



Australian Hotels Association

Response to the Draft Productivity Commission Report into Gambling

December 2009

Contact: John Whelan
Director of Responsible Gambling
Australian Hotels Association

Index

• Introduction	page 3
• Recognition of improvement	page 4
• Response to the Terms of Reference	page 7
• Provision of all the information	page 14
• Hotel Reliance on gambling	page 17
• Mandatory pre-commitment	page 19
• Maximum bet limit \$1	page 32
• \$200 daily ATM withdrawal limit	page 36
• Online gambling & credit card bets	page 39
• Maximum cash input limits of \$20	page 42
• Cheque cashing limit of \$250	page 43
• Why the focus on EGMs ?	page 44
• Rate of Return 100%	page 46
• Jackpots	page 47
• Problem gambling services funded by EGMs	page 48
• Legal Challenges	page 49
• World share of gaming machines	page 50
• 'Moderate' is not 'significant'	page 51
• Server based gaming	page 52
• Longer Shutdown periods	page 53

Introduction

The Australian Hotels Association (AHA) represents the interests of hotels throughout Australia. AHA members include small country pubs, urban hotels, four and five-star accommodation hotels and resorts.

According to the 2009 PricewaterhouseCoopers¹ hotels make a significant contribution to the Australian economy and Australian society.

Key finding of the report are:

- Hotels in Australia employ 188,862 people or 137,000 FTEs
- Hotels support the community to the extent of \$75 million each year
 - Each year Australian hotels provide support to:
 - 21,000 sporting teams
 - 18,000 community groups
 - 14,000 health, educational and other local organisations
- Hotels spend \$72 million each year training staff
- The Australia hotel industry spends an estimated \$516 million each year on security
- The average hotel serves 1,000 meals each week.
- Australian hotels host 250,000 live music performances each year.
- Hotels with gaming machines are twice as likely to host live music as those without gaming.

In terms of responsible gambling, many improvements have been made since the last Productivity Commission Report in 1999 & we now operate in a highly regulated environment with an emphasis on harm minimisation.

Gambling is certainly an important part of our business, but there is a lot more to Australian hotels than simply gambling – as confirmed by the Australian Bureau of Statistics (ABS) and more recently by PricewaterhouseCoopers. In pubs, bars and taverns with gambling facilities, an overwhelming 72% of income was generated by food & beverage sales² – sales unrelated to gambling.

Over the past 6 years most Australian State Governments have commissioned gambling prevalence studies. Results indicate these harm minimisation initiatives are having a positive impact, with less than 1% of our adult population now recognised as being problem gamblers.

¹ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009.

² Australian Bureau of Statistics 2004-05: 8687.0 pg 8

Recognition of improvement

Credit should be given where it is due.

The AHA believes the Draft Productivity Commission Report has not given sufficient recognition to the many harm minimisation initiatives introduced over the past decade - and the positive impact they have had.

In terms of the rate of problem gambling & the number of problem gamblers, the Productivity Commission's own figures show there has been remarkable improvement.

In 1999, the Productivity Commission reported that

“problem gamblers’ represent just over 290,000 people, or 2.1% of Australian adults”³

In 2009, the Productivity Commission reported that

“estimates of the number of problem gamblers in Australia lie in the range of 125,000.....around 0.75%”⁴

The AHA notes the difference between the Canadian Problem Gambling Index and the older SOGS method that has been found to overestimate the number of problem gamblers.

While we acknowledge there are differences between the screens, making an exact comparison impossible, it should be noted the 2009 estimates are dramatically lower than the figures reported in 1999 and deserve more than a passing acknowledgement by the Productivity Commission that

“It is likely that the prevalence rate of problem gambling has fallen over the last decade”⁵

The release this month of the *Queensland Household Gambling Survey* has further confirmed this improvement.

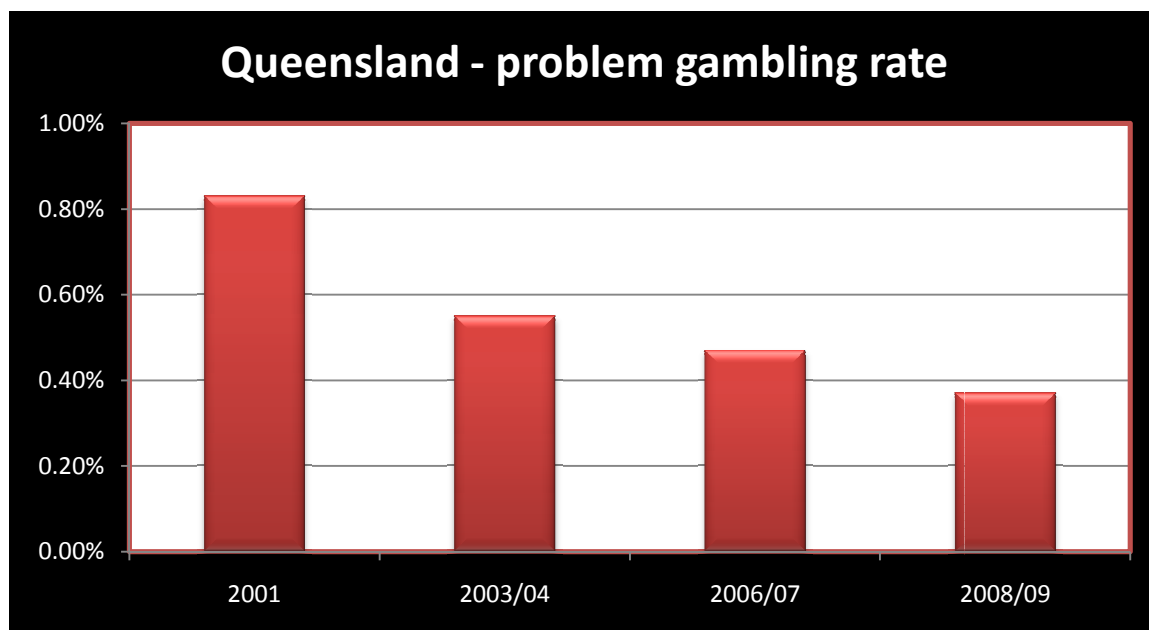
The rate of problem gambling in Queensland is now only 0.37%.

This comprehensive Queensland survey has been conducted in 2001, 2003, 2006 and 2008/09. On each occasion the problem gambling rate has fallen, as shown below.

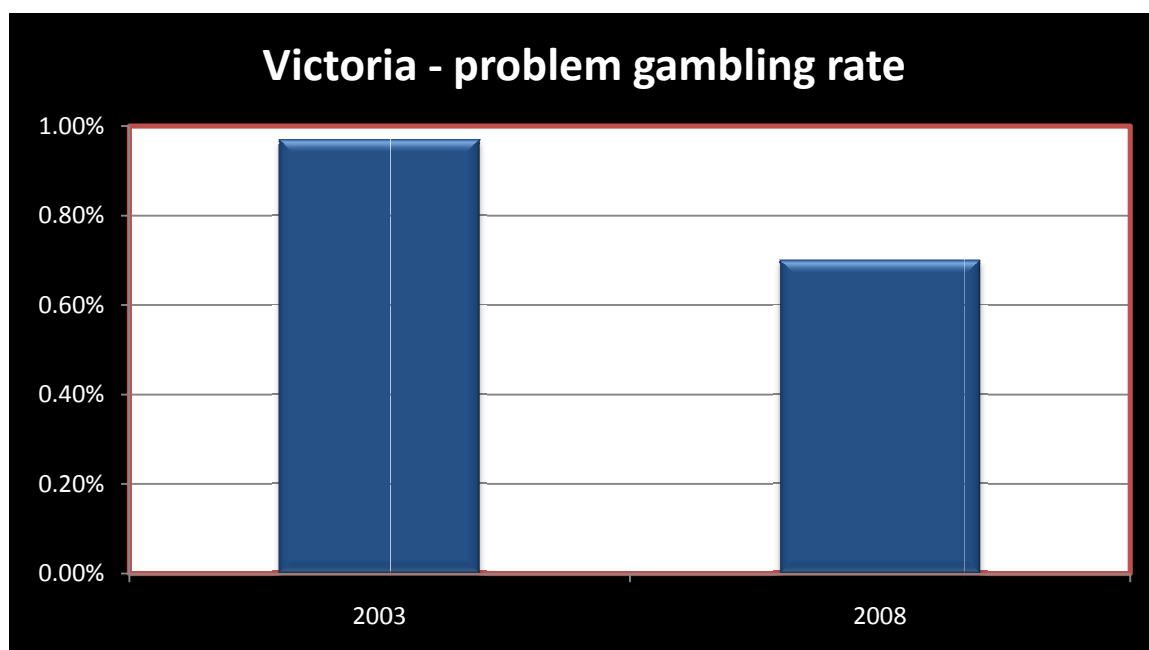
³ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p3

⁴ Productivity Commission Draft Report: Gambling October 2009 p XXI

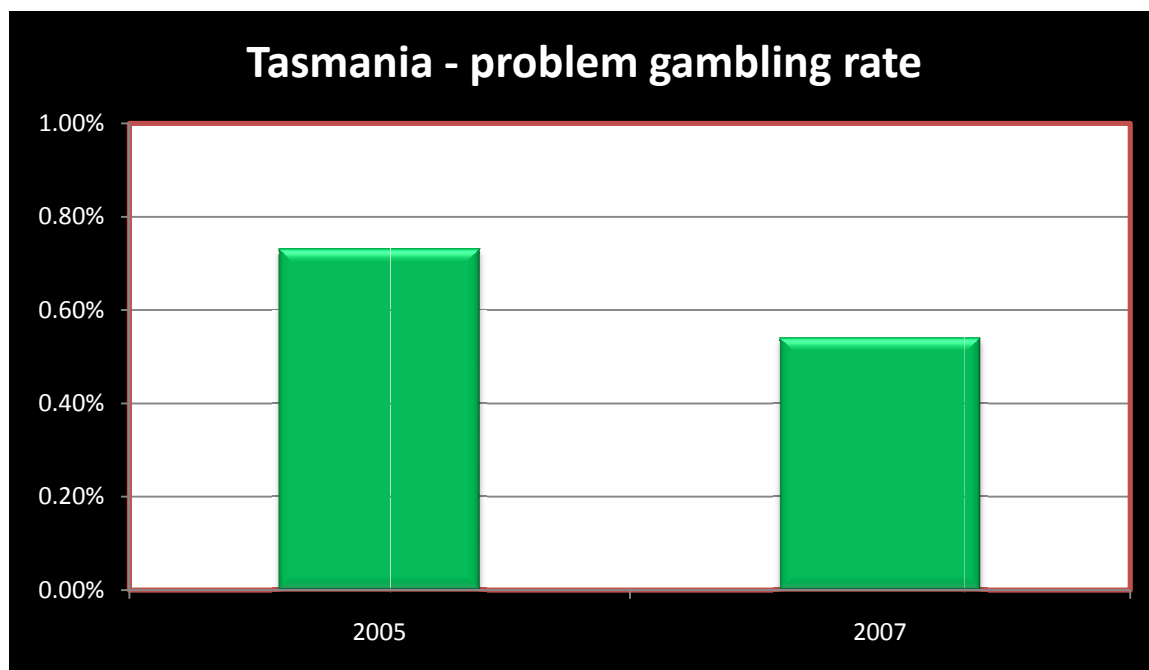
⁵ Productivity Commission Draft Report: Gambling October 2009 p XXIII



The only other Australian States to have conducted repeat prevalence studies in recent years are Tasmania and Victoria. Again, the results in both States show falls in the rate of problem gambling (below)⁶.



⁶ Australasian Gaming Council, 2009



These consistent falls in the rate of problem gambling are the result of an increasingly responsible industry and a range of harm minimisation measures introduced over recent years.

The Productivity Commission needs to clearly acknowledge the fact that over the past decade, using the same CPGI screen, the rate of problem gambling across Australia has only tracked in one direction – down.

Response to the Terms of Reference

Unfortunately the Productivity Commission has not responded to the Terms of Reference issued to them by Government.

The Productivity Commission has also not adhered to their own “Operating Principles and Policy Guidelines” which state

“The Commission must also have regard to any other matters notified to it in writing by the Minister.”⁷

More importantly, Section 6 the *Productivity Commission Act 1998* lists a function of the Commission as

(d) to provide advice to the Minister about matters relating to industry, industry development and productivity, as requested by the Minister; and

In the Terms of Reference the Minister clearly requested specific information from the Productivity Commission.

The AHA was of the understanding the Government drafted the Terms of Reference because it wanted the Productivity Commission to look into & report on each of these important areas.

This has not been done.

Terms of Reference 5 – Community Support

5) the contribution of gambling revenue on community development activity and employment

This is a very straight forward request for information from Government.

The Assistant Treasurer was very clear he wanted the Productivity Commission to provide advice on the contribution of gambling revenue on community development activity and employment.

The provision of this information would have provided balance to the report.

As advised in the initial AHA submission to the Productivity Commission, Australian hotels give \$75 million each year to the community and employ 188,000 people or 137,000 FTEs throughout Australia.

⁷ Productivity Commission website, 2009

The AHA commissioned this research in response to the Terms of Reference given to the Productivity Commission in the expectation the Productivity Commission would also be reporting on “the contribution of gambling revenue on community development activity and employment”.

For reasons unknown the Productivity Commission have chosen to ignore this community contribution – and instead focus very heavily on the negatives associated with hotel gaming.

For Governments around Australia to be in a position to make good policy they need all the facts – both sides of the story, whether it is good or bad.

Not all parties will agree with the recommendations made by the Productivity Commission, but all have a reasonable expectation that Government will be provided with all the evidence & information to make informed decisions.

It is certainly disappointing the Productivity Commission has not responded to the task given to them by the Assistant Treasurer.

Terms of Reference 3 – economic impacts& interrelationships

“3) the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries such as tourism and leisure, other entertainment & retailing”

Interrelationships

With regard to the interrelationships with other industries such as tourism and leisure, other entertainment & retailing the Productivity Commission has completely ignored the Assistant Treasurer’s request.

This is extremely disappointing as the hotel industry has important relationships with other hospitality & related retail industries.

Australian Hotels

- rely on local suppliers for the food they sell,
- employ local cleaners, plumbers, electricians, builders and musicians
- purchase beverages from liquor suppliers
- provide tourist accommodation

The AHA is uncertain as to why the Productivity Commission has chosen not to assess & recognise these important linkages ?

Employment – how did we lose 30,000 jobs ?

In 1999 the Productivity Commission found

“In 1997/98 it is estimated that over 107,000, or 1% of Australia’s workforce were employed directly in Australia’s gambling industries”⁸

And yet in 2009 the Productivity Commission found

“Around 67,000 people are directly involved in the gambling industry”⁹

The AHA is at a loss to understand how the Productivity Commission has now determined the gambling industry has lost 30,000 jobs over the past decade ?

Productivity Commission’s use of Government data

The Productivity Commission briefly mentions hotel industry employment¹⁰.

However it is most concerning the Productivity Commission has ignored recent information provided to it by State Governments and appear to have used old data that is clearly incorrect & severely underestimates actual employment in the hotel industry.

With regard to the hotel sector, the Productivity Commission reported an employment figure of around 65,000 (including around 22,000 gambling staff)¹¹.

It appears the Productivity Commission have quoted data from the *ABS, (2005) Clubs, Pubs, Taverns and Bars, 2004-05, Cat. No. 8687*.

This document, reproduced in table form below, incorrectly reported that pubs, taverns & bars with gambling facilities employ 64,905, including 21,924 Licensed (gaming) staff.¹²

Pubs, taverns & bars with gambling facilities			Pubs, taverns & bars without gambling facilities	
		Employment		Employment
NSW	1,097	20,991	51	1,094
Victoria	348	13,162	518	6,649
Queensland	387	14,268	163	2,447
Sth Australia	331	10,362	69	752
W Australia	138	3,413	190	4,280
Tasmania	86	2,295	60	813

⁸ Productivity Commission, Australia's Gambling Industries, Inquiry Report, November 1999, p2.15

⁹ Productivity Commission Draft Report: Gambling October 2009 p XVII

¹⁰ Productivity Commission Draft Report: Gambling October 2009 p 2.14

¹¹ Productivity Commission Draft Report: Gambling October 2009 p 2.15

¹² *ABS, (2005) Clubs, Pubs, Taverns and Bars, 2004-05, Cat. No. 8687. (pg 12).*

Nth Territory	12	294	18	396
ACT	7	120	26	340
Australia	2,362	64,905	1,092	16,770

Source: ABS, (2005) *Clubs, Pubs, Taverns and Bars, 2004-05, Cat. No. 8687.*

As noted in the PricewaterhouseCoopers document, *Australian Hotels, More than just a drink and a flutter: An overview of the Australian Hotel Industry, April 2009* the ABS

“underestimated total industry employment”¹³

The reality is there are significantly more hotels than identified by the ABS, and in turn significantly more people employed in hotels than the number identified by the ABS.

State Governments provided this very advice to the Productivity Commission.

The NSW Government submission to the Productivity Commission identified there were 1,823 hotels operating gaming machines – not the 1,097 identified by the ABS.¹⁴

The Queensland Government’s submission to the Productivity Commission advised there were 764 hotels operating gaming machines at 31 December 2008 – not the 387 identified by the ABS.¹⁵

Unfortunately the Productivity Commission chose to ignore these more recent official figures that were provided by way of formal Government submissions.

Instead the Productivity Commission appears to have reproduced out of date & incorrect ABS data that identified there being less than 50% of the actual number of Australian hotels and a fraction of the number of people working in them.

PricewaterhouseCoopers employment data

In terms of hotel employment PricewaterhouseCoopers¹⁶ determined that in 2008 Australian hotels employ 188,000 people or 137,000 FTEs. An additional \$75 million is spent by hotels each year training staff.

This information was provided to the Productivity Commission in the AHA’s initial submission.

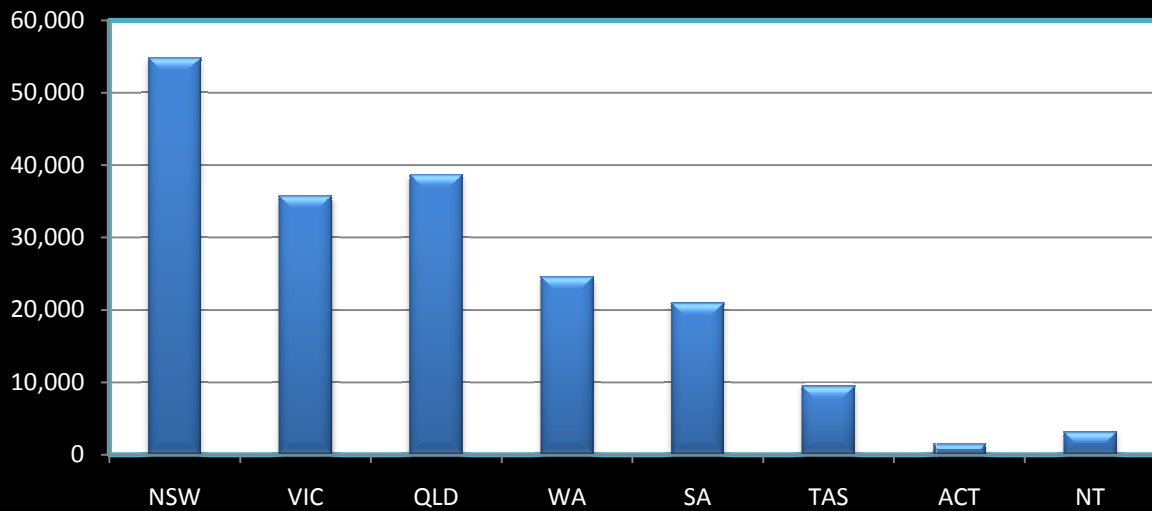
¹³ PricewaterhouseCoopers: *An overview of the Australian Hotel Industry*, April 2009. p 9

¹⁴ NSW Government submission to the Productivity Commission 2009, pg 9

¹⁵ Queensland Government – submission 234, pg 14

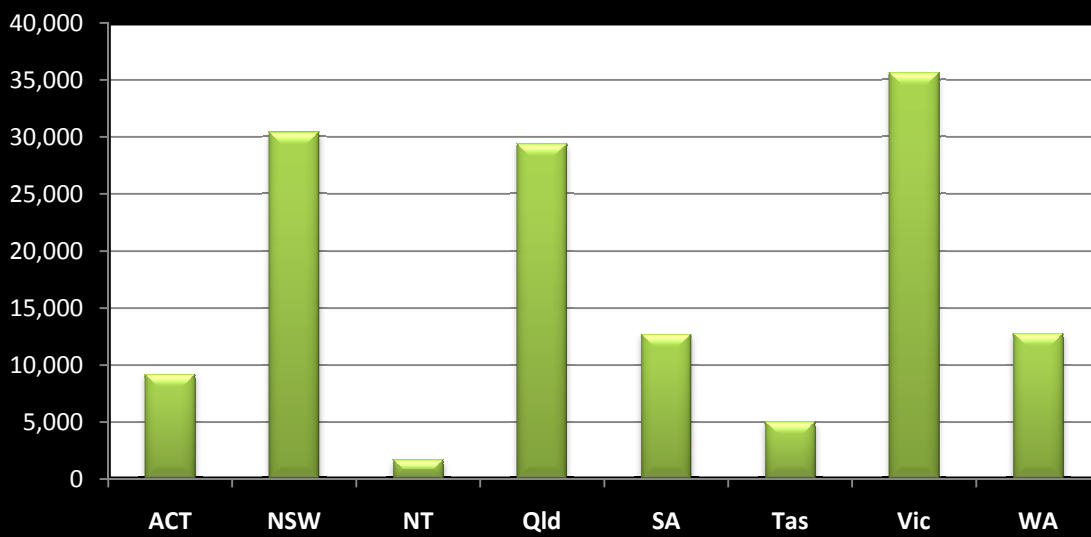
¹⁶ PricewaterhouseCoopers: *An overview of the Australian Hotel Industry*, April 2009. Provided to the Productivity Commission in the AHA’s initial submission.

Hotel Employment



Source: PricewaterhouseCoopers: Overview of the Australian hotel industry 2009

Hotel FTEs by state



Source: PricewaterhouseCoopers: Overview of the Australian hotel industry 2009

Term of reference 10

- 9) evaluate the effectiveness and success of these harm minimisation measures used by the State and Territory Governments.

In 2009 the Productivity Commission had the opportunity to undertake this much needed evaluation – unfortunately it again chose to ignore this request of Government.

Since 1999 State & Territory Governments and industry have introduced a wide range of harm minimisation measures. Industry has come a long way over the past decade and now act in an increasingly responsible manner.

FaHCSIA recognised the impressive list of responsible gambling initiatives introduced throughout Australia in its 30 page, 2008 document '*A National Snapshot of Harm Minimisation Strategies*'.

“over the past five years, States and Territories have spent more than \$200 million on responsible gambling and harm minimisation.”

Included in the many harm minimisation measures introduced over recent years are:

- Money Management support
- All States and Territories have a ban on accessing credit to gamble.
- ATMs and EFTPOS facilities are not permitted in gaming areas of pubs, clubs and casinos across Australia.
- *Certain winnings to be paid by cheque*
- Clubs, hotels and the casino in New South Wales have approved ticket-in, ticket-out technology whilst clubs and hotels in the Australian Capital Territory have been approved for ticket-out only.
- *Caps on number of electronic gaming machines*
- Bet limits are in place in hotels and clubs across all jurisdictions,
- Win limits are in place in hotels and clubs
- In South Australia note acceptors are prohibited in gaming machines. Tasmania and the Northern Territory have banned note acceptors in both pubs and clubs, but not in casinos.
- *The minimum return to player ranges from 85% to 92% in clubs, hotels and casinos.*
- All jurisdictions have provisions for self exclusion.
- All jurisdictions other than Western Australia require clocks to be displayed
- All jurisdictions have some enforced break in gaming operations in pubs and clubs
- The Australian Capital Territory and Victoria have requirements for proper lighting in gambling venues.
- All states and territories have restrictions on advertising related to gaming machines, except for Western Australia.
- The Australian Capital Territory, New South Wales, Northern Territory, South Australia and Victoria have restrictions on player loyalty systems/programs
- Gambling related inducements are banned in New South Wales, the Northern Territory and South

- All states and territories except Queensland and Western Australia have mandated for staff training in responsible gambling
- All states and territories provide information on problem gambling, through:
 - gambling awareness weeks
 - gambling websites
 - media campaigns
 - problem gambling information materials (provided in various languages), and
 - school education materials on problem gambling.
- All states and territories provide treatment services for problem gamblers.

A commitment to evidenced based policy making is long overdue.

Now is certainly not the time to continue blindly down the path of announcing more unproven harm minimisation measures. This type of on-the-run policy places at risk the sustainability of industry and the employment of thousands.

Unfortunately, the Productivity Commission has again ignored the Government's specific request and not undertaken an evaluation of "the effectiveness and success of these harm minimisation measures used by the State and Territory Governments"

Provision of all the information

The Productivity Commission Report makes significant recommendations to Government, yet does not provide any advice to Government in terms of the consequences of implementing these recommendations on:

- employment – jobs lost
- reduction in community support
- increased food & beverage prices
- reduction in capital works
- impact on related industries
- cost to industry
- cost to States & Territories

The AHA questions the use of a Draft Report that makes recommendations, but fails to provide Government with any advice on the costs of implementing these recommendations.

Unfortunately in the 2009 Report no analysis has been undertaken on the impact these recommendations will have on employment, local industry, community support, government revenue and the provision of public services.

Employment

In terms of employment the Productivity Commission has failed to provide any advice to Government on the implications of implementing their recommendations, particularly in the immediate term.

It is most concerning that no quantification of jobs expected to be lost has been included in the Report.

Australia, is now emerging from the Global Financial Crisis and cannot afford substantial job losses in any industry.

It is disappointing the Productivity Commission is dismissive of the impact its recommendations will have on employment, commenting that

“abrupt changes in industry structures associated with regulatory changes can cause unemployment over the shorter run – and this is one factor when considering the desirability of ‘cold turkey’ or more gradual policy approaches.”¹⁷

After making such a statement it is difficult to understand how the Productivity Commission could then recommend the immediate introduction of a number of significant regulatory changes which will have a devastating impact on employment, including

- A maximum bet limit of \$1

¹⁷ Productivity Commission Draft Report: Gambling October 2009 p 3.5

- A maximum cash input limit of \$20
- A cheque cashing limit of \$250
- A \$200 daily ATM withdrawal limit
- A longer shutdown period (in line with Queensland – 10 hours)

Unfortunately the Productivity Commission pays very little attention to the impact these recommendations will have on tens of thousands of working Australians.

Employment, even in the short term, is a vitally important policy issue.

The AHA believes the Productivity Commission has an obligation to quantify the expected impact their recommendations will have on employment.

Community Support

The ability for hotels to continue to provide support to the community is certain to fall if hotel revenue declines.

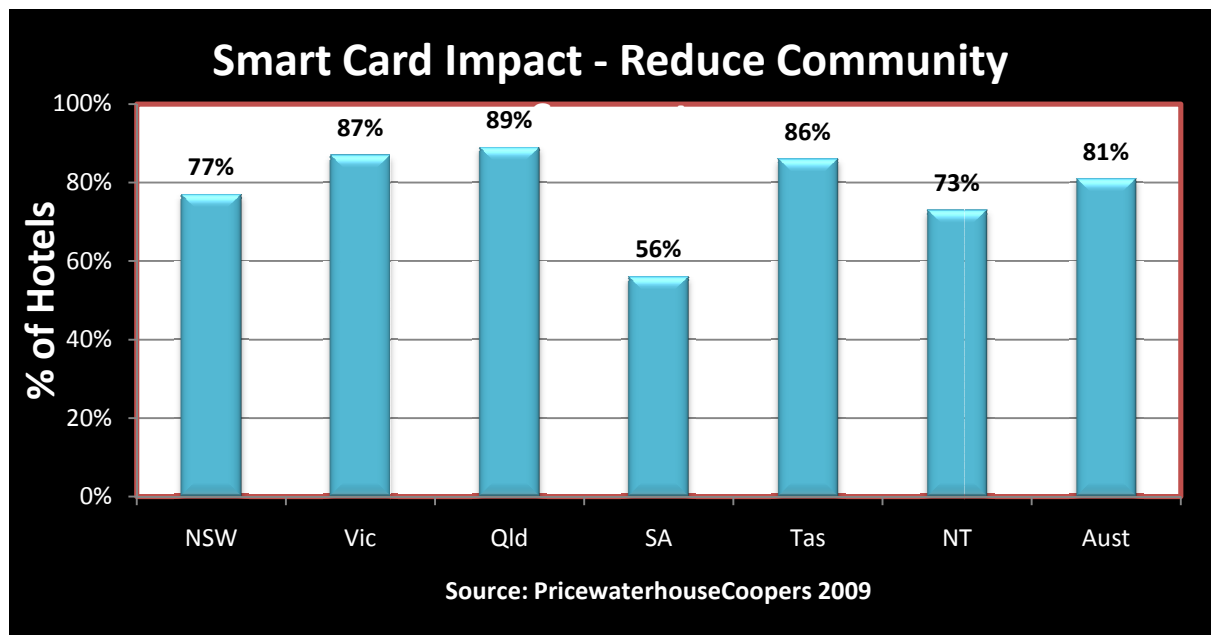
It is disappointing the Productivity Commission has not attempted to provide government, local sporting teams & community groups with any estimate of this impact. This is despite the Government specifically requesting this be examined in the Terms of reference.

“5) the contribution of gambling revenue on community development activity and employment”

As advised in the AHA submission to the Productivity Commission, hotels currently support the community to the extent of \$75 million each year.

In 2008, 1,100 hotels were surveyed by PricewaterhouseCoopers on the impact a mandatory pre-commitment system would have on their ability to support their local community.

Across Australia 8 in 10 hotels reported they would be forced to reduce community support.



For Governments to be in a position to make good policy decisions they need balanced advice, outlining all the costs along with the benefits – in both the short & long term.

It is extremely disappointing the Productivity Commission has not provided Government with this necessary information.

Hotel reliance on gambling

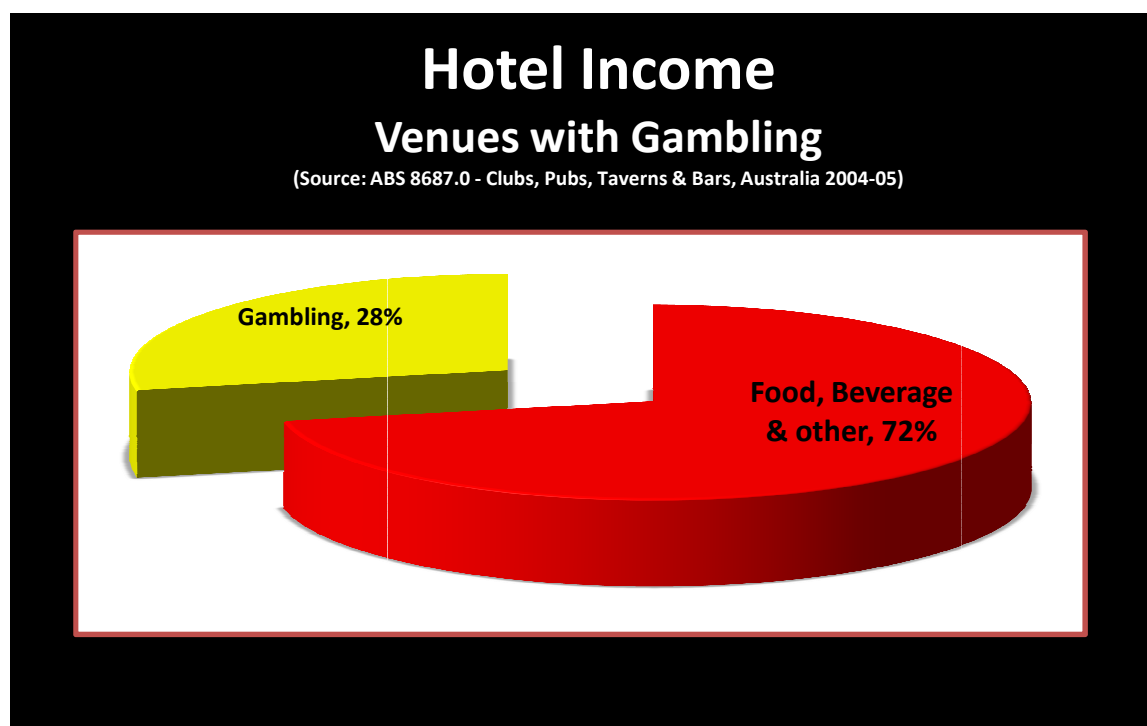
The AHA is extremely concerned with an incorrect statement made in the report.

“despite their broader functions in the community, clubs and hotels offering gaming also derive the majority of their revenue from that source – almost all of it from gambling”¹⁸

This is factually wrong & it is disappointing the Productivity Commission has published such significant error so prominently in their Overview.

As shown in the attached table produced from ABS data¹⁹, hotels do not derive the majority of their revenue from gaming.

In fact for hotels with gambling facilities 72% of income is generated from the sale of food & beverages. This percentage was recently confirmed by PricewaterhouseCoopers who determined 69% of hotel income can be attributed to the sale of food & beverages.²⁰



The existence of such a statement and the prominence it has been given in the Draft Report's Overview is of great concern.

It certainly raises the question whether this incorrect view of the hotel industry has influenced the Productivity Commission in all other areas of the report ?

¹⁸ Productivity Commission Draft Report: Gambling October 2009 p XIX

¹⁹ ABS 8687.0 - Clubs, Pubs, Taverns & Bars, Australia 2004-05

²⁰ PricewaterhouseCoopers: An overview of the Australian Hotel Industry, April 2009. p 17

It is especially concerning that this table was published in both the original AHA (National) submission²¹ and also the AHA (NSW) submission²² and this appears to have been ignored by the Productivity Commission.

²¹ Submission no. 175, p 40

²² Submission no. 256, p13