



VICTORIAN LOCAL GOVERNANCE ASSOCIATION

SUITE G06, 60 LEICESTER ST CARLTON 3053

TELEPHONE: 03 9349-7999 FAX: 03 9347-9933

EMAIL: vlga@vlga.org.au WEB: www.vlga.org.au

Productivity Commission Inquiry into Gambling 2009

VLGA Local Government Working Group

On Gambling Submission

27 March 2009

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1. Introduction

In December 2008 the Australian Government released a timetable and terms of reference for the Productivity Commission's update to its 1999 inquiry into Australia's gambling industries (Federal Government of Australia December 2008). The Commission has invited all interested organisations and individuals to participate in the inquiry through public submissions. This document is a submission to the inquiry, prepared by the Victorian Local Governance Association's Local Government Working Group On Gambling (LGWGOG), which provides direct advice to the VLGA Board on gambling issues as well as providing support to local governments and community groups in Victoria. The document draws on existing local government submissions related to gambling and additional material gathered by LGWGOG members.

This submission addresses the terms of reference of the new inquiry which are to '*provide an update of the 1999 Productivity Commission report (1-8) and provide some additional research into the impacts of harm minimization measures (9-10)*:

1. *The nature and definition of gambling and the range of activities incorporated within this definition;*
2. *The participation profile of gambling including problem gamblers and those at risk of problem gambling;*
3. *The economic impacts of the gambling industries, including industry size, growth, employment, organization and interrelationships with other industries such as tourism, leisure, other entertainment and retailing;*
4. *The social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it;*
5. *The contribution of gambling revenue on community development activity and employment;*
6. *The effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements – governing the*

- gambling industries, including the implications of differing approaches for industry development and consumers;*
7. *The implication of new technologies (such as the internet) including the effect on traditional government controls on gambling industries;*
 8. *The impact of gaming on Commonwealth, State and Territory Budgets;*
 9. *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*
 10. *Evaluate the effectiveness and success of these harm minimisation measures used by the States and Territory Governments.'* (Federal Government of Australia December 2008; p. 34-35)

2 Executive Summary

It has been 10 years since the Productivity Commission conducted an inquiry into gambling. In this time the accessibility to gambling activities has increased significantly, as has the taxation revenue that has flowed to the States.

It is therefore opportune to pause at this time to ask whether as a country we know a great deal more about the accurate economic and social costs and benefits of gambling, and whether in comparison to other countries we are taking the best harm minimisation approaches that we can?

It is also true that we know much more today about the likely characteristics of problem gamblers, yet approaches to regulation and services to minimize harm for the significant number of Australian problem gamblers do not appear to have kept pace with this knowledge. This is a great shame considering Australia's leadership to harm minimisation campaigns addressing the harmful impacts of a range of other products.

In this submission, LGWGOG is primarily concerned with Electronic Gaming Machines (EGMs) given the contribution that losses in EGMs make to overall gambling losses and the social and economic impact on individuals, families and the wider community.

While the LGWGOG understands that regulatory and service responses to these issues mainly lie in the hands of the States, we remain optimistic that significant national leadership including this inquiry will lead to reforms that address the conditions that exist now, 10 years after the Commission's first inquiry into gambling.

3 Recommendations

4.1 The nature and definition of gambling

In order to respond to the current economic conditions the Productivity Commission Inquiry could require investigation and data availability on:

1. Current levels of unemployment, mortgage defaults and bankruptcies, and
2. The relationship between 1, above and areas of socio-economic disadvantage exhibiting higher levels of vulnerability to problem gaming.

5.1 The participation profile of gambling

The Productivity Commission could:

1. require both State and Federal governments to develop indicator projects linked to the socio economic profile of problem gambling
2. require current research into the causes, significance and impact of problem gambling amongst these groups, and
3. recommend that current research efforts by State and Federal Governments be significantly improved which would shorten the lead-time.

6.1 The economic impacts of the gambling industries

The Productivity Commission could recommend:

1. that Consultations be undertaken with gaming industry representatives to ascertain industry directions in relation to venue size and location. Such industry planning could inform state and local government policies related to the locational requirements of EGMs, and
2. that the Australian Bureau of Statistic's SEIFA Index is outdated and cannot assist with the accurate prediction of gaming vulnerability. New models should be explored and adopted.

7.1, 7.2 and 7.3 the social impacts of the gambling industries

In order to provide more useful data for assessing the potential social impact of gambling the Productivity Commission could recommend:

1. that each State conduct its own review as to the efficacy of their own SIA processes and policies in consultation with the community, industry and local governments, with a view to adopting clear guidelines and decision making frameworks
2. improved research into community indicators to produce measures of social connection and community well being that relate specifically to the identified definitions of problem gambling
3. community indicators databases to be collected at a level below the local government area
4. coordinated approaches between Commonwealth, State and Local Governments to establish a statistical foundation for the location of vulnerable populations to problem gambling
5. expenditure on EGMs by venue should be publicly available Australia wide on a monthly and annual basis
6. gambling and welfare support services (including financial counseling services) to establish client data bases that record client socio-economic characteristics relevant to the identified characteristics of a problem gambler
7. that State Government take a leadership role in developing improved guidelines and decision-making frameworks for what constitutes 'net community benefit' in the gambling context
8. formal consultation with the community to be included within social impact assessment guidelines (to be funded by applicants and/ or State Governments), and
9. that all applications for EGM license or planning permits to include SIAs.

8.1 The contribution of the gambling industries

The Productivity Commission could recommend a number of improvements to be adopted by all States such that the economic and community contribution is much more transparent, including:

1. expenses associated with venue management be explicitly excluded from the CBS. Such expenses should be considered as standard operational costs associated with the income generating activities of clubs
2. far more rigorous auditing of the CBS submitted by individual venues (if such auditing is undertaken on a regular basis, it is not publicly and openly reported)
3. public reporting on the outcomes of audits is required for transparency and accountability purposes
4. further investigation of ‘quasi-clubs’ that are afforded club status when, in reality, they are commercial, for-profit operations¹
5. increased random spot audits by regulatory authorities to verify the accuracy of CBSs or their equivalents
6. research into the efficacy of setting up Community Trust Models to address ‘the failure to involve local communities in decisions on the priorities for funding’ (Kirby 2006, page 22), and
7. research into the mathematical assumptions of the economic and community contribution of new and/or transferred EGMs.

¹ As stated in the Final Report of the National Competition Policy (NCP) Review: The term ‘quasi-clubs’ refers to venues which are licensed as clubs but where the commercial arrangements are structured to transfer the power, discretion and profits to other parties. ... However, the concern arises where the club’s contracts and agreements are predominantly with one party and contain profit sharing arrangements which shift most profit to that party.

9.1 Regulatory structures

The Commission could recommend that:

1. as a minimum, all applications for licenses to operate EGM's should be assessed on the basis of:
 - All relevant gaming data being available (including industry data on anticipated revenue)
 - The anticipated social, health and economic costs and benefits of the venue
 - The applicant being able to show real harm mitigation effects
 - The applicant being able to show a real net benefit to the community over and above harm mitigation, and
 - Availability of EGM free venues in the surrounding area to ensure consumer choices
2. all Management agreements to be on the public record. This along with the precise nature of associated interests, should also be on the public record. This is especially important to the post 2012 EGM license environment in Victoria to transparently measure that no single operator exceeds the State Government's 35% cap, and
3. the establishment of a Gambling Ombudsman with legislative powers in each State.

12.1 Harm minimisation measures

The Productivity Commission could recommend:

1. that States move towards a 'public health/health promotion model' to address problem gambling including public education campaigns
2. tighter consumer protection measures, particularly with regard to the type of product and the active provision of information to consumers about how machines work and the real odds of winning, and
3. a fully independent structure to conduct an independent annual report assessing government and gambling industry performance against policy, regulation and voluntary codes and that this report be tabled in both State and Federal Parliaments.

4 The nature and definition of gambling

PC Terms of Reference No. 1: 'The nature and definition of gambling and the range of activities incorporated within this definition'

Livingstone et al (2008) provides some insight into the nature of problem gambling.² Respondents in the problem gambler segment were more likely than non-problem gamblers to:

- Gamble 2-3 times per week or more;
- Gamble for more than one hour;
- Not spend an hour or more on other activities in the venue;
- Spend larger amounts of money (20% spent \$50+/visit); and
- End their visit to the gaming venue after all available money was exhausted (15% respondents).

Many of the problem gamblers who participated in the project described how their gambling 'careers' usually commenced within an enjoyable or routine social context. This was prior to progressing to a stage where gambling was undertaken alone, and with increasing frequency and preoccupation. The key parameter distinguishing transition to problem gambling is linked to increased frequency of gambling activity and extended length of individual gambling sessions.

Gambling-related harm largely derives from expenditure of excessive amounts of money and time. Electronic Gaming Machines (EGMs) are designed to assist this to occur, some more successfully than others. EGMs which generate high average bet levels, particularly high average bet levels proportional to credit value, provide a capacity for losses and harm to escalate rapidly (Livingstone, 2008).

² This research was based on a telephone survey of regular gamblers in South Australia, 2007 (N=180; 80 male participants; 100 female participants).

Electronic gaming machine locations are more concentrated in low income areas. The Victorian State Government has undergone two rounds of introducing caps in specified local government areas. It is unclear whether the caps have resulted in a net reduction in the growth of expenditure or whether this is reflected by a ‘maturing’ of the market from the banning of smoking in gaming venues. Moreover, it is worth highlighting that despite the net reduction in expenditure growth for the whole of the state, a number of low income areas still record an alarming level of growth in expenditure at gaming machines.

4.1 Possible Productivity Commission response 2009

The changing economic climate, both global and national, raises significant concerns about the level of community vulnerability to problem gaming. One of the most common triggers for problem gambling is financial loss, for example the loss of a job (Productivity Commission 1999).

In order to respond to the current economic conditions the Productivity Commission Inquiry could require investigation and data availability on:

1. Current levels of unemployment, mortgage defaults and bankruptcies
2. The relationship between 1, above and areas of socio-economic disadvantage exhibiting higher levels of vulnerability to problem gaming

See also 7.3 below.

5 The participation profile of gambling

PC Terms of Reference No. 2: 'The participation profile of gambling including problem gamblers and those at risk of problem gambling'

A number of recent research initiatives shed new light on the profile and triggers of problem gambling.

A recently developed model of EGM problem gambling (Thomas, Sullivan & Allen, 2008) found that EGM gambling problems generally followed significant life stressors. People used EGMs as a cognitive escape from stressors and saw venues as an accessible and welcoming oasis from problems. Low levels of social support from partners or friends and maladaptive coping habits increased the likelihood that EGMs were used to manage problems.

Multiple regression analyses showed that age, stressors, maladaptive coping, and social support from friends all independently predicted (a) gambling as an escape and (b) gambling because it was accessible. Older people, those who had experienced a stressor, those who relied on maladaptive coping strategies, and those who had low friendship support had a tendency to gamble as an escape and because it was accessible. People who reported these motivations gambled more frequently and experienced more EGM gambling problems.

It was concluded that people experiencing significant stressors may be vulnerable to EGM gambling problems because this form of gambling provides an accessible means of cognitive and physical escape. People with limited coping resources may be particularly vulnerable.

The New Focus Research Pty Ltd (2004) research³ found that the socio-economic profile of problem gamblers falls into the low to medium socio-economic groups, based on income occupation and education levels. The research found that amongst problem gamblers a higher proportion of males (27 per cent) than females (13 per cent) were employed in upper blue collar occupations, and no men were engaged in home duties whereas 10 per cent of females were.

More females reported incomes less than \$20,000 (42 per cent) than males (33 per cent), while more males (20 per cent) than females (11 per cent) earned \$40,001–\$60,000. A higher proportion of females (56 per cent) than males (43 per cent) reported playing most often at different venues close to work or home. Thirty three per cent of problem gamblers in the research identified stress as a factor in the development of their gambling problems. Twenty four per cent cited boredom or nothing else to do, 22 per cent mentioned relationship difficulties/breakdowns, and 19 per cent gambled as a ‘social activity’.

The research found that since the expansion of commercial gambling in the 1990s, older women are gambling more than before. Very little research specifically addresses older women and problem gambling. Another gap in the problem gambling literature is the influence of race, culture and immigration status in tandem with the variables of age and gender.

Some EGM features were seen by problem gamblers as contributing to them spending more money. The main reason stated by 27 per cent was free spins or free games. The desire to win/winning the jackpot was the stated motivation of 23 per cent. Sixteen per cent of problem gamblers mentioned note acceptors as

³ This 'point-in-time' report presents the results of the first phase of a three-round longitudinal tracking study of problem gamblers, loved ones of problem gamblers, and providers of problem gambling services. In addition, a series of in-depth qualitative interviews will be conducted with a subset of 20 participants, to provide an in-depth understanding of the experiences of problem gamblers. The telephone survey sample totalled 273 self-selected individuals, comprising 142 'problem gamblers' (60 service users, 82 non service users), 77 'loved ones' (of problem gamblers), 54 'service providers.'

promoting greater expenditure. Playing or betting more lines on the machine (15 per cent), and the possibility of a payout at any time (15 per cent), were seen as inducements to spend more money, and 15 per cent of problem gamblers said the EGMs' audio features contributed to increasing expenditure.

McKay, C. (2005) similarly identified that since the expansion of commercial gambling during the 1990s, older women are gambling more than ever before. What is known at present is that middle-aged and older women tend to seek help for problem gambling faster than men (Petry, 2002) and are the fastest growing group presenting with gambling problems in cities with casinos or VLTs (R. Gupta, as cited in McTavish, 2000).

Current research suggests that older women may be a vulnerable subgroup of problem gamblers due to a complex interaction of individual and social factors, including the characteristics of the games and the gambling setting. Individual factors that have been found to increase the risk of problem gambling and are associated with age and gender include: gender socialisation around care-giving; poverty; multiple losses; social isolation; physical health problems, including cognitive deficits; a lack of leisure alternatives; and historical and/or current abuse issues. Social factors that may increase the risk of problem gambling amongst this group are gambling industry marketing strategies, including advertising and EGM design, which target older women as gambling consumers (Dekker, 1997; Griffiths, 2004; Schull, 2002).

Problem gambling has been identified as an emerging, yet unrecognised, public health issue in the older adult population (McNeilly & Burke, 2000). Much more research on older adults, particularly older women, who gamble and may be at risk or exhibit problem gambling behaviour is necessary to inform early identification, outreach, treatment, and prevention strategies as many questions remain unanswered. It is likely that there will be an increase in gambling problems in the older female population as the demographic of older women

rapidly expands globally and opportunities for gambling become increasingly accessible in casino and non-casino settings, as well as in the home on the Internet.

5.1 Possible Productivity Commission response 2009

The recurring incidence of people who are socially isolated, without social or friendship support, becoming problem gamblers requires improved data and service responses to rebuild social connection of problem gamblers. Point 5, below, discusses some of the current Federal and State government initiatives related to community connection.

Therefore, the Productivity Commission could require both State and Federal governments to develop indicator projects linked to the socio-economic profile of problem gambling.

Very little research specifically addresses older women and problem gambling. Another gap in the problem gambling literature is the influence of race, culture and immigration status in tandem with the variables of age and gender. The Productivity Commission could require current research into the causes, significance and impact of problem gambling amongst these groups.

While the lead-time for such research is often long, the LGWGOG strongly believes that current research efforts by State and Federal Governments could be significantly improved which would shorten the lead-time.

6 The economic impacts of the gambling industries

PC Terms of Reference No. 3: ‘The economic impacts of the gambling industries, including industry size, growth, employment, organization and interrelationships with other industries such as tourism, leisure, other entertainment and retailing’

Planning permit and license applications for EGMs in metropolitan Melbourne show a significant industry shift towards locating more machines in fewer venues. In particular, there has been a move towards applications for large venues in outer suburban and growth area locations. While this shift towards larger venues may meet the requirements of a destination venue, a recent State Government inquiry found few social benefits in destination gaming⁴.

A related implication of this industry move to larger venues is the potential loss of EGM’s, and revenue, from smaller club based venues and thus the removal of investment in local communities.

Under the Planning and Environment Act 1987 (Victoria) Gaming is regarded as a recreation activity. Planning policies across Victoria encourage the location of recreation within Activity Centres. Little research has been conducted into the impact of gaming within Activity Centres and the potential increase in convenience gaming that may result from the location of gaming as a form of recreation.

Understanding the social and economic impact of gaming machines in their municipalities is of importance to local government authorities and the communities we represent. Having commonly agreed mathematical models for such analysis is integral to such an understanding. It is noteworthy that venue-

⁴ State Government of Victoria 2008.

level expenditure data was not publicly available in Victoria until March 2009 despite calls from the LGWGOG and many others.

Whilst there has been little research in this area, there are emerging new models to predict gambling vulnerability (VLGA 2008). However, with the limitations of the Australian Bureau of Statistic's SEIFA Index, further refinement work needs to be completed to achieve a standard approach in assessing the social and economic impacts of gaming machine concentrations at the very localised level.

6.1 Possible Productivity Commission response 2009

The Productivity Commission could recommend:

1. that consultations be undertaken with gaming industry representatives to ascertain industry directions in relation to venue size and location. Such industry planning could inform state and local government policies related to the locational requirements of EGMs, and
2. that the Australian Bureau of Statistic's SEIFA Index is outdated and cannot assist with the accurate prediction of gaming vulnerability. New models should be explored and adopted.

7 The social impacts of the gambling industries

PC Terms of Reference No. 4: ‘The social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it’

One of the challenges for local government is to ensure that gambling facilities, particularly EGM's, are located in areas that are unlikely to increase the risk of problem gambling and the associated social impacts. This section briefly outlines some of those challenges and the ways in which the Productivity Commission Inquiry might respond.

There is a need for tighter consumer protection measures, particularly with regard to the type of product and the active provision of information to consumers about how machines work and the real odds of winning. EGMs are a unique product – similar to tobacco and drugs in many ways. There is a need for health promotion awareness campaigns through which people can fully understand the harmful nature of the product. The aim being to provide consumer information on the operation of the product with warnings on product abuse. This could therefore be supported by independent research, and/or advertising bans at public events, thereby achieving a similar approach to the abuse of tobacco/alcohol and other drugs.

7.1 A common approach to Social Impact Assessment (SIA)

The Victorian Gambling Regulations Act 2003 Section 3.3.7 sets out the conclusions that must be reached before approval of a gaming licence can be granted, including:

“(c) the net economic and social impact of approval will not be detrimental to the well-being of the community of the municipal district in which the premises are located.”

Section 4(2) (d) of the Victorian Planning and Environment Act 1987 requires that consideration be given to the social and economic impact of the use and development of land.

Despite these legislative requirements, there are no professionally agreed guidelines for social impact assessment in Victoria. This has led to inconsistent decision making by the Victorian Civil and Administrative Tribunal (VCAT), the Victorian Commission for Gambling Regulation (VCGR) and also a significantly increased workload for local governments. This undermines certainty for all parties, including the gambling industries, local governments and the community.

7.2 Definitions of problem gambler – empirical evidence

The Productivity Commission 1999 identified a number of factors that may make a community more vulnerable to problem gambling including: areas of socio-economic disadvantage; the number of socially isolated and disconnected members of the community (particularly socially isolated women); and the number of unemployed people.

Other research similarly identifies characteristics of communities that are vulnerable to the harm caused by gambling including: the number of newly arrived migrants and people from a non-English speaking background (Livingstone 2006); the number of people experiencing depression and substance abuse (AMA 1999); and the number of single people and lone parents (KPMG 1999).

One of the key challenges in determining the potential social impact of gambling is the scarcity of empirical data related to the socio-demographic characteristics identified above. While gambling and welfare support services maintain records of client numbers, the socio-economic characteristics of clients is not recorded. In particular key challenges exist in finding data related to:

- socially isolated and disconnected members of the community (particularly socially isolated and/or older women)
- newly arrived migrants
- people experiencing depression and substance abuse, and
- single people and lone parents.

Further to this, the issue continues to be framed in a ‘victim-blaming’ way that stigmatises the person and blames him/her for the problem. This causes harmful divisions in society such that the problem is individualised and stigmatised. There is a lack of recognition that a shared responsibility approach is needed between governments, industry and the community.

It is our view that there needs to be a concerted reframing of the issue and this framing needs to be consistent across all sectors. For example, instead of ‘problem gamblers’, the reference could be reframed to ‘people with problems caused by gambling’ – this recognises the person within the problem and that an external factor has impacted upon the person.

It is also essential that thought is put into ensuring that young people are not brought up to think that gambling is always a harmless pastime through the exposing of children to poker machine venues in the company of family and friends. Just as smoking, drinking and poor eating habits are passed on by example, allowing children to accompany adults to gaming venues, and indeed encouraging this by providing play rooms, free meals and so on should be addressed.

A heavy emphasis is required in providing and promoting alternative forms of activities or entertainment for problem gamblers.

7.3 Possible Productivity Commission response 2009

A range of government initiatives have been developed to enhance social connection and community well being, for example the Federal Government of Australia Stronger Families and Communities Strategy 2004; State Government of Victoria - Public Health and Wellbeing Act 2008; A Fairer Victoria 2007; Developing a framework for promoting health and well-being 2007; and the Community Indicators Victoria 2007.

Broad indicators are also available on community connection at a local government level. However this data is too broad to be useful in any assessment of the relative levels of disadvantage, and vulnerability to problem gaming within a municipality.

In order to provide more useful data for assessing the potential social impact of gambling the Productivity Commission could recommend:

1. that each State conduct its own review as to the efficacy of their own SIA processes and policies in consultation with the community, industry and local governments, with a view to adopting clear guidelines and decision making frameworks
2. improved research into community indicators to produce measures of social connection and community well being that relate specifically to the identified definitions of problem gambling
3. community indicators data bases to be collected at a level below the local government area
4. coordinated approaches between Commonwealth, State and Local Governments to establish a statistical foundation for the location of vulnerable populations to problem gambling
5. expenditure on EGMs by venue should be publicly available Australia wide on a monthly and annual basis

6. gambling and welfare support services (including financial counseling services) to establish client data bases that record client socio-economic characteristics relevant to the identified characteristics of a problem gambler
7. that State Government take a leadership role in developing improved guidelines and decision-making frameworks for what constitutes 'net community benefit' in the gambling context
8. formal consultation with the community to be included within social impact assessment guidelines (to be funded by applicants and/or State Governments), and
9. that all applications for EGM license or planning permits to include SIAs.

8 The contribution of gambling revenue

PC Terms of Reference No. 5: ‘The contribution of gambling revenue on community development activity and employment’

In 2002, the Victorian State Government introduced a requirement that gaming venue operators lodge with the VCGR an annual community benefit statement. In 2007 the Minister for Gaming invited public submissions to inform an inquiry into the terms of the community benefit statement. Copies of submissions are available at www.justice.vic.gov.au

This section briefly highlights key points from the LGWGOG submission to the Community Benefit Statement Review 2007.

Given the objective of the Community Benefit Statement (CBS) (i.e. ‘benefits to the community’), a precise definition of these terms is essential. The lack of a clear definition and explicit set of criteria against which defined community purposes and activities can be measured substantially limits the extent to which the CBS can be reviewed, monitored, evaluated and, thereby, kept accountable.

LGWGOG argued that clarification of these higher order definitions is an essential first step in achieving real reform. In the absence of such clarification, it will be far more difficult to progress with reforms that meet the needs of the range of stakeholders.

If the CBS mechanism does not enable the positive impacts of gaming on the community to be easily and fully examined, it has failed its purpose. It is imperative that the CBS provides a transparent and accountable mechanism that clearly demonstrates any direct benefits of gambling, outcomes for local communities, and allows for rigorous regulatory and public scrutiny.

Claims under Category 1 (employment expenses) currently make up the bulk of claims under the CBS, totalling \$120 million or 59% of total CBS claims by club venues in the 2005/06 financial year. The proposed limits on purposes claimable under this category (i.e. it is proposed that employment costs associated with gaming, dining and bar staff be excluded) are likely to substantially reduce the amount claimed under this category.

It is the strong preference of the LGWGOG that expenses claimable under the CBS be limited only to purposes and activities that directly benefit the wider community (i.e. the community beyond the club which holds the venue operator's licence and its members, and venue patrons).

Clubs with gaming machines already enjoy a significant economic advantage over non-gaming clubs. Excluding the 8.3% of net gaming revenue that is to be declared through the CBS, clubs with gaming provisions retain a very sizeable 25% of gaming revenue which can be used for club purposes and activities. While the LGWGOG recognises the important community value of local clubs, we contend that having such direct access to gaming revenue already places clubs with gaming at a significant advantage over their non-gaming counterparts.

We therefore maintain that all activities and purposes that benefit the club and its members, but which cannot be clearly shown to extend to the wider community, should be explicitly excluded from the CBS. The CBS must be reserved for activities and purposes that directly benefit the local community beyond the club and its members.

LGWGOG strongly believes that gaming revenue must provide direct returns to the local community. Given the greater concentrations of gaming machines and gaming losses in areas of disadvantage, this would reduce the extent to which gaming revenue that is largely generated by residents in a particular community would be drained from that community. However, we do understand that, by

supporting such an approach, some benefits would still accrue at the regional or even state-wide levels as services and responses often range across a number of areas.

The Community Support Fund is a central part of the State Government's policy and, together with the Community Benefit Statements, the key mechanism through which it demonstrates quantifiable and direct community benefits from gaming and means of 'putting back' to vulnerable communities. However, the CSF is not transparent and, despite repeated calls by the LGWGOG and others to address this issue, there continues to be no public access to account statements. This makes it impossible to monitor and assess the 'community benefits' accruing from gaming operations. Likewise, the CBS is not specific enough or targeted enough to provide a means to assess 'community benefit'. Both these systems still require substantial review and reform.

While in this section we have concentrated on the issue of community benefit statements, there are of course some economic benefits from gambling related activities. Whilst this is not LGWGOG's area of expertise, we would comment that there is significant disagreement at both VCAT and VCGR and between applicants and local governments as to the accepted economic contribution of new and/or transferred EGMs.

8.1 Possible Productivity Commission response 2009

While the Victorian State Government's *Community benefit statements: A new direction* reforms go some way to improving transparency, the LGWGOG believes that the Productivity Commission could recommend a number of improvements to be adopted by all States such that the economic and community contribution is much more transparent, including:

1. expenses associated with venue management be explicitly excluded from the CBS. Such expenses should be considered as standard operational costs associated with the income generating activities of clubs
2. far more rigorous auditing of the CBS submitted by individual venues (if such auditing is undertaken on a regular basis, it is not publicly and openly reported)
3. public reporting on the outcomes of audits is required for transparency and accountability purposes
4. further investigation of ‘quasi-clubs’ that are afforded club status when, in reality, they are commercial, for-profit operations⁵
5. increased random spot audits by regulatory authorities to verify the accuracy of CBSs or their equivalents
6. research into the efficacy of setting up Community Trust Models to address ‘the failure to involve local communities in decisions on the priorities for funding’ (Kirby, 2006 p 22), and
7. research into the mathematical assumptions of the economic and community contribution of new and/or transferred EGMs.

⁵ As stated in the Final Report of the National Competition Policy (NCP) Review: The term ‘quasi-clubs’ refers to venues which are licensed as clubs but where the commercial arrangements are structured to transfer the power, discretion and profits to other parties. ... However, the concern arises where the club’s contracts and agreements are predominantly with one party and contain profit sharing arrangements which shift most profit to that party.

9 Regulatory structures

PC Terms of Reference No. 6: ‘The effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements – governing the gambling industries, including the implications of differing approaches for industry development and consumers’

As part of discussions in 2008 when the VCGR was finalising its position on Codes of Conduct and Self Exclusion Programs (later adopted in Ministerial Guidelines), the LGWGOG expressed its concern that it was its strong view the regulatory and audit functions of the VCGR would not be adequately resourced to effectively monitor these Codes of Conduct and Self Exclusion Programs. We remain of this view.

On another matter, amendments to the Victorian Planning Provisions in October 2006 introduced a new regulatory requirement for a planning permit for all new and relocated electronic gaming machines (Clause 52.28). This amendment has raised a number of limitations and opportunities as follows.

While this amendment provides an opportunity for local governments to determine the location of all new and relocated EGM’s, few local governments in Victoria have developed local Gaming Policies. Recent VCAT decisions highlight the weaknesses of existing local government gaming policies that fail to address locational issues (see for example VCAT Decision Reference No P2562/2007 Beretta’s Langwarrin Pty Ltd v’s Frankston City Council, 16 January 2009).

LGWGOG strongly believes that the location of EGMs should not be targeted at the most vulnerable in our community and that local governments should be able to have much more prescriptive power to say where inappropriate and more

appropriate locations are. As mentioned before, there are new models such as the ‘gaming vulnerability index’ that are emerging in Victoria that need to be seriously considered as a planning tool to lessen the social impact of EGMs on problem gamblers.

9.1 Possible Productivity Commission response 2009

LGWGOG has argued that while decision making and the conflicts that exist in Victoria need to be streamlined, decision making should be much more transparent including the measurement of the social and economic costs and benefits. Therefore, the Commission could recommend:

1. that as a minimum, all applications for licenses to operate EGM's should be assessed on the basis of:
 - All relevant gaming data being available (including industry data on anticipated revenue)
 - The anticipated social, health and economic costs and benefits of the venue
 - The applicant being able to demonstrate real harm mitigation effects
 - The applicant being able to demonstrate a real net benefit to the community over and above harm mitigation, and
 - Availability of EGM-free venues in the surrounding area to ensure consumer choices.
2. all Management agreements to be on the public record. This along with the precise nature of associated interests should also be on the public record. This is especially important to the post-2012 EGM license environment in Victoria to transparently measure that no single operator exceeds the State Government's 35% cap, and
3. the establishment of a Gambling Ombudsman with legislative powers in each State.

10 The implication of new technologies

PC Terms of Reference No. 7: ‘The implication of new technologies (such as the internet) including the effect on traditional government controls on gambling industries’

Again, this is not the LGWGOG’s area of expertise. However, as stated previously we remain of the view that improved consumer protection is needed to communicate the realistic chances of winning while playing EGMs.

Moreover, we are concerned that the increase in online gaming opportunities in Australia plays on the social isolation of many problem gamblers and that there are inadequate regulatory and consumer protections in place at the moment.

11 The impact of gaming on Commonwealth, State and Territory Budgets

PC Terms of Reference No. 8: ‘The impact of gaming on Commonwealth, State and Territory Budgets’

The LGWGOG believes that no accurate cost benefit analysis has yet been conducted in Australia and that this is perhaps one of the most urgent research needs.

12 Harm minimisation measures

PC Terms of Reference No. 9: ‘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’

Self Exclusion, Community Education and Counselling

The LGWGOG has always been concerned that the harm minimisation model followed in Victoria (and indeed in most other States) is based on ‘consumer choice, individual responsibility or blame’.

This approach to problem gambling echoes the early days of harm minimisation approaches to both alcohol and tobacco.

Victorian and other research studies have identified that a significant proportion of regular EGM gamblers display problem gambling behaviours (Gambling research panel 2004). Other research and overseas studies (see Australian Gaming Council 2002; Schellinck and Schranhs 2003) have indentified characteristic behaviours of people with gambling problems. These behaviours can be the basis for prompting intervention, just as intoxication is the prompt for bar staff to no longer serve alcohol.

Research highlights that problem gamblers recognise that external limitations to their gambling behaviour would be most helpful. Banning ATMs at venues, restricting venue opening hours and the amount of money that can be put into the machine and be at the one setting were seen as effective or very effective in reducing the incidence of the gambling (New Focus Research, 2004).

Forty-eight per cent of problem gamblers suggested getting professional help through some form of counselling (support groups, Gamblers Anonymous, ex-problem gamblers, etc) as a self-help strategy. Keeping busy, spending more time with family and participating in volunteer work were also seen as good ways

to help problem gamblers distract themselves from their addiction. Sixteen per cent of problem gamblers suggested restricting access to ATM cards or not carrying any money as another self-help mechanism.

EGMs are a unique product and from a public health perspective, could be seen as being similar to tobacco and drugs. There is a need for health promotion awareness campaigns through which people can fully understand the potential for harm when abusing the product.

12.1 Possible Productivity Commission response 2009

The Productivity Commission could recommend:

1. that States move towards a ‘public health/health promotion model’ to address problem gambling including public education campaigns
2. tighter consumer protection measures, particularly with regard to the type of product and the active provision of information to consumers about how machines work and the real odds of winning, and
3. a fully independent structure to conduct an independent annual report assessing government and gambling industry performance against policy, regulation and voluntary codes and that this report be tabled in both State and Federal Parliaments.

13 Conclusion

Throughout this submission, the LGWGOG criticises a number of features of the gambling industry in Victoria. However, it should also be stated that we recognise that the Victorian State Government has perhaps done more than most to address problem gambling. Having said this, we believe that the reliance that State Governments from across Australia have on taxation revenue from gambling leads them to accept the ‘laissez-faire’ arguments of industry that as the vast majority of Australians do not have problems gambling, more stringent consumer protection, regulation and other program responses (particularly relating to EGMs) are not warranted.

The LGWGOG strongly rejects these arguments. While many of our recommendations refer to reforms that need to occur at the State level, we believe that real reform that minimises the social and economic impacts of problem gambling will be possible if leadership is demonstrated at the national level first and then in cooperation with other levels of Government, industry and the community.

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