



LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

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*SELECT COMMITTEE  
ON  
EFFECTS OF POKER MACHINES  
IN COMMUNITY VENUES*

**REPORT**

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**FEBRUARY 1995**

## TABLE OF CONTENTS

	Page
Chapter 1: INTRODUCTION	5
1.1 Appointment	5
1.2 Terms of Reference	5
1.3 Approach	5
Chapter 2: BACKGROUND	7
2.1 Definitional	7
2.2 Current Pattern of Gaming in the Territory	8
2.3 Essential Parameters in Expansion	8
2.4 Announced Government Predisposition	9
2.5 Activity of the Committee	10
2.5.1 Gathering Information Within the Territory	10
2.5.2 Gathering Information Interstate and Overseas	11
2.5.3 Written Submissions Received and Documents Consulted	11
2.5.4 Reports and Other Material Considered	11
Chapter 3: SUMMARY AND RECOMMENDATIONS	13
Chapter 4: REGULATORY DESIGN	17
4.1 Regulatory Background and Objective	17
4.2 Patron Benefit and the Tax Basis	20
4.3 Community Benefit	22
4.3.1 Location & Economies of Scale	22
4.3.2 Machine Taxation	24
4.3.3 Machine Ownership	26
4.3.4 Machine Allocation	29
4.3.5 Professional Club Management	31
4.4 Government Benefit	34
4.5 Machines in Hotels	34
Chapter 5: PERSONAL, SOCIAL AND ECONOMIC CONSEQUENCES	39
5.1 Assessment Considerations	39
5.2 Player Profile	40
5.3 Personal and Family Consequences	42
5.4 Social Consequences	46
5.5 Economic Consequences	47
5.5.1 Government Revenues	48
5.5.2 Club and Hotel Revenues	48
5.5.3 Employment	48
5.5.4 The Northern Territory Economy	49

Chapter 6:	MITIGATING THE NEGATIVE IMPACTS	53
	6.1 Machine Controls	53
	6.1.1 Machine Numbers	53
	6.1.2 Machine Types	54
	6.1.3 Machine Limits	55
	6.1.4 Future of Old Gaming Machines	55
	6.2 Venue Operational Controls	56
	6.3 Consequential Services Provision	58
	6.4 Community Education	60
	6.5 Research	60
Chapter 7:	ENSURING FAIRNESS, EFFICIENCY AND INTEGRITY	65
	7.1 Regulatory Control	65
	7.2 Regulatory Efficiency	65
	7.3 Fairness	66
	7.4 System Integrity	67
	7.4.1 Effective Legislation	67
	7.4.2 Venues, Managers and Special Staff	67
	7.4.3 Inspection and Audit	68
	7.4.4 Monitoring	69
	7.4.5 Software & Hardware Testing	71
	7.4.6 Manufacturers	72
	7.5 System Efficiency	72
	7.5.1 Machine Efficiency	72
	7.5.2 Industry Training	73
	7.5.3 Future Flexibility	74
Chapter 8:	ACKNOWLEDGMENTS	75
	APPENDICES	77
	A. Distribution of Draw Card Machines at Present	78
	B. Witnesses Who Gave Evidence to Members of the Committee in Public and Private Meetings.	80
	C. List of Written Submissions to the Committee	87
	D. Documents Consulted by the Committee	88
	E. Membership of the Committee	95

## Chapter 1

### INTRODUCTION

#### 1.1 Appointment

On 13 October 1994, the Legislative Assembly of the Northern Territory established a select committee to examine the effects of introducing poker machines into community venues and associated issues and to report to the Assembly in February 1995.

#### 1.2 Terms of Reference

The Committee's Terms of Reference are to inquire into and report on:

- (a) the personal, social and economic consequences for individuals, families and the community at large from the availability of Poker Machines in community venues;
- (b) the means by which any negative impacts of Poker Machines in community venues can be minimised;
- (c) the form and extent of regulatory mechanisms, covering the positioning, ownership, operation, and control of Poker Machines in community venues, necessary to ensure that fairness, efficiency, and integrity are maintained.

#### 1.3 Approach

The Committee took evidence from interested individuals and organisations in all of the main centres of the Territory, both by arrangement and in accordance with a published schedule.

It also met with the responsible Ministers in South Australia and Tasmania, and took evidence from government regulators, academic staff with research projects in this field, welfare agency directors and clients, and Poker Machine industry representatives in Brisbane, Sydney, Adelaide, Melbourne, Canberra and Hobart. Their cooperation, both in terms of experience shared and material provided, was fulsome.

This report reflects the input from all of these sources. Without their generosity our task could not have been completed satisfactorily in the allotted time.

## Chapter 2

### BACKGROUND

#### 2.1 Definitional

For the most part Poker Machines are played by individuals for entertainment, buoyed along by occasional wins and the chance of a substantial winning combination. Players are content to buy leisure time in front of the machine.

Over a long cycle of plays each Poker Machine holds on to a factory set percentage of turnover. This activity is taxed by the State or Territory Government concerned, and the balance accrues to the machine operator, usually the venue proprietor.

Some definition of the following terms will assist in understanding this report.

***Poker Machine*** is a mechanical or electronic gaming machine accepting a succession of wagers of one or a multiple of credits for the chance of achieving preset or illustrated win combinations and allowing withdrawal of the net proceeds at any time in cash.

***Draw Card Machine*** is an approved gaming machine currently installed in certain clubs and hotels in the Northern Territory and in respect of which withdrawal of net proceeds is lawful only in goods supplied by that venue.

***Turnover*** is the accumulation of amounts wagered; for example, five 20 cent credits bet on a Poker Machine produces a Turnover of \$1, irrespective of the result of the spin or game.

***Player Loss*** is the net amount of money lost by players on the machines. It is interchangeable with the "Gross Profit" of machines or "Net Revenue" from players in the venue. Player Loss is the preferred term in this report, as it avoids the possible interpretation of capital or other deductions being applied to determine profit or revenue.

***Tokenisation*** is where multiple credits appear on the machine when a larger denomination coin or note is inserted, eg, ten x 10 cent equivalent credits for a dollar coin.

## 2.2 Current Pattern of Gaming in the Territory

There are two licensed Casinos in the Northern Territory, Diamond Beach Hotel Casino in Darwin and Lasseters in Alice Springs, each having an exclusive right within its respective Division of the Territory to offer forms of gaming which are otherwise illegal.

The Divisions are bounded by the eighteenth parallel of latitude (north of Tennant Creek, so that centre is in the southern Division). According to the latest available population estimates, 129 000 people live in the northern Division and 40 100 in the south.

Each Casino has had Poker Machines from the outset. Diamond Beach now has 342 machines and Lasseters 188.

Even before the advent of the casinos, there were Draw Card Machines in clubs. Because of the gaming exclusivity arrangements written into the agreements with the casinos, these machines have been restricted to allow payouts only in goods available in the venue and to feature video card games rather than depiction of reels. They are not taxed.

In November 1990 the same gaming arrangement was extended to hotels, but with application of a tax of 6% on Turnover, half of which is paid to local sports and community groups on the recommendation of the respective hotels.

The location and usage of these Draw Card Machines is shown in the tables at Appendix A.

There is clearly a vast difference in the popularity of the 360 or so machines in the various venues: in fact, only 23 of the 77 venues achieved a profit of more than \$25 per machine per day.

The Arnhem Club is almost in a league of its own in these tables. That Club has achieved its position both through the nature of the community it serves and by devising a system of house currency to store accumulated winnings for redemption via both stock and a variety of agency services.

The impact of the switch to Poker Machines on venues having an investment in Draw Card Machines, and measures for its amelioration, have been raised as issues before the Committee. These issues are tied also to the future of the agents in the Territory who supply those machines under lease to those venues.

## 2.3 Essential Parameters in Expansion

Agreement has been reached between the Northern Territory Government and the two Casino operators for a range of legislative and contractual amendments affecting their businesses through to a common licence expiry date of 30 June 2003. One result of these changes is that the Casinos will lose their exclusivity in respect of Poker Machines from

1 July 1995. The changes are to be formalised in legislation.

Bound into these arrangements are parameters for the introduction of Poker Machines in community venues. These were announced by the Treasurer in the Legislative Assembly on 13 October 1994 as:

Limitation of machine numbers.

- A maximum of 500 in the northern Division (260 in year 1).
- A maximum of 180 in the southern Division (90 in year 1).
- More machines may be allowed by subsequent agreement between the Government and the Casino operators, after consideration of issues such as the balance of community benefit and the effects on casino profitability.

Distribution of machines.

A ratio of 80% in Clubs and 20% in hotels.

Monitoring.

On-line government monitoring and deductions processing for all machines

Compensation to Casinos.

2.75% of the Turnover of machines in community venues will be remitted to the respective casinos until 2003

## 2.4 Announced Government Predisposition

The Treasurer has also announced government policy predisposition in a number of associated areas which have a bearing on the introduction process for community venues and for the review now conducted. These include:

- strict manufacturer pre-qualification;
- licensing of all people associated with machine operation and maintenance;
- government ownership of machines;
- machines leased impartially to venues at a monthly rental of \$250 (indicative);
- maintenance of machine electronics only by government contractors;
- some distribution priority to venues now having non cash paying gaming machines;
- tax on community machines at 3.75% of Turnover;
- community Fund Levy of 3% of the Turnover of machines in Hotel venues;
- machines set to provide a minimum return of 88%;
- audits to reconcile central and venue records and accounts;
- the Community Fund will cater for services to problem gamblers, charities who may suffer some decline in donations, sports not benefiting from enhanced club revenues, and recreation and social programs.

Other general statements covering the background to the decision are contained in the Ministerial Statement made by the Treasurer on 13 October 1994.

## 2.5 Activity of the Committee

### 2.5.1 Gathering Information Within the Territory

The Committee held meetings by appointment and convened publicised public meetings in Darwin, Alice Springs, Nhulunbuy, Katherine and Tennant Creek. Interest as reflected in attendances was patchy (see Appendix B). Whilst the government decision to introduce Poker Machines had been covered extensively in the media there was frequent expression of disappointment that the details of the arrangements with the casinos in exchange for their loss of exclusivity as well as general information on alternatives available during the introduction phase were not available in sufficient detail to generate comprehensive community input to the Committee.

Copies of speeches and announcements have been available through the offices of the respective MLAs throughout the Territory and to some extent the apparent information vacuum has been caused by inactivity by the clubs and others, individually and collectively. The community feedback on social, economic and regulatory issues was limited in these initial meetings, but the meetings did allow for the dissemination of information. This, together with the extension of time in some cases for the presentation of written submissions, allowed as much community response as was available within the available time.

Some criticism of the government's failure to consult the community before deciding to widen the distribution of Poker Machines beyond the Casinos was voiced by church and welfare representatives seeking to have the decision reversed. Others complained of the ambitious target date for the start of Poker Machine installation and of the short time given to this Inquiry.

Representations were also received from those who consider that the compensation payable to the casinos for the relinquishment of their right of exclusivity is either too generous or should not be drawn from the new Poker Machine venues. The restriction on the number of Poker Machines and their split between clubs and hotels also drew criticism.

These decisions are not for review by this Select Committee. The Committee's role is ultimately to report to Parliament on an appropriate implementation strategy given the impacts it detects. There is some parallel here with the position of Sir Laurence Street, AC, KCMG, when faced with similar representations during his Inquiry into the Establishment of Legal Casinos in NSW. He said in his report:

*"The inquiry was appointed by the Government to investigate and report objectively on the social, economic and tourist implications of introducing legal casinos and on the adequacy of the principles in the proposed Bill from the*

*criminological point of view. It is the province, as well as the responsibility, of Parliament to decide whether or not legalised casinos should be introduced along the lines of the Bill. I was neither invited, nor would I have accepted an invitation, to intrude my own views into the determination by Parliament of this ultimate question."*

Although this Select Committee is formed by the Parliament itself, its activity is also restricted to particular issues. Our collective response to approaches as to the ultimate parliamentary decision on the issue, as distinct from what may be our individual positions as Members of the Parliament, is the same as that adopted by Sir Laurence Street.

### 2.5.2 Gathering Information Interstate and Overseas

The Committee or Committee Members made visits to Australian and overseas jurisdictions having or contemplating community based Poker Machines and met a broad cross section of industry participants, including Government Ministers, regulators and service providers, club and hotel associations, venue operators, machine operators, welfare agencies, electronic monitoring organisations, suppliers, researchers and addicts. Material was readily shared and opinions frankly extended.

Details of participation in these meetings are included in Appendix B.

### 2.5.3 Written Submissions Received and Documents Consulted.

Written submissions to the Committee are listed in Appendix C and documents consulted are listed in Appendix D.

### 2.5.4 Reports and Other Material Considered

The Committee's attention was drawn to the Review of Electronic Gaming Machines in Victoria, April 1994. The report of that Review contains material and analyses relevant to this Inquiry<sup>1</sup>.

Two milestone studies conducted for the Queensland Government into the impact of the introduction of Poker Machines in that State also provided useful guidance. One is the Social and Economic Impact Study (first year), the other the study of the effects on Charitable Fundraising.

<sup>1</sup> Referred to in this report as the Victorian Review Report, April 1994

### SUMMARY AND RECOMMENDATIONS

The Committee is charged with predicting the consequences of the extension of Poker Machines into community venues, with showing how adverse impacts can be lessened and with describing an appropriate and proper regulatory system.

This report contains current information, including research findings, about the operation of Poker Machines across the various jurisdictions in Australia. It also describes the circumstances in the Northern Territory into which the Poker Machine initiative must meld.

The resultant recommendations, which are listed hereunder, recognise that the Territory will have to cope with its own environment in its own way. Valuable guidance shines through from the State systems, but it is not possible to create the strategic framework anticipated by the Terms of Reference by adopting one of those systems or by forming an institutional alliance with one of their participants.

The recommendations of the Committee are, in order, as follows.

- 1. The regulatory system for the Territory should be designed to meet its own circumstances (Chapter 4.1).**
- 2. The primary objective in extending the distribution of Poker Machines in the community should be explicit, ie, to provide a productive local leisure activity, delivering proceeds:**
  - to clubs, to improve neighbourhood recreational amenity, and
  - to government, for services to all Territorians (Chapter 4.1).
- 3. A comprehensive review of the Poker Machine industry in the Northern Territory should be conducted in 1998 (Chapter 4.1).**
- 4. Tax should be levied as a percentage of Player Loss rather than of Turnover (Chapter 4.2).**
- 5. The tax rate on machines in clubs should be reduced to 25% of Player Loss (but preferably to 20%) and the clubs should be relieved of the machine cost (Chapter 4.3.2).**

6. **The Government should**
  - remain the legal owner of the Poker Machines in community venues; and
  - actively manage the placement of its machines, as far as possible according to the needs of each venue (Chapter 4.3.3).
7. **Poker Machine distribution to clubs should be made objectively, according to a plan which optimises benefit in terms of the primary community benefit objective (Chapter 4.3.4).**
8. **Relatively unproductive machines must be relocated after a reasonable review period (Chapter 4.3.4).**
9. **A Poker Machines Board, comprising the heads of the Racing and Gaming Authority, the Treasury, the Department of Health & Community Services and the Commissioner of Police, should be established in the legislation to**
  - acquire, maintain and dispose of Poker Machines;
  - contract with venues for the positioning and care of machines;
  - allocate and review the allocation of machines in each venue; and
  - make full public report of its actions and any appeals thereof (Chapter 4.3.4).
10. **A club venue applying for an eligibility licence for Poker Machines must have a current liquor licence and, if the total number of machines is ten or more, then it must also be incorporated under the Corporations Law (Chapter 4.3.5)**
11. **Priority for the distribution of Poker Machines to clubs should be determined on the basis of both an analysis of the application itself and of a comprehensive business plan (Chapter 4.3.5).**
12. **The tax rate on machines in hotels should be reduced to 25% of Player Loss (but preferably to 20%) and the hotels should be relieved of the machine cost (Chapter 4.5).**
13. **The initial allocation of Poker Machines to clubs should have regard for their capacity to meet ongoing financing commitments entered into with reliance on revenue from superseded Draw Card Machines (Chapter 6.1.1).**
14. **A maximum of six Poker Machines be authorised in any hotel (Chapter 6.1.1).**
15. **There should be a game limit of \$2.50 on community based Poker Machines (Chapter 6.1.3).**

16. (a) **The licence for Draw Card Machines remaining in clubs should lapse on the date of effect of the respective venue's Poker Machine operations or on 1 July 1998, whichever comes first.**
  - (b) **All Draw Card Machines should be made subject to a tax of 3% of Turnover in the form of a Community Benefit Levy from 1 July 1995 (Chapter 6.1.4).**
17. **Rules covering machines and machine area use, security and dispute resolution should be displayed and enforced, and credit must not be allowed (Chapter 6.2).**
18. **Clubs should be required to disclose the flows of funds derived from members and the community, and their break-up, in a simple and uniform manner (Chapter 6.2).**
19. (a) **The Community Benefit Levy should be administered by an Inter-Departmental Committee, under published criteria and with its flows publicly reported.**
  - (b) **A base line study into the extent and effects of gambling should be commissioned forthwith as a charge against these funds and a rehabilitation network should be designed using the results of this work.**
  - (c) **Those rehabilitation services should be contracted out after public tender (Chapter 6.3).**
20. **A community education program about gambling and sensible family budgeting should be designed and promulgated as a cross-cultural initiative, and contacts for counselling services displayed at all Poker Machine cash desks (Chapter 6.4).**
21. **The Department of Health and Community Services should initiate a baseline study of the extent and impact of gambling on individuals and families in the Northern Territory, as well as a social and economic impact study into the effects of Poker Machines once they are operational in community venues (Chapter 6.5).**
22. **A single regulatory authority should be formed by the amalgamation of the Liquor Commission and the Racing and Gaming Authority (Chapter 7.2).**
23. **For the reassurance of players, Poker machines should be badged as being the property of, and centrally monitored by, the Northern Territory Government, and as returning at least 88% to the player over time (Chapter 7.3).**
24. **Managers and technical employees and floor operators' licenses should be open ended and subject to cancellation on conviction for certain classes of offence. Lower levels of venue employee should not be fingerprinted (Chapter 7.4.2).**

25. **A staff training strategy should be developed as a joint effort between the hotels and club Associations, the casinos, the Racing and Gaming Authority and TAFE representatives (Chapter 7.4.2).**
26. **External auditors of licensed venues must immediately report accounts irregularities to the regulatory authority (Chapter 7.4.3).**
27. **The Northern Territory Treasury should operate a stand alone dial-up electronic Poker Machine monitoring system suitable for local conditions (Chapter 7.4.4).**
28. **The regulatory authority should be responsible for testing and approving all machines and ensuring their integrity (Chapter 7.4.5).**
29. **Expressions of interest should be called for the maintenance of Poker Machines under contract, in anticipation of the eventual tender process (Chapter 7.5.1).**
30. **To ensure flexibility the Poker Machines Board should adopt a conscious risk management strategy for the acquisition, updating and replacement of its machines (Chapter 7.5.3).**

## REGULATORY DESIGN

### 4.1 Regulatory Background and Objective

There are quite fundamental differences in the regulatory systems surrounding Poker Machines in the States and the ACT. These arise out of deliberate and quite different policy objectives, founded in historical and cultural differences as well as unique economic and political pressures and realities.

For example, Queensland introduced Poker Machines at a time when the finances of most of its incorporated associations were parlous and when associated sports and activities were suffering. They also had a cross border leakage problem (as did Victoria) into NSW.

Queensland was unique in that casinos were operating there at the time. Introduction required care so as not to disturb the casinos' position in tourism and as a revenue source. The high tax/levy mix, particularly for hotels and based on machine Turnover rather than gross profit (Player Loss), drove down the player return in all new venues and reduced competition with the casinos.

The tax system also allowed the Queensland government to give a direct boost to community welfare rather than relying on the goodwill of the venues in possession of new funding. The stated objective of improving facilities in clubs was achieved not only by allowing them to keep much more of the profit than the hotels, but also by limiting the number of machines in hotels.

NSW and the ACT allow the venues to keep much more of their Poker Machine profits (Player Loss) than anywhere else. Their clubs are advantaged even more than figures indicate because hotel machines can have card games only, they are hopperless (credits cannot be redeemed direct from the device) and there are limitations in hotels on the number of machines allowed (10), on the credits bet and on the jackpots offered. This advantage has led to the evident and sometimes spectacular success of clubs.

Victoria chose an even handed approach between hotels and clubs, one driven more deliberately towards revenue maximisation. Its system licenses two firms to own and operate Poker Machines and to take a third of machine revenue (Player Loss). This causes aggressive competition in venue selection and promotion. The government takes a greater share of revenue than in NSW, at the expense of the venues. The government is also placed to extract large up-front premiums for term licences to operators. Hotel venues contribute a proportion of their returns to a community fund.

South Australia, now in the process of installing Poker Machines, has not differentiated between hotels and club venues. This is likely to give hotels, with generally more

professional full time management, a commercial advantage which the clubs will find hard to overcome.

In Tasmania, the framework to be implemented reflects the agreement reached with Federal Hotels that they will own and operate machines in community venues and pay a stated proportion of revenue earned to the venues. This agreement was necessary because of exclusivity clauses in the agreements covering the operation of casinos in that State.

Every system has its own pattern of social and economic impact, so it is not possible to generalise about the effects of the introduction of Poker Machines into community venues. Consequently, the Committee had to anticipate the probable shape of the Northern Territory system. This meant that it had to consider its regulatory reference first.

The background influences to system design for the Northern Territory produce a unique circumstance. Such factors include:

- the agreement to compensate the Casinos for the time being;
- a finite limit to the number of machines to be allowed;
- pre-existing public familiarity with Poker Machines in Casinos in the major towns;
- Draw Card Machines present in clubs and hotels; and
- long-standing government policy to strengthen clubs as social venues.

They combine to create an environment into which it would be very difficult simply to import one of the existing State systems.

This led the Committee to its first and fundamental recommendation.

#### **Recommendation 1**

**The regulatory system for the Territory should be designed to meet its own circumstances.**

In order to come to grips with system design the Committee had to be quite precise in its interpretation of the objective of Government in allowing the introduction of Poker Machines into community venues.

There is a long and bipartisan thread to the policy of strengthening clubs in the Northern Territory. Generous allocations of land have been made to them in all centres for construction of premises and facilities. Grants, for both capital and recurrent purposes,

are made to clubs each year as a means of promoting general club activities and for the encouragement of sport in particular.

The proceeds from Poker Machines to clubs will augment their internal capacity to fund these activities, and to provide better surroundings and services, in direct proportion to the extent that they are used. A proportion of club members will devote regular blocks of their leisure time to this activity, provided they perceive value-for-money entertainment. These fundamental concepts are discussed later in this report.

The extension of Poker Machines into community venues has been interpreted by the Committee as a deliberate move to strengthen the club industry and to derive a State-like revenue flow to give it the capacity to fund State-like services to all Territorians. **The Committee would have reached different conclusions in a number of respects had the principal objective of Government been seen as, say, "maximisation of tax revenue" or "more widespread public access to recreational gaming product".**

As there is potential ambiguity, the Committee believes that decisions to be taken in both the consideration of this report and in the implementation phase will be more soundly reached if put in the context of an explicit policy objective. That objective would then be included in the preamble of the regulatory legislation to reinforce its intent. The following recommendation establishes this objective.

#### **Recommendation 2**

**The primary objective in extending the distribution of Poker Machines in the community should be explicit, ie, to provide a productive local leisure activity, delivering proceeds:**

- to clubs, to improve neighbourhood recreational amenity; and
- to government, for services to all Territorians.

Creation of employment, tourism development, social and economic impact minimisation (including the installation of some machines in hotels) and sporting development are all subsidiary aims within this objective.

Formal recognition of this objective, or of any other for that matter, has strategic implications, most significantly for the tax regime, but also for the distribution of machines.

Given the polarisation of some views expressed to the Committee and the range and extent of vested interests in the outcome of this Inquiry, it is quite clear that any rationing or concentration of Poker Machines, or changes in the delicate market relationship between

clubs and hotels in pursuit of this objective, will draw negative comment from some quarter.

Also, there will be those who will represent that the controls recommended to be implemented to ensure probity are too onerous and should be relaxed or at least phased out, and others who will claim to have earned "rights" in the gaming arena, including rights to compensation or to some different tax impost, which have to be recognised.

In anticipation of these representations it is proper to include a reminder that:

1. **legalisation of gaming creates strong and selfish interest groups;**
2. **the government's position of responsibility and accountability for probity and fairness must be paramount and unambiguous; and**
3. **licences to operate in the field of legal gaming represent revocable privileges, not rights.**

The Government has all the powers necessary to ensure its objectives are met and this report continues on the assumption that they will be used. This imperative is considered also in Chapter 7 of this Report.

The recommendations of this Inquiry are designed to produce a sound footing and the desired direction for the industry. There is, however, no means of assuring that its objectives, including those for the mitigation of negative impacts, will be met. A review and retuning process will be important. Announcement of this review mechanism will allow participants to make adequate preparation and provide a forum within which the ongoing social and economic impact study, recommended later in this report, can be considered.

#### **Recommendation 3**

**A comprehensive review of the Poker Machine industry in the Northern Territory should be conducted in 1998.**

#### **4.2 Patron Benefit and the Tax Basis**

Only a small minority of the community will play Poker Machines regularly as a leisure activity.

Most players realise that, at least collectively, they will lose money. Essentially they are buying time in front of a machine capable of displaying millions of gambling combinations

at random and producing entertaining effects, with the small chance of a substantial win along the way.

The average time provided for a given investment, and therefore the entertainment value, varies with both the overall payout setting and the spread of smaller pay combinations on the respective machine.

The design of the tax system affects the entertainment value and extent of use of the entire system.

If taxation (including any levies) is a *fixed percentage of the Turnover* of machines, the venues take the variable residual of Player Loss and may incur a loss themselves if there is a large payout in the period. This is particularly relevant to the relatively small Territory venues.

Where tax is a percentage of Turnover it is natural that the venue will be disposed to acquiring machines with payout settings down towards the minimum allowable. Clearly, average play time for patrons is shortened (for the same expenditure) as the payout return declines. Some new games with better player odds are effectively disqualified altogether under this method of taxation, limiting future flexibility.

Queensland and South Australia have adopted Turnover based tax systems and their machines run very close to the minimum allowable return rate to patrons.

*"Queensland would have the best Poker Machine system in Australia if it were not for the Turnover based tax system."*<sup>2</sup>

If taxation is legislated as a *proportion of Player Loss*, the play time is able to be extended by selecting higher payout machines. On the presumption that, over time, the patron will spend his or her personal limit, there will be at least the same end result for the venue and government. In fact there is the potential to increase overall Player Loss (across more players) as satisfaction with this entertainment form increases.

NSW, the ACT and Victoria all derive their tax as a proportion of Player Loss.

*"Advances in technology ... have made taxation based on gross play an anachronism that belongs to the pre-electronic era. New systems ... allow immediate and secure computation of net cash held on a timely and reliable basis. Such a system assures both business and government that uncontrollable fluctuations in the relationship between gross play and net cash held will not adversely affect either party."*<sup>3</sup>

The only real argument advanced to the Committee in support of the Turnover system was that it is absolutely certain and predictable in its application. Only the inwards coin counter on the machine has to be monitored.

<sup>2</sup> Noel Gorman, President of the Registered and Licensed Clubs Association of Queensland

<sup>3</sup> From Paper prepared by Tattersalls, May 1991.

Because the alternative Player Loss basis of taxation is sometimes referred to as a "profit" based system, ie, profit by the Poker Machine operator, it is easy to conclude that some capital or operating deductions are involved in establishing that profit and that uncertainties due to the application of discretion may be involved.

Actually all that is involved is subtraction of the coins out meter reading from the coins in meter reading - both are monitored by the central electronic system.

The Northern Territory Government has indicated that its predisposition is for a Turnover based system of taxation. For the reasons stated above, the Committee has concluded that changing to a Player Loss basis of taxation would better serve the objective of this community initiative.

#### **Recommendation 4**

**Tax should be levied as a percentage of Player Loss rather than of Turnover.**

### **4.3 Community Benefit**

Clubs are non-profit organisations whose income cannot by law be distributed to their members, corporations or any individual. All surplus revenue is reinvested in club facilities or donated to charities and community organisations.<sup>4</sup>

The degree to which Clubs and their surrounding communities will benefit from Poker Machines is dependent significantly on location and economies of scale, the extent of tax extracted, the machine ownership and allocation arrangements and the professionalism of management.

#### **4.3.1 Location and Economies of Scale**

As there is a limited and finite number of machines to be installed in clubs, their location is going to be vital if neighbourhood amenity and government revenue targets are to be met.

The productivity in terms of Player Loss per machine can easily vary from \$1000 to \$5000 per month, with outstanding examples outside this range.

Where there is only a small number of machines in a venue, the fixed operational overheads of the installation impact very heavily on the bottom line, leaving little, if any

<sup>4</sup> Pamphlet "The New South Wales Registered Club Industry".

surplus after tax for the benefit of the club. Appendix A, relating to current Draw Card Machines, gives a good illustration of what happens in a relatively unregulated (in terms of machine numbers) environment. Clearly some clubs have introduced Draw Card Machines as a subsidised form of amusement for members. This sort of "all comers" distribution will completely undermine the economic potential of Poker Machines in the Territory.

On economy of scale grounds alone, a distribution of 540 machines to clubs on the basis of five each would produce quite a different result for the club industry (and for government) from, say, ten sites with forty and fourteen with ten.

Some clubs are, by their nature and constitution, very restrictive of membership, preventing the flow of benefit from even well producing machines fairly into any broad base of social patronage. *"It's a blokey sort of club in a sport that has always been blokey - the call of the sea and all that. Of the club's ordinary members, only about 10% are women."*<sup>5</sup>

Location, and the ability of a club to understand and capitalise upon the local community profile in terms of potential membership, produces commercial advantage through factors of scale. *"If clubs rely on their sporting membership they will go broke."*<sup>6</sup>

Golf Clubs and Sailing Clubs are especially prone to low turnover Poker Machine operation, as their membership uses the premises as a base and spends relatively little time socialising indoors.

People who will regularly include Poker Machine playing as part of their leisure activity, and particularly those with the most leisure time (retirees and those whose families have grown up), are likely to demand a good choice of machines, because the fortunes of individual machines, or types of machines, are perceived to fluctuate. For this reason figures in the States show that, where the population base is sufficient, individual machine productivity keeps rising until the number of machines in venues reaches at least the 200 mark.

In Queensland applications for machines are approved by the Machine Gaming Commission. Even in a situation where overall machine numbers is not an issue, the Commission is very reluctant to approve of installations with fewer than five machines.

The view expressed on behalf of the Registered and Licensed Clubs Association of Queensland was that a venue with ten machines is marginal after staff costs. This was confirmed by the Licensed Clubs Association of the ACT, which organisation offered the view that a venue can not have a representative floor-plan with less than 60 Poker Machines.

<sup>5</sup> Re Cruising Yacht Club of Australia - The Australian Magazine Dec 10-11, 1994.

<sup>6</sup> Noel Gorman, President of the Registered and Licensed Clubs Association of Queensland.

#### 4.3.2 Machine Taxation

The incidence of tax on Poker Machine gaming in the States and ACT varies considerably. Comparison is difficult because of the different tax systems in operation, Profit or Turnover based.

The following Table compares the tax impost on the simple basis of \$100 Player Loss, so is neutral to the way the tax is calculated. Where necessary it is assumed that the machine is running at average Turnover for the location.

<b>Poker Machines in Australia</b>			
Distribution of \$100 Player Loss			
LOCATION	IN CLUBS		
	STATE TAX & LEVIES	MACHINE COSTS Including Monitoring	VENUE After Hardware Cost
NSW	\$20.92	\$9.96	<b>\$69.12</b>
VICTORIA	33.33	33.33	<b>33.34</b>
QUEENSLAND	32.25	10.62	<b>57.14</b>
SOUTH AUST.	32.31	16.38	<b>51.32</b>
ACT	22.50	9.30	<b>68.20</b>
TASMANIA	27.00	54.89	<b>18.11</b>
<i>NT (proposed)</i>	54.17	11.96	<b>33.87</b>

General assumptions: Machine cost \$9000 and depreciated 25% pa; \$20 per month venue maintenance per machine

Machine costs in the Victoria and Tasmania rows are high because in each case a third party "operator" will own all machines placed in the venues and be entitled to a share of revenue. The machine cost in Tasmania also includes the maintenance fee payable to the "operator" by each venue.

The Northern Territory 'proposed' row is based on the announced indicative tax level of 3.75% of Turnover, as well as the 2.75% levy on Turnover payable to the Casinos for the balance of their Licence term, on an 88% return to player.

In comparing taxes and levies, in both this table and the one in respect of hotels in Chapter 4.5, it is important to consider the total government impost when establishing what is a Statelike revenue position. Whether some of the government impost goes direct to a welfare purpose is not relevant in these considerations, as other States use their Consolidated Fund, into which all their tax flows, to meet similar needs. In the Territory case, the fact that the government has agreed to compensate the casinos for the drop in patronage due to community poker machines, compensation which happens to be measured by the use of such machines, does not mean that the amount concerned should be additional to a Statelike level of Poker Machine taxation. A holistic approach recognises that the casinos will also be paying a greater proportion of their own revenues on in-house Poker Machines to government.

Separate identification of only the 'cost to government' side of the casino licences renegotiation as a levy on venues has been the subject of many negative submissions received by the Committee, particularly from clubs whose level of activity will have no impact on either casino.

Clearly the 'tax' in the Territory is out of proportion and the net return to a Territory club will be insufficient for it to achieve the sort of community development anticipated by government unless it is very large.

At the rate proposed, a good average machine (yielding a Player Loss of \$2400 per month) would deliver only \$800 per month to the club, compared with over double this in Qld/NSW/ ACT (with the same sort of community development objective via clubs as the Territory).

Careful examination of these circumstances led the Committee to conclude that there was no room in the structure of the industry in the Northern Territory for injection of an independent machine owning entity, such as Tattersalls or Tabcorp in the Victorian model, taking commercial returns.

In fact, if the objective set for this initiative is to be reached, then either the 'tax' has to be lowered or the machine costs absorbed by government rather than the club, or both.

Because venues in the Territory will be very small relative to the States, relief from the machine ownership cost, raising the club take to about \$45 per \$100, may look good against Victoria (without recognising the great economies of scale in its venues) but will produce insufficient venue effect in the Territory to be meaningful. Some downward adjustment of the tax rate itself will have to occur if the machines are to be anything more than tax gatherers.

At an 88% return to players there is a set mathematical relationship between Turnover and Player Loss. Tax reduction from the proposed 3.75% to 3% of Turnover sets tax at the equivalent of 25% of Player Loss, and tax at 2.4% of Turnover equals 20% of Player Loss.

The following table shows the result of the government owning and not on-leasing the machines and of reducing its indicated tax rate. The \$0.83 is allowance for \$20 per month per machine for minor venue maintenance.

**Distribution of \$100 Player Loss**

	Tax	Machine Cost	Club
<i>NT (31.25% tax as proposed)</i>	\$54.17	\$11.96	<b>\$33.87</b>
<i>NT (Same but no lease charge)</i>	\$54.17	\$0.83	<b>\$45.00</b>
<i>NT (25% tax rate &amp; no lease)</i>	\$47.92	\$0.83	<b>\$51.25</b>
<i>NT (20% tax rate &amp; no lease)</i>	\$42.92	\$0.83	<b>\$56.25</b>

Even at 20% the club in the Northern Territory retains less than its counterpart in any of the States with a deliberate club strengthening objective. This led the Committee to the following recommendation:

**Recommendation 5**

**The tax rate on machines in clubs should be reduced to 25% of Player Loss (but preferably to 20%) and the clubs should be relieved of the machine cost.**

**4.3.3 Machine Ownership**

The extreme variation between the State systems extends into the supplier authorisation, machine selection, machine acquisition, machine ownership and monitoring dimensions of the regulatory framework.

The following is a brief comparison of the systems:

**Queensland**

The applicant may stipulate the type of machine, but not in sufficient detail to lead to a single supplier. All purchasing is via bulk tenders called by an independent government Authority which borrows money as required through the government's central borrowing entity. The Authority admits suppliers to a list of approved tenderers and ownership of all machines remains with the Authority. Lease payments of \$210 per month per machine (more for large sites) are made to the Authority. Machines are networked into a government site controller at each venue. This controller records and accumulates information on machine activity and events and is polled daily by a telephone link to the Queensland Treasury. Abnormalities are reported to the venue and made the subject of inspections as necessary. There is no site charge for government monitoring.

**New South Wales**

Clubs buy their own machines, but only from licensed manufacturers. There is no system of electronic monitoring of machines but a timetable for elimination of machines not capable of being linked has been established. The State operates a hardware testing laboratory and has developed interconnection standards and protocols, recognised by manufacturers, to come into force on 1 July 1995. The system relies on comprehensive returns, almost exclusively on computer disk, and verification by an inspectorate.

**South Australia**

Venues are able to deal directly with manufacturers in establishing their needs. Purchasing must be through the Government Purchasing Authority but the venue owns and is responsible for the machines. Monitoring is performed by a company formed by the Hotels and Clubs representative associations at a charge of \$120 per machine per month.

**Victoria**

Venues contract with Tattersalls or Tabcorp, who own all machines, to position machines. Those companies are also responsible for monitoring their machines, which they must do continuously in real time, and promoting the industry. Machine cost to club venues, levied by the respective owning company, is a third of Player Loss.

**Australian Capital Territory**

Machines are owned by the venues, as in NSW, and monitoring is via returns verified by an inspectorate.

## Tasmania

Community machines will be introduced on 1 January 1997. They will be owned by Federal Hotels, holders of the Casino licences in Tasmania, who will pay a set percentage of Player Loss to the venues concerned. Federals will also perform the monitoring function.

The ownership of machines in venues is a controversial issue for venue operators.

In an industry where the popularity of games can change quickly, venue operators (especially large venue operators) generally want the flexibility to choose the machines which they think will perform best in their premises and to form relationships with suppliers so that they can have machine trade-ins and upgrades when they want them. They see government ownership firstly as interference with commercial forces and secondly as leading to a build-up of outdated and under performing machines.

The Territory Government has announced that it is disposed to own the limited number of machines to be allocated and to lease them to venues. This policy arises out of prudential considerations.

In earlier decades there was evidence of corruption in deals between Poker Machine manufacturers and venue purchasers. In order to allay any suggestion that potential or actual repetition of these practices occurs, both Queensland and South Australia interpose a government purchasing agency between the venues and the manufacturers. Having acquired the machines and distributed them according to the generic orders received, Queensland retains ownership of them and the venues hold them under lease. South Australia, on the other hand, acts on specific venue orders and receives reimbursement of cost.

Another reason why Queensland owns and then leases the machines is the relatively small and scattered nature of its venues, many having insufficient capital to pay for machines. Borrowing is often not an available option for small clubs because of their financial status, their lack of transferable title in their site and the fragility of their licences.

Even if small venues could obtain finance they will lack the purchasing power to obtain prices and after sales service anything like that of the larger venues.

Claims were made before the Committee that, in Queensland, price was a dominant tender determinant and that it was hard to trade in or exchange poorly performing machines through the government to the manufacturer.

Central purchasing in South Australia gives the perception of breaking the supplier/venue secret commissions connection. In reality it simply achieves some cost saving via economies of scale and some logistic advantage for initial machine certification as they move through in bulk.

Centralised government purchasing and ownership in Queensland provides the added advantage to the industry in that State of removing the 30% sales tax component of Poker Machine cost. This allows the government instrumentality to charge a monthly rental of \$210 per machine to most venues, an amount which is deemed sufficient to service the capital borrowed from the Treasury as well as covering the maintenance, monitoring and depreciation of the machines.

The Committee has no objection in principle to venue ownership of Poker Machines; however, it finds no alternative to government ownership in the particular circumstances of the Northern Territory at this time.

Recommendations (5) and (12) of this report propose that venues be shielded from any government lease payment as a necessary trade-off with the tax regime. With acceptance of Recommendation (8), machines may have to be transferred between venues on productivity grounds. In combination, these arrangements will mean that the machines are provided to venues under a management contract rather than by lease. Under that contract the allocating authority would have to do its best to keep machines up to date (it would do this anyway under its productivity charter).

Retention of government ownership without leasing also reinforces the Crown status of the machines for sales tax purposes, substantially reducing the chance of an unfavourable ruling creating this liability.

### Recommendation 6

#### The Government should

- remain the legal owner of the Poker Machines in community venues; and
- actively manage the placement of its machines, as far as possible according to the needs of each venue.

#### 4.3.4 Machine Allocation

Optimising the distribution of machines will be a vital aspect of Poker Machine regulation and probably the most difficult to settle in an objective way. To some extent there will be rationalisation over time, as stronger clubs win the competition for active membership and boost their facilities, and amalgamations occur.

The difficulty for the Territory in leaving optimisation (within the finite available machine number) to market forces is the inevitability that some machines will languish in small, quietly self-serving venues, effectively taking them out of the bigger equation.---

**Recommendation 7**

**Poker machine distribution to clubs should be made objectively, according to a plan which optimises benefit in terms of the primary community benefit objective.**

The two stage distribution of machines during the introductory phase will leave some room for fine tuning distribution after initial licences are granted. Clubs achieving the best results will be entitled to more favourable consideration in the second round.

Not only should the initial distribution be as potentially productive as possible, it should be made with a continuing eye to results and be subject to withdrawal of some or all machines where performance in the installation is below expectation or falling. Clearly, such flexibility remains a practical proposition only in the circumstance where the government owns the machines.

**Recommendation 8**

**Relatively unproductive machines must be relocated after a reasonable review period**

The allocation and reallocation process will be conducted in a climate of intense lobbying and pressure. It will be very important for the integrity of the whole system, and not just its productivity, that the formal decisions are made objectively.

This leads to consideration of the composition of the allocation authority.

Some State authorities have pointed out to the Committee that there is no such a thing as an impartial industry representative, and the Committee accepts that, at least until the review is conducted, no club or hotel representatives should be on that authority. This is distinct from consideration of the desirability of having some industry representatives on the regulating authority itself.

At the same time the Committee recognises that, for practical reasons, the staff of the regulatory authority will necessarily be the executive arm of the allocation authority, whatever its status.

The Committee has concluded that there should be a separate and independent Board established to take all Poker Machine ownership decisions and that this Board be serviced

by the executive of the regulatory authority. The recommended membership of the Board should be re-examined in the 1998 review process.

The Committee recognises that the availability of Poker Machines is an article of government policy and therefore the actions of this Board, as a subset of that policy, should be the subject of appeal to the responsible Minister and subject to report.

**Recommendation 9**

**A Poker Machines Board, comprising the heads of the Racing and Gaming Authority, the Treasury, the Department of Health and Community Services and the Commissioner of Police should be established in the legislation to**

- **acquire, maintain and dispose of Poker Machines;**
- **contract with venues for the positioning and care of machines;**
- **allocate and review the allocation of machines in each venue; and**
- **make full public report of its actions and any appeals thereof.**

4.3.5 Professional Club Management

Location and scale factors, as well as the tax system and so on, are important, but the productivity of machines is heavily dependent on club management skills, in particular the reality and perception of:

- integrity of management;
- financial direction and understandable reporting;
- contribution to community works and services in a manner sensitive to member opinion;
- design flair in creating club facilities and in creating the right ambience;
- ability to attract custom through new membership and to keep it active through promotions;
- customer orientation through motivated staff; and
- most importantly, combination of all this in a well founded and demonstratively achievable business plan.

Managerial competence and direction in clubs will be the most important factor in ensuring that machines are placed to best effect.

By their nature few clubs in the Territory have been in a position to attract highly competent management staff, well trained employees with career expectations and a Board with commercial financial and legal talent.

Most clubs in the Territory are incorporated under the *Associations Incorporation Act*. This legislation is designed to give some formal status to voluntary community interest groups. Whilst it is due for major revision in 1995 it falls far short of the Corporations Law in terms of Director accountability, audit and accounting standards, disclosure and so on. Many clubs are very small and a "big business" overlay would be superfluous and prohibitively costly.

No club which cannot comply with the business conduct and record keeping requirements of the Corporations Law should be able to enter the high volume end of the Poker Machine industry.

Since 1969, all clubs in NSW have been required to be incorporated, either under the relevant company legislation of the day or the Co-operation Act (for cooperative-operative clubs).

Smaller Territory clubs without the resources and cash flow to afford the higher level of incorporation may still qualify for allocation of machines, but only if they can satisfy selected accounting, responsibilities and reporting requirements of the Corporations Law. Strict examination of the clubs' rules of association, committee member and public officer qualifications, and past regulatory compliance record should also be conducted. Those clubs foreseeing difficulties in these matters will have to act very promptly if they are to be considered seriously in the first round of distribution of machines.

The Inquiry believes that the threshold for Corporations Law incorporation should be 10 machines.

As with the States, it should be a condition that Poker Machine venues hold the appropriate licence under the Liquor Licensing Act. This serves a range of purposes, including rules as to minors and visitors.

**Recommendation 10**

**A club venue applying for an eligibility Licence for Poker Machines must have a current liquor licence and, if the total number of machines is ten or more, then it must also be incorporated under the Corporations Law**

The Select Committee assumes that the new legislation will follow the precedents of the State legislation in relation to the paperwork to accompany each application.

The legislation will include such things as full details of club officers, area demographics and population served, existing membership details, financial information, hours kept, physical plans, ownership and lease details. It will enable the organisation's stability, competence and repute to be judged, and the security and suitability of the premises to be confirmed.

It is fair to potential applicants that as much time as possible be given between the announcement of selection criteria and the lodgement date. In turn the lodgement date should be set in anticipation of several months' work in analysis, verification, ranking and probity checks.

Even though Poker Machines will not be introduced into Tasmanian venues until 1 January 1997, the selection criteria will be available by 30 June 1995, advertising for applications by 31 December 1995 with a closing date of 31 March 1996 and notice of intention to issue licences after 30 June 1996.

In the Territory this process will need to contain similar features but within a much shorter time frame.

Because there is a limit on the number of machines to be allocated, submission of a business plan as an adjunct to valid applications will be the key to the objective assessment of applications. Early commencement of these planning processes will enable some marginal clubs to see whether it is worth entering the Poker Machine industry at all, or perhaps to consider joining forces with some other club by amalgamation.

For example, the opening hours of some clubs would have to be extended substantially for them to gain anything like a reasonable return from machines. This has severe management implications. Very small clubs would not have the secure facilities or the resources necessary to improve them and may lack the skills necessary to operate an attractive venue and obtain good average returns from Poker Machines.

This plan should include membership development, marketing, premises development, staff training and community project funding targets. Detailed guidance on how to prepare such a plan should be available from the regulatory authority and TAFE involvement with teaching its elements should be encouraged.

**Recommendation 11**

**Priority for the distribution of Poker Machines to clubs should be determined on the basis of both an analysis of the application itself and of a comprehensive business plan.**

Clubs should be required to report annually to the Licensing Authority on the outcome of their plan and its refinement, as part of the ongoing assessment of global optimisation.

#### 4.4 Government Benefit

With the switch to a machine profit (Player Loss) based tax system, it can be expected that the average return to player will rise to about 90% on club machines. At the same time the Turnover of the machines will rise, so that the players will lose, on average, the same amount of money. In fact, experience in Victoria shows that there is a likelihood that total Player Loss will rise because patronage rises as a result of the perceived "friendliness" and extended entertainment value of the machines.

The changed tax basis will, therefore, have a mildly positive influence on revenue estimates.

Reduction in the tax rate from 3.75% of Turnover to 25% of Player Loss across all venues will reduce the average annual tax per machine from \$8200 to \$7350. For the total of 680 machines this is a drop in gross tax of \$0.8 million per annum to \$5 million.

If venues pay no lease payment for machines placed therein, the cost to government, based on \$7000 capital cost per machine, with a life of five years and including maintenance, would be about \$1.6 million per annum. The net return to government would therefore be of the order of \$3.4 million per annum.

These adjustments are part of the balance to be achieved in securing the community development objective. There is an equivalent rise in the proceeds retained by venues. This is spent locally on building works and employment and there is a budget benefit to government in other directions (See 5.5), including the application of new tax rates on casino machines.

#### 4.5 Machines in Hotels

Operation of a limited number of Poker Machines in Hotels has been announced as Government policy. This is an extension of the existing policy allowing Draw Card Machines in Hotels.

The Draw Card Machines were allowed into hotels to help them maintain their position in the face of the growth in similar but untaxed gaming machines in clubs. The current distribution of those Draw Card Machines is shown in Appendix A.

These machines are taxed at 6% of Turnover, half of which goes to selected sports and community groups. Only eight hotels derive more than \$500 per week gross profit from their bank of machines.

The government has also announced that it proposes to continue a 3% (on Turnover) community benefit levy on Poker Machines in hotels. When combined with the proposed government tax rate and casino levy of 3.75% and 2.75% respectively, the return to hotels would be a maximum of 2.5% of Turnover (as the minimum return to player is proposed to be 88%).

Out of this 2.5% of Turnover the hotels will have to meet all machine hardware and operational costs. This is far less than their profit retention at present. There are two offsetting factors. One is the fact that cash paying Poker Machines will create far more gambling activity than their predecessors; the other is the effect of the lift in patronage to the venue. However, there is little chance of a surplus allowing improvements to facilities, particularly as the return on hotel machines is subject to Commonwealth Income Tax.

The following table compares the shares of Player Loss in hotel venues around the country in the same way as the clubs' position was compared in 4.3.2 above.

<b>Poker Machines in Australia</b>			
Distribution of \$100 Player Loss			
LOCATION	IN HOTELS		
	STATE TAX & LEVIES	MACHINE COSTS Including Monitoring	VENUE After Hardware Cost (Subject to Income Tax)
NSW	\$28.87	\$10.38	<b>\$60.76</b>
VICTORIA	\$41.67	\$33.33	<b>\$25.00</b>
QUEENSLAND	\$67.80	\$12.15	<b>\$20.05</b>
SOUTH AUST.	\$32.31	\$16.38	<b>\$51.32</b>
ACT	\$35.00	\$9.30	<b>\$55.70</b>
TASMANIA	\$29.00	\$54.89	<b>\$16.11</b>
<i>NT (proposed)</i>	\$79.17	\$10.23	<b>\$10.61</b>

General assumptions: Machine cost \$9000 and depreciated 25% pa; \$20 pm venue maintenance per machine

Machine costs are high in Victoria and in Tasmania (1997) because of the interposition of commercial operators to own and make a commercial return on machines.

Comparison of this table with the one in 4.3 above shows that there is a higher tax/levy mix on hotel machines relative to clubs in all jurisdictions except South Australia.

In addition, the attractiveness of play on hotel machines in some States is deliberately reduced as a control measure to help overcome some of the temptation provoked by their ease of access. On the other hand, Victoria, with a very low return per machine, compensates for this by allowing up to 105 machines in any hotel. South Australia allows forty.

In NSW there is a maximum of ten machines allowed in any hotel, and the machines themselves are hopperless, requiring any credits to be collected at a counter. The only game available on hotel machines is draw poker. As distinct from club machines, they are taxed on Turnover rather than on player loss. This tends to drive down the return to player and reduces the entertainment span.

In the ACT there is also a limit of ten machines per hotel. They may display only draw poker or keno games. The highest denomination of coin accepted is 20 cents.

In Queensland there is also a limit of ten machines per hotel at 10 cent denomination.

Tasmania will stage its hotel number limit from 15 up to 30 over ten years or so.

The table shows that Territory figures are way out of proportion. It is probable that hotels would make no surplus after operating costs if the Territory system were implemented as proposed.

The next table repeats the effects of relieving the hotels of machine ownership costs and lower tax rates, as with the earlier sensitivity case for clubs. The centre column is machine cost and the \$0.76 is allowance for \$20 per month per machine for minor venue maintenance. The assumption made is that the return to player will remain at 88%.

**Distribution of \$100 Player Loss**

	Tax	Machine Cost	Hotel
<i>NT (proposed)</i>	\$79.17	\$10.23	<b>\$10.61</b>
<i>NT (Same but no lease charge)</i>	\$79.17	\$0.76	<b>\$20.07</b>
<i>NT (25% tax rate &amp; no lease)</i>	\$72.92	\$0.76	<b>\$26.32</b>
<i>NT (20% tax rate &amp; no lease)</i>	\$67.92	\$0.76	<b>\$31.32</b>

If the number of machines in hotel venues is to be restricted, following consideration of the recommendation in Chapter 7, and there is no separate compensation for the gaming machines made redundant by the introduction of Poker Machines, then the same tax and ownership arrangement as for club machines is warranted.

**Recommendation 12**

**The tax rate on machines in hotels should be reduced to 25% of Player Loss (but preferably to 20%) and the hotels should be relieved of the machine cost.**

The Select Committee learned, from its visit to well managed hotel venues with Poker Machines in the States, that the successful licensee is one who recognises that hotels are simply a part of the leisure industry.

*(Poker Machine introduction)...has removed the necessity for unsavoury promotional gimmicks...in South Australia and Victoria.<sup>7</sup>*

*The important thing is to see that gaming and our old trading practices simply don't mix. To be successful in gaming you must provide that environment that is conducive for it to be successful. To do that you must invest. So simply to take machines and put them in the corner of the bar will not work.<sup>8</sup>*

The development of hotels with a mix of eating, drinking and recreational activities designed around the demographic profile of the locality, and perceived as being safe, can transform a detraction into a social asset. With the introduction of the 0.05% alcohol limit for drivers, it is all the more important that this should be the norm rather than the exception.

<sup>7</sup> Evidence by Mr F. Basheer, President South Australian Hotels association

<sup>8</sup> Evidence by Mr D Sallis, Executive Officer, NTHHA

## PERSONAL, SOCIAL AND ECONOMIC CONSEQUENCES

### 5.1 Assessment Considerations

The extent and direction of the consequences and the impacts of Poker Machines are determined by the design features of the regulatory system used, by demographic factors, by regional economic situations and even by historical influences.

In its visit to the States the Select Committee observed noticeably different patterns of benefit and disadvantage developing for individuals and communities in each State.

As stated earlier, the variations are, at least to some extent, the product of deliberate objective setting by governments. The contrasting extremes of this spectrum are in NSW and Victoria.

NSW chose a low tax regime to encourage clubs to grow into community leisure and interaction centres. Victoria chose a high tax model with widespread public access to machines and allowing individual and corporate profit via open competition.

The regulatory system proposed for the Territory will be closer to that of Queensland than of any other State. Because of limited machine numbers, the Territory will have to be more deliberate about the distribution of machines to clubs to make them productive, both in terms of their capacity to foster better community facilities and as a source of tax revenue. The allocation of full feature machines to hotels will be basically the same as in Queensland.

Consequently, the Territory has an immediate precedent. It is important to note, however, that differences in the Poker Machine environment in the Territory may well produce significant variation. All research findings in this Chapter must be read with this qualification.

Nevertheless, this available precedent is the more valuable for the fact that, of all the States, Queensland has done the most to understand and react to Poker Machine impacts.

Poker machines were introduced into community venues in Queensland early in 1992. A year later the government commissioned a social and economic impact study of the effects of this move and to review the operations of centres established for problem gamblers and their families. A review of the impact of Poker Machines on charitable fundraising was commissioned to run in parallel with this study. The latter report and the report of the first year of the former study<sup>9</sup> have recently been released.

<sup>9</sup> Referred to herein as the Queensland Social and Economic Impact Study: 1994

## 5.2 Player Profile

Contrary to the stereotypical portrayal of Poker Machine players as predominantly elderly pensioners or unemployed, Australian research has shown that Poker Machine players are widely distributed through all socio-economic groups and age groups. Income is not the main factor which accounts for gambling behaviour. Social factors other than income (eg, marital status, age, source of income, place of residence) play a significant role. The social profile of Poker Machine players across Australian States reveals some significant common characteristics, although expenditure varies greatly by State and area.

The introduction of Poker Machines sees a sharp increase in the (average) proportion of Household Disposable Income (HDI) devoted to gambling (see 5.5 below) and the extent of diversion from other forms of gambling is quite minor. It is reasonable to conclude that their ready availability creates quite a discrete and relatively popular new recreational activity.

Although gambling on Poker Machines has been legal in NSW since 1956, reliable information about their use has been scarce. Data have been derived from Household Expenditure Surveys (HES) of players in NSW and the ACT in 1988/89 and adapted to estimate the likely pattern of use in Victoria<sup>10</sup>. However deficiencies in the HES mean that these data can be used only as a rough approximation. The more recent social impact study in Queensland has begun to provide a more detailed and up-to-date picture in that State.

### *Social Profile of Poker Machine Players in NSW and the ACT (1988/89):<sup>11</sup>*

- 12.3% of families spend money on Poker Machines;
- the largest share of Poker Machine players (20%) comes from families with gross incomes of \$50 000. The incidence of playing Poker Machines decreases to around 8% in low income groups and in families with higher incomes (\$70 000 per year);
- playing is only marginally more prevalent among wage earners than in groups who rely on social security benefits as their main source of income, even though the average income of wage earners is about 3.4 times larger;
- families relying on income from assets are the largest group of players (14%);
- business people make up the smallest group of players (8%);
- more high wage earners play Poker Machines than other high income earners;
- families in rural areas and country towns play more than their metropolitan counterparts but spend less;

<sup>10</sup> Victorian Review Report (Vol 2) 1994: 53-4

<sup>11</sup> Victorian Review Report (Vol 2) 1994: 55-66

- participation is highest in the age groups 20-24 and 65-69;
- married and divorced people play Poker Machines more than single, separated or widowed people;
- families with dependent children under 14 years have lower levels of expenditure;
- males play Poker Machines twice as much as females;
- immigrants from Asia and Europe tend to play less than Australian born and English speaking migrants;
- the occupation of the head of the household is not a major factor, except that professionals and clerks play less often.

### *Social Profile of Poker Machine Players in Queensland<sup>12</sup>*

Queensland research conducted two years after the introduction of Poker Machines has given more specific insights.

It shows that about 40% of Brisbane's population, 56% of them men and 44% women, have used a Poker Machine in a twelve month period. Players were of almost the same proportion across family income groups and the proportion of people not in paid employment who had played was significantly lower than for those in full-time employment. The response to the introduction of the machines has been generally favourable.

As in NSW and the ACT, income, occupation and education are not major factors in determining the incidence of Poker Machine playing in Queensland.

In Brisbane, young people, and those in employment or students, have a much higher propensity to play, or at least try, Poker Machines than the unemployed, retirees, or those engaged in home duties.

However, when club and hotel patrons are surveyed separately, 80% of retirees and 77% of those engaged in home duties are Poker Machine players, with the highest incidence of players in the 46-65 age group. Of those patrons the lowest incidence is in the over 65 age group, suggesting a different pattern to that in NSW and the ACT.

Over 80% of Poker Machine players spend \$20 or less per session in Brisbane. As in NSW and the ACT, only a relatively small number of players (8.6% men, and 3.3% women) are 'big spenders'. No association has been found between Poker Machine playing and economic hardship. While a large majority of players admit that their losses are diverted from other household expenses, savings and leisure activities, they experience no more financial hardship than non-players. The only significant association identified was that

<sup>12</sup> Queensland Social and Economic Impact Study 1994: 108-31

more players who spend \$11-\$40 per session (10.5%) experience some financial difficulties than those who spend less than \$10 per session (5.2%).

Almost half of respondents in the research played less than once every two months and only 9.7% weekly. Nearly three quarters of frequent (at least once a month) players were men, but "...only casino gaming, card playing and betting at the race track are characterised by a lower proportion of frequent players."<sup>13</sup>

It is stressed that the results of the limited Queensland research so far can not be regarded as representative of the whole State. In particular, there are predictions that Poker Machine playing may have a distinct impact on discretionary spending patterns in Aboriginal communities. The Queensland study includes a linked sub-project specifically exploring the impact on Aboriginal and Torres Strait Islander people and communities.

### *New Zealand*

Some of the conclusions drawn from Australian studies have been mirrored in studies of Poker Machine players in New Zealand<sup>14</sup>. For example, the New Zealand study found that the young (18-29) and older people (65+) play Poker Machines more often. However, there are some significant differences. In New Zealand the incidence of young players is double that of older people, while in Australia they are about the same; a larger share of the Australian population plays Poker Machines than that of New Zealand; the incidence of Poker Machine playing in Australia is spread much more evenly over age groups and socioeconomic backgrounds; and the share of unemployed and economically disadvantaged people playing Poker Machines is much higher in New Zealand.

One different finding in New Zealand which may have some relevance for the Northern Territory is that a relatively large group of young male 'non-white' players has been identified as problem gamblers or 'excessive spenders'. To some extent this pattern reflects the distinctive demographic characteristics of the New Zealand population with its large Maori representation. Aboriginal communities in the Northern Territory may be a comparable counterpart which warrants specific enquiry.

### **5.3 Personal and Family Consequences**

As the studies reveal, gambling on Poker Machines is a widespread and accepted leisure activity in Australia. The great majority of players control their time in front of the machines through wager limits per play and personal control of their investment limit, either on each occasion of attendance or over a period.

<sup>13</sup> Queensland Social and Economic Impact Study 1994.

<sup>14</sup> M. Abbott and R. Volberg (1991 and 1992)

As over 65% of men and women in Australia gamble during the year, research has tended to focus on those who have a weekly or more frequent habit (about 20% of the general population). The positive effects reported by players are most frequently to do with personal experiences, such as pleasure, fun, interest, relaxing, exciting, and daydreaming of a big win. Less frequently it is reported that gambling is shared with family, friends and workmates. About one in five of these regular gamblers reports that winning at gambling has assisted them financially.

All of the above positive effects are reported more frequently by those who prefer betting/gaming, compared with those whose preference is for lotto or lotteries. Those who prefer betting and gaming are almost twice as likely to be men than women and they spend on average two hours per week on these forms of gambling, which by their very nature are interactive and may involve knowledge and skill. The positive reports of such regular gamblers illustrates how the experiences of the individual player can permeate the social networks of family, friends and workmates.

Seventy to seventy-five percent of regular gamblers answer the item "My gambling is problem free", "always", confirming the generally held view that, for most people who gamble, the impact is benign. For the remaining 25-30% of these regular players, ie, about 5% of the adult population, there is the possibility that there may be some negative consequences associated with their gambling.

Negative consequences are reported and referred to under different titles. The most common of these used in Australia are worth describing.

'**Problem Gambling**' is the term preferred by individuals and organisations who wish to avoid illness connotations but at the same time indicate that, for some people, their level of involvement in gambling may have reached a point where it impacts negatively on themselves and their families.

'**Problem**' gambling is the term preferred by the Department of Family Services and Aboriginal and Islander Affairs in Queensland and the Department of Health and Community Services in Victoria, the two State government departments responsible for coordinating the only existing State-wide services for problem gamblers and their families.

'**Compulsive Gambling**' is the term preferred by members of the self-help group Gamblers Anonymous.

'**Pathological Gambling**' is the diagnostic category included in the Diagnostic and Statistical Manual of Mental Disorders, giving the following diagnostic criteria<sup>15</sup>:

<sup>15</sup> American Psychiatric Association, DSM IV, 1994

**Diagnostic Criteria for Pathological Gambling**

A. Persistent and recurrent maladaptive gambling behaviour as indicated by five (or more) of the following:

1. is preoccupied with gambling (eg. preoccupied with reliving past gambling experiences, handicapping or planning the next venture, or thinking of ways to get money with which to gamble)
2. needs to gamble with increasing amounts of money in order to achieve the desired excitement
3. has repeated unsuccessful efforts to control, cut back, or stop gambling
4. is restless or irritable when attempting to cut down or stop gambling
5. gambles as a way of escaping from problems or of relieving a dysphoric mood (eg. feelings of helplessness, guilt, anxiety, depression)
6. after losing money gambling, often returns another day to get even ("chasing" one's losses)
7. lies to family members, therapist or others to conceal the extent of involvement with gambling
8. has committed illegal acts such as forgery, fraud, theft or embezzlement to finance gambling
9. has jeopardised or lost a significant relationship, job, or educational or career opportunity because of gambling
10. relies on others to provide money to relieve a desperate financial situation caused by gambling

B. The gambling behaviour is not better accounted for by a Manic Episode.

Negative consequences reported by regular players can be classified in descending order of frequency, into:

	<u>Examples of items</u>
Personal experiences	Depression or guilt feeling Lying about their gambling Chasing losses
Financial	Borrowing for gambling Debts from gambling

**Family and Friends**

Family/Friends have criticised gambling  
Gambling resulted in the break-up of an important relationship.

**Work-Related**

Lost productivity  
Job loss/change through gambling.

**Legal**

Crime in support of gambling  
Court appearance/prison sentence.

None of the negative consequences is reported by more than one in five of regular gamblers and the latter impacts relating to job loss, court appearances, etc, are rarely reported.

In Australia, adaptations of a test scale<sup>16</sup> have led to the conclusion that approximately 1.16% of the adult population are currently problem gamblers, having had significant negative reaction to gambling on the above list in the last six months. Problem gamblers are three times more likely to be a man, be younger than 30 years, single, and prefer betting and gaming with per week expenditure (losses) exceeding \$100.

Problem gambling behaviour is often evident from a young age and it is hard to determine the overall effect that the introduction of Poker Machines has had in Australia in relatively recent times. Nevertheless, there remain strong public perceptions that the pool of problem gamblers will be enlarged following the introduction of machines into community venues in the Northern Territory, viz:

*"...there are already adequate opportunities for gambling...the socially powerless will be trodden on, the economically weak will be stripped bare, the morally feeble will be led towards the brink and the government will pocket a wad from a new and insidious form of indirect taxation."<sup>17</sup>*

The Queensland study shows that, whilst a significant proportion of players uses money which otherwise would have been used for family and household purposes, there is no evidence to suggest that playing Poker Machines creates financial hardship for most players. None-the-less, for a minority of players significant negative consequences were found to occur. One in four recent clients presenting at the new Break Even resource centres were women, of whom over 70% played Poker Machines as their preferred form of gambling. Most male gamblers preferred betting, but just over a quarter preferred Poker Machines. Approximately one third of clients were female partners of problem gamblers, ie, the gambler did not attend, did not wish to stop gambling, or had recently separated from their partner or family.

<sup>16</sup> The South Oaks Gambling Screen, SOGS, Lesieur & Blume, 1987

<sup>17</sup> Private submission by Mr A Whykes

Applying what is known to the Northern Territory, a prevalence rate for problem gambling (from all forms of gambling) of approximately 1.16% of the adult population remains the best estimate. This indicates that, at present, approximately 1200 people (ratio of men to women 4:1) have a current or active gambling problem.

More ready accessibility of Poker Machines could mean that up to 5% of the adult population may play them once a week or more often, as a new market apart from the casinos. Data from NSW suggest that up to 15% of players at that regularity may incur significant negative consequences, becoming problem gamblers, possibly within 2-3 years of the extension beyond the casinos. At that point the number of problem gamblers in the Territory will have risen to something approaching 2000 (ratio of men to women 3:1).

It has been estimated that 3% of such problem players will seek help in a twelve month period<sup>18</sup>. Thus, the Northern Territory can expect 36 clients per annum, rising to 60 or so after the settling in of the new Poker Machine pattern. The service for problem gamblers recommended for establishment in the Northern Territory would also be expected to receive about 160 calls per annum, some from potential clients and the remainder from parents, families and friends of problem gamblers.

#### 5.4 Social Consequences

Poker machine gaming is a relatively solitary gaming experience and, provided the venue is properly managed, creates, in itself, little social impact.

With diversion of some household disposable income to fund this gambling, there is a possibility that some substitution will be at the expense of commitments to charitable organisations. To the extent that these organisations provide welfare services any downturn could have a flowthrough effect for government or cause some hardship.

There is a possibility that there will be a modest decline in patronage of restaurants and cafés in the vicinity of larger clubs. The loss of such enterprises, especially in small centres, may have social consequences

These issues find their own equilibrium through the government and non-government tiers of the welfare system, but Queensland took this risk very seriously when Poker Machines were introduced there. Access by charities to a special levy on certain machines is a feature of their system and this is described in more detail in the next chapter. The 1993 Queensland review of impacts on charities found no decrease in overall income to charities from charitable gaming or donations. There was an initial negative impact on charitable bingo gaming, 25% in one notable case, but the trend is again positive.

It is worth noting that successful bingo operators planned ahead and implemented impact mitigation strategies in anticipation of competition from Poker Machines. In the ACT

<sup>18</sup> Smith, D.A.R. (1993) Treatment Services for pathological gambling: a mental health perspective. In Department of Internal Affairs, Seminar Papers from Problem Gambling Seminar. (pp 85-90) Wellington.

clubs have accepted what they see to be their responsibility to underwrite bingo on their premises.

On the other side of this coin is the social benefit obtained generally through enhanced government resources, and specifically by neighbourhoods obtaining better community facilities.

The extra capacity of the larger clubs to support local charities, recreation, health and welfare services must also be recognised.

#### 5.5 Economic Consequences

The following figures<sup>19</sup> illustrate the extent of legal gambling (racing and gaming combined) in the Northern Territory relative to the other States and Territories for the year 1992/93:

	Per Capita	% of Household Disposable Income
NSW	\$594.85	2.72
Vic	\$332.65	1.57
Qld	\$433.66	2.30
SA	\$311.91	1.58
WA	\$420.73	2.06
Tas	\$345.34	1.89
ACT	\$639.89	2.32
NT	\$511.90	2.41
Average		2.17

With the introduction of Casinos in NSW and Victoria, and the maturing of the distribution of Poker machines throughout Australia, it seems reasonable to expect that the proportion of Household Disposable Income (HDI) devoted to gambling will reach and stabilise at about 3%.

On the basis of an anticipated annual player loss on Poker Machines of \$16.5 million over the existing gaming machines, and allowing for 20% substitution from other forms of gambling and to allow for tourism, it would be expected that the Territory figure will rise to 3% of HDI by 1996/97. Averages can be quite misleading, however, in such statistics, for it has been estimated that problem gamblers (all forms of gambling) contribute 25% of all losses even though they form less than 1.5% of the adult population.

<sup>19</sup> Tasmanian Gaming Commission 1993

### 5.5.1 Government Revenues

The Northern Territory government revenue from non-cash gaming machines is close to \$200 000 per annum.

With full introduction of Poker Machines, government revenue will reach approximately \$5 million per annum on the basis of a 25% tax on Player Loss as recommended in 4.3 above.

The cost of machine ownership and maintenance will be about \$1.6 million per annum, resulting in a net government revenue flow of about \$3.4 million per annum, subject to administrative costs.

The Community Benefit Levy will produce a further \$1 million, the great majority of which will be spent in the Northern Territory.

### 5.5.2 Club and Hotel Revenues

The replacement of the non-cash gaming machines by Poker Machine in clubs will cause total machine proceeds for clubs to rise by over \$5 million to \$8 million per annum. In addition to this, those clubs will benefit from increased membership as the facilities and services, improved as a result of the expenditure of these moneys, create attraction in the surrounding community.

The proceeds of Poker Machines in hotel venues in the Northern Territory will rise by a little over \$1 million in total when all machines are in place. Whilst these venues will lose some custom to clubs, it is likely that the presence of Poker Machines will be a drawcard for those hotels with locational advantages and marketing skills, improving returns in other departments.

### 5.5.3 Employment

There will be an increase in employment in the club sector in particular, as management is boosted, Poker Machine and bar/restaurant staff are engaged, technical services and regulatory staff come on line and construction works for improved facilities commence.

ABS Labour Force statistics show that employment in the "clubs" sector in Queensland grew by 143.6% between 1988 and 1994.

Recent surveys have attempted to establish the relationship between Poker Machine numbers in club venues and direct employment in those clubs. The results were, for each 100 machines:

	Full Time Jobs	Part Time Jobs
Queensland <sup>20</sup>	9.9	18.6
Victoria <sup>21</sup>	14	25

It would be reasonable to assume that the direct employment in clubs in the Northern Territory will rise by about 170, of whom 110 would be part-time, producing the equivalent of over 100 full time jobs.

### 5.5.4 The Northern Territory Economy

Whilst the introduction of Poker Machines will stimulate economic activity on a number of fronts, a full cost/benefit analysis of the overall economic effect would have to have regard to any substitution for other forms of gambling, diversion of expenditure from non-gambling activities, tourist expenditure and increased government capital and regulatory costs.

It is easy to conclude that the net economic balance might not change very much at all.

Closer examination shows that this is not the case; rather there will be a significant benefit to the economy.

To establish this, the National Institute of Economic and Industry Research (NIEIR) has performed an analysis, based primarily on NSW statistics from the Household Expenditure Survey. In that State every \$1 of direct expenditure induces, on average across all sectors, a further \$1.80 of expenditure. Thus \$10 of expenditure on Poker Machines means \$21.80 expenditure overall. Where this is spent is interesting, but its source is vital if the notion that it is entirely from substitution is to be dispelled.

<sup>20</sup> Machine Gaming Division Newsletter, November 1993

<sup>21</sup> Victorian Review Report, April 1994

The following table<sup>22</sup> reproduces the result of this analysis:

Increases	\$	Decreases	\$
Electronic Gaming	10.0	Entertainment	0.3
Food	2.9	Fuel	0.4
Alcohol	2.0	Household Durables	1.0
Tobacco	0.3	Health	0.5
Travel, etc	2.8	Newspapers	0.2
Clothing	2.7	O/Goods	2.0
Rent	1.1	O'seas Exp.	2.0
		Capital housing costs	6.0
		Savings	9.5
<b>TOTAL</b>	<b>21.8</b>		<b>21.9</b>

Differences due to rounding

This Table shows that 43% of Poker Machine related expenditure is funded out of savings, and that expenditure on things like overseas holidays may be deferred. Some housing payments, or investment in housing, are reduced.

The illustration is very relevant for the Northern Territory, even though the precise numbers may not be the same if the same exercise were to be repeated here. This is because there is a net outflow of savings from the Territory because of migration patterns and any dissaving represents an immediate gain which is not offset by eventual decline in spending power out of savings accumulation.

The additional direct expenditure through Poker Machines in the Northern Territory will be about \$16 million per annum and, when induced expenditure is added, expenditure which is Poker Machine related rises to \$46 million per annum.

Taking account of the substituted/diverted expenditure (say 57% from interstate experience but likely to be less in the NT) the net impact on the Gross State Product of the Northern Territory can be conservatively estimated to be \$20 million per annum.

The annual cost to the Territory in producing this benefit can be estimated as follows<sup>23</sup>:

	\$M
Cost of Machines (on five year life)	0.95
Club & hotels facility upgrading	0.53
Administration costs	0.35
Social costs	1.76
<b>Total</b>	<b>3.59</b>

<sup>22</sup> Victorian Review Report, April 1994: Page 47

<sup>23</sup> Figures by extrapolation from Queensland Social and Economic Study, August 1994.

Indicatively, therefore, the cost to produce the \$20 million annual benefit to the Territory will be \$3.59 million. The benefit:cost ratio is 5.5. In other words, for every dollar spent in setting up, administering and coping with Poker Machines, \$5.50 will be added to the value of the product of the Territory.

The rise in Territory product will result in increased activity in other sectors and lead to a second round of employment growth.

## MITIGATING THE NEGATIVE IMPACTS

There is a range of controls and mechanisms which may be put in place to mitigate the negative impacts of Poker Machines in community venues.

These are considered under the following headings:

- Machine Controls
- Venue Operational Controls
- Consequential Services Provision
- Community Education
- Research

### 6.1 Machine Controls

#### 6.1.1 Machine Numbers

The number of Poker Machines in clubs will be justified in respect of each venue on productivity grounds. Consequently, it is not proposed that any venue ceiling be applied.

In the absence of any track record (apart from non-cash gaming machine figures), a good deal of reliance will have to be placed on the case made in the business plans accompanying original applications.

As a general rule the initial allocation, involving as it will only half of the eventual stock to be allocated, should be made on a conservative basis so that thorough venue evaluation can occur before the ultimate distribution pattern is established.

In being conservative in this way, however, the Poker Machine Board should make sure that a fair estimate of revenue to be retained by each venue from the new machines is not less than the revenue they retained in the last year of operation of the gaming machines being replaced. This will avoid difficulties for a small number of clubs having financing commitments relying on the status quo.

**Recommendation 13**

**The initial allocation of Poker Machines to clubs should have regard for their capacity to meet ongoing financing commitments entered into with reliance on revenue from superseded Draw Card Machines.**

Fundamentally, the decision to allow Poker Machines into hotels is one taken to ensure some commercial equilibrium. The hotels concerned will probably have relied on some income from their non-cash gaming machines and these will no longer be as attractive to patrons. Patronage itself will probably be affected in some hotels when club facilities and services improve through access to Poker Machine income. It is not a means of causing hotels to prosper in their own right and produce a new profit centre for the owner, even though the hotel may well improve its ambience and facilities.

Twenty eight hotels now operate gaming machines. With only 130 or so Poker Machines available for hotels throughout the Territory, allocation of machines on a compensatory basis is not achievable if large and well managed premises are able to take the lion's share of the stock in the first round. However, some hotels will not take up a full pro-rata entitlement and others, including new hotels, will be able to take advantage of this once the distribution settles down. From the second year to the point of system review in 1998 a practical limit of 6 machines (subject to the productivity test) should be placed on individual hotels to ensure fairness in this sector.

**Recommendation 14**

**A maximum of six Poker Machines be authorised in any hotel.**

The overall maximum of 680 machines will be reviewed at the end of the introduction phase. There may well be extra demand evidenced in centres distant from the established casinos and extra machines may be able to be placed with their cooperation.

**6.1.2 Machine Types**

Poker machines in Hotels in NSW are referred to as approved amusement devices. They are hopperless, feature only card games, and are subject to maximum prize levels per coin bet.

As NSW also follows a policy of strengthening clubs, the question arises as to whether machines in the Territory should be limited as well.

Tables in Chapter 4.3 and 4.5 show that in the Territory clubs will receive \$25 more out of every \$100 lost by players on their Poker Machines than will hotels. In NSW the difference, recognising the less attractive machines, is less than \$9. In Queensland, with hotels having full feature Poker Machines, the club advantage is \$37.

With the number of Poker Machines in hotels to be restricted to six, and given the club revenue advantage, no further restriction on machine type appears warranted.

**6.1.3 Machine Limits**

Multiline machines with multiplier options and high denomination credits can transform the nature of play on a Poker Machine from entertainment to serious gambling.

It is the view of the Committee that high stakes gambling should remain a casino based activity. Players in neighbourhood clubs and hotels should not be routinely exposed to the chance of suffering significant loss by impulsive action.

For this reason there should be a limit to the maximum amount staked on any single game on Poker Machines in these community venues, and the same limit as in Queensland is proposed.

**Recommendation 15**

**There should be a game limit of \$2.50 on community based Poker Machines.**

**6.1.4 Future of Old Gaming Machines**

There is understandable concern in the club and hotel industry, and for those agents supplying machines under lease, about the future of the gaming machines now in place. This concern is compounded by the relatively short notice of the implementation of the move to allow full Poker Machines.

Some venues rely on the existing machines to meet ongoing capital commitments.

It is impossible to generalise as to the effect of the changeover, as some venues own all of their machines, others lease them all, and some have a mixture. There is a huge variation in the productivity of these machines (Appendix A) and similar variation in venue financial affairs.

For those venues securing licences to operate Poker Machines, the scrapping of their old machines should not pose a problem, firstly because the government will not be charging the venue for the privilege of having its machines there and, secondly, because the allocation Board will give consideration of revenue flow (making sure that commitments should be able to be met) in the allocation process.

It is inevitable that there will be some venues with Draw Card Machines, mainly small clubs, that will not secure a licence for Poker Machines. Examination of the distribution in Appendix A will show that those venues will be insignificant in terms of Turnover and should not pose the slightest competition to either community Poker Machine venues or the casinos. Accordingly, they should be allowed to stay, at least until the review of the implementation phase.

There remains a risk that, with the publicised introduction of Poker Machines, the Territory public and visitors may be misled as to the status of Draw Card Machines remaining in some venues. The temptation for clubs in particular to misrepresent their machines is increased by the fact that these machines are not taxed at present. Consequently, the Committee has concluded that these machines in clubs should be subject to the Community Benefit Levy, at 3% of Turnover, wherever they remain. Draw Card Machines in hotels should continue to be taxed/levied at 6% as at present.

**Recommendation 16**

- (a) The licence for Draw Card Machines should lapse on the date of effect of the respective venue's Poker Machine operations or on 1 July 1998, whichever comes first.
- (b) All Draw Card Machines remaining in clubs should be made subject to a tax of 3% of Turnover in the form of a Community Benefit Levy from 1 July 1995.

**6.2 Venue Operational Controls**

Issues of integrity are addressed in the following chapter.

The regulatory authority will need to have the power to make and enforce rules as to the conduct of gaming, including: exclusion of minors, drug impaired people, problem gamblers and offensive people; dress; security of people and property; and dispute resolution. The venue operator must be required to enforce these rules, by removal of persons if necessary.

The provision of credit by the operator to the patron should be prohibited.

Rules should be prominently displayed in each venue.

**Recommendation 17**

**Rules covering machine and machine area use, security and dispute resolution should be displayed and enforced, and credit must not be allowed.**

Hotels are to be required to contribute to community services through a tax levy. The justification for not imposing a similar levy on clubs in States having such a levy on hotels is the locally mutual nature of club benefits and assets and the distributions they make to the sports and community services according to the wishes and needs of the membership.

With a broadening of the member base of clubs in the States there has been, however, a tendency on the part of some clubs to devote all of their resources to better club facilities and cheaper food and drink, to the exclusion of the previous pattern of support for charities and even the principal sport with which they are associated.

It is quite understandable that profit be turned back into capital developments in early years and it is not suggested that the wishes of the membership should be overruled. Nevertheless, it is important that the community and the membership appreciate what the individual club, as well as the industry generally, is doing with the money it is absorbing from them.

For these reasons disclosure to a higher degree than that required of companies is required. Regulations should include uniform reporting standards associated with simplified proformas covering annual revenue and expenditure. Salaries of top officials and the executive should be included therein, as should donations to community groups and charities. Definitional certainty should be established in this paper work in order that comparisons may be made and aggregations properly assembled.

All club members should be entitled to receive a copy of this annual report and it should be displayed in the venue.

**Recommendation 18**

**Clubs should be required to disclose the flows of funds derived from members and the community and their break-up in a simple and uniform manner.**

### 6.3 Consequential Services Provision

The operation of Poker Machines impacts the capacity of the community to support local sports, services and charities and creates a treatment and rehabilitation requirement in respect of problem gamblers.

Queensland has taken the lead in its overtly socially conscious way of managing the operation of its community Poker Machines.

Fully two thirds of all money lost by players of Poker Machines in hotels in that State, and about 7% in clubs, is drawn off by the government as levies which are "hypothecated" by the legislation (legally devoted) in the form of Funds for sport and recreation, and charities and rehabilitation. Each of these Funds has its own allocative apparatus, the latter being an independent body, the Gaming Machine Community Benefit Committee.

A minor disadvantage of imposing the community levy on clubs in Queensland has been the attitude developed by some clubs that it is meant to be in complete discharge of their community responsibilities.

In Victoria 8.33% of losses in hotels is levied and hypothecated to a Community Support Fund. The expenses of the Victorian Gaming Commission are also met from this fund.<sup>24</sup>

The Victorian fund is taking time to settle its distributions in a structured and systematic manner. In March 1994 the Minister for Gaming approved a \$4 million three-year program of activities to address problem gambling in the State.

The Victorian Government's tax on Poker Machines is hypothecated to the Hospitals and Charities Fund and the Mental Hospitals Fund.

Those States not "hypothecating" revenue in this way do discharge the same responsibilities of government through, and according to the cyclical dictates of, their normal budget process.

It can be argued, however, that a stream of money tied to the extent of Poker Machine playing, and therefore sensitive to social impact, is more certain to produce compensatory benefit, particularly if its distribution in regions reflects some weighting according to its source.

For this reason the Northern Territory government has already announced that there will be a levy of about 20% of player loss on hotel machines for community services and rehabilitation.

That levy will produce over \$1 million per annum once all machines are in action.

<sup>24</sup> The 1994 Review recommended that this cost be met by Appropriation

It has been drawn to the attention of the Committee that the casinos and the TAB, and possibly even lottery/lotto agencies, contribute to the impact made generally on the community via gambling. A case can be made for those places to contribute to the pool of funds to be devoted to impact mitigation. Whilst consideration of this is outside of the purview of this Committee, it is an aspect worth following through in the wider context.

The amount raised by the community levy does not justify the creation of an independent distribution bureaucracy, but neither is its absorption into the programs of, say, the Department of Health and Community Services a good option. This is because there will be a standing temptation for the administering Department to absorb part of the funds in one way or another to meet its own priorities.

Also the danger that distributions to community services and charities groups will end up being made according to the excellence of their submissions rather than on a needs basis has been pointed out to the Committee. This could be a real concern. The criteria for Fund distribution should be made available to potential applicants.

In NSW and South Australia clubs discharge obligations to the community by direct local expenditure and investment. In NSW certain welfare expenditure entitles the club to a refund of machine tax.

Rehabilitation services funding should be provided according to contracts entered into with a specialist group(s) following a public tender process as in Queensland. There is a case for a counselling centre involving an addiction counsellor and access to financial counselling assistance, at least in Darwin and Alice Springs (covering all forms of problem gambling), and for the provision of a 008 crisis number. The precise shape of the network to be established will rely on a baseline study which should be undertaken forthwith.

Administration of the contract service and of the distribution to service organisations should be in the hands of an Inter-Departmental Committee responsible to the Minister for Health and Community Services. It is vital that the Treasury is a member of that IDC and that the full flow of funds associated with the levy is separately and publicly reported.

Government policy making should be sensitive to unexpected community impacts. System failure during the introductory phase of Poker Machines, particularly if unanticipated, could lead to a severe drain on existing services. The monitoring of social impact during the introduction phase is, therefore, imperative.

**Recommendation 19**

- (a) **The Community Benefit Levy should be administered by an Inter-Departmental Committee, under published criteria and with its flows publicly reported.**
- (b) **A base line study into the extent and effects of gambling should be commissioned forthwith as a charge against these funds and a rehabilitation network should be designed using the results of this work.**
- (c) **Those rehabilitation services should be contracted out after public tender.**

**6.4 Community Education**

Provision and take-up of cross-cultural community education to promote responsible decision making within a family budget will help reduce unwitting excesses in the use of Poker Machines.

People who develop serious problems with their lives through gambling are often unaware of the scope of personal help and rehabilitation services available, let alone how to access them. Families of these people also need guidance as to the availability of services, as it is often they who seek help first.

Community services announcements in the media can be used as part of the education process and notices with the contact number of the services on offer should be displayed at all cash counters in Poker Machine venues.

**Recommendation 20**

**A community education program about gambling and sensible family budgeting should be designed and promulgated as a cross-cultural initiative, and contacts for counselling services displayed at all Poker Machine cash desks.**

**6.5 Research**

As stated above, there is a need for a baseline study of the extent and impact of gambling in the Northern Territory, as well as a social and economic impact study into the effects of Poker Machines once operational in community venues. The Committee recognises the

similarities between this need and the requirements of the Living With Alcohol program administered through the Department of Health and Community Services.

The point has already been made that caution should be exercised in drawing any firm conclusions from other States material for the Northern Territory. Research inconsistencies and peculiarities make comparisons and generalisations difficult. Research on player participation by State and region is already beginning to throw up different patterns within the playing population and between players and non-players. The remarkably different age/cultural profile of the Northern Territory population will create a very distinct profile of players and patterns of play. To comprehend adequately the impacts of Poker Machine playing in the Northern Territory, it will be necessary for research to specifically explore patterns of participation and the characteristics of players within the Territory itself, not just by research over time, but from the basis of a good understanding of the established pattern of individual and family expenditure and behaviour.

Poker machines were introduced in Victoria without a systematic collection of baseline data against which their effect could be measured. Even after more than a year of operation, and the availability of more than ample funds in the Research and Development Fund, this fundamental information had not been obtained. The Review of Electronic Gaming Machines in Victoria, which reported in April 1994, was obviously constrained by the absence of this data and it recommended as follows:

*"The Review recommends that the (Victorian Gaming) Commission place a higher priority on the application of the Research and Development Fund for the collection of benchmark socio-economic data as a means of measuring the social impact of gaming, and generally ensure that it has established procedures and has the capacity to initiate and where necessary conduct authoritative research."*

The baseline study is to establish the prevalence and effect of gambling, especially problem gambling, and develop a database which can be used in the ensuing impact study and in designing the counselling and rehabilitation network prior to the introduction of the machines. It would also be useful in establishing how Poker Machine numbers and their accessibility influence the pattern of negative gambling consequences.

Preliminary discussions with the Australian Institute for Gambling Research suggest that the objectives of the baseline study may be as follows:

- To provide a definitive study on the level and social impact of gambling in the Northern Territory and establish a database for use in future research and longitudinal surveys. The study will examine all types and degrees of gambling; however specific emphasis will be afforded to the effects of problem gambling.
- To quantify the extent of gambling in the community
- To identify expenditure patterns on different types of gambling.
- To provide a base against which to identify in the future the extent of substitution between different forms of gambling and the factors which affect substitution.
- To identify and assess the impact of gambling, both favourable and unfavourable, on the lifestyle and income of gamblers and their families, and the broader community.
- To establish the extent and degree of gambling related problems in the Northern Territory community.
- To establish whether such problems are differentially associated with the availability of particular forms of gambling or with particular demographic variables.
- To establish a database for policies concerning the need or otherwise for educational and counselling services for people who report gambling related problems.
- To compare the Northern Territory situation with that experienced in other parts of Australasia, drawing on other major reports.
- To identify community attitudes to gambling and expectations in the community regarding the roles and responsibilities of the Government to address gambling problems.

The ongoing impact study which has been recommended should have aims similar to the Queensland study, ie:

*"To identify and assess the impact of gaming machines on Queensland, having regard to direct implications on the lifestyle and income of users of gaming machines and their families, wider social-economic factors, community perceptions in regard to gaming machines, and the indirect implications for the broader community; and*

*To evaluate/review the (Break Even) Resource Centres established for problem gamblers and their families, over a three year period."*

**Recommendation 21**

**The Department of Health and Community Services should initiate a baseline study of the extent and impact of gambling on individuals and families in the Northern Territory, as well as a social and economic impact study into the effects of Poker Machines once they are operational in community venues**

## ENSURING FAIRNESS, EFFICIENCY AND INTEGRITY

### 7.1 Regulatory Control

The regulatory system creates the shape of the Poker Machine industry and sets it off to serve stated objectives. It will not travel far if it is able to be subverted to serve other, perhaps even criminal, ends or if its operation is unfair. For this reason the regulatory regime includes measures to control the operation of machines, ensure participants are honest and accountable, and minimise opportunity for illegal activity.

Poker Machines are a cash business of huge proportions by any measure. In a multitude of ways there is the potential for corruption to occur, criminality to intrude and vested interests to gain disproportionate favour.

At the heart of regulatory control policy are two issues. They are risk management and attitude to enforcement.

Control brings with it costs for both industry and government. The degree of control must have regard to the importance of the required outcome, the consequences of system failure and a balance of risk factors with cost.

No matter how exquisitely this balance of risk is struck, regulation is useless unless the regulator applies the controls as intended. Public confidence is vital to the industry. Even participation in it is a revocable privilege, not a right, and the public must feel assured that this is so. Evidence of control breakdown, whether by setting risk tolerance too high or lack of enforcement, will cast a shadow over the industry as a whole. A succession of incidents may even cause the trend of growing tolerance of this form of gambling entertainment to be reversed.

*"I think a Government which does not have the spittle for control should not touch Poker Machines at all."<sup>25</sup>*

### 7.2 Regulatory Efficiency

There is potential for duplication and inconvenience as between the administration of liquor licensing requirements, Poker Machine licensing requirements, planning requirements and police scrutiny and checks.

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<sup>25</sup> Evidence by a distributor to the 1983 Victorian Inquiry.

There are efficiencies to be gained in close integration of administrative procedures. If this is not achieved the venues will suffer as they attempt to satisfy the different requirements and progress their applications through different offices.

Staff of an enlarged authority will have better career paths and single visit inspections can be programmed.

Although there will be economies of scale in an amalgamation, the main reason is to streamline activity and bolster the management team.

Combining liquor and operator licensing procedures was a recommendation of the 1994 Victorian review.

**Recommendation 22**

**A single regulatory authority should be formed by the amalgamation of the Liquor Commission and the Racing and Gaming Authority.**

**7.3 Fairness**

The revenue raising and community venue development elements of the Poker Machine introduction objective must always be in balance with the patron satisfaction element.

Patron satisfaction derives not only from the average length of play for money referred to under the discussion about tax systems; it also has regard for the assurance they gain that the machines can not be tampered with to their disadvantage.

**Recommendation 23**

**For the reassurance of players, Poker machines should be badged as being the property of, and centrally monitored by, the Northern Territory Government, and as returning at least 88% to the player over time.**

There should also be an unambiguous dispute settling mechanism.

Fairness should also extend to the dealings between the venues and the Government and its regulatory arm. For this purpose, and for efficiency, the formation of an Association representing the interests of Clubs in the Northern Territory is urgent.

**7.4 System Integrity**

**7.4.1 Effective Legislation**

Regulation of the Poker Machine industry is a Northern Territory Government responsibility.

The 1994 report of the Review of Electronic gaming Machines in Victoria sets forth the following aims for gaming industry regulation<sup>26</sup> with which this Committee concurs:

- protection of the industry, and its consumers, from criminal activity;
- protection of the industry from instability;
- protection against individual participants making windfall or unreasonable profits;
- protection against the social costs of problem gaming;
- revenue collection for government.

In Chapter 4.1 above, this Committee has also recommended recognition of an over-arching aim in the legislation. That is to create a system weighted to community development rather than individual gain. In Victoria the legislation is much more heavily weighted in pursuit of the protection from criminality aim than in other States and it has generated heavy government involvement in industry regulation.

**7.4.2 Venues, Managers and Special Staff**

All venues seeking Poker Machine allocation must be licensed. Some of the main considerations in the licensing process are included in Chapter 4.3 above. This licensing process should include disclosure of contracts to which the venue is a party, including lease agreements and supply contracts, to ensure that they are not indexed in any way to Poker Machine revenues. Such contracts entered into by a licensed venue should be void. Respective Company Directors and committee members, and associated entities and persons, must also be of good repute.

Licensing of managers and staff should involve routine probity checks by the Police and extend to known associates.

Floor staff should be licensed as Operatives, not Managers as in Queensland, and if their role extends only to cash counts and fixing coin jams, etc, they should not be fingerprinted. They are in no different a position than bank tellers and cash register operators.

<sup>26</sup> Victorian Review Report, April 1994: Pages 50 - 51

A Licence should remain in force not for a fixed term but until some offence notified in the holder's name, for example through a link with the convictions data base, causes its cancellation. A warning should be printed on the Licence that its currency should be checked through a call to the regulator.

The licensing area is one where there is a pressing need for mutual recognition between the Australian jurisdictions.

**Recommendation 24**

**Managers' and technical employees' and floor operators' licenses should be open ended and subject to cancellation on conviction for certain classes of offence. Lower levels of venue employee should not be fingerprinted.**

The integrity of staff involved with government regulation and machine purchasing will need to be assured, as will sound procedures for pairing, random staff rotation, etc. There will be a perception of corruptibility whenever an individual achieves influence in the system. In pointing this out the Committee choses to make no specific recommendation in this regard, on the assumption that it will be addressed in any case within public service requirements.

Licensing of venue staff is based on probity, not skill. There will have to be an extensive training program available to staff and this will be an issue both for the regulator and the peak venue representative bodies. It is also an area where the expertise resident in the casinos will be invaluable.

**Recommendation 25**

**A staff training strategy should be developed as a joint effort between the hotels and club Associations, the casinos, the regulatory authority and TAFE representatives**

**7.4.3 Inspection and Audit**

As with the States the regulating agency will fulfil a program of inspection and audit to ensure compliance with the legislation and directions thereunder.

This will be facilitated through the introduction of uniform reporting standards for venues, and by the enhanced external audit standard for those clubs which become incorporated under the Corporations Law.

The central monitoring system and associated site controllers will assemble comprehensive records of all activity. One purpose of this is to create an audit trail both for the regulator and the licensee.

In any event the legislation should ensure that external auditors of licensed venues should inform the regulator immediately of any irregularities coming to attention, rather than waiting for the response by Directors or the issue of a qualified audit report.

**Recommendation 26**

**External auditors of licensed venues must immediately report accounts irregularities to the Racing and Gaming Authority.**

**7.4.4 Monitoring**

Central electronic monitoring of Poker Machines is achieved by data flow across a telephone connection between a secure host computer and each machine, usually, but not necessarily, through a local network box in the venue concerned which is capable of aggregating this data and of saving it for some time in case of line failure.

The host computer may be either linked continuously to the Poker Machines (sites), via dedicated lines, in what is referred to a 'real time' monitoring, or programmed to call each Poker Machine (site) at a certain time to collect the day's data, referred to as "daily polling".

Such monitoring is a quality assurance enhancement, both in respect of the machine itself and of the activity on it. It protects the tax system and provides an audit trail of all machine operational activity both for the venue operator and government. Such monitoring also provides continuing patron reassurance that the system is fair.

The Committee found an overwhelming body of opinion in the States that the requirement in Victoria that there be real time monitoring of all machines in that State to be superfluous from a regulatory perspective. One possible advantage, the theoretical ability for State-wide linked jackpots to be run, has not been able to be implemented for a variety of reasons.

Daily polling of sites as in Queensland and South Australia produces all the central information required for tax, audit, event monitoring, chip verification and shutdown purposes. Loss of contact with a site, say through lines going down, is not a problem, as

information on all machines at each site is accumulated, for some days between polling if necessary, in the venue site controller.

As regulator, the Queensland Government carries the cost of machine monitoring in that State. In South Australia the Independent Gaming Corporation Ltd, formed by the hotels and clubs, charges \$120 per month per machine for this requirement. In the Territory the Government has indicated that there would be no separate charge for monitoring and the Committee has found no reason to recommend any change to this policy.

It would be possible to connect Territory venues into either the Queensland or South Australian monitoring systems through contractual arrangements, with partitioning of regional data and daily backflow of all monitored parameters to control screens in Darwin. An advantage of this approach, apart from saving the capital cost of double redundant dedicated computer equipment, is the speed with which it could be implemented. All Territory sites could be linked in over just a few weeks.

Relying on another State's system would, however, reduce system wide flexibility in the Territory, as the range and characteristics of machines able to be connected must be exactly the same as in the host State, as might also have to be the form and style of event tracking and reporting. It might also be objected to on confidentiality grounds, particularly by the Territory casinos when they are joined into the monitoring network.

Queensland and South Australia are using different and overseas developed monitoring software in their systems (IGT and VLC respectively). A different software package has been chosen recently for the smaller network being implemented in Papua New Guinea (Olympic). Consequently there are competitive options available.

If the Territory is to install its own monitoring system, expressions of interest for the supply of hardware and software, probably as a package, will have to be called immediately to enable a start on machine installation on 1 July 1995.

The Committee perceives that the resources of the regulator are already substantially committed to creating the legislative framework, to developing the application and assessment procedures for venues, to the task of setting up the licensing system for venue officers and staff and to broadening their inspectorial base. Because of the severe time constraints, that Authority is not well placed to take on the technical responsibility for the specification and implementation of the monitoring system, or for its operation, for the time being. The Treasury, with responsibility for government central computing services, is better placed in this regard.

On the basis of information derived from the system, the Treasury will be in a position to sweep tax/levy obligations from club and hotel bank accounts on a regular basis.

**Recommendation 26**

**The Northern Territory Treasury should operate a stand alone dial-up electronic Poker Machine monitoring system suitable for local conditions.**

7.4.5 Software and Hardware Testing

Poker machines authorised for installation in the Northern Territory casinos must operate to specification. Verification is the responsibility of the Racing and Gaming Authority. Where a significant 'out of specification' situation is detected the machine concerned shuts down and can not be activated or brought back on to line without authorised intervention.

There is the emergence of cooperation between the States/ACT/NT in the setting of technical standards for gaming equipment, including chip set integrity, and in validating inter-connectivity protocols. Older machines may not be configured and wired to deliver protocols required to allow network connection. Where they exist, eg, in the Territory casinos (as with many machines in NSW and the ACT), time will have to pass before full systems can be connected.

Although monitoring implies a one-way 'centrifugal' flow of information, the implementation of systems in Australia so far has allowed down links as well. The main requirement for this is held to be the need to verify, by calling for an electronic code or 'signature', that the components inside each machine remain those which were originally certified. It is possible, however, and even routine in Victoria, to use the down link to change games on machines, to change the denomination of play and even to change the return to player. It is also possible for experts to replace components in a machine and have them echo the same signature as would have been expected by the monitor, thus defeating the system. Accordingly, two-way interaction capability produces its own serious regulatory implications.

On 1 July 1995 the NSW LAB communications protocols for machines will come into force for all new machines installed in that State and in anticipation of compulsory network monitoring on 1 January 2001. These protocols concentrate on the integrity of the Poker Machine itself and, as a part of this optimum security standard, will not accept any on line electronic access to machine components. These developments are in line with tighter security standards for computer systems internationally, following serious examples of unauthorised access.

**Recommendation 27**

**The regulatory authority should be responsible for testing and approving all machines and ensuring their integrity**

#### 7.4.6 Manufacturers

States approve or license manufacturers to close off one avenue of corruption of the industry. This security measure reflects fears of either coercion or kickbacks to licensees and of supply of machines which can be manipulated.

These days manufacturers are unlikely to risk their reputation by engaging in such practices. Disqualification in one place leads almost automatically to disqualification everywhere, including important overseas markets. Once a cloud forms it takes a long time for it to go away.

In the Northern Territory it is proposed that the Government will specify, acquire and own all machines. The integrity of the manufacturer will properly become a part of the tender evaluation process. As batches of machines will be acquired at regular intervals, it is likely that this tender process will include tenderer pre-qualification. Initial pre-qualification will have some reliance on the status of manufacturers as suppliers in other jurisdictions.

#### 7.5 System Efficiency

The level of efficiency of the Poker Machine industry and its administration are sensitive to system design and machine distribution and to the skills of, and cooperation between, its participants.

Chapter 4 covers design and distribution issues in some detail and Chapter 7.2 contains a recommendation that regulatory agencies in the Territory merge their activities.

##### 7.5.1 Machine Efficiency

Installation of the central monitoring system (see 7.4.4 above) will enable variations and unusual events within the operation of machines to be detected promptly and followed up. It will also allow tax and levy payments to be calculated centrally and received by a monthly electronic sweep of venue accounts under contractual arrangements.

A sound preventative and operational maintenance program for machines will be necessary, given the distances and response involved in the Territory. Poker machine venue operatives will have to be trained in the care of the machines according to their level of access.

Most States have contracted with Bull HN Information Systems Pty Ltd for accessible electronic maintenance and that firm has become a specialist in this field.

Tenders for this work will not be able to be called until the initial machine distribution pattern is approved unless in a general "periodic" form. It is likely that the successful

tenderer will need to have a base in both Darwin and Alice Springs. Existing contractors for casino machine maintenance and for the maintenance of automatic teller machines may have some advantage.

#### **Recommendation 28**

**Expressions of interest should be called for the maintenance of Poker Machines under contract, in anticipation of the eventual tender process.**

##### 7.5.2 Industry Training

Education of industry participants is a far better option than expanding the ranks of the inspectorate in attaining operating efficiency.

The risk profile faced by club managements will expand and deepen on every front with the introduction of Poker Machines. Training in industrial issues, safety and public liability will become very important.

TAFE courses in these fields will be in greater demand as professionalism enters the industry. Strong links have been built in Queensland between the industry and these training institutions.

The hospitality industry is well advanced in the development of national competency standards and in the accreditation of people to these. These recent advances, together with a structured approach to skills recognition, are creating a pool of potential employees across Australia whose competency will be independently established. Mutual recognition across State borders, where this is necessary, is being considered in each field.

The Committee was impressed with the sophisticated capacity of the peak club and hotel bodies in the education process. In NSW, for example, the Registered Clubs association has a Training Department providing a wide range of club specific training courses for Directors, Managers and employees across all regions of the State. It also produces a "Directors' Guide" of basic practical and legal information and issues more than 100 circulars each year to keep club management up to date with the latest important developments.

Initially expertise at the top level will be able to be bought in through the appointment of management staff with experience elsewhere. External advertising will be needed. A danger here is the situation of an applicant interstate manager who has resigned somewhere else rather than face unpleasant or criminal action. It is hard to protect against the depredations of such people without good cooperation in and between peak venue representative bodies and between licensing authorities.

### 7.5.3 Future Flexibility

The industry moves very quickly both in terms of hardware specification and games in order to get the edge in player attraction.

Tokenised 5c machines are reaching the peak of popularity now and 20c machine demand is very low. Even 2c and 1c machines are being produced and may become attractions to those who like to play a large number of lines with a large number of credits.

Touch screen machines are already in use in Victoria, as are individual machines with multiple game choice.

Coin operation may eventually give way to note acceptors built into machines which print a voucher for centralised cash collection at exit. Alternatively, or additionally, card operation of machines (centrally recharged at a desk) may expand.

Manufacturers are also working on new games and special effects all the time. Sometimes games become so popular that a manufacturer has difficulty in keeping up with supply.

Linked machines for accumulated jackpots are popular with some players and there are proposals for network wide jackpots within dedicated systems.

Change is rapid and hard to predict, so it is possible for a venue to get into a situation where it loses its competitive edge. In Queensland, larger clubs aspire to the NSW/ACT situation of machine ownership by venue. It is claimed that this will allow them to replace unpopular machines more rapidly than the government as owner is prepared to do. Such aspiration is less evident in small venues where capital is short and, in any event, all Queensland machines are modern enough to be compliant with the monitoring protocols, a situation which is at least eight years off in NSW.

On modern machines the number of credits per token can be varied to suit changing player preference, as can games played, without replacing the expensive chip module.

It is worth paying on a bulk contract for machines in order that trade-ins and returns are possible.

#### **Recommendation 30**

**To ensure flexibility the Poker Machines Board should adopt a conscious risk management strategy for the acquisition, updating and replacement of its machines.**

## Chapter 8

### ACKNOWLEDGMENTS

I wish to formally record my appreciation for the assistance the committee has received in preparing this report.

I am indebted to the other two members of the committee, Mr Peter Adamson, MLA, and Mr Syd Stirling, MLA. Both gave willingly of their time and skills so that the committee worked in an atmosphere of cooperation and with a dedication to its task.

The efforts of Mr Otto Alder, consultant to the committee, were invaluable. Each of us is grateful to him for his professional advice, guidance and plain hard work to get the report completed on time. Also, our thanks go to the secretary to the committee, Deputy Clerk Mr John Pollock, and administrative assistants Roseline Vogeli and Liz McFarlane, for the willing way they met requests from the committee and gathered reference material for us.

We thank Associate Professor Mark Dickerson of the University of Western Sydney and Dr Jan McMillen of Queensland University of Technology for assisting the committee to understand the research that has been done so far into the social and economic consequences of the introduction of poker machines in other parts of Australia.

The committee is also grateful to the Treasurer, Hon Barry Coulter, MLA, for encouraging us to stray widely in our research and not feel constrained by the Government's indicative position on many issues.

Finally, the committee wishes to express its appreciation for the assistance it received from relevant government departments in the States it visited, and to the many individuals and institutions too numerous to mention specifically (see Appendix B) who appeared as witnesses and provided the committee with views and information. The report is based largely on their contributions.

Denis Burke, MLA  
Chairman

**APPENDICES**

Appendix A

DISTRIBUTION OF DRAW CARD MACHINES AT PRESENT

CLUBS 1993/94					
RANK		Average number of AGMs	Gross Profit (player Loss) \$	Payout Percent %	Gross Profit per AGM Per Day \$
1	The Arnhem Club	35	807,815	95.0	63
2	Alice Memo Club	14.9	182,342	94.6	34
3	Tracy Village	15	162,201	86.4	30
4	Nightcliff Sports Club	10	111,550	87.4	31
5	Alyangula Rec Club	7.6	109,380	94.5	39
6	Alice Railway Club	6	99,768	87.8	46
7	Darwin North RSL	8	88,606	87.8	30
8	The Katherine Club	8.5	82,371	92.3	27
9	Alyangula Golf Club	3.5	79,344	88.3	62
10	West's Sporting Club	8	71,101	87.6	24
11	Jabiru Sports Club	8.1	69,301	96.4	23
12	Alice RSL Club	10	68,694	96.2	19
13	Pints Club Darwin	6	59,617	93.3	27
14	RSL Club Darwin	8.2	54,246	93.5	18
15	Buff Club	6	53,534	93.9	24
16	Tennant Creek Memorial Club	6	51,742	86.3	24
17	Jabiru Golf Club	4	48,692	93.6	33
18	Darwin Greyhound Club	7.7	40,947	92.0	15
19	The Trailer Boat Club	6	39,107	93.2	18
20	Verdi Club	4	33,800	86.1	23
21	Palmerston Golf Club	6	33,609	89.9	15
22	The Darwin Club	5	31,598	94.4	17
23	Katherine Country Club	4	30,409	93.2	21
24	Sporties Club	3	24,081	85.5	22
25	The Sailing Club	2.3	22,610	91.3	27
26	Federal Sports Club	2	21,738	86.2	30
27	Arafura Centre	4	21,216	85.7	15
28	Works Social Club	4	18,866	92.1	13
29	Pints Club Alice	4	15,411	86.6	11
30	Darwin Golf Club	4	15,370	86.6	11
31	Tennant Creek Bowling Club	2	14,612	87.9	20
32	Alice Golf Club	2	14,172	90.0	19
33	The Italian Club	2	10,072	93.2	14
34	Railway Club	2.1	9,933	84.9	13
35	Arafura Bowling Club	2.2	9,757	86.0	12
36	The Ski Club	2.1	8,490	88.9	11
37	Darwin Bowls Club	1	7,912	93.0	22
38	NTFL	3	7,588	87.2	7
39	Senior Sailors Mess	4	7,505	92.9	5
40	Alice Bowling Club	3	7,159	91.8	7
41	Light Horse Club	2	5,140	78.6	7
42	Waratah Sports Club	2	4,521	84.6	6
43	Gove Country Club	2.8	4,121	83.4	4
44	Prison Officers Social Club	1	1,857	91.4	5
45	Rathey Club	1	1,728	90.8	5
46	Sergeants Mess	1	1,240	85.3	3
47	Tyeweretye Club	4	713	71.6	0
48	St Marys Football Club	2	424	83.8	1
49	Autarky	1.3	100	60.9	0
	<b>Total</b>	<b>261.3</b>	<b>2,666,110</b>	<b>93.3</b>	<b>28</b>

HOTELS 1993/94

RANK		Average number of AGMs	Gross Profit (player Loss) \$	Retained by Hotel after tax %	Payout Percent %	Gross Profit per AGM Per Day \$
1	Yulara Tavern	6	118,681	64,704	86.8	54
2	Gapview Resort Hotel	6.5	90,846	45,517	88.0	38
3	Top End Hotel	7	78,074	44,434	86.1	31
4	Crossways Hotel	8	61,845	35,156	86.1	21
5	Casuarina Tavern	4	58,495	32,033	86.7	40
6	Katherine Hotel	4.7	57,022	32,286	86.2	33
7	The Todd Tavern	5	47,877	26,274	86.7	26
8	Plaza Karama Tavern	4	47,065	27,489	85.6	32
9	Palmerston Tavern	4	38,738	21,188	86.8	27
10	Tennant Creek Hotel	2	36,906	21,688	85.4	51
11	Pine Creek Hotel	4	31,674	15,990	87.9	22
12	Hibiscus Tavern	2	27,604	13,927	87.9	38
13	Parap Hotel	4	26,730	15,009	86.3	18
14	Airport Hotel	2	22,104	11,763	87.2	30
15	Nightcliff Hotel	4	22,016	12,726	85.8	15
16	Gove Resort Hotel	10	20,638	12,256	85.2	6
17	Hotel Darwin	2	18,397	11,414	84.2	25
18	Hayes Creek Wayside	1	17,418	11,157	83.3	48
19	Old Elsey Wayside Inn	2	16,025	10,216	83.4	22
20	Humpty Doo Hotel	2	14,577	9,421	83.0	20
21	Berrimah Hotel	2	7,548	4,625	84.5	10
22	Corroboree Park Tavern	1	6,410	4,308	81.7	18
23	Winnellie Hotel	1	5,704	3,303	85.7	16
24	Howard Springs Tavern	2	3,646	2,592	79.2	5
25	The Don Hotel	4	3,598	2,102	85.6	2
26	Elliot Hotel	1	3,185	1,902	85.1	9
27	Timber Creek Tavern	1	2,881	1,568	86.8	8
28	Litchfield Hotel	4	1,879	989	87.3	1
	<b>Total</b>	<b>100.2</b>	<b>887,583</b>	<b>496,036</b>	<b>86.4</b>	<b>24</b>

**Appendix B**

**WITNESSES WHO GAVE EVIDENCE TO MEMBERS OF THE COMMITTEE IN PUBLIC AND PRIVATE MEETINGS**

**DARWIN**

Wednesday 9 November 1994

**Private Meeting**

<i>Name</i>	<i>Position</i>
Mr Norris Goudy	General Manager, Sales, Aristocrat Leisure Industries
Mr Ron Workman	Manager, Queensland & Northern Territory, Aristocrat Leisure Industries

**Private Meeting**

<i>Name</i>	<i>Position</i>
Mr Jeff Boyle	Vice President, Technology & Marketing, Video Lottery Technologies Inc.
Ms Cath Burns	Director, Customer Service and Sales, Australia and New Zealand, Video Lottery Technologies

**Private Meeting**

**Racing & Gaming Authority**

<i>Name</i>	<i>Position</i>
Mrs Maria Onn	Chairman, Racing & Gaming Authority
Mr Alan Pedley	Operations Manager, Gaming, Racing & Gaming Authority
Mr Richard Harvey	Executive Officer, Gaming, Racing & Gaming Authority

**NHULUNBUY**

Monday 14 November 1994

**Public Meeting**

<i>Name</i>	<i>Position</i>
Mrs Lorraine Edwards	Financial Manager, The Arnhem Club Inc
Mr Mark Procack	Committee Member, The Arnhem Club Inc

**Private Meeting**

<i>Name</i>	<i>Position</i>
Mr John O'Brien	President, The Arnhem Club Inc
Mr Danny Masters	Solicitor, Cridlands Darwin, Representing The Arnhem Club Inc.
Mr Ted Tracy	Managing Director, Club Management Advisory Services, Representing The Arnhem Club Inc

**KATHERINE**

Wednesday 15 November 1994

**Private Meeting**

<i>Name</i>	<i>Position</i>
Reverend John G Hodgkinson	Rector, Anglican Church
Chaplain Peter Harvey	Anglican Church, RAAF Tindal
Captain Brian Davis	Officer in Charge, The Salvation Army
Reverend Michael Reading	Minister, Assembly of God Church
Pastor John W S Mellor	Christian Outreach Centre
Pastor Joy Mellor	Christian Outreach Centre
Father Brendan V Murphy	Parish Priest, St Joseph's Catholic Church

**Public Meeting**

Nil attendance

**TENNANT CREEK**

Wednesday 16 November 1994

**Public Meeting**

<i>Name</i>	<i>Position</i>
Mr Nigel P Bush	Vice President Basketball Club, Coordinator T C Raiders Club
Mr Kevin E Johns	Consultant, Tennant Creek Memorial Club
Mr John Hickey	Private Citizen
Mr Phillip Evans	Manager Tennant Creek Memorial Club
Mr Graham E Eylward	Treasurer, Tennant Creek Bowling Club
Mr Robert Gould	Manager/Secretary, Sporties Club Inc
Mr Darryl Chapman	Welfare Coordinator, Uniting Church Welfare Services
Pastor Barry Olsen	Combined Churches in Tennant Creek
Mrs Evelyn Ellemor	Frontier Services Uniting Church
Mr A D Davis	Minister Uniting Church

**Private Meeting**

<i>Name</i>	<i>Position/ Venue</i>
Mr Frank Martino	Licensee, Tennant Creek Hotel

**ALICE SPRINGS**

Thursday 17 November 1994

**Public Meeting**

<i>Name</i>	<i>Position</i>
Ms Robyn P Humphries	Licensee, Alice Springs Golf Club

**Private Meetings**

<i>Name</i>	<i>Position</i>
Mr Alistair S Toshach	President, Alice Springs Memorial Club
Mr Geoffrey R Odgers	Secretary Manager, Alice Springs Memorial Club
Mr Roger K Selleck	Vice President, Alice Springs Memorial Club

*Southern Region Clubs*  
*Name*

Mr Joe Butler  
Mr Dennis J Hawkins  
Mr William J Costello  
Mr Michael K Barrett  
Mr Anthony Sullivan  
Mr Alistair S Toshach  
Mr Geoffrey R Odgers  
Mr Roger K Selleck

*Position*

Chairman, All Clubs South Division  
Manager, Alice Springs RSL Social Club  
Manager/Licensee, Pints Club  
Manager, Wests Sporting Club  
President Railway Institute Club  
President, Alice Springs Memorial Club  
Secretary Manager, Alice Springs Memorial Club  
Vice President, Alice Springs Memorial Club

**DARWIN**

Friday 2 December 1994

**Private Meetings**

*Name*

Mr Don Cracknell

Ms Barbara Bradshaw  
Ms Claire Hudson

Mr Brian Kelly  
Mr Doug Sallis  
Mr Ron Moss  
Mr Fred Basheer, OAM  
Mr Haydn Johns  
Ms Pam Ansell  
Mr Barry Bamford

Mr Kim Barton  
Mrs Diana Barton

Mr Robyn Foote

Mr J Rackham

*Position*

Northern Synod, Uniting Church  
Registrar of Associations, Department of Law  
Deputy Registrar of Associations, Department of Law

President NTAHA  
Executive Officer NTAHA  
Treasurer NTAHA.  
Hotelier  
NTFL  
Darwin RSL Services Club Inc  
Darwin Rugby League, Licensed Clubs

KDK Investments & Club & Hotel Supplies  
KDK Investments & Club & Hotel Supplies

Gamblers Anonymous, Facilitator

Merlin Amusement Pty Ltd

**BRISBANE**

Thursday 8 December 1994

**Machine Gaming Division**  
**Queensland Treasury**

*Name*

Mr David Ford  
Mr Barry Grimes  
Mr John Riley  
Mr Mark Ferrah

*Position*

Director, Casino Control Division, Art Unions Division,  
QLD Treasury  
Finance and Administration Manager, Machine Gaming  
Division  
Compliance Manager, MGD  
Gaming Operations Officer, Gamings Operations Branch,  
MGD

**Broncos Leagues Club Inc**

*Name*

Mr Rod Nairn

*Position*

Secretary Manager, Broncos Leagues Club

**Gaming Machine Community Fund Benefit Secretariat**

*Name*

Mr Rod Setterlund  
Ms Sharon Bailey

*Position*

A/Manager, Gaming Machine Community Fund Benefit  
Secretariat  
Policy Coordinator, Department of Family Services and  
Aboriginal & Islander Affairs

Friday 9 December 1994

**Liquor Licensing Branch**

*Name*

Mr Laurie Longland  
Mr Matthew Jones

*Position*

Executive Director, Liquor Licensing Board  
A/Manager, Licensing Administration Unit

**Machine Gaming Division**

Mr Gary Conomos

Principal Sport Development Officer, Sport Development  
Unit, Department of Tourism, Sport and Racing

**Machine Gaming Division**

*Name*

Dr Jan McMillen  
Dr Miles MacGregor-Lowndes  
Ms Catherine McDonald

*Position*

Lecturer - Economics and Public Policy, Faculty of  
Business, Queensland University of Technology  
Co-Director, Program and Non-Profit Organisations, QUT  
Co-Director, Program and Non-Profit Organisations, QUT

**Registered and Licensed Clubs Association Queensland**

*Name*

Mr Noel Gorman  
Ms Penny Wilson  
Mr Ted Tracy

*Position*

President, The Registered & Licensed Clubs Association  
Qld  
Secretary, The Registered & Licensed Clubs Association  
Qld  
Director, Club Management Advisory Service

**SYDNEY**

Monday 12 December 1994

**Chief Secretary's Department**

<i>Name</i>	<i>Position</i>
Ms Jill Hennessy	Director, Policy & Development, Chief Secretary's Department
Mr David Greenhouse	Special Policy Officer, Gaming, Chief Secretary's Department
Mr Brian Vazey	Senior Policy Advisor to the Chief Secretary and Minister for Administrative Services

**Harbord Diggers Club**

<i>Name</i>	<i>Position</i>
Mr Paul McKay	General Manager, Harbord Diggers Club
Mr John Greaves	Northern Suburbs State Representative, The Registered Clubs Association

**William Booth Institute, Salvation Army**

<i>Name</i>	<i>Position</i>
Mrs Major Margaret Watters	Manager, William Booth Institute, The Bridge Programme
Major Brian Watters	Salvation Army Gambling Addiction Counselling Service.
Mr Mitchell Brown	Psychologist
Mr Jim Connolly	Credit Line, Financial Counselling Services

**Golden Wing Lounge, Sydney Airport**

<i>Name</i>	<i>Position</i>
Associate Professor Mark Dickerson	Executive Director, Australian Institute of Gambling Research

**ADELAIDE**

Tuesday 13 December 1994

**State Administration Centre**

<i>Name</i>	<i>Position</i>
Hon Stephen Baker, MP	Deputy Premier and Treasurer
Mr Bill Pryor	Liquor Licensing Commissioner & Manager Machine Gaming Administration
Ms Debbie Reed	Ministerial Officer
Mr Darryl Hassam	Manager, Gaming Machine Administration

**Independent Gaming Corporation**

<i>Name</i>	<i>Position</i>
Mr Max Beck	Chairman, Independent Gaming Corporation
Mr Barry Smith	General Manager, Independent Gaming Corporation
Mr Harry Bourlotis	Manager, Audit and Security, IGC

**South Australian Hospitality Association**

<i>Name</i>	<i>Position</i>
Mr Fred Basheer, OAM	Hotelier, Ex Chairman Independent Gaming Corporation

**MELBOURNE**

Wednesday 14 December 1994

**Olympic Video Gaming**

<i>Name</i>	<i>Position</i>
Mr John Dimitriou	Group General Manager, Olympic Video Gaming
Mr John Anthony	General Sales Manager, Olympic Video Gaming
Mr Bill Roffey	Director Operational Services and Systems (Aust) Pty Ltd

**Victorian Casino and Gaming Authority**

<i>Name</i>	<i>Position</i>
Mr Alan Rowe & Staff	Director Gaming & Betting, Victorian Casino and Gaming Authority

**TABCORP**

<i>Name</i>	<i>Position</i>
Mr Bruce Mansfield	Group General Manager, Strategy & Business Development
Mr David Costello	General Manager, Corporate Strategy & Planning
Mr Charles Garrard	Group General Manager, Gaming

**Tattersall Sweep Consultation**

<i>Name</i>	<i>Position</i>
Mr Peter Gillooly	Chief General Manager
Mr John Mortimer	General Manager, Commercial.
Mr Adrian Nelson	Manager, Group Marketing
Mr Alister Drysdale	Strategic Development Manager
Mr Duncan Fisher	General Manager, Finance and Administration
Mr Alex Millar	General Manager Technical

**HOBART**

Thursday 15 December 1994

**Department of Treasury and Finance**

<i>Name</i>	<i>Position</i>
Hon Tony Rundle, MP	Treasurer
Mr Simon Barnsley	Director Revenue & Gaming, Department of Treasury Finance
Ms Wendy Sawford	Acting Director, Financial Policy, Department of Treasury & Finance

**CANBERRA**

Monday 19 December 1994

**ACT Revenue Office**

*Name*  
Mr Des McKee  
Mr Gordon Faichney

*Position*  
Director, ACT Revenue Office  
Commissioner of Taxes, ACT Revenue Office.

**ACT Licensed Clubs Association**

*Name*  
Mr Alan Ray  
Mr Richard Bialikowski  
Mr Peter Head

*Position*  
President, ACT Licensed Clubs Association  
Executive Director, ACT Licensed Clubs Association  
Manager, Southern Cross Club

**PIERRE, SOUTH DAKOTA, USA**

Monday 26 December 1994

*Name*  
Mr Lawrence E Long  
Mr Curt E Everson

*Position*  
Deputy Attorney-General  
Director of Administration, South Dakota Lottery

**HELENA, MONTANA, USA**

Tuesday 27 December 1994

*Name*  
Mr Joseph P Mazurek

*Position*  
Attorney-General, State of Montana

**BOZEMAN, MONTANA, USA**

Tuesday 27 December 1995

*Name*  
Mr Jeffrey M Boyle

*Position*  
Vice President, Technology & Marketing, Video Lottery  
Technologies Inc

**DARWIN**

Wednesday 18 January 1995

**Parliament House**

*Name*  
Mrs Maria Onn  
Mr Alan Pedley  
Mr Richard Harvey  
Mr Graeme Munro  
Mr Geoff Hamilton

*Position*  
Chairman, Racing & Gaming Authority  
Operations Manager, Community Gaming, RGA  
Executive Officer, Gaming, RGA  
Legislation Officer, RGA  
Consultant to Racing & Gaming Authority

**LIST OF WRITTEN SUBMISSIONS TO THE COMMITTEE**

<i>Submission No.</i>	<i>Date</i>	<i>Organisation or Individual</i>
SCPM 001	17.10.94	The Salvation Army, Katherine
SCPM 002	24.10.94	Eight Church Representatives, Katherine
SCPM 003	25.11.94	Australian Post Tel Institute, Alice Springs
SCPM 004	Undated	Uniting Church Welfare
SCPM 005	29.11.94	Mildrens, Barristers & Solicitors, Darwin on behalf of Mr Rackham, Merlin Amusements Pty Ltd, Darwin
SCPM 006	29.11.94	Mr Alan Whykes, Private Citizen, Wagaman
SCPM 007	30.11.94	Australian Institute for Gambling Research
SCPM 008	29.11.94	Diamond Leisure Pty Ltd
SCPM 009	30.11.94	Darwin Rugby League Inc
SCPM 010	01.12.94	Fourstar Pty Ltd. Victoria Hotel
SCPM 011	30.11.94	Anglicare NT
SCPM 012	02.12.94	Gambling Anonymous
SCPM 013	02.12.94	Uniting Church, Northern Synod
SCPM 014	02.12.94	Northern Territory Hotels and Hospitality Association
SCPM 015	18.10.94	Palmerston Golf and Country Club
SCPM 016	30.12.94	Department of Law.
SCPM 017	12.12.94	Mildrens, Barristers & Solicitors, Darwin, for Mr Rackham - subsequent.
SCPM 018	14.12.94	Olympic Video Gaming
SCPM 019	14.12.94	Tattersall Sweep Consultation
SCPM 020	19.12.94	Alice Springs Memorial Club
SCPM 021	20.12.94	Independent Gaming Corporation
SCPM 022	10.11.94	Anglicare, Financial Counselling Services
SCPM 023	05.01.95	The Arnhem Club Inc, Nhulunbuy
SCPM 024	06.01.95	West's Sporting Club Inc, Alice Springs
SCPM 025	03.01.95	Combined Clubs Committee, Alice Springs
SCPM 026	13.01.95	Tracy Village Social & Sports Club Inc
SCPM 027	28.12.94	Verdi Club Inc, Alice Springs
SCPM 028	24.12.94	Southbank Institute of TAFE
SCPM 029	24.12.94	Independent Gaming Corporation Ltd
SCPM 030	24.12.94	University of Western Sydney - MacArthur
SCPM 031	03.01.95	Tennant Creek Memorial Club Inc
SCPM 32	17.01.95	Video Lottery Technologies Inc
SCPM 33	13.01.95	Returned Services League of Australia, Alice Springs Sub Branch

Appendix D

DOCUMENTS CONSULTED BY THE COMMITTEE

ACTS AND REGULATIONS

AUSTRALIAN CAPITAL TERRITORY

*Gaming Machine Act 1987*  
Reprinted as at 28 February 1994

NEW SOUTH WALES

*Gaming and Betting Act 1912*  
No. 25  
(Reprinted as at 16 March 1993, update sheet 1 July 1994)

*Registered Clubs Act 1976*  
No. 31  
Reprinted as in force at 1 October 1993 to include all amendments  
up to Act 1993 No 57

*Charitable Fundraising Act 1991*  
No. 69

*Charitable Fundraising Act 1991 - Regulation*  
(Charitable Fundraising Regulation 1993)

*Registered Clubs (Taxation) Amendment Act 1993*  
No. 56

*Registered Clubs Regulation 1993* under the *Registered Clubs Act 1976*  
Reprinted as in force at 1 October 1993 to include all amendments  
up to Gazette of 26.3.1993

*Registered Clubs (Amendment) Act 1994*  
No. 43

*Registered Clubs (Further Amendment) Act 1994*  
No. 50

QUEENSLAND

*Gaming Machine Act 1991*  
Reprinted as in force on 24 December 1993  
(includes amendments up to Act No 63 of 1993)

SOUTH AUSTRALIA

*Gaming Machines Act 1992*  
No. 49 of 1992

TASMANIA

*Gaming Control Act 1993*  
No. 94 of 1993

VICTORIA

*Gaming Machine Control Act 1991*  
No. 53/1991  
Reprint No. 1  
Reprinted 3 March 1994 incorporating amendments up to  
Act No. 117/1993

## MAJOR REPORTS

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Caldwell, G. Dr. (Chairman), Young, S., Dickerson, M. Dr., McMillen, J., *Report into the Social Impact of the Casino Development Proposal for Section 19 Civic*, Commonwealth Parliament, Canberra, 1988

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Schilling, M., *Review of Electronic Gaming Machines in Victoria*, State Government of Victoria, Melbourne, 1994.

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Street, Laurence, The Hon. Sir, *Report of the Inquiry Into The Establishment and Operation of Legal Casinos in New South Wales*, dated 27.11.91, Parliament of NSW, Sydney, 1992.

Volberg, R. A., Dr and Stuefen, R. M., *Gambling and Problem Gambling in South Dakota, a Follow-Up Survey*, University of South Dakota, Vermillion, SD, 1994.

Willcox, Murray, QC, *Report the Board of Inquiry into the Introduction of Poker Machines in Victoria*, Parliament of Victoria, Melbourne, 1983.

## PAPERS AND JOURNAL ARTICLES

Bailey, S., & Saide, T., Queensland Department of Family Services and Aboriginal and Islander Affairs, *A Policy Framework for Addressing the Social Impact of Gaming Machines in Queensland*. Paper presented to the Ninth International Conference on Gambling and Risktaking, Brisbane, 1994.

Cahill, C.J., MLC. *Poker Machines: The Need for Government Controls*. Collected Speeches to the NSW Legislative Council, Mann Printing Co Ltd, Sydney, 1963.

Machine Gaming Division, Queensland Treasury, *Questions and Answers on the Introduction of Gaming Machines to Clubs and Hotels in Queensland*, Machine Gaming Division, Brisbane, 1991.

McMillen, J., *Summary of the Participation and Social Profiles of Australian Poker Machine Players*, unpublished draft, Brisbane, 1995.

Demack, A., (Ed), *Poker machines: That destructive adrenalin*, in *Journey*, September 1994, Queensland Synod of the Uniting Church, Brisbane.

Tully, S. J., Rev., *The Need for Community Education Regarding the Problems Associated With the Establishment of a Casino and the Increasing Promotion of the Gambling Industry*, New Life Ministry at Street Level Inc, Broadbeach, 1985.

Tully, S. J., Rev., Director, *Breaking the Losing Run - Self Help for Gamblers and Their Families*, New Life Ministry at Street Level Inc, Broadbeach, 1991

Tully, S. J., Rev., *Gambling a Cost to the Community*, New Life Ministry at Street Level Inc, Broadbeach, 1993.

Tully, S. J., Rev., *Consumer Protection for Poker Machine Licence Holders; Club Management; Members of the Licensed Club Welfare Committees; Casino Gaming Licence Holders; and Counsellors in Australia*, New Life Ministry at Street Level Inc, 1994.

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Victorian Casino and Gaming Authority, *Gaming Activities in Victoria*, Victorian Casino and Gaming Authority, Melbourne, 1994.

### **Papers presented to The New Australian Gambling Industry IIR Conference, Sydney, November, 1994:**

Besen, D., Sussan Property Group, *Venue Development - Taking Gaming to the Public - Pokies Plus as a Success Story*.

Brennan, R., KPMG Peat Marwick, *Vital Issues in Finance and Revenue for the Gambling Industry*.

Brown, W., Aristocrat Leisure Industries, *Compliance Issues You Can't Afford To Ignore - A Legal Perspective*.

Caldwell, G., Dr., Senior Lecturer, Centre for Continuing Education, Australian National University, Canberra. *Social Trends and Their Impact on Gambling - A Sociologist's Perspective*.

Glastone, D., General Manager, Sales, IGT Aust P/L, *Future Developments for the Industry - Gambling Towards 2000*.

Head, P., General Manager, Canberra Southern Cross Club, *The Casino Effect - A Case Study - Canberra Southern Cross Club*.

Healy, R., Director, Staff and Executive Resources, Management and Training Services, *Effective Security Management - Developing Systems and Implementing Measures.*

Mansfield, B., Group General Manager Strategy and Business Development, TABCORP, *Integration of Gaming and Wagering - Synopsis.*

Mortimore, J., General Manager, Commercial, Tattersall Sweep Consultation, *The Differences between the States - what has it meant for productivity and profitability?*

McLachlan, C., Assistant Commissioner, NSW Police Service, *Criminal Involvement in the Gambling Industry - A Police Perspective.*

Parker, S., Managing Director, CMP Marketing Services Pty Ltd, *Increasing Your Customer Base Through Successful Marketing and Promotional Strategies.*

Ragonese, J., Microtouch Systems Inc., *Gaming Machines -the Trends and How to Exploit Them for Maximum Return..*

Rose I. N. Attorney & Professor of Law -Whittier Law School, *Gambling and The Law: Endless Fields of Dreams.*

Siford, M., Macquarie Equities Ltd, *What Is the Size of the Australian Gambling Industry and What are the Opportunities?*

Windross, A., General Manager, NSW TAB, *A Closer Look at Professional Gamblers - Help or Hindrance to the Industry?.*

Wootton, R., Executive Director, Victorian Council on Compulsive Gambling Inc., *Problem Gamblers: To What Extent Should Industry Responsibility be Taken?*

Yates, P., Director, Macquarie Corporate Finance Ltd., *Privatisation of VICTAB and the Issue of Interstate Gambling Competition - How It Will Affect You.*

## Annual Reports and Newsletters

Independent Gaming Corporation Ltd. SA

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27 May 1994

11 July 1994

26 September

1994

*Vol. 1 No. 2*

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NSW Liquor Administration Board. *11th Annual Report, 1993-1994*

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Legislation

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31 July 1991	
30 September 1991	<i>Vol 1 Issue 2</i>
18 November 1991	<i>Vol 1 Issue 3</i>
18 December 1991	<i>Vol 1 Issue 4</i>
15 January 1992	<i>Vol 2 Issue 1</i>
3 March 1992	<i>Vol 2 Issue 2</i>
10 April 1992	<i>Vol 2 Issue 3</i>
23 June 1992	<i>Vol 2 Issue 4</i>
4 September 1992	<i>Vol 2 Issue 5</i>
6 November 1992	<i>Vol 2 Issue 6</i>
18 December 1992	<i>Vol 2 Issue 7</i>
12 February 1993	<i>Vol 3 Issue 1</i>
2 April 1993	<i>Vol 3 Issue 2</i>
16 June 1993	<i>Vol 3 Issue 3</i>
20 August 1993	<i>Vol 3 Issue 4</i>
5 November 1993	<i>Vol 3 Issue 5</i>
15 December 1993	<i>Vol 3 Issue 6</i>
28 February 1994	<i>Vol 4 Issue 1</i>
20 April 1994	<i>Vol 4 Issue 2</i>
28 June 1994	<i>Vol 4 Issue 3</i>
10 September 1994	<i>Vol 4 Issue 4</i>

**MEMBERSHIP OF THE COMMITTEE**

<b>Members</b>	Mr Dennis Burke, MLA (Chairman) Mr Peter Adamson, MLA Mr Syd Stirling, MLA
<b>Consultant</b>	Mr Otto Alder
<b>Secretary</b>	Mr John Pollock
<b>Administrative Assistants</b>	Ms Liz McFarlane Ms Roseline Vogeli