

POKER MACHINES IN NEW SOUTH WALES

Poker machines first appeared in Australia in the early 1900's. During this period there was official confusion on hours of club trading and this ambivalence was matched by reluctance to enforce a ban on poker machines in non-proprietary clubs. However in 1921 and 1930, machines were officially declared illegal and non-proprietary clubs were raided by police and machines removed and broken up. They kept reappearing.

In June of 1931, a scheme was suggested to the Government offering a percentage of profits from fruit and poker machines if they were allowed to be operated in shops and hotels. Hospitals were to receive 10% of machine profits, with the remainder to be divided between proprietors and hotel keepers. This was partly accepted by the State Labour Government and in March 1932, the Government approved the licensing of fruit machines in the metropolitan area to support hospitals for a trial two-month period.

The demise of the Labour Lang-Gosling Government in 1932 brought an end to this trial. The new Minister of Health in the Stevens Government, Mr. Weaver, decided that the machines were "immoral" after reading an adverse report from the Hospitals Commissioner. Weaver alleged that some people who controlled the machines had made irregular business arrangements, had not adhered to their original agreement and players were not receiving a fair return when playing them. Subsequently, fruit machines were withdrawn from hotels and other public places. In that two-month period, however, metropolitan hospitals benefitted by \$19,000 and Newcastle hospitals by \$1,300.

From 1933 to 1939, there was official confusion about poker machines in New South Wales. In 1933 the New South Wales Chief Secretary declared that while fruit machines were legal in registered clubs, poker machines were not (the only difference between a fruit machine and a poker machine is that one has fruit symbols on the reels - a poker machine has cards!) Five years later, the police made determined steps to eliminate the machines from clubs. In March 1939, 43 machines valued at \$3,000 were seized and smashed in city raids.

Later that year, a senior police officer said that he knew of no law which prevented people from winning money from themselves, and he was uncertain whether or not clubs were

breaking the law in operating machines. However, the Chief Secretary, Mr. Gollan, insisted on their withdrawal from the registered clubs. This raised considerable anger from the conservative Coalition in which Mr. Gollan was a Cabinet Minister.

Gollan was removed and replaced by Tonking as Chief Secretary and clubs received a much more sympathetic hearing. They discussed with Cabinet legalising machines in clubs as follows:

1. The number of machines should be regulated according to the size of club membership.
2. A licence fee should be paid on each machine with the revenue going to the hospital fund.
3. No cash prizes should be permitted.
4. Machines should be adjusted to allow only a moderate percentage of monies invested to remain in the machines.

At that time it was estimated that there were 2,500 poker machines operating in New South Wales.

Nothing came from those discussions.

During the second world war at least two letter writers to the Sydney Morning Herald in 1941 and 1942 complained that money which was being put into poker machines should have been channelled into war loans. One writer observed that south coast clubs each had from two to eight poker machines, while the other noted that in city and suburban clubs members were squandering thousands of pounds weekly on machines. In 1941, the police had a big poker machine clean-up and 240 poker machines were seized and destroyed.

Little was heard of poker machines in the next decade. However, in 1950 poker machines were reported to be operating in some cafes and in 1951 sixteen proprietary clubs were raided and their owners fined for using illegal gambling devices.

During 1952, police and government uncertainty about the use of poker machines in non-proprietary clubs again surfaced. On December 13th, a police official warned that non-proprietary clubs would soon be notified that poker machines were illegal. It was, he said, the Government's policy to ban poker machines, which the police regarded as "a racket and a community menace". "Practically every non-proprietary club has poker machines", said the police official (over 200 clubs).

The Labour Premier responded that he was not aware that this police decision was based on a directive from the Government. The Chief Secretary, Mr. C.A. Kelly reiterated that no action would be taken on machines in non-proprietary clubs. The N.S.W. Police Commissioner said that the Government had laid down a laissez faire policy on poker machines in registered clubs and police duty was confined to administering the law subject to State Government direction.

Two important characteristics need mentioning about poker machine operations of this period.

In most non-proprietary clubs, tokens rather than coins were used and were redeemable at the club usually for drinks, tobacco and groceries. In fact clubs paid out jackpots in money, but kept a display of tins of rock lobsters as a front for jackpot winners!

In this respect, the operation of "in-line" pinball machines in Queensland clubs is a carbon copy of the covert nature of this type of illegal operation. Everyone knows that people play them for jackpots. Everyone also denies it!)

The other characteristic of poker machine playing was that the machines were owned by "operators" who put the machines into clubs on a percentage profit basis - usually they received 50% of the profits. This was an exceptionally lucrative business, particularly as there was no government controls. A large number of the machines were either "rigged" or set to retain nearly half of what went into them.

The people who operated them came from the "twilight world" themselves. They were people involved in S.P. bookmaking, pool halls etc., with the same characteristics as those outlined by Scarne in the illegal American scene. The profits were so great that operators began "buying" sites in clubs - giving clubs a sum per year to put their machines in and taking 50% of the take. In those days being in the poker machine industry meant carrying a gun and having a bodyguard. One manufacturer had his factory roof blown off, another operator had his car blown up because he had moved in on a particular site. (This type of operation is beginning to rear its head in the pinball industry and is a start of illegal gambling operations).

How, then did the industry become legal? What triggered off the move to legalise poker machines in non-proprietary clubs of New South Wales and launch clubs on their spectacular career?

Following the end of the second world war, there was considerable dissatisfaction among the New South Wales public

with liquor laws generally. In a 1951 newspaper article, a correspondent summarised complaints directed at the liquor trade of the time as follows:

- * crowded conditions;
- * shortage of beer;
- * hotel keepers' disregard for the comfort of patrons;
- * fat dividends paid to brewery shareholders.

In a six month period, the Sydney Morning Herald published six editorials calling for liquor trade reform. They claimed that 75% of the State's hotels were owned or controlled by the two major breweries and that in the mind of the public the "tied house" system had become associated with a decline in standards of hotel service. "The absurd liquor laws, together with the tied house system, were largely responsible for the intensity and single minded characteristics of Australian drinking habits. The breweries' chief concerns seems to be to maximise the sale of beer, without any real consideration for customers satisfaction".

This crescendo of criticism forced the State Government to institute a Royal Commission on the liquor laws in New South Wales (1951-54). The Commission sat for 140 days.

In his sweeping reforms the Commissioner recommended ... "the evidence is overwhelming that the Liquor Act should be amended so as to provide additional club licences." (He also recommended the end of the "six o'clock" swill. This was eventually abolished when a referendum in 1954 elected for 10pm closing).

Therefore by 1954, clubs were firmly established as alternative semi-public drinking outlets and the profits from illegal poker machines were being used in such a way that clubs were no longer functional alternatives, but superior ones. They all developed into multi-functional leisure organisations.

Says Dr. G.T. Caldwell in his research: "The legalisation of poker machines in 1956 ensured that clubs would remain financially viable. Few people in 1956 could have foreseen the massive injection of funds that the clubs would receive as a result of legalisation and the social changes that resulted."

Between January 1955 and June 1956, the U.L.V.A. (the United Licensed Victuallers Association and now the A.H.A.) took action against the growing threat of clubs. In 1954, when the provision was made to increase club licences, the number of

clubs doubled in a year. A deputation of the U.L.V.A. met the Justice Minister, Mr. R.R. Downing, and asked him to take action against clubs operating poker machines. He refused to do so. On May 22nd, 1955, the U.L.V.A. took the first step of forcing the Government to legalise machines - although they believed they were going to force the Government to ban them.

Each June all registered clubs had to apply for renewal of their licence to the Licensing Court, which granted them automatically unless there was an objection. The U.L.V.A. objected to the renewal of 47 club licences using as a legal basis Section 140 (1)C of the Liquor Act which said:

".... upon any application for the grant for renewal of a certificate of registration of a club objections may be taken by any corporation or person hereafter in the Act mentioned upon one or more of the following grounds:

"that it is not conducted in good faith as a club or that it is kept or habitually used for any unlawful purpose or mainly for the supply of liquor".

The "U.L.V.A. Review" justified their actions as follows:

"..... the action taken by the U.L.V.A. was determined by the need for preserving the economic structure of the total industry and combating unfair competition from the continually increasing number of registered and unregistered clubs.

The purpose of objecting to the renewals of registrations of a number of clubs is to eliminate unfair competition made possible by the use of illegal gambling devices in the clubs".

Space does not permit me to detail the reactions of the club industry to these objections, but on August 1st the State Cabinet of the Labour Government announced that it had decided to legalise the use of poker machines in non-proprietary clubs, with a Government tax expected to yield between \$500,000 and \$750,000 a year. All proceeds were to be paid directly into the Hospitals Fund for distribution by the Hospitals Commission as regular maintenance subsidies. The Premier, Mr. Cahill, said that to prohibit the use of the poker machines would place many clubs in a "parlous financial position and jeopardise the employment of a large number of people".

Reaction to the proposed legislation varied. Protestant Church leaders were horrified. The Roman Catholic Church, however, said that this church did not regard gambling as

wrong in itself as it did not trespass on any moral principle. If the Government thought it prudent to legalise poker machines then that was entirely for the Government and the Church had no objection (there are some very fine Catholic clubs in New South Wales; the largest club in Canberra is the Catholic Southern Cross Club with over 100 poker machines).

The Sydney Morning Herald probably summed up community feeling when it described the State Government's decision as "realistic" and "reasonable".

The paper saw two advantages in the legalisation of poker machines. First, the public would be able to relish the spectacle of hotels being forced to meet the competition of clubs which had provided cheaper beer, better amenities and services - which with enterprise, the hotels might also have offered. Secondly, it meant the dissipation of the unhealthy, hypocritical attitude which had persisted over time with the non-enforcement of the law against an illegal gambling device."

It is difficult for people today to relate to the events of those times. To appreciate the impact of the legalisation of 5c, 10c and 20c poker machines, to-days values would be a 32c poker machine (5c), a 65c poker machine (10c) and a \$1.30 poker machine (20c).

Prior to the announcement of the legalisation of poker machines in 1956 there was little concentrated opposition to poker machines in New South Wales. However, on July 10th, 1956, anticipating the introduction of machines being legalised, the New South Wales Council of Churches issued a statement opposing the legalisation of all forms of gambling, particularly poker machines. The war had begun. The Council declared:

1. Poker machines increased the opportunity to gamble.
2. Poker machines were so simply operated that they were a strong temptation to the weak to gamble for easy money.
3. The machines could be readily rigged to extract greater profits for the licence holders.
4. There were grave economic dangers for the families of those who fell victims to the lure of the machines.
5. Poker machines increased the moral danger since the act of gambling was basically covetous.

6. The licensing of poker machines would lead to the legalisation of other forms of gambling encouraging further declines in public morality.

The Bill to legalise poker machines in New South Wales was not introduced until August 22nd, 1956. As the time approached for its introduction, the churches stepped up their campaign. The Australian Council of Churches issued a resolution saying:

"Australians have developed, in marked fashion, a spirit of adventure. This has been revealed in war and peace, and may well be an invaluable contribution to international life in a changing world".

"We believe it to be a tragedy that some Governments in Australia are luring our people to the prostitution of this spirit of adventure by an appeal to selfish greed and supposedly easy and immediate gain."

"We believe that gambling is a social evil and also that the legalisation of lotteries, poker machines and other forms of gambling is not only a step to moral degradation, but will have the effect of perverting the true spirit of adventure in Australian life."

The most vehement critics of the clubs of New South Wales, have been the U.L.V.A. (later to become the Australian Hotels Association) and the Protestant Church. But during the 1960's the success of clubs brought forth criticisms from other individuals and organisations who were suffering from, and resentful of, the clubs increased financial power - for instance the Retail Traders Association and cinema and restaurant owners. The Protestant Church aghast at the spread of legalised gambling organised vigorous and vocal protests. The success of this constant opposition can be measured by the N.S.W. Government's attempts to curb the growth of clubs, particularly when the Liberal-National Country Party came to power under Sir Robert Askin in 1965.

During the early part of 1958, the Rev. Alan Walker said that the licensed clubs had become "cess pools of iniquity" in the city, suburbs and country towns, "destroying the highest levels of personality, wrecking homes, and filching the peoples' money".

The press also showed surprising ambivalence towards poker machines. In August 1959, the Sydney Daily Mirror expounded: "the State is spattered with luxurious clubs, providing amenities which, a generation ago, were the prerogative of the rich. But at what cost?

Suicide, theft, bankruptcy, divorce, and even arson are among the items of human misery listed on the debit side of the ledger".

The most spectacular growth in the N.S.W. club industry took place between 1954 to 1962. In 1954 there were 398 clubs and by 1962 there were 1,285 - an increase of 223% (to-day there are 1,515). Poker machines increased from 5,596 to 10,804. (Today there are some 48,000).

This period also saw a most bitter power struggle take place as organisations attempted to slow down the growth of clubs in New South Wales. By the end of 1962 the unabated attacks by the A.H.A., the churches and even some Chambers of Commerce made the Registered Clubs Association fight back by taking full page advertisements in Sydney newspapers as an answer to "some of the criticism of clubs and poker machines coming from people who have a direct interest, open or concealed in the restriction of clubs". They used the following arguments:

1. there were 500,000 members of clubs;
2. the clubs were co-operatives and any profits belonged to the members;
3. the registered clubs were the biggest contributors to public funds and charitable appeals in the State;
4. poker machine gambling was no worse than any other forms such as the purchase of lottery tickets, and poker machines - rather than endangering the economy, stimulated it.

They also issued a challenge to critics to produce evidence of social disfunctions caused by poker machines.

The challenge was never taken up.

The Labour Government of 1962 was experiencing budgetary difficulties. Many businesses were finding their economic stability threatened by social changes. Small shopkeepers were facing the competition from supermarkets; cinemas were competing with television. A whole new leisure age was dawning - and some sections of business were feeling the crunch. Against this background the clubs were announcing record profits. In May 1962, five clubs with approximately 25,000 members announced total profits of \$647,000.

The war against clubs and poker machines continued. While legislators, journalists and competitors wrestled with the problems of how to handle the large new leisure organisations, the anti-poker machine factions were convinced that poker machines had to be banned. The most implacable enemy of

machines in the New South Wales Legislative Assembly Mr. E.D. Darby, introduced in March, 1973, a private members bill for the gradual abolition of machines. At a meeting to support the Bill, the Rev. Alan Walker described the registered clubs as "the most dangerous vested interest in Australia", and poker machines as "an insidious and serious gambling racket."

When his Bill came to Parliament, Mr. Darby, as Independent Liberal, was the only one to support it. The Opposition Liberal and Country parties staged a mass walk-out.

During 1964, and 1966, there was an upsurge in organised attacks on clubs and poker machines as the State began a countdown to the 1966 election. In 1964, a letter appeared in the Sydney Morning Herald complaining that poker machines were the only cause of the lag in retail trading in New South Wales. This prompted the Secretary of the Retail Traders Association to leap onto the bandwagon. He regarded poker machines as "socially evil and that commonsense dictates that poker machines adversely affect and influence community spending, channelling money away from its normal courses and creating areas of hardship and crime". However he concluded that, regrettably, statistics did not show that the retail lag could be attributed to poker machines.

In the latter part of 1965 he continued this line of attack saying that the public and the State Government should be "terrified at the immensity of the Frankenstein monster in the guise of poker machines". He blamed poker machines for the increase in employees' dishonesty and the demise in the number of small shops.

The chairman of one of Sydney's largest department stores, Anthony Horden & Son, told the shareholders at their annual meeting of 1965, that poker machines were "a plague on the landscape of Australian honesty". He said that machines caused a significantly decreased demand for retail goods occasioning profound repercussions throughout the community.

The Protestant Church continued its attack but the Catholic Church refused to condemn them. There was an unusual Protestant dissenter, the Anglican Rector of Cessnock, the Rev. W.C. Charles. He did not know of one case where losses on poker machines caused any hardship. He maintained that club officials kept a close watch on players who invested excessively and took appropriate action. In his view, poker machine players had the same outlook as punters, they had a certain amount to invest and having lost it, they gambled no more.

February and March 1966 were months in which the poker machine issue was hotly debated. The Liberal-Country Party Coalition had announced before its election victory in 1965 that while

the Government did not want to interfere with the rights of individuals to determine their own attitudes to gambling, it would not encourage gambling. In February 1966 they gave expression to this policy by announcing that no more 20c machines would be licensed and severe new tax scales would be implemented on 20c machines.

Another war was on! Another Members Bill from Mr. Darby was again defeated; new propaganda belched from both sides. The most interesting facts came from the Registered Clubs Association. This showed that the rate of gambling per head in New South Wales (\$100) was much the same as in Victoria (\$99), without poker machines.

They engaged Gallup Polls to conduct an investigation in New South Wales on poker machine play; this showed that 51% of people played poker machines. Of these only 5% reported that they had ever lost more than they could afford. They also revealed:

1. Membership of yachting clubs had doubled in 10 years and sailing facilities in New South Wales were equal to the best in the world.
2. Thirty-seven sailing and yachting clubs were based at Sydney's Port Jackson and there were more than sixty throughout the State.
3. In the 1964-65 financial year registered clubs had donated over \$3,000,000 to charity. 92% of all clubs had a policy of financially supporting local charities and some two thousand charities and community projects had benefitted.
4. One third of the young people playing organised sport in New South Wales were being supported by contributions from the club movement amounting to over \$3 million a year.

Despite all this, the Liberal-Country Party Coalition introduced punitive taxation on poker machine revenue. In early 1968 they were re-elected and in mid 1969 brought forward legislation aimed at curbing the membership and growth of clubs. This time, there was none of the usual hysterical approach to poker machines and the battle was fought over the issue of whether or not clubs had become too big.

In his researches, Dr. G.T. Caldwell, wrote this: "Why did the Liberal-Country Party Coalition Government introduce the legislation? Basically their capitalistically-orientated

government appeared to be fearful of the growing financial power of large clubs. Large registered clubs with such vast finances from poker machines had established a power base outside the traditional capitalist base - and the Government was anxious to control this emergent force.

"In conversation with the executive director of the R.C.A. he indicated to me that the State Government's sole purpose for introducing its 1969 legislation was to clip the wings of the clubs. It is hard too dispute this conclusion. The Government clearly singled out the growth industry for special treatment."

There is little doubt that these restrictions caused the club industry to slow down; in many cases the taxation rates almost caused their demise. During the early 1970's the combined efforts of inflation, equal pay for women and a huge rise in all wage levels of club employees put great financial strains on them. In addition, changes in social life style such as the growth of discos as opposed to large auditoriums, put many clubs with large auditoriums in a parlous financial situation. (In addition, club managements were as slow to recognise this changing social pattern as the hotel owners had been in the early 1950's).

The demise of the Askin Liberal-National Party Coalition at the 1976 election brought into power a new breed of politician in New South Wales. Throughout their years in opposition, the New South Wales Labour party had developed a dialogue with the industry through men like Bill Crabtree, Jack Renshaw, Ron Mulock, George Paciullo and Rex Jackson. All were club men. All understood the industry. All had made commitments to support the industry when they were elected to office.

During their election campaign, Mr. Neville Wran, Leader of the New South Wales Opposition, laid down a blueprint for the club industry.

He promised to slash supplementary tax in half over three years and set up a Club Advisory Board to liaise between the Government and the industry. This was done.

Since 1976, the club industry has prospered and the critics are now silent. The Government's commitment was re-affirmed by Mr. Bill Crabtree, Minister of Services at a dinner of the R.C.A. Mr. Crabtree said:

"The State Government is committed to providing stability and an atmosphere in which the club industry in New South Wales can be developed for the benefit and welfare of all citizens. The Government is conscious of the importance of clubs in the community. There are more than one and a half million members, plus their friends and guests who rely on registered

clubs for a great deal of the recreation and relaxation they enjoy in life. This combined with the tremendous contribution the club movement has made in terms of welfare and employment, and the potential for an even greater contribution in the future makes the club industry vital in future development plans for this State".

The reader of this short history also needs to appreciate that the legalisation of machines in New South Wales clubs came along with no real understanding by the Government of poker machine operations. The clubs, too, had no knowledge of operating them except that people put money in them - and the clubs made a profit. The Government did make one vital decision - that poker machines had to be owned by the club and no one, other than the club, could make a profit from them. This ended the unsavoury "operator" business and was the end of the criminal involvement operating in clubs. However, the machines had the same characteristics of the illegal machines. There was no control on the pay-back, no control on methods of collection; no control on the type of machine - in short a total lack of effective legislation.

During the first 20 years of legal poker machine operations, fortunes were made by dishonest Secretary/Managers, thieving supervisors, robbing Directors, light fingered cleaners and money hungry technicians. Poker machine players were robbed by rigged machines that could not pay jackpots, and cutbacks on percentages. Yet despite this - and despite the lack of controls - the majority of clubs have been run by thoroughly honest people and it is a tribute to their integrity that, with such enormous opportunities to rob, so little was done.

It was not until 1976 that the industry came under firm and effective controls and even then they did not go far enough.