Committee Secretary

Joint Select Committee on Gambling Reform

Inquiry into pre-commitments scheme

I make the following submission to the Committee.

1. Interest in Subject

I hold an MA (Hons) Gambling Studies. I was a salaried officer of the Totalizator Agency Board of NSW, later Tab Limited, 1965-1999, ending that career as Managing Director. Since 1999 I have undertaken tasks as a consultant in the overall gambling field for organizations variously involved in:
. Problem Gambling Counselling.
. Casino table game and electronic gaming machine design.
. Electronic gaming machine operations.
. Wagering operations.
. Internet link web sites.
Throughout all of that time I have maintained an interest in the activities and motives of gamblers. I have numerous published papers on a range of gambling topics. My research motive is probably best summarised by the following extract from my paper published in *Gambling Research* Vol 15 (1), May 2003:

> Gambling in Australia is both a major entertainment and a significant industry. Yet it seems the academic world has made little progress towards the study of gambling as a major activity within the nation... Sociological studies, in particular, are not frequent other than in the narrow field of pathological or problem gambling. Apart from the obviously necessary counselling and support services this researcher finds it curious that so much attention is given to the minor group in the absence of a full understanding of the motives and actions of the majority.

I am a member of the National Association for Gambling Studies and was a member of its Committee 2004-2008.

2. Disclosure of interest

I have not undertaken or sought any assignment relating to electronic gaming machine design or operation within the past five years. I do not own or control any shares in any business with direct connections to clubs, hotels or electronic gaming machines.

3. Pre-commitment concepts

I offer two opinions while acknowledging that some may regard the two, on first scan, as contradictory views.

The first opinion is that any such pre-commitment scheme for electronic gaming machines should not be introduced without wide-ranging, independent, research followed by extensive pilot testing in major Australian markets. I initially support this opinion with

an anecdote about a gambling pre-commitment scheme put to a trial during the 1980s in the State of Victoria and the Australian Capital Territory.

It was Tuesday 1st November 1983 at Flemington Racecourse. I arrived early and went to an area between the Members Enclosure and the Car Park. There the Club's totalisator supplier, Automatic Totalisators Limited, had installed a temporary Cashier's booth and a row of self-serve betting terminals. The concept was that the congestion at betting windows in the Members could be eased by serving patrons who spent the day in the Car Park: a traditional picnic scene; through self service. Technological advances and some market research had led the supplier to the idea that the picnickers would attend the Cashier, purchase a voucher for an average $100, and then bet on the self serve machines before each race for an amount of $10 average per race. A typical Melbourne Cup race day involved 10 races and the average bet was $10. After the last the winners would re-present their voucher to the Cashier for payment. This concept was of special interest to both other race clubs and the off-course totalisator managers such as myself. The technology of the time was labour intensive and operational costs were rising steeply. I watched up until the start of the first race and was highly impressed. Before the third race, however, I returned and found a very different scene. There was a long queue at the cashier's window but no congestion at the self-serve devices. I questioned the Automatic Totalisators Limited representative. He advised that the patrons were averaging bets of $10 per race but were buying a new $10 voucher before each race. They were not pre-committing and the trial was regarded as a failure.

This outcome was confirmed by a visit to a hotel bar in Canberra. The bar had sought a TAB service and was given a self-serve terminal with vouchers sold at the bar. The manager told me the service was a burden, as he now needed an additional person just to issue the vouchers, as 'the punters never think they are going to lose on a bet and just come back for new vouchers race after race'.

In summary here was a pre-commitment system devised by highly experienced industry persons that failed due to the unexpected behaviour of the public. **The goal was highly desirable for the initiators but it was missed because they had not anticipated the reaction of the gamblers.**

Note, however, that these were merely trials and did not involve highly significant financial outcomes for any of the stakeholders.

Now I invite attention to the following scenario that is based, albeit partially, on a case know to me. The circumstances are of course varied to ensure privacy.

Pete the painter, as he could be known, is a highly regarded employee of a city based medium sized building company. Pete is married with children and owns a highly mortgaged outer suburb home. Well regarded by all Pete takes some time for himself just once each fortnight on payday. On the way home that day he visits the local tavern for a couple of beers and a chat with his mates from the local footy team. Then with a third beer he heads for the pokies. He always plays $50. A couple of times he has collected a very good win that has been spent on a family day out but mostly he exhausts the stake and leaves for home. The $50 is within the budget and there are no other consequences. From time to time though Pete sees his $50 disappear before he has finished his beer.

Dissatisfied Pete inserts another $50. When this outlay is also lost there is an impact on the family in the following fortnight. After two weeks of hard work, and possibly some overtime, Pete overcomes his remorse and the payday ritual is resumed.

Let it be assumed that a pre-commitment system for pokies is now introduced. Pete quite reasonably can qualify for a $50 pre-commitment whether it is mandatory or voluntary. No problems in the first few weeks then Pete encounters a run of dissatisfied days when his $50 disappears quickly. On the last of these days he applies for an upgrade to $100 to 'cover' those days. It is granted and now Pete has a system imposed limit double that of his self-imposed process. Predictably Pete is soon in difficulty, with his wife and even his footy club mates stating he has a problem. **An 'at-risk' gambler has been changed into a 'problem gambler' by the pre-commitment system.**

It is to be seen that Pete did not have co-morbidity or unique circumstances in his life. He lived within his means for the bulk of the time. It was only the well-meaning actions of Government that took him to 'the dark side'.

The question must be asked: would a pre-commitment system create a greater problem gambling scene than now exists? The answer must be found through adequate research and trials in major markets before regulation is imposed.

The second opinion assumes that the caution urged in the first opinion is overlooked. If it is to be 'full steam ahead' without regard to adequate independent research and extensive trials then it is proposed the system be all-embracing: no exceptions, no variations. First the cash option should be removed from all machines: no input, no output. Second credit and payout by cheque should be prohibited. Third player loyalty cards should be abolished. Fourth all play should be based upon a credit or debit card issued by an Australian based financial institution. The sole exception being that overseas visitors could apply and pay for a visitor's voucher card, maximum 30 days consecutive validity in any 12 months, on presentation of their non-Australian passport. Finally banking regulations should be devised to ensure all Australian based financial institutions apply requirements on their account holders to follow responsible gambling practices.

My stridency in the second opinion flows from my extensive observations of gamblers in real gambling environments. A majority, if not most, gamblers are quite intelligent. Certainly naivety and superstition are present but logic may also be found. **If a pre-commitment system is created that has loopholes then those flaws will be exploited.**

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