



*Australian Government
Productivity Commission 2009
Inquiry into Gaming*

**Macedon Ranges Shire Council
Submission**

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1. Introduction

The Macedon Ranges Shire is a peri-urban local government area located about 50 minutes drive north of Melbourne on the Calder Highway. Population is about 38,360 (ABS Census 2006). The area is predominantly rural in character with a scattering of heritage towns and small hamlets. Macedon Ranges Shire Council and its community have been very active in relation to electronic gaming machines (called hereafter 'pokie' machines). In 2008 Macedon Ranges Shire Council mounted a Supreme Court challenge over a decision to allow pokie machines into one of its small towns where the community had repeatedly voiced its opposition to their introduction. Council has also conducted its own research into pokie machines and made written and verbal submissions to the recent Legislative Select Council Inquiry into Gaming Licensing (2007) and the Post 2012 Gambling Licences Review (2006) in Victoria. (These and other related reports can be found on Council's website www.macedon-ranges.vic.gov.au under the tab: 'Publications, Strategies, Reports and Policies' – 'Gaming')

Macedon Ranges Shire is a world-renowned racehorse training and breeding area. The racing industry and its support industries employ many thousands of people in our Shire and surrounding areas including Melbourne. While it is acknowledged that there are problem gamblers among racing punters, their numbers are far smaller than those related to pokie gambling. Pokie machines are responsible for the highest numbers of problem gamblers, contribute almost nothing to the local economy, result in substantial loss of revenue out of the Shire and have a far greater social and economic impact on individuals, families and the wider community. Pokies are also the gambling product that causes the most fear and concern in our community.

The proliferation of pokie machines, particularly in small, vulnerable rural towns in Victoria has been particularly alarming. Macedon Ranges Shire Council's philosophy is that the voice of the community must be heard and taken into account in a democratic society. Community apprehensions and wishes about introduction of more and more known harmful products (albiet legal) should not be pushed aside and community compromised for the benefit of multi-national, multi-billion dollar industries like that of the gaming industry. Macedon Ranges Shire Council has made a huge contribution to slowing this trend through the Supreme Court finding which concluded that community views and apprehensions are important considerations that must be taken into account in government decision-making:

"The long-awaited Romsey ruling is being hailed by local councils and gaming critics as an important breakthrough in the campaign for more local control over pokies. Victorian Local Governance Association Chief Executive Rae Perry applauded Macedon Ranges Council's leadership in the 'David and Goliath battle' over poker machines" (The Age 20/03/08: 3).

Thank you for the opportunity to provide this submission. Below are the issues we would like to bring to the attention of the Australian Government Productivity Commission Inquiry into Gambling. We believe the issues have an Australia-wide relevance.

2) Product Safety

Currently the focus of mitigation of the harms of pokie machines by governments and regulators is almost exclusively on the users of the product. This is having the affect of diverting attention away from the machines and blaming problematic outcomes on the individual player and their weaknesses. This focus sits very comfortably with the gaming industry as it largely absolves them from responsibility for the negative outcomes of their products. The pokie machine product and the way it is delivered needs at least an equal focus with that of responsible and problem gambling. There needs to be monitoring and research to identify which are the most addictive machines and what are the features that make them particularly prone to induce addictive behaviour in players. The most addictive machines should be banned or modified. At present the product safety aspect seems to be ignored by governments and regulators.

As an example, it may be noticed that the more recently designed pokie machines are more feminine and spiritual in look and incorporate motifs and symbols usually associated with 'healing'. Is this a design that taps into the deep seated needs of many players? It is known that when a person is being or has been abused their method of coping is often to distance their mind from the events (disassociation). This helps them to let the pain and distress roll over them which helps them cope. Pokie machines may give a sense of "disassociation" for vulnerable people. A person who treats their abuse and other unpleasant tasks as a form of continual self sacrifice can also find comfort and a way of coping. In many religions and some social systems sacrifice and abasement are considered paths to the spiritual, or a way to 'heaven'. This may explain why players return to the pokies even when they themselves consider it as degrading, distasteful or shameful. It is the sense of endurance and self sacrifice that inexorably draws them in to repeat the behaviour and we witness the unconscious mind overriding logic and moral values.

The attraction of particularly addictive pokie machines may be that they provide comfort, ritual and disassociation - similar to what prayer provides - and gives to survivors of trauma and abuse a source of comfort and feeling of calm. It may be that an affective way of assisting many problem gamblers is to focus on the connection between past or present life traumas and particular machine characteristics. These are among the issues that should be far better researched so as to ensure pokie machines are modified not to exploit the vulnerable. Anecdotally the pokie machines that are the most addictive are:

- Dolphin Treasure - a dolphin being a healing motif often used by agencies helping the victims of abuse, especially sexual abuse.
- Sweethearts - the most addictive.
- Unicorn Dreaming - a unicorn is a healing motif often used by agencies helping victims of abuse.
- Gisha - which has a more abusive undertone having an image of a cowed innocent looking child who appears to be enduring the victimisation of a wingless dragon.

A class action against Atlantic Lottery Corporation Inc was launched on behalf of all residents of Newfoundland and Labrador in late 2007. The plaintiffs allege Atlantic Lotto knows or ought to know that pokie machines are inherently deceptive, inherently addictive and inherently dangerous when used as intended. They allege problem gambling is a natural result of the design features of the pokie machines and that the pokie machines do not comply with consumer protection law, specifically the Trade Practices Act of Newfoundland and Labrador. This sort of action may be what communities have to resort to before the product safety aspects of pokies are seriously considered?

Rapid technological advances in digital networking and analysis together with advances in brain function technology and huge research and development budgets enable development of machines that can take more money and thus be potentially more addictive. Aristocrat's budget for research and development is reputed to be in excess of

\$60 million per year. Presumably machines and the environments in which they are placed are being increasingly improved in order to take more money and hold players for longer periods. Is this increasing the addictive qualities of the machines? It may help explain why expenditure per machine is twice as high in Victoria as other states and why there is a continuing rise in expenditure on pokie machines despite there being no increase in the actual numbers.

A strong accountability framework must be a requirement of pokie venues and industry to address the social and behavioural issues inherent in the product they are providing. This is particularly important now and in the future because there is a large and growing number of people who live alone or who are older and on pensions or other small, fixed incomes. Research has found that this demographic, especially for females, is more vulnerable to problematic pokie gaming. Our residents too have observed that very often pokies:

“ . . . seem to attract lonely ladies of limited income who budget for it for their social life. If they are lonely they go to interact with machines and that is wrong because they don't form the bond with other human beings”
(Macedon Ranges Shire Resident at Community Meeting 27/04/06).

Unlike for other legal products that have a capacity to be harmful, such as alcohol and tobacco there is little advertising to alert people to the signs and symptoms of an existing or emerging gambling problem. Methods and intensity that are used to raise awareness of the harms of obesity, problem drinking, drink driving, tobacco and drug use are required. What is being done currently in this area is minimalist and lacks adequate monitoring and evaluation criteria to assess success and impacts. Some comments from our community were:

“The activity [of pokies] is fair and reasonable so long as people know what they are doing and the dangers they are facing. There is nothing wrong with the enjoyment but there is with the risky behaviours. Loss of control needs to be clearly identified and sign posted in advertising of the harms so people are aware” *(Macedon Ranges Shire Resident at Community Meeting 27/04/06).*

3) Research and Funding

Government Policy is heavily influenced by the way a problem is defined. Defining the problems associated with pokie machines as 'problem gambling' has resulted in policy based on an individual pathology model that essentially blames individuals' weaknesses or lack of self control. Accordingly, government programs are designed around helping individuals with a gambling problem. If problems associated with pokie machines were to be defined as a product safety issue, the approach would be very different.

Focus on the problem gambler and their treatment diverts attention away from the product safety aspects of pokie machines. Because of the way governments have defined problematic pokie gambling, funding for gambling research too has a very narrow focus. Focus is on problem gambling behaviour and not on the pokie product, the industry, the environment in which the pokie product is delivered or on research which might illuminate the impact of government policy. While it makes sense from a gaming industry and revenue raising perspective, this narrow focus does not make sense if reduction in problem gambling is the goal. Even a casual glance through behavioural literature will show that human behaviour is heavily influenced by environmental cues, prompts and stimuli. It is obvious that the gaming industry is aware of this link because their machines and venues are designed to induce patron behaviours that maximise revenue. There needs to be a better balance. If governments and gaming industry are to move beyond their rhetoric on concern about problem gambling, there needs to be a much greater focus on pokie venues and machines and an ongoing research agenda that includes examination of the complex behavioural-environmental interactions and other systemic issues that induce problematic gaming behaviours.

Presently it appears that research agendas are dominated by the industry and narrow government policy definitions. This means that Government policy and legislation is developed without an adequate evidence base and there is no creditable research underpinning major policy decisions. For example, no research that establishes what is a safe density of machines; what size towns can safely accommodate pokie machines; and what effects pokies have on health, social and economic wellbeing at community and individual level. Local governments and lobby groups are left to try and fill the gaps in information. Being under resourced and not experts in the field they are also left with no way of creditably disputing the sweeping statements and assertions made by the industry about there being no harms attached to the product (and which are generally accepted) at license panels and hearings.

To try and address the gap in data on impact of pokie machines on communities Macedon Ranges Shire Council has established a partnership with Ballarat University. The University has now joined with the Victorian Local Government Association and other Victorian local governments to attract Australian Research Council funding for a longitudinal, cross comparison research to examine the psycho-social impacts of the introduction of pokie machines on local communities.

4) Density and Distribution

Governments in Australia have failed to identify the appropriate density, distribution and number of pokie machines necessary to avoid economic and social harm to individuals and communities. In Victoria, the reasons for this are two-fold: such work is not a priority; and much of the necessary data for the work is tightly held by the industry and not available. Of particular concern is the willingness of government to introduce pokie-related policies that have a flimsy evidence-base and preparedness to disregard the precautionary principle in relation to pokie-related policy. A recent example of this is the cap of 10 pokie machines per 1,000 adult population announced by the Victorian government (and which is above the level recommended by the Regional Electronic Gaming Machine Caps Review Panel of 8 machines per 1,000 adult population). Justification for the increase in ratio is that “setting a cap level is an inexact process” and “varies widely” across localities (Letter from the Executive Director, Gaming and Racing to Macedon Ranges Shire Council’s Mayor, 2 March 2007). These ‘justifications’ should be used to reduce the cap not increase it. However, knowing that it is an “inexact process” and having no evidence to show what is a safe ratio, and while also being aware of the serious concerns of local governments and the community, the government has chosen to ignore cautionary principles and risk the wellbeing of communities by elevating the ratios. The ratio has in effect been decided on the qualitative opinion of Cabinet members using an invisible decision-making process.

Local Councils and other groups and agencies in the community are left to cope with a ratio of pokie machines that has not been shown to be safe, is not based on substantive evidence and has been introduced with scant regard to community concerns or for community wellbeing. In particular this leaves country and regional towns in real danger of economic decline as the amount of money going into the machines and thus out of the small towns’ economies, is huge and unsustainable. In small country towns there is an acute awareness that there is a lack of pokie gaming revenue flowing back from State government to small towns and that additionally the restricted customer base of local towns’ commercial enterprises are being adversely affected by huge gaming losses.

“Flow of money out is critical for country towns. We want to see all that one third of money [that goes to the State government] coming back to our own community in the same measure to assist ameliorate the problems in the country towns” (*Macedon Ranges Shire Resident Community Meeting 27/04/06*).

“Racing is a beneficiary of the pokies industry as money flows back to them as compensation for diverted gaming money. Towns could apply this same

reasoning to get money back” (*Macedon Ranges Shire Resident Community Meeting 27/04/06*).

Another problem with setting densities is that the density relates to a local government area, rather than a venue catchment area. While patron catchment for pokie venues is accepted as being within a five kilometre radius from the venue, government ratios ignore this and calculate acceptable densities at LGA-wide level. This leaves more disadvantaged areas – which are favoured for placement of pokie machines - vulnerable to very high density levels and thus potentially high levels of economic and social harm. This makes a nonsense of the notion that density limits will control or minimize problem gambling and harms to the community (as per Victoria Government, 'Taking Action on Gambling'). Assessed by LGA, our density of pokie machines is only 2.88. However, in our second most disadvantaged town of Kyneton there is a ratio of 12 pokie machines per 1,000 adult population (at ABS 'suburb' area - town and surrounds) or 16 within the town boundary area.

Currently, with no research evidence, pokie machines can be installed at high densities in the smallest of towns and into the most fragile economies and communities. Pokie machines continue to be approved in these locations because their local governments can't prove harm.

5) 'Benefit' of Pokies

Benefit of Pokies are cited by those that profit from them as a reason people should not be concerned. Especially for regional towns the benefits are hard to identify. There is little pokie revenue left over for towns' economies when one third of pokie revenue goes into consolidated revenue, one third to the machine owners and one third to the venue - which may be owned by interstate or overseas interests. While government may spend some of pokie revenue on community services, little if any goes into the towns from which the revenue was derived and additionally the local community is unable to easily access any benefits located in the major cities.

Donations by venue owners to the local community are decided by the venue and are commonly donated to the more high profile local male sporting clubs where arguably the venue will get the most market and advertising exposure. There is no independent community input to ensure community benefit money goes where it will do most good for the community. Donations direct to the local community are a tiny fraction of what is lost out of the community. Calculations in Kyneton for 2005 (the only year for which data was available) found \$1,208.87 was lost per adult per year, compared to \$60.62 returned per adult in direct benefits to the town. In another town, Gisborne, losses were \$731.33 per adult and direct benefits were \$3.19 per adult.

To enhance transparency of the fund allocations, give some equity to the distribution and ensure that funds are directed to areas that maximise the benefits to the local community, venues should be required to direct the bulk of their community benefit money into a local, independently managed community trust. Such a Trust should be managed by a Board that is made up of a broad range of community representatives. In our community consultations we found that a large majority of people supported this idea (84%, N.= 378).

There should also be direct allocation of pokie revenue by state government to the towns and areas where the money was derived. This would go some way to compensate for losses to local communities and economies. As pokie machines are placed in high numbers in less well off areas this would provide a basis to improve those areas.

It is taken as a given at licensing and review panels that pokies bring benefits to the community, however:

- 1) A comparison of the amount of money gifted directly into the community, compared to that going out at pokie venue level, does not give confidence that there is much

financial benefit to community. There is additionally no guarantee that the one third of revenue staying in venue hands will bring benefits the local community, since the venue owner may often not be located in the community but in other areas or interstate or overseas.

- 2) The commonly made assertion by the industry that the additional employment generated by pokie machines is a benefit, is also not supported by the existing evidence. Unless new employment is compared to the loss of employment in other town businesses, the assertion is meaningless. The gaming sector does not appear to generate as much employment as other sectors in any case. Pokie venues employ 3.2 people for every million dollars turned over, compared to 6.2 people per million dollars turnover in the retail sector (O'Neil M. SA Centre for Economic Studies, Adelaide and Flinders Universities)
- 3) Improvement to amenity (improvements to the venue) is commonly cited (and accepted at hearings) to support the idea that pokie machines are good for the community. Enhanced amenity will almost certainly improve the business and its profits but there is no guarantee it will benefit the 'community'. As there is no quantification of the type of people who will utilise the gaming venue, it is suspected the benefits of amenity may well be experienced only by a small sector of the community. Venue generated benefits to community may also be negated if they negatively affect the clientele of other 'leisure' businesses, or generate more problem gamblers and family and community problems. These multiple dimensions are not required to be reported on by the pokie industry.

Despite the holes in reasoning and the lack of evidence beyond assertions and simplistic and incomplete figures, the pokie industry is invariably successful in its applications to install more pokie machines. The justification is that pokies are a legal activity and on that basis alone should be allowed - despite the fact that there is no safe distribution level established and it is obvious the government is not interested in utilising precautionary principles for pokie machines. These issues exacerbate local government and community concern about the impact of pokies on local communities and their deep distrust of any comments by State government of commitment to ensuring the health and wellbeing of the community.

6) Burden on Local Governments

Local governments must respond to the steady stream of applications for more pokie machines and pokie venues in their areas, while unfunded and unsupported in this work. This places a huge financial burden on ratepayers and local governments, particularly in regional areas where the rate base is small. The result is that the interests of residents and communities are not able to be represented adequately in the face of the financial might and information monopoly of the gaming industry. Modest indicative costs are

- \$20,000 to \$40,000 in legal fees per application;
- \$15,000 - \$25,000 in council staff time per application; and
- \$10,000 - \$20,000 for each social and economic assessment.

Thus a cost of around \$75,000 may be incurred by local government for each pokie machine application. The current system is unfair and unsustainable. State governments should not require local governments to carry the enormous costs entirely on their own at ratepayer's expense. State government should be providing a subsidy direct to local governments to enable them to adequately and equitably represent their residents in responses to pokie machine applications. Small towns in country and regional areas must be empowered to control the location and distribution of pokie machines to better protect their town economies and their unique rural character and mitigate the apprehensions of their communities.

Local governments necessarily spend considerable amounts of money conducting the social and economic assessments required when opposing pokie machine applications. The task of conducting an assessment that will show a connection between additional pokie machines and outcomes in the future is virtually impossible - even if conducted on a

large and expensive scale. Thus, it is very easy to discredit any attempts by local governments to link pokie machines with observed or expected negative impacts. These difficulties are possibly why there is not the same onus on the pokie industry to show no harm or positive benefit. The onus should not be on local government to demonstrate negative impacts of proposed extra machines but on the gaming industry to demonstrate there will be no harm or added benefit.

One way of ensuring better quality and integrity in social and economic assessment is to establish a Social and Economic Impact Assessment Framework that is endorsed by governments. Its absence is resulting in uncertainty, poor quality assessments, unsubstantiated assertions, confusion and inconsistent approaches.

7) Conclusion

Thank you for the opportunity to make a submission to the 2009 Productivity Commission Inquiry into Gambling. We would like to put on record also that we fully endorse the submission made by the Victorian Local Government Association.