Ms Lawder.

MS PORTER: Given that the research is showing that the demographic that is most at risk is the single, young male with the poker machines and that is the same person who is also going to be betting online, I think we need to find some way of reaching that young person. If you are saying they are not coming to your service, how do we reach out to that young person to prevent that person doing that in the first place or to reduce the harm? It is problematic.

Ms Richens: Again, I would reflect on the public health experience and the processes around the amount of time and the amount of effort that it took to change community attitudes to smoking. We are still in the midst of changing attitudes towards excessive drinking and those sorts of things. It is likely to be the same sort of answer, in that space. There is some educational practice that needs to happen very early with children, presumably through both schools and families. There is some cultural attitudinal change that needs to happen. We are a country that has welcomed gambling for quite a long time. There is a whole process of reducing accessibility, proposing alternatives—that comprehensive response that includes the legislative change and the mechanisms to minimise the capacity for people to do it.

With regard to the changes in smoking, for instance about not smoking indoors, there are fewer and fewer places outdoors that you can smoke, those sorts of things. It is that process over time that is the only thing that will get to that particular population growth—the demographic of young, single men, particularly if you are talking about the demographic of young, single men with disposable income. It will take a very long-term, concerted process to change that behaviour pattern.

Mr Henley: I note that the level of problem gambling occurs amongst a much broader demographic than poker machines than with online gambling. Young males are a difficult group to access on mental health, on a whole range of issues. But in regard to poker machines, they are just one of a number of groups that are at fairly high risk of gambling harm.

THE CHAIR: New question, Ms Lawder, then Mr Rattenbury.

MS LAWDER: On your financial counselling side of things, are you able to summarise some of the key changes that your counsellors recommend that make a difference for clients?

Mr Henley: It almost sounds glib but I think the first issue is always recognising there is a problem. Gambling counsellors will always say once a person actually reaches that point and is then prepared to ask for help, you are well on the way. It is a slow process. It can take five to 10 years often before a person is able to move on fully from ingrained problem gambling. Relapse is a significant part of dealing with gambling harm.

The first step is recognising there is a problem. The second step is reaching out for help. The third step is bringing supporters around. The fourth step is modifying the environment. That is where the \$1 bet limits, the mandatory pre-commitment or budgeting are really important factors. It is venues having some responsibility to identify risky behaviour that is also really important. Responses have to be about a shared responsibility. The government has a role as a regulator and funder of services. Venues have responsible gambling responsibilities and requirements. Services have responsibility to actually work with people and help them and to work closely with industry to be best picking up people with gambling harm. Certainly where we can get more referrals from the venue, that makes a big difference too. That is all part of it. It is a bit of a mix but it is about recognising the problem, seeking help and having an environment that is able to support a person that is trying to reduce their gambling harm.

THE CHAIR: Mr Rattenbury, to close.

MR RATTENBURY: We spoke earlier about recommendations the committee might make. I want to ask you to summarise at the end: if you were to suggest to the committee key findings we should make or key propositions we should put forward, what are your top few?

Mr Henley: Obviously, number one is reducing the amount of money that people can spend on poker machines. It is the \$1 bet limit and it basically saying “set a budget”.

In so much of our financial life we talk about financial management. Our financial counsellors spend time helping people develop budgets, yet with something that is as open ended as gambling, we have active resistance to any notion of setting a budget. We find that pretty surprising.

We think the taxation rate is an important one. We have mentioned the community chest notion where there is opportunity for the local community to work with clubs, with government to develop alternatives. I know you asked Senator Xenophon how do we go about getting alternatives to pokies venues in clubs. Part of that is, in fact, going back to the community and saying, "Here are the small grants to help you set up alternatives. What are you going to come up with?" Assuming a community chest, one of the criteria could be that some of the money is allocated to projects that actively occur in clubs that use the venues.

I think there are ways of going back to the community and saying, "You do some creative thinking. You come up with some ideas. Work with the clubs. Work with government to come up with a broader range of alternatives." I think that is a really useful way forward too.

THE CHAIR: We will close there. On behalf of the committee I thank you, Mr Henley and Ms Richens, for attending today on behalf of UnitingCare Australia. Thank you for your comments. You undertook to provide some further data on possible activity in other jurisdictions and some of the NATCEM data. If that could be received within, say, two weeks, we would be grateful.

Members, if you have further questions for those here with us today, if they could be forwarded quickly and if they could be answered within two weeks of receipt. When available a proof transcript will be forwarded to witnesses to provide an opportunity to check the transcript and suggest any corrections. With that, the committee will continue its public hearings tomorrow, Wednesday, 10 June from 1.30 to 4.30. I now formally declare this public hearing closed.

The committee adjourned at 3.59 pm.