

## For inclusion in the submission to the Productivity Commission's Public Inquiry into Gambling

### Introduction

The Productivity Commission is seeking submissions to its Public Inquiry into Gambling by 31 March 2009. Problem gambling is characterized by a loss of control over gambling, especially over the scope and frequency of gambling, the level of wagering and the amount of leisure time devoted to gambling, and the negative consequences deriving from this loss of control.<sup>1</sup> The inquiry will provide an update on developments since the Commission's 1999 report and encompasses a relatively wide range of issues.<sup>2</sup> The Commission has noted that it will focus on issues where it can add most value to policy development, particularly relating to the social impacts of gambling. In addition, the Commission indicates that it is also considering undertaking new surveys of clients of counseling agencies and counseling services themselves.

As a provider of an extensive range of social services within the Anglican Diocese of South East Queensland, Spiritus has prepared a submission comprised of three components:

1. A brief report addressing two issues from the terms of reference;
2. A review of gambling in Queensland prepared for Spiritus Care Services;<sup>3</sup> and
3. A statement of current concerns of the Community Sector Members of the Responsible Gambling Advisory Committee.

Spiritus' submission focuses on two issues from the terms of reference:

- The nature and definition of gambling and the range of activities incorporated within this definition;
- The social impacts of the gambling industries, the incidence of gambling abuse and the cost and nature of welfare support services necessary to address it.

In particular, it aims to address problems associated with the use of prevalence rates against the whole population and methodological flaws associated with the estimation of social costs associated with problem gamblers.

Spiritus also provides comment on the experience of counselors within the organization. In particular, it addresses the following issues highlighted by the Commission:

- What developments there have been in relation to providing counseling and support services;
- Whether there has been increased monitoring and evaluation of treatment options for problem gamblers;
- Whether the proportion of funding for counseling and support services has changed;
- Whether government programs relevant to gambling have been evaluated and, if so, what they show;
- Whether the nature and extent of the costs of problem gambling on individuals, their families and the wider community have changed since 1999, and is so in what way; and

---

<sup>1</sup> Committee on Gambling, ACT, 1999, p12 based on Hraba and Lee, 1996, cited in Productivity Commission Report, Australia's Gambling Industries, Inquiry Report, 1999, No. 10, Volume 1, p 18.

<sup>2</sup> See Gambling, Productivity Commission Issues Paper, December 2008, Attachment A: Media Release and terms of reference for a complete list of issues.

<sup>3</sup> Nisbet, S. (2008), *Review of Gambling in Queensland*, Prepared for Spiritus Care Services, Southern Cross University, Lismore, NSW.

- What factors have contributed to any changes?

In addition, Spiritus uses this opportunity to address important issues going forward, in light of the fact that Commission has indicated that it is also considering undertaking new surveys of clients and client families of counseling agencies and counseling services themselves.

### **Prevalence of Problem-Gamblers and Effects**

As providers of counseling services, Spiritus encounters on a daily basis the human cost of problem gambling – either that of the gambler themselves or that of an affected family member. Problem gambling has devastating effects, both the visible financial difficulties and the less visible, wider impacts of break down in communication and trust within families, damaged relationships or marriage disintegration, shattered families and, at worse, suicide.<sup>4</sup>

Kinections is one counseling service operating in Brisbane, faced with these issues. Within the last 12 months, 38% of domestic violence cases have gambling involved. This equates to 480 individual cases. Spiritus presents three case studies in Appendix A.

Wider impacts relate to those who may resort to crime to feed their addiction. In Queensland alone in the last 6 years, 21 women have faced court, charged with theft totaling \$7.5 million to feed gambling habits.<sup>5</sup>

In April 2008, the Queensland Government released the *Queensland Household Gambling Survey* conducted in 2006-7. This telephone poll found that just under 0.5% of the adult Queensland population were ‘problem gamblers’, down from the 2.1% national estimate of the Productivity Commission in 1999. Notwithstanding that the Queensland survey used the CPGI, while the Productivity Commission used SOGS, Spiritus believes that there are two problems in relying on these survey results:<sup>6</sup>

1. it is dubious whether telephone polls will accurately capture the full extent of problem gambling, as problem gamblers may have a reluctance to reveal the extent of their problem;<sup>7</sup> and
2. that a more useful measurement is the percentage of problem gamblers within the regular (non-lottery) group.

As Nisbet (2008) states in *Review of Gambling in Queensland*, more meaningful data are obtained when considering the prevalence of problem gambling among regular gamblers. In 1999, the Productivity Commission estimated that problem gamblers comprised 15 per cent of regular (non-lottery) gamblers and accounted for about one-third of total expenditure on gambling annually. This transpired to 2.1% of the adult population, with 1 percent having ‘severe’ problems.<sup>8</sup> As the Commission notes in its 1999 report, the incidence of problem gambling is highest for gaming machines and racing and lowest for lotteries. Gaming machines are associated with 65% to 80% of those problem gamblers who receive counseling.

<sup>4</sup> The Commission estimated that there could be 35 to 60 effective suicides annually as a result of problem gambling. See Appendix J of the Productivity Commission Report, Australia’s Gambling Industries, Inquiry Report, No. 10, Volume 3, p J.35.

<sup>5</sup> The Courier Mail, 13 March 2008, p11.

<sup>6</sup> The Canadian Problem Gambling Index (CPGI) has a 9 item scale with scores ranging from 0 to 27. The Southern Oaks Gambling Screen (SOGS 1987) is a 20 item scale.

<sup>7</sup> This problem is not overcome by expanding the size of the survey. Justification for the large survey (i.e. 30,000) is based on the fact that the prevalence of problem gambling in the total population is very small, hence large samples are required in order to get reliable estimates. The problem associated with a tendency or incentive to not reveal fully the extent of a person’s problem gambling would still exist, regardless of the survey’s size.

<sup>8</sup> See Productivity Commission Issues Paper – Gambling, December 2008, p 16.

Spiritus believes that focusing on prevalence of problem gambling within the total population masks a much greater problem associated with gaming machines, and the possible net loss to society once social costs are measured adequately. Likewise, in measuring the net benefits from overall gambling in the total population, one arrives at estimates of relatively greater benefits, since these are relatively greater for the whole population which includes gambling associated with lottery gamblers.

### **Social Impacts of Problem Gambling**

Spiritus considers that there are several methodological flaws in the approach adopted by the Productivity Commission to estimate the net benefits from problem gambling in their 1999 Inquiry into Australia's gambling industries. These include:

*1. Failure to include a measure of social cost for suicide*

The Productivity Commission in its estimates of social impacts, fails to capture costs associated with gambling-related suicide, notwithstanding the fact that the Commission notes that the former costs would be substantial.<sup>9</sup> It appears to be inconsistent to simply exclude this cost (presumably due to the difficulty in measuring it), while at the same time, discounting by 20 percent the number of people estimated to be affected by adverse consequences, due to difficulties associated with attributing causality to gambling.

*2. Failure to incorporate the distributional implications on marginal communities*

Nisbet (2008) argues that in estimating the net benefit from gambling, one needs to consider the distributional implications whereby marginal communities or individuals bear the costs unevenly.

*3. Truncating the estimation of social costs to "the last 12 months" rather than estimating the present value of the costs over the average length of time for a typical problem gambler (i.e. 8.9 years)*

Confining estimates of costs to "the last 12 months" would have the effect of greatly underestimating the full extent of the social costs, particularly given that the Commission estimates that the average length of problem gambling is 8.9 years. While one could use the gambling activity within "previous 12 months" to identify those with a gambling problem or at risk to a gambling problem, this would not necessitate, nor justify, restricting the estimation of costs to a 12 month time frame. That is, the relevant question is what social costs are associated with a particular number of problem gamblers as estimated at a particular point in time. Spiritus believes that the following argument used by the Commission to support this approach is not valid:

*"In these estimates, the Commission has sought to estimate the cost of problem gambling in the single year 1997-98. The Commission has not attempted to estimate the net present value of adverse consequences that continue for a number of years as the result of an event that occurred in 1997-98. This can be seen as assuming that the costs do not extend beyond 1997-98, or that, were the survey to be undertaken in the following year, those continuing to suffer from adverse consequences would be again identified and included in the relevant year. For some conditions such as depression and the general emotional distress for family members, this is a reasonable assumption as problem gambling episodes last for an average of almost 9 years. Thus,*

---

<sup>9</sup> Appendix J of the Productivity Commission Report, Australia's Gambling Industries, Inquiry Report, No. 10, Volume 3, p J.35.

*for these conditions, which comprise the bulk of the intangible costs, those suffering such costs would be included in data on prevalence in subsequent years."*

A cost benefit assessment is measured at a point in time, with the benefits and costs occurring across time discounted (or compounded) to present values terms as needed. There is no rationale for truncating social costs to a 12 month period.<sup>10</sup>

For this reason, Spiritus is highly dubious of the conclusion reached by the Commission that:

*"Deducting the estimated costs of gambling from the net consumer benefit numbers, yields a range from a net social cost of \$1.2 billion to a net benefit of \$4.3 billion for 1997-98. There are significant differences by gambling mode, however, with lotteries showing a clear net benefit, whereas gaming machines and wagering include the possibility of a net loss."*

Spiritus contends that a more appropriate measurement of costs, would likely result in a finding of significant net loss with respect to gaming machines.

4. *A closer look at the application of cost benefit analysis to problem gambling is warranted.*

This Commission in its 1999 report presents a relatively well-reasoned argument for its treatment of estimating the benefits for gambling. It states that its cost-benefit treatment falls between two approaches, namely:<sup>11</sup>

1. an approach which argues that there are not benefits to be had by problem gamblers in exchange for their expenditures; and
2. an alternative approach which treats the consumption of gambling in the same way as other products.

A limitation of cost-benefit analysis is its treatment of equity. In the Department of Finance's 1991 *Handbook of Cost-Benefit Analysis* it states:

*"In practice, cost-benefit analyses are likely to be better if analysts accept that the method, like any analytical approach, does indeed have its limitations. ...Cost-benefit analysis is criticized for ignoring social equity. ...it is argued that cost-benefit reflects the basic orientation of economics towards improving welfare irrespective of the identity of the beneficiaries. The criticism is correct in theory but need not be so in practice: that is, the incidence of costs and benefits can and should be clearly set out to assist the decision maker. ...Second, it is argued that cost-benefit analysis contains a conservative bias because its valuation principle, willingness to pay, depends upon ability to pay (i.e. wealth and income) and ability to pay is unequally distributed. Again, the criticism is valid in theory but need not be so in practice: that is, weights may be assigned to benefits which accrue to specific groups, if there is a clear policy justification for doing so. ...It is then up to the political process to trade off equity and efficiency considerations."*

The Commission does not adequately address these issues in its cost-benefit analysis. The focus of its analysis appears to deal with how to account for compulsive

---

<sup>10</sup> Therefore, it is mistaken to argue that the bulk of these intangible costs would be captured in subsequent prevalence studies, since there is no mechanism for cumulating the estimates of costs across prevalence studies (even if such studies were routinely undertaken on an annual basis).

<sup>11</sup> Appendix C of the Productivity Commission Report, Australia's Gambling Industries, Inquiry Report, No. 10, Volume 3, p C.24.

behaviour of gamblers, so as to estimate a small amount of consumer surplus based on the adjusted (non-compulsive) demand curve for the problem gambler. In doing so, it loses sight of a bigger problem. For example, it implicitly assumes that the tax collected by government is equivalent to the loss of the consumer, who in this particular case, is a problem gambler.<sup>12</sup> There are clear ethical issues which arise in making such an assumption. Indeed, without a greater emphasis on ethical issues, it may be safer to adopt the first approach listed above, whereby it is considered that there are no benefits to be had from problem-gambling.

Spiritus believes a much greater emphasis should be placed on the moral responsibilities of governments to address problem-gambling and the use of ethical weightings in any cost-benefit analysis.<sup>13</sup> The current policy, whereby governments use the taxation revenue from gambling to fund social goods (e.g. Building funds for the development of kindergartens, sporting fields or extra services for disabled children to mention a few) is akin to the absent parent who buys their child material items to remove their own guilt. This benefactor out of revenues approach amounts to a "bond in reverse". That is, the gaming industry continues to damage the property (which in this case is "families and relationships"), and the government justifies its actions (or inactions) by payment of monies which are sourced from those "families and relationships" – hence the analogy of a "bond in reverse", since the "bond" in this case is being paid to justify the continuation of the damage.

### **Counselling and support services for problem-gamblers**

Spiritus addresses the following issues/questions raised by Commission in its issues paper. A preferred funding model for counseling and support services for problem-gamblers is then put forward, along with comment with respect to potential moves to undertaking new surveys of clients of counseling agencies and counseling services themselves in relation to this problem.

*Q1. What Developments have there been in relation to providing counseling and support services?*

Spiritus understands that relatively small amounts of funding for problem-gamblers is provided to both Lifeline and Centacare, and that these amounts would represent a very small percentage of their overall organization's funding and service-provision.

(See "A statement of current concerns of the Community Sector Members of the Responsible Gambling Advisory Committee" provided as part of this submission for further comment).

*Q2. Whether there has been increased monitoring and evaluation of treatment options for problem-gamblers?*

Spiritus' experience over the last seven years is that there has been no sector-wide consultation or monitoring of the extent of problem-gambling. This may suggest that to the extent that there has been monitoring and evaluation on this important issue, it has been conducted amongst actual providers of problem-gambling services, to the exclusion of the wider counseling community. This creates two problems:

---

<sup>12</sup> See Box C.1, (e) , Appendix C of the Productivity Commission Report, Australia's Gambling Industries, Inquiry Report, No. 10, Volume 3, p C.14.

<sup>13</sup> Implicit in the political response is always a cultural "sense of responsibility". Some in government still regard problem gamblers and mental health issues as more of a "personal problem" than a societal problem, which diminishes their sense of responsibility.

- A lack of data about the true extent of problem-gambling, not just in terms of a statistical number of actual problem-gamblers, but how the community as a whole is impacted by problem-gambling; and
- Creates the situation where any evaluation is approaching “self-evaluation” by providers of services selected by funders/regulators of problem-gambling.

*Q3. Whether the proportion of funding for counselling and support services has changed?*

No, there has not been much change, apart from relatively small amounts of funding, which is taken up by Lifeline and Centacare, since they have the existing infrastructure in place to be able to provide such counseling without much of a negative impact. In contrast, Spiritus would be forced to subsidize this service, since the relatively small amounts provided are too small for a break-even service to be provided.

*Q4. Whether government programs relevant to gambling have been evaluated, and if so, what they show.*

Again, Spiritus notes that there has been no sector-wide consultation, at least over the last seven years.

*Q5. Whether the nature and extent of the costs of problem gambling on individuals, their families and the wider community have changed in 1999, and is so in what way?*

Spiritus has observed that in all service types, there has been a significant shift in the nature of presenting problems with:

- more hostility;
- more aggression;
- more alcohol abuse.

The contributing factor appears to be disassociation with what is occurring in the world (i.e. an “I don’t want to know about it” feeling). The age group which appears most at risk in these recessionary times is the 35-50 year old age group, which also happens to be the age group found to be most likely to have problem-gamblers.

*Q6. What factors have contributed to any changes?*

The risk factor which appears to make this group most vulnerable is the “perception of themselves as “isolated” .

### **The benefits of a “brokerage funding” model**

Spiritus advocates an alternative funding model for problem-gambling counseling and support services. This involves government allocating funding dollars which individual counseling services (e.g. Kinnections) can access to provide additional support for clients.<sup>14</sup> The perceived advantages of this approach over the existing approach are:

---

<sup>14</sup> This is in a similar vein to “job network” where, if additional assessment is required, it is possible to access funds to provide extra and specific support.

- The use of the funding dollars would be demand-driven, by virtue of the fact the counseling service where the client seeks help would apply for the required funds;
- It allows a holistic approach to treatment, which is necessary given that one cannot compartmentalize an individual's problems; and
- This model would avoid the duplication of setting up alternative niche operations which fail to deliver holistic care

Government policy which relates to funding of counseling and support services, particularly with respect to problem-gambling services, must reflect the practicalities of effective service provision. When a client presents for counseling, they will have both primary and secondary presenting issues.<sup>15</sup> The primary issues relate to barriers which prevent this person from engaging in a meaningful way to main-stream society. The secondary presenting issues relate to the longer-term social issues which are ultimately of more relevance to the longer-term social costs of problem-gambling. For example, a client presenting for treatment of domestic violence, showing a primary presenting issue of problem-gambling, should according to the current policy response, be referred on to those counselors funded to handle gambling addiction. However, the reality is that such counselors may not be specialized in dealing with other primary presenting issues such as domestic violence. This particular policy response is therefore not capable of having a client's needs dealt with holistically. The counseling service is forced to treat the addiction, since the issues of one problem can over-ride the other. This then necessitates the service to use its existing resources to meet needs that "must be met", and thus provide a service which it is not funded to provide. If an avenue was available to apply for extra funding in "one-off" situation, both the client needs and the counseling services needs could be better met.

### **How best to collect information from counseling services re problem-gambling**

Spiritus is of the view that a standard Quality of Life Assessment would quickly identify the primary presenting issues. This is a series of 5-6 questions which would take less than 5 minutes to complete. It could capture all those presenting for counseling who are adversely affected by problem-gambling, not simply the problem-gamblers themselves. This information would be useful to estimating the true social costs of problem-gambling.

Where a client presents as a potential problem-gambler, then a more in-depth survey along the lines of that presented in Appendix G of the 1999 report could be undertaken, perhaps on a subsequent visit (i.e. a more targeted approach for the longer survey).

This would provide a balance between meeting the needs of all clients, who would often be presenting in a crisis-type situation/state and ascertaining information which can inform policy-making at the government level.

---

<sup>15</sup> Primary presenting issues are those issues which are barriers to the person engaging in a meaningful way to mainstream society. They may include, for example, gambling addictions, long-term unemployment, domestic violence, alcohol, depression. Secondary presenting issues encompass those issues which are ultimately associated with longer-term costs to the community. For example, inability to maintain relationships, poor interpersonal skills and/or lack of vocational skills.

## Government's moral responsibility to address problem-gambling

While some would argue that members of society should have a choice as to how they choose to spend their money, Spiritus believes that this choice must be "informed consent". For this argument of choice to carry weight, society must give individuals the necessary skills to give "informed consent". While Spiritus can envisage the potential use of a "card system" which uses available technology to set pre-determined limits on gambling activities and the extent of losses allowed on any one day or over a particulate period of time, current indications are that the proposed "card system" within Queensland may not go far enough in eradicating problem-gambling. The fact that gambling-related expenditure decisions can be made away from an environment with access to alcohol is advantageous. However, if cards are venue-specific, self-imposed and attached to player loyalty-points, they may not be particularly effective in stopping addictive gambling behaviour.<sup>16</sup>

Recent moves by the Queensland Government to cap the number of machines and restrict the opening hours of most clubs and pubs to 10am, will clearly not address problem-gambling adequately. Spiritus disagrees with the view espoused by Queensland's Treasurer, Mr Fraser, as reported 19 January, 2009:

*"With our reforms in place about the time in which machines can be on, we think we have very good system."*

Mr Fraser reportedly stated that the cap was expected to cost the state Budget about \$25 million in foregone gambling taxes. This amounts to 0.005% of the tax revenue from gaming machines.<sup>17</sup>

Taxation revenue from gaming machines account for approximately two-thirds of the total revenue from gambling activities, with the taxation revenue from this mode increasing by 9 percent during the 2008 financial year.

Taxation Revenue from Gambling		
Mode	Yr ended June 2008 (\$'000)	Yr ended June 2007 (\$'000)
Casino	50,667	51,267
Gaming Machines	533,598	488,500
Gold Lotto	162,608	158,438
Golden Casket	42,817	42,099
Keno	17,638	13,229

<sup>16</sup> Dept. of Treasury, Queensland Office of Gaming Regulation, *Using Player Tracking Technology to Help – Benefits and Challenges*, Discovery 2008, Ottawa.

<sup>17</sup> The Courier Mail, 19 January, 2009.

A cap on the number of gaming machines in licensed clubs was announced by the Treasurer 17 April 2008. A market-based transfer scheme will be introduced to allow for the movement of gaming machines between clubs and within three Queensland regions under the permanent cap. Clubs will be able to enter into agreements between themselves to transfer the rights to operate gaming machines.

Wagering	36,670	36,445
<b>Total</b>	<b>843,998</b>	<b>789,978</b>

In addition, player losses from gaming machines also increased by 7.5% during the 2008 financial year.

<b>Player Losses - Gaming Machines</b>		
<b>Yr ended June 2008 (\$'000)</b>	<b>Yr ended June 2007 (\$'000)</b>	<b>Percentage Change</b>
1,802,217	1,676,657	7.5%

Based on the proportion of tax collected from gaming machines, and the increase in tax revenue and player losses during the 2008 financial year, it is difficult to agree with the Treasurer's statement. According to material published by the Community Sector Members of the Responsible Gambling Advisory Committee, about half of the tax revenue from gambling could be expected to come from problem gamblers alone. There are inherent conflicts of interest in Government-sponsored research because of the government's need to represent themselves as effective in combating problem gambling. A more transparent and accountable research program is needed. Spiritus would encourage both federal and state governments to make better use of community organizations as research partners in this area.<sup>18</sup>

## Conclusions

Spiritus believes that Governments have a responsibility to address the issue of problem-gambling. This imperative will be made clear by the following actions:

- Focusing attention on the prevalence rates of problem-gambling in terms of both the total population, as well as that of the regular (non-lottery) gambling population;
- Estimating and directing attention to the net benefits (losses) to be had gaming machines, rather than gambling as a whole;
- In doing so, using the appropriate methodology to estimate social costs and therefore the net benefit (loss) from gambling and/or problem gambling. In particular, it is important to estimate the present value of costs occurring over the average period over which problem-gambling occurs (i.e. 8.9 years) as opposed to truncating this estimate at 12 months;
- Clearly considering not only the difficulties associated with measuring intangibles (such as costs associated with gambling-related suicide), but the important equity considerations which are limitations of cost-benefit analysis; and

<sup>18</sup>

The Archbishop of Brisbane, The Most Reverend Dr Phillip Aspinall, Anglican Church of Australia, Address to the Combined Community Sector/Heads of Churches Briefing Day, *Responsible Gambling in the Smart State*, October 2008.

- Clearly recognizing the important role which the political process is required to play in trading off the equity and efficiency considerations.

In addressing what appears to be a growing problem, as evident by increases in both taxation revenue and player losses from gaming machines over the past few years, it is important that policy responses take into account the need for holistic care in counseling and support services. A preferred funding model would be a brokerage fund, whereby individual services can apply for additional funding on an "as-needs basis" to deal with this increasing problem. While there is merit in asking such services to track gambling-related information, this is best done using the shorter Quality of Life Assessment, with a longer survey undertaken using a more targeted approach, when a client presents as a potential problem-gambler.

A rapid development and implementation of a "card system" for gaming machines, which makes "informed consent" (removed from access to alcohol) the basis for gaming machine activity, can potentially be a positive step. Implemented with the aim of harm minimization, it may reduce problem gambling while at the same time, preserving the choice for recreational gamblers (with perhaps a small amount of administrative charges to arrange for a card). However, to the extent that cards are voluntary (self-imposed), venue specific or attached to loyalty programs, they will for obvious reasons, be ineffective in addressing what is a growing problem, causing enormous harm to a wide cross-section of the community. Should this be the case, perhaps the only way to truly eradicate problem gambling in the community is to gradually phase out gaming machines, with appropriate compensation for existing operators.

## References

Community Sector Members of the Responsible Gambling Advisory Committee, *A Statement of Current Concerns*, 2008.

Dept. of Treasury, Annual Report 2007-08, Financial Statements – Treasury Department and Controlled Entities, p116.

Dept. of Treasury, Office of Liquor, Gaming and Racing website, Gaming machine expenditure (known as metered win) <<http://www.olgr.qld.gov.au/resources/statistics/index.shtml>>.

Dept. of Treasury, Queensland Office of Gaming Regulation, *Using Player Tracking Technology to Help – Benefits and Challenges*, Discovery 2008, Ottawa.

Hraba, J. and Lee, G. 1996, 'Gender, gambling and problem gambling', *Journal of Gambling Studies*, vol. 12, pp. 83-101.

Nisbet, S. (2008), *Review of Gambling in Queensland*, Prepared for Spiritus Care Services, Southern Cross University, Lismore, NSW.

Productivity Commission Report, Australia's Gambling Industries, Inquiry Report, 1999, No. 10, Volumes 1, 2 and 3.

The Courier Mail, 13 March 2008, p11

The Courier Mail, 19 January, 2009, p6

The Archbishop of Brisbane, The Most Reverend Dr Phillip Aspinall, Anglican Church of Australia, Address to the Combined Community Sector/Heads of Churches Briefing Day, *Responsible Gambling in the Smart State*, October 2008