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Mr Gary Banks and Mr Robert Fitzgerald
Commissioners
Gambling inquiry
Productivity Commission
GPO Box 1428
CANBERRA CITY ACT 2601

Dear Commissioners

GAMBLING ISSUES PAPER, DECEMBER 2008

The City of Moreland welcomes the reconvening of the Ministerial Council on Gaming and a revisit of the Productivity Commission's 1999 problem gambling inquiry. Council supports the particular focus on the social impacts of gambling for the new inquiry.

The attached submission outlines Moreland City Council's view on the issues raised in the December 2008 paper outlining the Commission's terms of reference. We support this opportunity for closer scrutiny of the issues related to gambling, those where the Commission can add most value to policy development, especially relating to the impacts of problem gambling.

Yours sincerely

Peter Brown
CHIEF EXECUTIVE OFFICER

30 / 3 / 2009

Submission Moreland City Council

Productivity Commission
SUBMISSION COVER SHEET
(not for publication)

Gambling Inquiry

Please complete and submit this form with your submission to:
By email: gambling@pc.gov.au OR By fax: (02) 6240 3377
Gambling Inquiry
Productivity Commission
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**Submission to the Australian Government Productivity Commission
Gambling Issues Paper December 2008**

Jenny Merkus
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25 March 2009

Introduction

Moreland City Council was the first Victorian local government to develop a Responsible Gambling Strategy in response to concerns about the adverse effects of excessive gambling within its community. Council adopted the *Moreland Responsible Gambling Strategy and Action Plan* in 1998 and it was updated, following review, in 2005. The *Strategy* is due to be reviewed again in 2010.

The *Moreland Responsible Gambling Strategy* addresses excessive gambling from a public health perspective. Evidence of this is provided through the following action statements contained in the plan:

- Action 4 seeks to ensure that local policies and programs related to health, safety and well-being incorporate excessive gambling as a topic for action.
- Action 9 seeks to explore opportunities to address problem gambling issues as part of the community capacity building projects in Glenroy, Fawkner and Brunswick.

Moreland City Council also participates in the Victorian Local Government Authority's Working Group on Gambling. This working group seeks to develop and share expertise and knowledge in relation to the planning process as it relates to local gambling venue and to develop research projects which inform local governments about the social and economic impacts of gambling at the local level.

1 The Nature and Definition of Gambling

We note that the starting point for addressing the terms of reference, in respect to the current inquiry, focuses on issues where the Commission can add most value to policy development, especially relating to the social impacts of gambling. The Moreland City Council Plan 2007-2011 notes that Moreland is socio-economically disadvantaged, that it ranks lower than the average levels of disadvantage of both Victoria and Australia generally. In 2006, 68% of residents sampled by Moreland's annual community indicators survey agreed that they have enough money to meet their needs; in 2005 the figure had been 72%. Only 38% of respondents agreed that the number of electronic gaming machines (EGMs) in their area is currently at an acceptable level. The Council is committed to reducing the social and economic harms of gambling in the municipality.

The origin of harms in relation to gambling is almost always related to financial problems and in a community such as Moreland this affects the community as a whole, as well as the individuals and their immediate families who are part of the community. In their report *Problem Gambling and Harm: Towards a National Definition*¹, Gambling Research Australia (2005) recommended the adoption of the following definition:

“Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community.”

This definition has wider utility than individual pathology definitions such as contained in the *Diagnostic and Statistical Manual of Mental Disorders fourth edition, text revision (DSM-IV-TR)* because it includes consequences beyond the individual and may assist with community education about gambling behaviours.

Industry definitions are not particularly helpful because they similarly place the onus on the individual. For example Tabcorp² defines responsible gambling from an individual's perspective as follows:

"Responsible gambling is each person exercising a rational and sensible choice based on his or her individual circumstances."

It is contentious to imply that a problem gambler is exercising rationality or making a sensible choice when research has identified aspects of (EGMs) in particular which are more likely to intensify and potentially create problem gambling consumption. Researchers at the Australian Institute for Primary Care (AIPC) at La Trobe University³ identified environmental features such as the inclusion of 'free' spin features, multi-line betting, bank note acceptors and ready access to automatic teller machines (ATMs).

Defining the nature of gambling is vitally important in framing future policy responses to its regulation. The proposed Gambling Research Australia definition acknowledges behaviour and harm without implying that gamblers are to be blamed for their problems. Gray, Oakley Browne & Prabhu (2007) found that the most effective interventions involved focusing on gambling misconceptions and knowledge outcomes⁴. Moreland Council, through its *Responsible gambling Strategy and Action Plan* supports strategies that foster a greater understanding of the impact of problem gambling through community education.

2 The Participation Profile of Gambling

Gray, Oakley Browne and Prabhu (2007) also identify a number of risk factors that contribute to the development and maintenance of gambling, such as:

- Gender: studies show that males have a higher gambling rate than females. The higher earning capacity of males may be a factor. However, women are increasingly likely to be affected as the wife, child, sister, mother or partner of a gambling male.
- Adolescents and children are being exposed to gambling within their families and have lottery tickets bought for them by adults; this practice can lead to acceptance of gambling as a legitimate family pastime. Vendors also illegally sell lottery tickets to minors and promotional advertising commonly depicts participation in this form of gambling as an enjoyable pastime.

- Studies have found a high comorbidity of problem gamblers and mood disorders such as high anxiety and depression.
- High comorbidity has also been found with high levels of alcohol, tobacco and marijuana use.

Environmental factors are of equal importance in understanding the issues that lead to problem gambling, as are the repercussions to the wider community of the resultant gambling harms. Anyone who chooses to gamble also has the potential to develop problems. The Australian National University in Canberra Counselling Centre brochure⁵ advises the related harms to be:

- Personal: depression, loneliness and isolation from friends and family.
- Familial: problematic relationships with family members, often resulting from 'rescuing' the problem gambler from the consequences of gambling by covering debts and lying about the extent of the problem.
- Financial: borrowing money to gamble, to cover gambling induced debt, facing possible legal action over financial difficulties, threat of bankruptcy / prison.
- Work: lack of concentration, being distracted with personal matters related to gambling resulting in poor performance and absenteeism.
- Health: stress related illness, guilt feelings regarding gambling related problems, depression and possible suicide risk.
- Values: Compromising friendships and other relationships through borrowing money sometimes dishonestly, risk of fraud and forgery to obtain funds, being dishonest about the extent of the problem.
- Social: withdrawing from other activities, preferring to gamble.

Problem gambling becomes a major public health issue when the many negative consequences, as listed above, extend to the wider community and place social and economic burdens on the community (Neal et al., 2005). Consumer spending that is displaced to gambling rather than to spending on other consumer goods and services has the potential to restrict retail activity in local communities, which in the current economic climate is undesirable, with many small businesses struggling to survive.

3 / 4 The Economic & Social Impacts (cost / benefit)

In his lecture on evidence-based policy-making, Gary Banks⁶ commented that “the gambling industry got a lot of political support for deregulation essentially based on a myth: namely that it would generate many jobs but have only minor adverse social impacts. The Commission’s (1999) report showed the reverse to be true”. Deregulation, therefore, was causing a measure of economic deprivation even before the current economic downturn with more people exposed more frequently to more EGMs than before the liberalisation.

EGM losses in Moreland have maintained at a high level since deregulation. In 2003/04 just over \$66m was lost to EGMs in the City of Moreland, in 2005/06 this figure rose to just over \$71m, in 2006/07 to \$71.8m, and the latest figures released by the Office of Gaming and Racing, Department of Justice Victoria show losses to be \$72.2m⁷. Apart from other social considerations it is also a concern to Council that monies are being diverted from other areas of the local economy to gambling machines and venues, to the detriment of the local community.

Blaszczynski, Sharpe & Walker⁸ (2001) note that there are many gaps in the knowledge surrounding factors that contribute to the development of problem gambling at the individual and social levels. One aspect is the nature of the venues in which gambling is offered, with gaming permitted only on licensed premises, which can contribute to impaired control. Increased alcohol availability in proximity to EGMs can have the effect of reducing self-control, which can lead to excessive or reckless gambling. There is an acknowledged correlation between the level of availability of gambling opportunities and the proportion of problem gamblers within a community (Campbell & Lester, 1999)⁹.

Walker & Barnett (1999)¹⁰ define social cost as a ‘reduction in societal real wealth’. In policy terms this relates to the distribution of benefits and costs between groups and individuals that affects the balance of societal wealth. Any change which reduces the net well-being of society is a social cost. Problem gambling is a hidden issue in most communities, rarely discussed outside the family due to the shame and stigma attached to it. This means that the dimensions of the problem are not

fully understood and that the full impact is not realised by the community or policymakers. Dollery & Storer (2008) recommend that traditional cost / benefit analysis is worthwhile in order to calculate net social outcome¹¹. Moreland supports further research through data analysis that seeks to better understand the economic and social impact of gambling in local communities.

5 Taxation & Regulatory arrangements

When it comes to matters of gambling taxation and regulation there is a conflict for state government between the revenue raising possibilities and addressing the harms caused by problem gambling in the community. The revenue accrued from EMGs is almost 27% of gambling tax revenue in Australia. State government revenue in Victoria for 2005/06 accounted for a significant proportion of tax revenue at 13.4% or \$1,460m. This included an amount of \$91m raised through an increase in the health benefit levy on EMGs with effect from 1 July, 2005. It remains to be seen how the Gambling Regulation Amendment (Licensing) Bill 2009, which will enable venues to bid directly for EGM entitlements from 2012, will impact tax revenues but it is likely to result in an increase.

In common with other local government areas where the harms from gambling are felt, Moreland City Council is deeply concerned about the impending detrimental economic and social community impacts likely to follow from the further liberalisation of the State legislation. The Victorian Government's own 2000 EGM licence review¹² found that legislative practice at that time promoted rising gaming losses and associated harms, but failed to deliver other than nominal community benefits. These soon to be made decisions on EGM licences will affect Moreland residents and the broader Victorian community for some 27 years hence. The scope for local governments to affect the resultant issues by means of local planning schemes is severely restricted despite the fact that it is in local government communities that the effects will hit hardest.

6 Consumer Protection Measures

Problem gambling sits uncomfortably between enjoyment of gambling as a form of entertainment and the social harms associated with its consumption. EGMs are of particular interest because of the major role that they play in problem gambling. The Australian Institute for Primary Care at La Trobe University recognised that EGM gambling consumption is a special kind of consumption; one that is 'a dematerialised and potentially continuous form of consumption, with no apparent physical limitation'. Their report notes that it is difficult therefore to strike a balance between enjoyment of EGM consumption and management of the social harms associated with consumption.

Corresponding to this is the prevailing tendency to consider problem gambling in terms of individual pathology rather than as a public health issue. The Commission's Gambling Issues Paper notes that the number of machines is not the only consideration and that there are at least six other features including the characteristics of the machines, their distribution in the community, accessibility to the community and so on¹³. The La Trobe Report identifies opportunities to address risks that can be systematically measured in order to form a risk profile system noting that the risks identified relating to harm incurred to individual EGM users could "aid in the efficient use of resources in relation to the targeting of consumers at risk of suffering harm from EGM gambling" (p.9-10).

Sarah Hinchliffe tackles the issue from a duty of care perspective, the duty of care which gambling venues owe to their patrons¹⁴. In respect to harm minimisation strategies such as exclusion orders she points out that recent Australian case law suggests that certain circumstances permit a successful claim in negligence to be established. The question of whether a registered club owes a duty of care to a patron that it knew to be a problem gambler was considered by the NSW Court of Appeal in *Reynolds v Katoomba RSL All Services Club Ltd*¹. Despite having been advised that the plaintiff was a problem gambler and requested not to extend credit to him the club took no steps to prevent him gambling. In his opinion Chief Justice

¹ (2001) 53 NSWLR 43 ('Reynolds')

Spigelman observed that economic loss occasioned by gambling could only be accepted in 'exceptional circumstances'.

No examples of 'exceptional circumstances' were given and *Reynolds* was classified as an ordinary case. However as a result of *Reynolds* an extraordinary case may occur when action by the venue operator reduces the ability of a gambler to exercise control over their own actions. Hinchliffe concludes that although categories that constitute 'extraordinary' are yet to be seen, it nevertheless appears that excessive inducements combined with knowledge of the gambler's problems, particularly if evidenced by an exclusion order, may be sufficient for a gambler to successfully claim recovery of gambling losses, on the breach of duty of care.

When assessing the impact of harm minimisation measures therefore the Commission must consider the measures other than in terms of consumer choice or individual gambler responsibility. It is well established that for every problem gambler there are an additional 5 – 10 people adversely affected directly by that persons gambling. It is also clear that EGM consumption patterns correlate closely with measures of socio-economic disadvantage, with disadvantaged areas more likely to have high densities of EGMs and with gambling residents likely to spend more money on EGM consumption¹⁵.

Moreland City Council fully supports the examination of harm minimisation measures and recommends that the Commission review risk management practices to reduce harm associated with EGM use by:

- The provision of more explicit and realistic public information, informed by the basic structure of EGM technology, regarding the machine outcomes, in a variety of languages pertinent to the demographic of the venue area.
- The information to be presented in such a way as to clearly portray the average return to player ratio provided by EGMs. A measure such as this would at least ensure that consumers are duly informed of the risks they are taking in choosing to 'consume', similar to the health warnings displayed on cigarette packets and alcoholic drinks.

- Public information to educate people about the potentially addictive nature of EGMs.
- A thorough analysis of the social cost of gambling by the examination of current EGM consumption patterns and the Socio-Economic Indexes for Areas (SEIFA) produced by the Australian Bureau of Statistics.
- An examination of the possibility of national risk management strategies that include regular data collection and provide target regulating figures for compliance and regulation. The Central Monitoring and Control Systems (CMCS), currently utilised by EGM operators, could be a good starting point for the collection and management of data.

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