
2 An overview of Australia's gambling industries

Box 2.1 Key messages

- Gambling is big business — over 7000 businesses provide gambling services throughout Australia.
 - The industries are estimated to have generated value added of about \$3.5 billion in 1997-98 and accounted for about 1.5 per cent of GDP.
 - In 1997-98 they had revenue in excess of \$11 billion.
- Gaming machines dominate gambling activity — they account for half the total business and taxation revenue collected from all forms of gambling.
- Australia's gambling industries are characterised by a mix of private and public ownership.
- Employment is significant — over 100 000 people are employed, both directly and indirectly in Australia's gambling industries.
- Gambling taxation represents a significant and rising share of state and territory governments' own tax revenue.
- Gambling is a growth industry.
 - Liberalisation (driven by governments' revenue needs and constrained tax bases) and new developments in technology have led to the proliferation of new gambling products. The range of gambling products has expanded from lotteries and racing to include gaming machines, scratch tickets, keno, and sports betting.
 - Gambling revenues have more than doubled over the last decade, driven primarily by growth in the gaming machine sector.
- A number of trends are emerging, including:
 - growth in internet gambling and sports betting and the prospect of Pay TV gambling;
 - increased competition between suppliers of gambling products; and
 - the development of safeguards to minimise the adverse social impacts of gambling.

This chapter looks at the structural characteristics and development of gambling industries. It presents information on the types and number of gambling businesses, their revenues and profit, employment, taxation and how the industry has grown over time.

What emerges is a major industry characterised by a diversity of products and a multitude of businesses. It is an industry with a long history, but it is also a growth industry.

2.1 Historical and social context

Gambling was imported into Australia with the new settlers, primarily from Britain but with some Asian and European influences. Settlers and soldiers organised card games such as *cribbage* and *all fours* and *pitch and toss*, an early form of two-up. These games thrived despite attempts by colonial administrators to stamp them out. By the mid 1800s turf clubs had been established in most regions of Australia and betting on horse races had become a popular recreational activity.

Selective legalisation of gambling was introduced. Gambling was permitted at racing clubs and gambling by the elite and army officers in private clubs was tolerated. At the same time, Asian gaming and public gaming such as two-up were regarded by many as immoral and were prohibited. In contrast to the blatant prohibitive regimes in Britain and the United States this was a relatively liberal approach. Racing became the most popular form of leisure activity for working-class men. Club facilities and racecourses were improved and a range of sweepstakes based on horse racing were set up (McMillen 1996a).

In 1916 a non-profit lottery was run in Queensland to raise revenue for war programs. This was followed by a number of lotteries that were so successful that the activity was taken over by the state government (box 2.2). Other states introduced their own lotteries and permitted charitable organisations to conduct minor gaming such as bingo, raffles and art unions. By the 1930s lotteries and minor gaming were legitimised throughout Australia and the association with welfare gave gambling a new respectability.

Poker machines began to appear in New South Wales clubs as early as the 1920s. Some machines were also operating in hotels, but in 1921 were declared illegal by the full bench of the Supreme Court. The ruling was ambiguous for clubs, where profits from the machines contributed to the club rather than an individual machine owner.

Box 2.2 **The Golden Casket**

The Golden Casket Art Union began in 1916 when the Queensland Patriotic Committee, a charitable organisation, approached the government for permission to run a lottery to raise money for the soldier repatriation fund. Its success prompted four more caskets in the following three years, raising £60 000 for the victims of war. Another casket was approved in 1919, this time to assist the Hospital for Sick Children in Brisbane.

In 1920 the Queensland Government assumed control of the Art Union, viewing it as a source of much needed revenue. Between 1920 and 1930 the Golden Casket expanded from drawing a casket twice a year to every ten days and by the 1960s a draw was held nearly every day.

Consumers were attracted to the Golden Casket by the size of its prizes. In 1916 a first prize of £5000 was offered — an extremely large prize considering that the average salary of an adult male at this time was between £2 and £3 per week. The odds of winning the Golden Casket were one in a million — whereas the odds of winning Gold Lotto today is one in eight million. Gamblers were willing to pay large amounts of money to win a life-altering prize. Tickets initially cost the equivalent of nearly half a day's pay. However to accommodate smaller punters, from 1932 one sixth share tickets were offered.

The Golden Casket was extremely successful as a revenue earner. Within only one year profits provided 2 per cent of government revenue and in the first 10 years over £2 million was raised. The Golden Casket remained a substantial contributor to government revenue up until its decline in popularity in the early 1980s.

The decline in the popularity of the Golden Casket was the result of a number of factors. These included a decline in the real value of prize money as the result of high inflation in the 1970s, the chances of winning decreased, profits were no longer seen as being beneficial to the community and other gambling alternatives were introduced.

The Golden Casket Lottery Corporation introduced new products as the popularity of the Golden Casket waned. Since the 1980s a number of new products have been marketed and today the corporation offers Saturday Gold Lotto, Oz Lotto, Powerball, The Pools, Super 66, Jackpot Casket and Instant Scratch Its.

The Golden Lottery Corporation continues to provide a source of revenue for the government. In 1996-97 for example, the Golden Casket Lottery Corporation earned an operating profit of nearly \$207 million dollars of which \$199 million was remitted to the Queensland Treasury.

Source: Selby (1996).

As a result, poker machines began to spread exclusively throughout clubs. When machines again began to reappear in hotels in the early 1930s they were removed from both hotels and clubs. However by 1939 the machines had returned to the

clubs under the 1921 ruling. Their use was not widespread, but clubs which operated them generated substantial revenue from the machines (O'Hara 1988).

By the 1940s legal gambling was thriving, but governments were becoming concerned at the growing illegal market comprising private gaming clubs and SP bookmakers. The illegal market created problems (such as corruption) for government in the control of gambling and deprived it of revenue. A solution to SP bookmakers was found in the establishment of government-run agencies for off-course betting — known as Totalisator Agency Boards (TABs). TABs not only reduced the problem of SP bookmaking but they generated new interest in racing and increased revenue for the development of the racing industry.

In the 1950s gaming machines spread throughout New South Wales. In 1956 the Government introduced the *Gaming and Betting (Poker Machines) Act* which formally gave registered clubs the exclusive right to operate gaming machines so that funds could be used for community benefit. This resulted in a rapid increase in the number of registered clubs and members. By 1959, there were over 7000 poker machines operating in about 1100 clubs throughout New South Wales (Wilkinson 1996).

By the 1960s, gambling in most states was characterised by liberalisation, government ownership (lotteries, TABs) and tight regulation of private operators (bookmakers, gaming clubs). The rationale behind the legalisation of gambling was to control the illegal gambling market and to raise funds for community services (McMillen 1995a).

In the 1970s and 1980s the rationale for expanding gambling opportunities shifted away from social considerations towards economic opportunities. A series of economic recessions and tightening government fiscal positions, compounded by narrow state tax bases, resulted in governments seeking new methods of raising revenue and facilitating economic growth. The first initiatives involved the development of casinos:

The two jurisdictions most vulnerable to the 1970s global economic slump (Tasmania and the Northern Territory), were the first to legalise casinos for regional development ... Australia experienced a second wave of casino legalisation during the 1980s global slump as the newly developing states (Queensland, Western Australia, South Australia) sought to expand into tourism to diversify their economies. A third period of casino expansion occurred as the previously affluent industrialised states, New South Wales and Victoria, suffered the consequences of the 1990s recession (McMillen 1995a, p. 14).

The current stage of development is characterised by market expansion, competition and privatisation. Continuing pressures for government revenue, and from private

enterprises looking for market opportunities, has resulted in the proliferation of modern forms of gambling. Today there are 13 casinos operating in Australia — with at least one in each state and territory. Gaming machines have also spread to hotels and clubs throughout Australia (except Western Australia) and there has been an expansion in lottery products to include lotto, soccer pools and instant *scratch-its*. Competition for the gambling dollar has in turn seen a transformation in horse racing, with innovations such as night racing and satellite telecasting. And new technological forms of gambling such as internet gambling, have emerged.

There has also been a marked shift from government to private ownership of TABs. In 1994 Victoria became the first state to privatise the TAB, which was commercialised as Tabcorp. New South Wales followed and other states are also considering the privatisation of TABs.

Today, gambling is big business, with providers earning net takings over \$11 billion annually. Along with the expansion in gambling, however, there have been growing community concerns about the social harm caused by gambling and this has begun to influence government programs and the practices of gambling establishments (chapter 16).

2.2 A snapshot of the industries

The gambling industry covers a wide range of activities, provided by a variety of organisations, including:

- keno and gaming machines in hospitality clubs, pubs, taverns and bars;
- lotto, lotteries or caskets, football pools and scratch tickets provided by lottery operators and agencies;
- casino games such as two up, roulette, blackjack, baccarat, poker, craps, mini dice and money wheel games;
- betting on horse and greyhound races and sporting events provided by on and off-course bookmakers and totalisators; and
- minor gaming including raffles, bingo and lucky envelopes.

This section examines the characteristics of Australia's major gambling *suppliers* — including industry structure, profitability, employment and taxation. A description of the various forms of gambling and the odds of winning is provided in box 2.3.

Box 2.3 **Forms of gambling**

Gaming machines are available in casinos, clubs and hotels throughout Australia — except in Western Australia where they are only available in the casino. In most jurisdictions operators must return at least 85 per cent of wagers to players as winnings, either by cash or a mixture of cash and product. Gaming machines have the capacity to be linked in order to offer jackpots such as cars, holidays, and mystery cash prizes up to \$1 million.

Keno is typically played in clubs, casinos and hotels. It is also offered by lottery agencies in some jurisdictions. Prizes and the odds of winning vary according to how many numbers are chosen and matched. In Tattersalls keno the probability of winning the jackpot is almost one in 9 million and the average jackpot is \$840 000.

Lotto games are conducted at both a state and national level. Oz-Lotto, drawn every Tuesday is the national lotto game. Saturday night Lotto conducted by the Australian Lotto Bloc, is similar to Oz-Lotto with all states except New South Wales participating in the draw (table below).

Saturday Lotto prize money and the chance of winning

<i>Numbers matched</i>	<i>Share of pool and average prize</i>	<i>Chance of winning</i>
6	shares 26% of pool (\$470 000)	1:8 145 060
5 & 1 supplementary	shares 7% of pool (\$10 000)	1:678 755
5	shares 12% of pool (\$1 000)	1:36 690
4	shares 21% of pool (\$34)	1:733
3 & 1 supplementary	shares 34% of pool (\$11)	1:298

Source: Tattersalls (1999).

At the state level a number of lotteries are run. For example, New South Wales Lotteries draws Lotto on Monday and Wednesday; South Australian Lotteries draws X-Lotto on Monday and the Queensland Golden Casket Lottery draws Gold Lotto on Wednesday.

Powerball is similar to lotto but its two draw structure means that the chance of winning the major prize (about one in 55 million) are significantly lower.

Football pools is a lotto style game, where the winning numbers are based on the outcome of English or Australian soccer matches. There are five prize divisions — the odds of winning division one (an average prize of \$450 000) are over one in a million while the chance of winning division five (an average prize of \$14) is 1 in 149.

Instant scratchies are tickets (ranging in price from \$1 to \$10) which are scratched to reveal symbols. Prizes are paid on a set return to players and are based on the number of tickets in a set, the cost to purchase the tickets and a set percentage retained by the operator for costs. Prizes range from \$1 to \$500 000. The chance of winning a prize varies with the type of ticket — The chance of winning a prize on a New South Wales ticket, for example, is about one in five.

(continued)

Box 2.3 (continued)

Lotteries (caskets) are drawn Australia wide by both government and commercial operators. For example, the Golden Casket Lottery Corporation in Queensland sells \$2 and \$5 casket tickets. Prizes range between \$10 and \$250 000 in the \$5 lottery and between \$5 and \$100 000 in the \$2 lottery. In addition, free tickets are awarded to every ticket holder that is one number away from a winning ticket. Over 7000 tickets in each draw win a prize.

New South Wales Lotteries conducts a similar style of lottery but also offers a jackpot prize. The \$2 jackpot starts at \$500 000 and grows by \$50 000 until it is won. And the \$5 lottery jackpot starts at \$750 000 and grows by \$100 000 until it is won. The odds of winning a prize in the \$2 lottery are 1 in 18, and 1 in 11 for the \$5 lottery.

Casinos offer a range of games. Some such as roulette and the money wheel are based entirely on luck. Others such as blackjack and poker require some skill. The average percentage of each bet that is retained by the casino varies with the table game. Blackjack for example has the lowest of all house percentages ranging from 0-1 per cent. In comparison, the average house advantage on the money wheel is 5 per cent, on two-up it is 3 per cent, on baccarat it is 1 per cent on player and banker bets and 14 per cent on tie bets, on craps it is 2.5 per cent and on other dice games such as mini-dice, sic-bo, heads and tails the average house percentage is 5 per cent.

Racing comprises betting on horse and greyhound races with on-course and off-course bookmakers and totalisators. At on-course totalisators and TABs betting is in the form of a “unit” wager (a unit being a multiple of 50c or \$1 depending on the jurisdiction). The operator deducts a percentage of the total units wagered and the remainder is returned as winnings to players in multiples of the unit wagered. Types of TAB betting include win and place betting, quinella betting, trifecta betting, doubles and treble betting and mystery betting.

Unlike totalisators, bookmakers offer win and place bets on racing events at fixed odds. A gambler can wager any amount above a set minimum and will receive the bookmaker’s odds at the time of making the wager. Those odds stand, irrespective of whether the bookmaker alters the odds at a later time.

Sports betting is wagering on local, national or international sporting events (other than horse and greyhound racing), with bookmakers, and TABs. Sports bets can be made at the betting agency, by telephone, or on the internet. Prize money and the odds on sports betting at TABs, (such as footy-bet) is dependent on the total amount wagered, while at bookmakers sports betting is based on fixed odds.

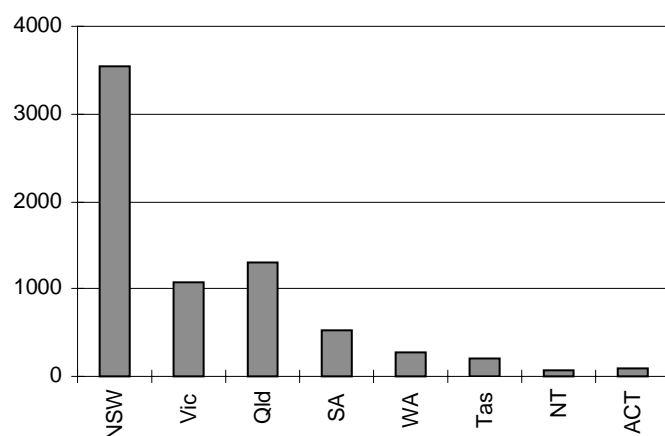
Bingo is a numbers game where each player has one or more cards with differently printed numbers (between 1 and 99) on which to place markers as numbers are called. The odds of winning and prize money vary with the number of cards sold to players. Other forms of minor gaming such as raffles and lucky envelopes are not within the scope of the inquiry.

Industry structure

Over 7000 businesses provide gambling services throughout Australia, either as their primary activity (for example casinos and TABs) or as secondary source of income (for example clubs, and hotels). The majority of gambling businesses are hospitality clubs, pubs, taverns and bars and totalisator agencies.

Half of Australia's gambling businesses are located in New South Wales, with Victoria and Queensland the next largest but with a significantly lower number of businesses (figure 2.1).

Figure 2.1 Number of gambling businesses by state and territory^a



^a Multi-state businesses are counted in each state which they operate, hence states do not sum to the Australian total.

Data source: ABS (1999b).

Gaming machines dominate gambling activity in Australia — as discussed later they account for about half the total revenue and taxation collected from all forms of gambling.

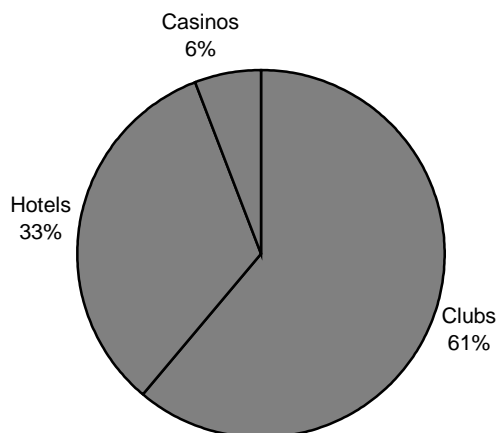
Australia currently has around 185 000 gaming machines, roughly half of which are located in New South Wales (figure 2.2).

In the draft report, the Commission used data from Aristocrat's 1998 Annual Report indicating that Australia had 21 per cent of the world gaming machine market, which the industry subsequently disputed. Further data on machine numbers and characteristics, from a variety of sources, indicates that Australia has about one-fifth of the most relevant market segment ('high intensity' machines). However, its share can be reduced to 2.5 per cent if a range of other machines are included (box 2.4).

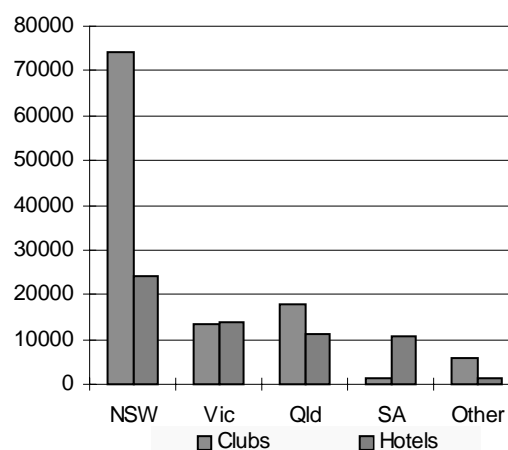
It is clear that Australia has a much wider dispersion of gaming machines than in North America. In per capita terms, there are roughly five times as many machines in Australia than in the United States or Canada, where their availability is more restricted.

Figure 2.2 Location of gaming machines

Location of gaming machines, Australia



Gaming machines in clubs and pubs, taverns and bars, by state/territory



Data source: State/territory gambling authorities, see chapter 13 for data table.

In contrast, Australia accounts for less than two per cent of world lottery sales — Europe and North American lottery sales comprise over 80 per cent of the world total (table 2.1).

Table 2.1 World lottery sales, 1998

<i>Region</i>	<i>US \$ million</i>	<i>Percentage of world total</i>
Africa	273	0.2
Australia and New Zealand	2 335	1.9
Asia & Middle East	13 391	10.8
Europe	61 247	49.3
Central, South America	4 115	3.3
North America	42 826	34.5
Total	124 185	100.0

Source: Lottery Insider (1999).

Box 2.4 **The world gaming machine market**

In its draft report the Commission reported data from Aristocrat's 1997-98 annual report which, consistent with earlier estimates, indicated that Australia had 21 per cent of the world's gaming machines.

A number of industry participants argued that this estimate was greatly overstated. Aristocrat (sub. D266) commented:

The figure used by the Commission ... refers only to the types of gaming machines Aristocrat produces, in regulated gaming jurisdictions. It is not an estimate of the total number of machines worldwide.

The world gaming machine market is highly fragmented. There are a great variety of machines which differ in terms of technology, turnover, prizes, payout rates and accessibility. This creates difficulty in defining and measuring the size of the world market, and different segments within it.

Professor Marfels, in a submission to the inquiry (D222) and in his consultancy report (through Marecon International Research) for Crown Casino, included casino gaming machines, pachinko, pachislo, video lottery terminals and amusement with prizes machines in his definition of the world gaming machine market. He found that Australia has less than 3 per cent of the world's gaming machines and ranks sixth after Japan, the United States, Great Britain, Germany and Spain.

Similarly, a study by Taylor Nelson Sofres, commissioned by the AGMMA (sub. D257, p. 4) which included the same styles of machines, found that Australia had less than 2.4 per cent of the world's gaming machines.

The aggregation of machines at this level is not very meaningful, however, because it does not allow comparison of like with like. Following closer examination of the various devices, the Commission considers that the gaming machine market can be divided into three relatively distinct segments:

- high intensity machines — where spending per game and the speed of play is high relative to all other gaming machines — these include Australian gaming machines, US slot machines and video lottery terminals;
- amusement with prizes machines — where spending and the speed of play is comparatively slower — these include UK amusement with prizes and club machines and Japanese pachislo machines; and
- Japanese pinball style pachinko and other machines (such as UK crane grab) — where the stakes and speed of play are the lowest and prizes are toys (for crane grabs) and biscuits, cigarettes and magazines for pachinko (although prizes can be exchanged outside the venue for money).

Appendix N describes these market segments and the variety of gaming machines worldwide in more detail.

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Box 2.4 (continued)

Australia's share of the gaming machine market varies considerably depending on how the market is defined. It can be as high as 20 per cent or as low as 2.6 per cent if pachislo, pachinko and other amusement with prize machines are included (table below).

Country shares of gaming machines^a, selected market segments (per cent)

	<i>High intensity machines</i>	<i>'Amusement with prizes' machines</i>	<i>Pachinko and other^b</i>	<i>Total</i>
Australia	20.4	0.0	0.0	2.6
United States	64.4	0.0	0.0	8.2
Canada	6.4	0.0	0.0	0.8
France	5.9	0.0	0.0	0.7
New Zealand	1.7	0.0	0.0	0.2
South Africa	1.2	0.0	0.0	0.2
United Kingdom	0.0	14.8	0.0	3.7
Germany	0.0	13.3	0.0	3.2
Spain	0.0	12.9	0.0	3.1
Japan	0.0	58.9	100	65.8
Other	na	na	na	12.9

^a Not including internet or illegal machines; ^b excludes 'UK crane grab', pinball and pusher machines.

Source: Appendix N.

The Commission considers that the 'high intensity' sector is the most appropriate benchmark for comparison of Australian style gaming machines with the world market. This grouping of machines has comparatively high turnover, credits, lines, speed of play and winnings. They also pose potentially a higher risks for problem gambling (see chapter 6 and appendix N).

Ownership

Australia's gambling industries are characterised by a mix of public and private ownership.

- All Australia's casinos are regional monopolies. Most are owned and operated by Australian companies and listed on the Australian Stock Exchange. The two exceptions are the Adelaide Casino, which is government owned and MGM Grand International Hotel Casino in Darwin, which is a subsidiary of MGM Grand in Las Vegas.
- Traditionally, TABs have been managed by government appointed boards. However Victoria and New South Wales have moved away from this structure with the privatisation of their TABs. Queensland and the Northern Territory are also in the process of privatising their TAB assets.

- Lottery operators are also predominantly government owned. The two exceptions are Tattersalls in Victoria and the Territory Lottery Company in the Northern Territory.

Contribution to national product

The conventional measures of an industry's contribution to the national economy is value added, and the share of its value added in Gross Domestic Product (GDP — notionally, the sum of value added for all industries). However there are no official estimates of value added for gambling.

Instead, table 2.2 lists ABS estimates of value added at *basic* and *producer* prices for industries where gambling is a primary or secondary activity. The ABS (sub. D290, p. 2) noted that at the industry level the preferred measure is value added at basic prices. However for a comparison with GDP (at market prices) value added at producers prices is the appropriate measure (sub. D290, p. 2).

Table 2.2 **Value added, industries that provide gambling services, 1997-98^a (\$ million)**

	<i>Lotteries</i>	<i>Casinos</i>	<i>TABs, bookmakers & other</i>	<i>Clubs</i>	<i>Hotels</i>	<i>Total</i>
Value added (basic prices)	342	744	764	2 663	2 497	7 010
Gambling taxes	1 321	426	903	715	352	3 717
Value added (producers' prices)	1 663	1 170	1 667	3 378	2 849	10 727

^a Estimates are approximations only — they are based on the assumption that gambling taxes is a reasonable proxy for taxes less subsidies in the gambling industries

Source: ABS (sub. D290, p. 4).

The above table provides estimates of value added for industries that provide gambling services, it does not provide estimates of value added from gambling. In the casino, club and hotel sectors, income is also sourced from accommodation and the sales of food and liquor. In casinos, 85 per cent of income is from gambling, in clubs 53 per cent of total income is from gambling and in hotels 16 per cent of income is derived from gambling (ABS catalogues 8687.0 and 8683.0). Using these shares, non-gambling services can be netted out of the ABS industry estimates of value added to provide approximations of value added from gambling.

The Commission estimates that total value added (at basic prices) from gambling in 1997-98 was \$3.5 billion. Clubs accounted for the majority, at about 40 per cent of total industry value added (table 2.3). Value added in producer prices was \$7.2 billion, which equates to about 1.5 per cent of GDP in 1997-98 .

Table 2.3 Estimated value added from gambling, 1997-98 (\$ million)

	<i>Lotteries</i>	<i>Casinos</i>	<i>TABs, bookmakers & other</i>	<i>Clubs</i>	<i>Hotels</i>	<i>Total</i>
Value added (basic prices)	342	632	764	1 411 ^a	400 ^a	3 549
Gambling taxes	1 321	426	903	715	352	3 717
Value added (producers' prices) ^b	1 663	1 058	1 667	2 126	752	7 266

^a Estimates do not take into account that gambling services may attract increased expenditure on non-gambling services such as meals and drinks. ^b Estimates in producers prices would be lower to the extent that there are any subsidies to deduct from taxation revenue (see ABS sub. D290, p.2).

Source: Commission estimates based on ABS (sub. D290, 1998b, 1999b).

The profitability of gambling industries

Gambling businesses can generate two sources of revenue from gambling — takings and commissions.

- Net takings are total gambling income less prize money.
- Gambling commissions are moneys paid to agencies with TAB operations, lotteries, keno, lotto-type games and to hotels and clubs with gaming machines (when the venue does not own the machines).

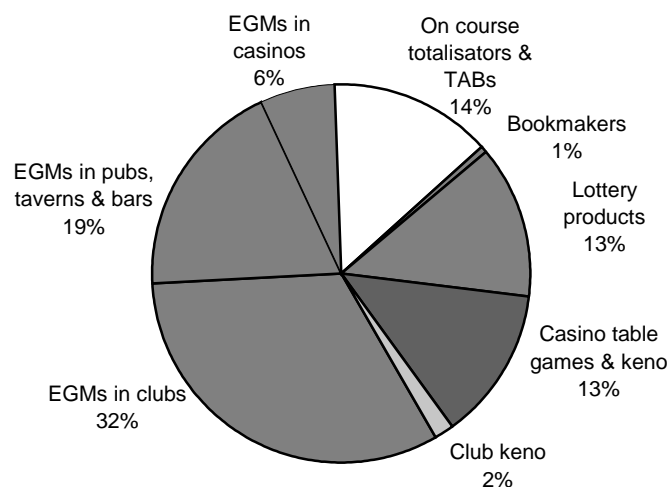
In 1997-98, gambling businesses generated over \$11 billion in net takings and \$650 million in commissions. The largest source of net takings was from gaming machines in clubs, pubs, taverns and bars which accounted for over 50 per cent or \$5.7 billion in total gambling net takings (figure 2.3).

New South Wales is the largest revenue earner, accounting for over \$4.5 billion or 40 per cent of Australia's total net takings and commissions from gambling. Victorian gambling businesses also generate significant revenue from gambling (figure 2.4).

Together, Australia's gambling businesses generated \$1.5 billion in profit (before tax) in 1997-98, or an average of \$217 000 per business.

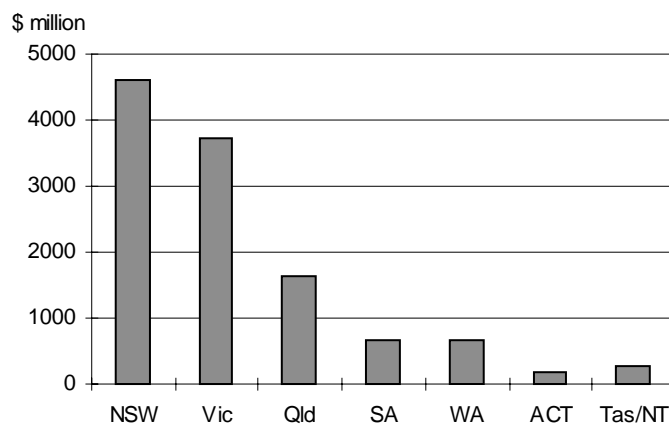
- The most profitable sector is that comprising clubs and hotels with gambling facilities. In 1997-98 the sector generated over \$1 billion in profit — an average profit of \$200 000 per business.
- In contrast, in 1997-98 the casino industry made an operating loss of nearly \$300 million — an average of \$22 million per casino (figure 2.5).

Figure 2.3 Net takings by type of gambling and venue, 1997-98



Data source: ABS (1999b).

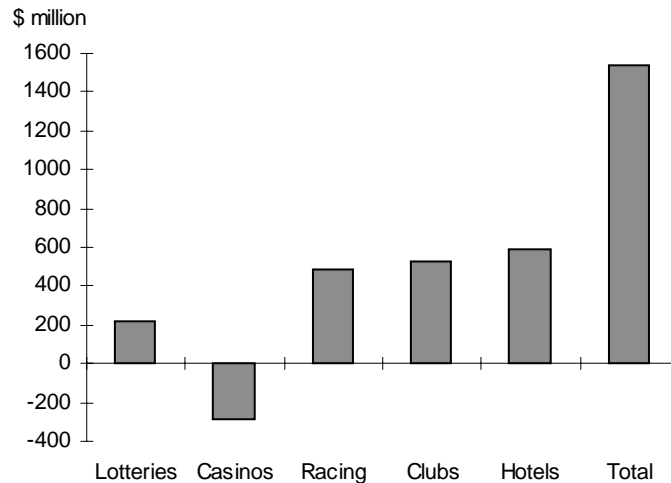
Figure 2.4 Gambling net takings and commissions by state and territory^a, 1997-98



^a The ABS did not publish separate net takings and commissions data for the Northern Territory and Tasmania, their total was calculated as the difference between the Australian total and sum of the other states and territories.

Data source: ABS (1999b).

Figure 2.5 Operating profit of gambling businesses^a, 1997-98



^a Profit is measured as operating profit before tax; the racing sector includes TAB and totalisator operators, TAB agencies, bookmakers and sports betting shops.

Data source: ABS (1999b, 1999a).

Employment is significant

The gambling industry employs large numbers of people, both directly and indirectly. In 1997-98 it is estimated that over 107 000 people, or one per cent of Australia's workforce were employed directly in Australia's gambling industries (see below). Its significance is demonstrated by comparison with employment of 75 000 in mining, 67 000 in electricity, gas and water supply, and 114 000 in sport and recreational services (noting that the relative importance of gambling employment would diminish if employment was measured as full time equivalents).

In 1997-98 over 37 000 people were employed in businesses where the predominant activity was gambling. This represents about 17 per cent of total cultural and recreational employment.

- Over 20 000 were employed in casinos, more than 13 000 at TABs, sports betting shops and bookmakers and nearly 3 000 in lottery businesses.
- Their main occupations were licensed gambling staff in casinos, TAB agency clerks and on-course clerks and managers, administrators and clerks (figure 2.6).

Figure 2.6 Occupations of staff in gambling industries^a, 1997-98



^a Other staff includes maintenance, security and computer service staff.

Data source: ABS (1999b).

In addition, about 120 000 people were employed in clubs, pubs, taverns and bars with gambling facilities in 1997-98. As gambling is a secondary activity in these businesses, it is difficult to estimate how much of this employment was generated by the provision of gambling services. Indeed, the main occupations in clubs, pubs taverns and bars are bar managers, attendants, waiters and waitresses. In 1997-98, on average, clubs and hotels with gambling facilities employed 23 people, compared with an average of 9 people employed in clubs and hotels without gambling facilities. This suggests that more than 70 000 people are employed in clubs, pubs, taverns and bars as a result of gambling.

The Commission has taken a broad interpretation of the members of staff associated with gambling in clubs and hotels. If staff classified as 'gaming staff and cashiers' was the only category included, gambling employment in clubs would be 9200 and in hotels 6400, a total of 15 600. On the other hand, the Commission has not included other businesses which employ staff directly in the gambling industry for example, gaming machine manufacturers such as Aristocrat and parts of the racing industry.

Gambling businesses are characterised by a high proportion of part time, casual and female employment.

- In 1997-98, in businesses where gambling was the primary activity, over 50 per cent of employment was on a part time or casual basis and women were employed in 51 per cent of the positions.
- In pubs taverns and bars, 74 per cent of employees were part-time or casual and 54 per cent were women.

- Similarly, in clubs 65 per cent of employees were part-time or casual and 49 per cent were women.

High levels of part-time employment are characteristic of the cultural and recreation services sector (of which gambling is a segment). Over 50 per cent of people employed in the cultural and recreational sector are employed on a part time basis compared with about 30 per cent for all industries.

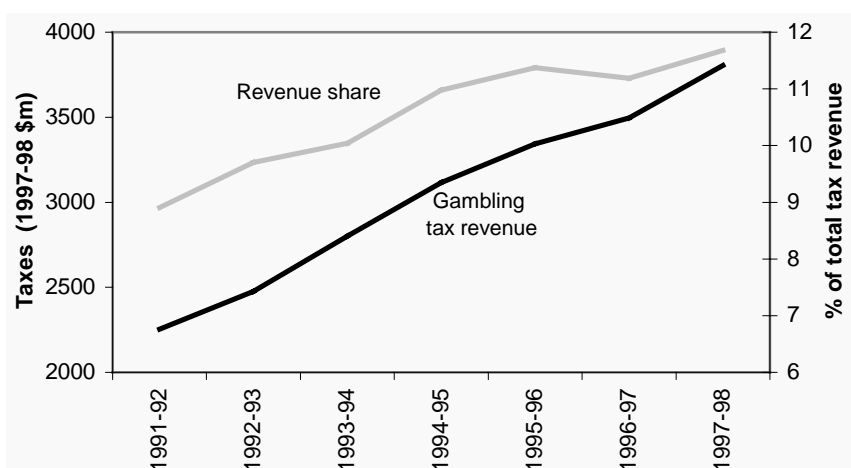
The gambling industry also employs people indirectly in a diverse range of fields and professions. For example, it employs technicians to manufacture and maintain gaming machines and totalisator systems; veterinarians and hospitality workers in the racing industry and construction workers to build casinos.

Taxation revenue from gambling

As noted, the liberalisation of gambling has in part been driven by governments' revenue needs and constrained tax bases. A variety of taxes and fees are levied on the gambling industry by state and territory governments. In 1997-98 state and territory governments collected over \$3.8 billion in taxation revenue from gambling.

Gambling taxation represents a significant and rising share of state and territory governments' own-tax revenue. In 1991-92, states and territories raised about 9 per cent of taxation revenue from gambling. In 1997-98, taxes on gambling accounted for about 12 percent of taxation revenue (figure 2.7).

Figure 2.7 Taxation revenue from gambling, 1991-92 to 1997-98^a

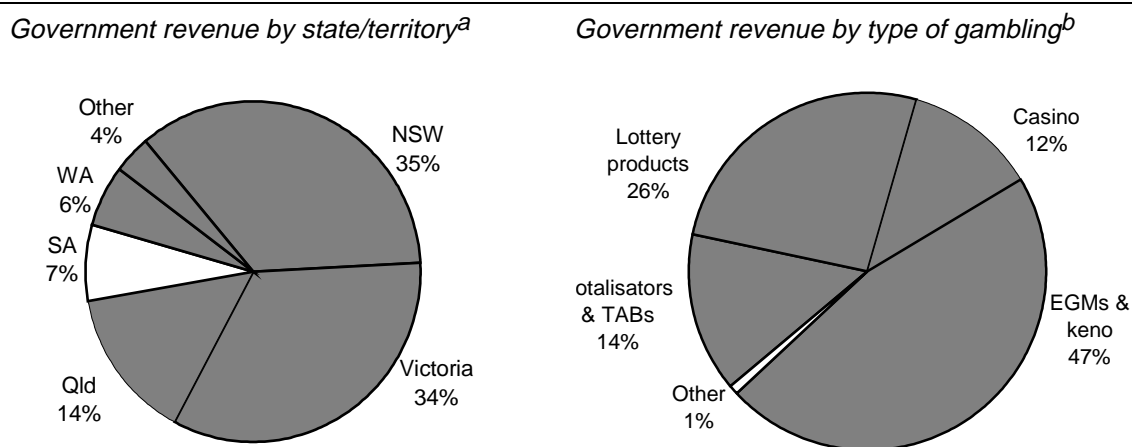


^a 1997-98 data are preliminary; taxation revenue was converted to 1997-98 prices using the CPI deflator reported in Tasmanian Gaming Commission (1999).

Data source: ABS (1998c).

Nearly 70 per cent of gambling taxation revenue is collected in two jurisdictions — New South Wales and Victoria — and the largest source of revenue is from gaming machines (figure 2.8). The importance of gambling taxes as a source of revenue, and the differences between jurisdictions is discussed further in chapter 19.

Figure 2.8 Government revenue from gambling, 1997-98



^a Other includes Tasmania, the Northern Territory and the ACT. ^b Other includes bookmakers, sports betting and minor gaming.

Data source: Tasmanian Gaming Commission (1999).

2.3 Gambling is a growth industry

The changing pattern of gambling

Two decades ago the main forms of gambling in Australia were betting on horse racing, lotteries and raffles. Since then liberalisation has led to the proliferation of gambling products. Today, the range of gambling products have expanded to include keno, casino games, scratch-tickets and gaming machines. We are also seeing the emergence of internet gambling.

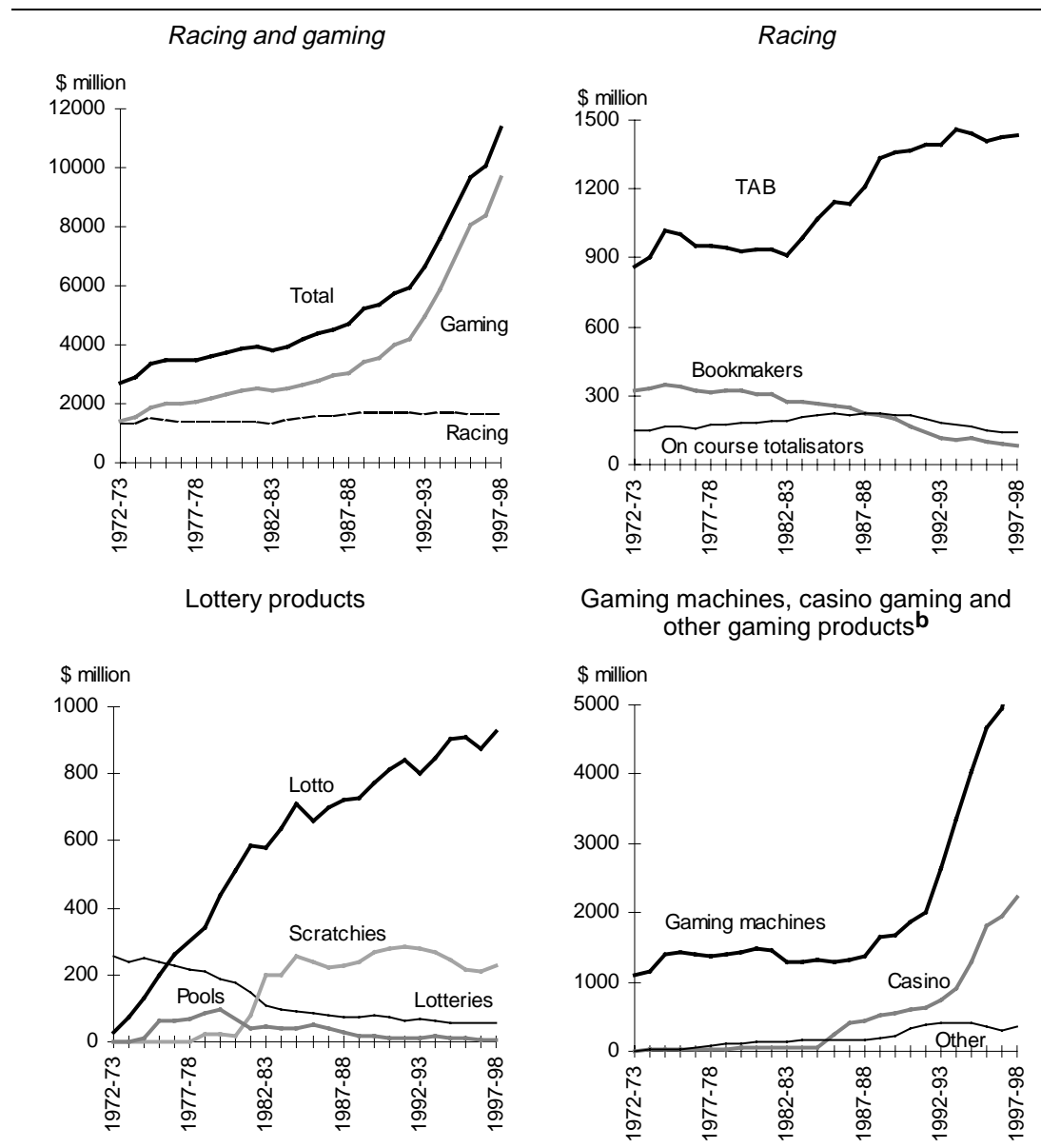
Gambling revenues have doubled over the decade and this is reflected in expenditure data. Growth has been driven by the gaming sector, where expenditure has grown from \$1.3 billion in the early 1970s to over \$9 billion in 1997-98 (figure 2.9).

The legalisation of gaming machines in hotels and clubs has created the largest area of growth in the gambling industry. Expenditure on gaming machines has increased

from \$1 billion in 1972-73, (when only New South Wales had gaming machines and only in clubs) to \$6 billion in 1997-98.

The expansion of gaming into hotels and clubs has yielded a considerable boost in profit for those establishments with gambling facilities.

Figure 2.9 **Expenditure^a by type of gambling activity, 1972-73 to 1997-98**



^a Expressed in 1997-98 values. ^b Other includes minor gaming sports betting (gaming) and keno.

Data source: Tasmanian Gaming Commission (1999).

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- In 1991-92 clubs operating profit before tax was \$178 million — in 1997-98 it exceeded \$530 million.
 - Similarly, in pubs, taverns and bars, operating profit before tax increased from less than \$100 million in 1991-92 to \$590 million in 1997-98.

Revenue from casinos has also increased significantly over the period. Casino gaming has increased from expenditure levels below \$60 million a year prior to 1984-85 (when only Tasmania and the Northern Territory operated casinos) to over \$2 billion in 1997-98 (with all states and territories operating at least one casino) (figure 2.9).

Competition for the gambling dollar and a fall in the popularity of lottery tickets has resulted in the development of new lottery products, going well beyond the traditional weekly draw.

- Lotteries now sell instant scratch tickets, lottery or casket tickets and a range of lotto products.
- Lotto draws are conducted nearly every day of the week. For example, NSW Lotteries sells tickets in Lotto (drawn Monday and Wednesday nights), Oz Lotto (drawn Tuesday nights), Powerball (drawn Thursday nights) and 6 from 36 pools (drawn Saturday nights).

Expenditure on traditional lottery tickets has declined from over \$250 million a year in the early 1970s to \$57 million today. In contrast, expenditure on lotto products has increased steadily over the period (figure 2.9).

Despite innovations in racing products (such as increased numbers of meetings, night racing and mystery bets), the racing industry has seen its market share decline in recent years. Nevertheless, total expenditure on racing has increased over time.

- In 1972-73 gambling expenditure on racing was about \$1.3 billion (in today's prices) and it had a 49 per cent share of the market.
- In 1997-98 racing expenditure was higher at \$1.7 billion, but its market share was much lower — about 15 per cent.

Within the racing sector, TAB revenue has increased from \$865 million in 1972-73 to more than \$1.4 billion in 1997-98. In contrast, expenditure at the race track (on bookmakers and on-course totalisators) has declined marginally (figure 2.9).

2.4 Technological change and future trends

Clearly, the last few decades have seen rapid change in Australia's gambling industries. Gambling has evolved from an industry which offered race betting and lotteries, to one which offers a multitude of gambling products and opportunities. The growth of Australian gambling industries has been made possible by liberalisation — as subsequent chapters show regulations have influenced the structure, profitability and development of the industry — but technological change has also shaped the industry and contributed to its growth. Indeed, Australian industries have been at the forefront of technological innovation world wide.

- Technological advances have enabled gambling suppliers to improve their services and increase the entertainment experience for consumers. For example, gaming machines are continually being updated with new graphics, feature games and linked jackpots to maintain consumer interest.
- Technological change has also created much greater access to gambling products — so called *convenience gambling*. Gaming machines are available in pubs and clubs throughout Australia; and the proliferation of interactive gambling products such as internet gambling and telephone betting, mean that consumers no longer have to leave home to gamble.
- Technological developments have also increased the tempo of gambling. The traditional forms of gambling (lotteries and racing) were non-continuous — there was a time delay between when a ticket or bet was purchased and the event took place. Today, the trend is toward continuous forms of gambling. For example, a new keno game starts every five minutes; it takes only a few seconds for each spin on a gaming machine; and the introduction of bill acceptors on gaming machines, in some jurisdictions, has meant that players do not have to leave their machine to get change.
- Further, technology has created higher levels of security for players and service providers. For example, Star City Casino (sub. 33, p. 34) has introduced Pitcam (small cameras located on each gaming table to record play) to resolve disputes, deter criminal behaviour, and ensure the integrity of gaming operators. It also has a computer system to monitor gaming machines and more than 1000 cameras providing perimeter surveillance.
- Finally, advances in information technology have enabled gambling providers to collect considerable detail on their clients. For example, many casinos and clubs provide gamblers with membership cards which when inserted into gaming machines can earn consumers free prizes or money. The cards simultaneously collect information about each consumer's expenditure pattern and level.

Regulation and technological advances are bound to further shape the gambling industry in the future. A number of new developments are already becoming apparent:

- One is growth in internet gambling, bringing a range of interactive gambling products directly into the homes of consumers (chapter 18). With the spread of broadband cable throughout Australia, a new technological form of gambling is also set to emerge — gambling through Pay TV. Indeed, products for this medium are already being developed in Australia.
- A particular area of growth likely to be driven by new technologies is sports betting. In 1997-98, Australians lost over \$20 million on sports betting products and expenditure is expected to increase significantly in the future.
- Competition for the gambling dollar has intensified. In recent years a number of new lottery and racing products have been introduced to compete with the newer forms of gambling such as gaming machines. Competition within the gambling industry is likely to increase further. Indeed, the advent of internet gambling would mean that gambling providers will not only compete with interstate products, but with gambling products from all over the world.
 - The National Lotto Bloc (sub. 158, p. 11) for example, see their major competition in the future coming from jackpot linked gaming machines, TAB mystery bets (especially if they are offered through TV or the internet) and sports betting.
- In the past, gambling products have not been highly substitutable. For example, when gaming machines were first introduced in Australia, racing industry revenues remained unchanged. However, in recent years gambling products have converged. For example, the TAB mystery bet is similar to the *luck bet* on a scratch ticket or a gaming machine; casino games on the internet are the same as those in physical casinos; and keno and lotto products are similar numbers type games. Clearly, gambling products are becoming more substitutable over time.
- Some participants have also suggested that a development in the gambling industry will be the use of new payments mechanisms. The Adelaide Central Mission for example cite further growth in the use of ATMs and EFTPOS, in addition to the development of new payments mechanisms such as smart cards (credit cards incorporating a micro-chip which is able to store information and value) (sub. 108, p. 22). Indeed, moves to a cashless society could see pressures to have such facilities incorporated in gaming machines — a major issue in problem gambling.
- A number of new trends in the ownership of gambling businesses are also emerging.

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- Share ownership (including Tabcorp, Star City Casino, Aristocrat and Jupiters Casino) is becoming more mainstream throughout the community.
 - Some companies, previously unrelated to gambling, are acquiring gambling assets. For example, Publishing and Broadcasting Limited is currently being merged with Crown Casino and Fosters Brewing has purchased Austotel (a Queensland hotel chain) and hotels throughout New South Wales, making it one of the largest gaming machine operators in Australia.
 - Companies with existing gambling operations are expanding into other forms of gambling. For example, Jupiters Casino has moved into sports betting and internet gaming with the purchase of Centrebet and Tabcorp is currently finalising its takeover of Star City Casino.
 - Recent growth in the gambling industry has brought with it increasing community concern about adverse social impacts. This is likely to lead to the development of new safeguards to reduce adverse social impacts from gambling. Indeed, internet gambling legislation introduced in some states and territories involves a number of safeguards that go further than ever before in allowing gamblers control over their play including limits on losses, duration of play and the prohibition of credit betting (chapter 18).