

**Submission**

**on**

**Gambling**

**to the**

**Productivity Commission**

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# 1. Introduction

On 24 November 2008 the Productivity Commission received a reference from the Australian Government, acting on behalf of the Council of Australian Governments, requesting the Commission to undertake an inquiry into Australia's gambling industries and report by 24 November 2009.

The Commission has invited written submissions addressing the terms of reference. Submissions are due by 31 March.

The Productivity Commission last inquired into and reported on gambling in 1999.<sup>1</sup> Some of the findings of this inquiry were that:

- Around 130 000 Australians (about 1 per cent of the adult population) are estimated to have severe problems with their gambling. A further 160 000 adults are estimated to have moderate problems, which may not require 'treatment' but warrant policy concern.
- Taken together, 'problem gamblers' represent just over 290 000 people, or 2.1 per cent of Australian adults.
- Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for about \$3.5 billion in expenditure annually — about one-third of the gambling industries' market.
- They lose on average around \$12 000 each per year, compared with just under \$650 for other gamblers.
- The prevalence of problem gambling is related to the degree of accessibility of gambling, particularly gaming machines.
- The costs include financial and emotional impacts on the gamblers and on others, with on average at least five (and up to ten) other people affected to varying degrees. For example:
  - one in ten said they have contemplated suicide due to gambling; and
  - nearly half those in counselling reported losing time from work or study in the past year due to gambling.

The terms of reference for the current inquiry invite the Commission to provide an update on its 1999 findings including those relating to problem gambling.

The Commission is also asked to assess "the impact that the introduction of harm minimisation measures at gambling venues has had on the prevalence of problem gambling and on those at risk; and evaluate the effectiveness and success of these harm minimisation measures used by the State and Territory Governments."

In December 2008 the Commission produced an issues paper canvassing some of the questions to be addressed by the inquiry.<sup>2</sup>

## 2. Problem gambling ten years on

The Ministerial Council on Gambling noted in 2004 that “More recent surveys [than the 1999 Productivity Commission’s report] in a number of States and Territories have indicated that problem gambling remains a significant community issue.”<sup>3</sup>

A 2001 survey of problem gambling in the ACT found that 5,297 adults or 1.9% of the ACT adult population were problem gamblers.<sup>4</sup> Of these around 1,250 ACT residents (about 0.5% of the adult population in the ACT) were estimated to have severe problems with their gambling. A further 4,047 adults were estimated to have moderate problems. Problem gamblers accounted for 37.3% of reported gambling expenditure. The under-25-year age group of regular gamblers had the highest prevalence of problem gambling in the ACT (36.3%).

About 50% of surveyed ACT problem gamblers reported that they suffered from depression due to gambling; about 14% seriously considered suicide due to gambling; and about 25% of had their job adversely affected by gambling or felt that they had less time to spend with their families.

A 2005 survey in the Northern Territory found a prevalence of 1.06% of problem gamblers.<sup>5</sup> Problem gamblers were overrepresented in low household income groups (incomes below \$20,000 p.a.) and there was an association between low formal educational achievement and problem gambling. Being an Indigenous person or having a non-English speaking background were also significant risk factors.

A 2006 survey in New South Wales found that 0.8% of the NSW adult population fell into the [severe] problem gambling group and a further 1.6% were considered moderate risk gamblers.<sup>6</sup>

This study also observed that “Consistent with other studies, gaming machines continue to be associated with the highest prevalence of problem gambling. The gambling preferences of the ‘at risk’ group (moderate/problem) are significantly different to those of other gamblers. ‘At risk’ gamblers (moderate/problem) show a clear preference for linked jackpot gaming machines, higher denomination machines, note acceptors, and gamble more lines per bet and more credits per line. Problem gamblers are also significantly more likely to use venue ATMs for cash withdrawals to be spent on gambling.”<sup>7</sup>

The issues paper correctly observes:

*“However, there is little utility in seeking to measure the exact numbers of problem gamblers. As noted, such a definitive result is probably a conceptual and empirical impossibility. Moreover, whether the actual number of problem gamblers is 1, 2 or 3 per cent of the population, it equates to hundreds of thousands of Australians, with many more who are directly affected by their problems or are at risk. It is generally accepted that the precise numbers have little bearing on the need for effective policy action.”<sup>8</sup>*

## 3. Harm minimisation measures

### 3.1 Modifying gaming machine features and design

The Productivity Commission’s 1999 report canvassed the desirability of modifying game features and design. The report noted that “Evidence from surveys and counselling services suggests that gaming machines are a major source of problem gambling. In addition to their wider availability, sources of risk include their continuous nature, the ability to increase the size of successive bets and the structure of payouts. An important question is whether changes could be made to the machines which would temper the ‘hazards’, without significantly diminishing recreational gamblers’ entertainment.”<sup>9</sup>

Some jurisdictions have adopted bans or imposed limitations on note acceptors, limitations on spin rate of games, lower bet limits, restrictions on jackpot arrangements and facilities for pre-play commitment levels.<sup>10</sup>

The Poker Machine Harm Minimisation Bill 2008 introduced into the Senate by Senator Steve Fielding (Family First) sought to use the corporations power to impose on corporations that manufacture or supply gaming machines and poker machines a set of technical requirements that would exclude multi-line betting; limit the size of bets for each spin; the maximum credit a machine can accept; the denomination of notes a machine can accept and the maximum payout a machine can give.<sup>11</sup>

These measures were designed to “limit the amount of money gamblers can lose and slow down the addictive nature of poker machines.”<sup>12</sup>

These measures seem well targeted and should be considered by the Commission.

***Recommendation 1:***

***The measures proposed by the Poker Machine Harm Minimisation Bill 2008 would implement effective measures to reduce the addictive nature of poker machines and limit the amount of money problem gamblers could lose. These are socially desirable goals, and the measures seem well targeted. The Commission should recommend these or similar measures to the Australian Government and the Council of Australian Governments.***

## **3.2 ATMs**

The Productivity Commission’s 1999 report recommended that “targeted and potentially cost-effective options include restrictions on the location of ATMs and lower withdrawal limits in gambling venues.”<sup>13</sup>

The “National Gambling Survey found that problem gamblers were more likely than non-problem players to withdraw money from an ATM at a venue whilst playing the pokies.” Only 4.6% of recreational players reported that they often or always withdraw money from an ATM at a venue when playing poker machines compared to 58.7% of serious problem gamblers reporting that they did so. “[P]roblem gamblers surveyed by the Commission ranked ATM location as one of the most important issues for effective harm minimisation.”<sup>14</sup>

A 2001 survey of problem gambling in the ACT found that “of surveyed ACT problem gamblers, 46.9% of those who scored SOGS 5+ and 73.6% who scored SOGS 10+, often or always withdrew money from ATMs to play gaming machines.”<sup>15</sup> “These figures suggest that there is a positive correlation between problem gambling severity and likelihood of using ATMs at the venue...”<sup>16</sup>

A 2006 survey in New South Wales found that “in terms of expenditure behaviour and pokies/gaming machines, there is a significantly high frequency with which problem gamblers in particular insert notes into machines, compared with all other gamblers (84% of problem gamblers versus 54% of low risk gamblers who insert notes often/always).

“Furthermore, the problem gamblers are nearly eight times as likely to insert \$50 notes into machines compared with pokies/gaming machines players overall (41% versus 5%). The problem gambling group are nearly nine times as likely to use ATMs to withdraw money for gambling compared with pokies/gaming machines players overall (62% versus 7%). Moderate risk gamblers also display some of these expenditure patterns, however, to a lesser degree (13% insert \$50 notes and 18% use ATMs).<sup>17</sup>

The Ministerial Council on Gambling's National Framework On Problem Gambling 2004-2008 has as its second key focus area, "Responsible Gambling Environments" and gives as the objective "to minimise the likelihood of recreational gamblers developing problem." One of the strategies listed is "to enable gamblers to limit their expenditure or time spent gambling, for example through pre-commitment measures and appropriate controls over financial transactions."<sup>18</sup>

It is nearly a decade since the Productivity Commission's report definitively identified the scale of problem gambling in Australia. The increasing dependence of several States on revenue from gambling is a formidable obstacle to these States taking the necessary measures to reduce problem gambling. It is past time for decisive action.

Tasmania is the only state that currently prohibits ATMs in hotels and club gambling venues. However Victoria has announced legislation to take effect from 2010 that will also remove ATMs from gambling venues.

The Northern Territory, Victoria and South Australia have limited the amount of cash that can be withdrawn from ATMs at gambling venues to \$200 per transaction per card. In Tasmania, EFTPOS transactions are limited to one transaction for gaming per day.<sup>19</sup>

The Poker Machine Harm Minimisation Bill 2008 introduced into the Senate by Senator Steve Fielding (Family First). Part 3 of the Bill would use the banking power to impose requirements on banks, credit unions and other financial institutions to limit to \$100 the amount of cash available from an ATM or similar facility on any one debit or credit card in any one transaction and in the total transactions for one day.<sup>20</sup>

The ATMs and Cash Facilities in Licensed Venues Bill 2008 was introduced into the Senate by Senator Xenophon. The Bill would rely on the banking power,<sup>21</sup> the corporations power<sup>22</sup> and the postal and telegraphic power<sup>23</sup> to impose restrictions on the location of ATMs and other cash withdrawal facilities in a venue holding a gaming license under relevant State or territory laws.

This Bill seeks to use powers available to the Commonwealth to legislate for effective measures to limit problem gambling by reducing ready access to cash at licensed venues. This is a well-targeted response to problem gambling with minimal impact on recreational gamblers and others users of licensed venues.

Easy access to ATMs seems to play a significant role in the behaviour of problem gamblers. Even at some inconvenience to license holders and their non-problem gambling customers the removal of ATMs from all licensed venues seems to be warranted.

***Recommendation2:***

***The Commission should recommend the removal of ATMs from all licensed venues.***

## **4. Weening the public (and the State treasuries) off gaming machines**

It seems doubtful, even if all the various harm minimisation measures designed to reduce the level of problem gambling were to be implemented, that this would result in a substantial reduction of problem gambling to a negligible or incidental level.

The Productivity Commission's 1999 report found that "Problem gamblers comprise 15 per cent of regular (non-lottery) gamblers and account for about \$3.5 billion in expenditure annually — about one-third of the gambling industries' market."

Is it time to consider whether the entertainment value gaming machines provide to non-problem gamblers is of sufficient value to outweigh the social cost of problem gambling?

Is it time to consider whether the State governments – charged with providing for the peace and good order of their State – are failing in this duty to the extent that they have become dependent on revenue from gambling and have consequently become reluctant to seriously restrict access to gambling?

The fundamental social question is whether the alleged benefits of poker machines – revenue for non-profit clubs and the enjoyment of “recreational”, non-problem gamblers are worth the social costs associated with problem gambling. It seems reasonable to conclude that an industry which derives one third of its revenue at the cost of significant human misery is an anti-social industry.

The Poker Machine Harm Reduction Tax (Administration) Bill 2008 was introduced to the Senate by Senator Steve Fielding (Family First). The Bill would implement a decisive scheme for drastically reducing, and eventually eliminating, poker machines from clubs and hotels throughout Australia while allowing them to remain in operation in casinos and at race tracks.

The Bill would accomplish this outcome by introducing a new tax on the gross revenue from poker machines in clubs and hotels. Gross revenue is defined so as to include any amounts paid out in winnings or linked jackpots.

The tax would start at 1% in the 2009-10, increase to 2% in 2010-11 and then by 2% each year to 10% in 2014-15. Thereafter it would increase by 5% each year to a maximum of 30% from 2018-19.

The effect of the tax would be to make it increasingly unprofitable for a club or hotel to operate poker machines.

In South Australia, for example, each gaming machine must return as winnings to players at least 87.5% of the total of all bets on that machine.<sup>24</sup> The remaining 12.5% is considered to be the “net gaming revenue”. After allowing for a tax free threshold of \$75,000, “net gaming revenue” is subject to a State tax which ranges from 21%-55% for non-profit operators and from 27.5%-65% for other operators.

Using two examples it is clear that it would soon become unprofitable to operate poker machines.

1. An operator with “net gaming revenue” of \$75,000 would have to pay \$6000 in 2009-2010 for the new tax. By 2014-15 the operator would be paying \$60,000 for the new tax. By 2015-2016 the operator would be paying \$90,000 for the new tax and *losing* \$15,000 annually.

2. At the other end of the scale a for-profit operator making \$10 million annually in “net gaming revenue” is already paying just over \$6 million in State taxes and retaining only about \$4 million. The first year of the new tax at just 1% would cost the operator \$800,000 and by 2012-13 the operator would be paying \$4.8 million for the new tax and operating at a *loss* of \$800,000 annually.

### ***Recommendation 3:***

***The Commission should recommend to the Australian Government that unless each of the States commit to the complete removal of gaming machines from hotels and clubs by 2015 it should introduce a taxation scheme similar to that proposed by the Poker Machine Harm Reduction Tax (Administration) Bill 2008.***

## 5. Conclusion

The increasing dependence of several States on revenue from gambling is a formidable obstacle to these States taking the necessary measures to reduce problem gambling.

It is nearly a decade since the Productivity Commission's report definitively identified the scale of problem gambling in Australia. It is past time for decisive action.

The Commission needs to recommend concrete measures with proposed time frames for their implementation. Otherwise the Commission is likely to find itself being given virtually the same reference in 2019 to inquire into problem gambling.

## 6. Endnotes

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