

**Duty of Care  
Submission  
To**

**Productivity Commission  
Gambling Inquiry**

*March 2009*

Prepared by:  
**Sue Pinkerton**  
**President**  
**Duty of Care**  
**Para Hills**  
**SA 5096**

Duty of Care Incorporated (Duty of Care) is grateful for the opportunity to make a submission to the Productivity Commission public inquiry into gambling. Our submission includes this paper and a compact disc containing copies of research papers and reports related to gambling, problem gambling, and electronic gambling machines that we would like the Commission to consider. Many documents on the CD are too large to send via email and/or are no longer readily accessible through internet sources or in libraries throughout Australia or New Zealand. The CD and a hard copy of this paper will be sent to the Commission by registered post.

Sue Pinkerton, founding member, national President, South Australian representative of Duty of Care, problem gambling research consultant and former gambling machine addict<sup>1</sup>, would welcome the opportunity to speak to our submission during any public hearings the committee holds and to respond to any questions the committee may have regarding our submission.

Duty of Care is a national, non-profit consumer protection association representing gaming machine consumers and their families. Duty of Care was founded in January of 2005 by three women who had first hand experience of the harmful financial, social and psychological consequences of excessive access to gambling machines. We currently have approximately 300 members, (all of whom have been harmed in some way by gambling machine addiction).

Duty of Care's mission is simple.

We encourage governments to remove gambling machines by lobbying ministers and challenging both current and future legislation that allows gambling machines to continue harming the people of Australia financially, psychologically and emotionally.

We attempt to empower and self-actualise gambling machine consumers as a community consumer group with clearly defined and understood consumer rights and responsibilities.

We educate, support, represent and vocalise the wishes of both consumers and the public in relation to consumer rights surrounding gambling machines.

It is our considered and informed position that gambling machines are the most psychologically entrapping, cognitively manipulative, financially, socially and psychologically harmful gambling product yet developed. We believe that the only electronic gambling machine that will not eventually cause harm to users of it is one that is permanently disconnected from any kind of power source.

---

<sup>1</sup> Duty of Care discourage the use of the term "gaming" – for each one of our members, and for the estimated 300,000 Australians personally harmed by these most cognitively manipulative and addictive machines, gambling is NOT a game. In this submission, any reference to gambling machines can be taken to indicate what others know as "poker machines" or "electronic gaming machines".

We signal our intent to continue lobbying state and federal governments to ban gambling machines.

Duty of Care's declared position is that the only safe gambling machine is one that is permanently disconnected from any electrical power source.

We take this position in view of;

1. The tenfold increase in numbers of problem gamblers (and related community costs) that invariably follows the legalisation, introduction and wide spread distribution of gambling machines to any state or country around the world.
2. The significant differences that now exist between Western Australia - where poker machines are not allowed outside their single casino - and other Australian states where poker machines abound.
3. The positive effect that banning of gambling machines had on levels of problem gambling in South Carolina,
4. The experiences of Duty of Care members and people from around the globe who have developed an addiction to gambling machines,
5. The professional advice of university academics, local government representatives and gambling care sector professionals,
6. The development of increasingly voracious gambling machine programs that fail to fully inform consumers of the odds of - and risks associated with - regular use of electronic gambling machines,
7. The practises and policies developed by the gambling industry that border on unconscionable conduct and may contravene the trade practices act – policies and practises that are supported by state governments, either overtly or tacitly.

Duty of Care's research (and the experiences of our members) to date has led us to the inescapable conclusion that "gambling addiction" and "gaming machine addiction" are different entities. Whilst early researchers studying problem gambling declared all pathological gambling should come under the one DSM category (impulse disorders), it is increasingly becoming clear to us that gambling addiction and gaming machine addiction have different underlying aetiologies, different courses of progression and different levels of subjective awareness about the cause of the problems excessive gambling causes in the lives of the individuals involved.

Unlike most gambling addicts, gambling machine addicts are usually aware from early on in their gambling career that they are spending too much time and money gambling. While most gambling machine addicts will attempt to hide their gambling from others and deny they have a problem when asked, they consistently report knowing they had a problem with gambling machines soon after beginning to use them regularly. Because they are aware they have a problem, most gambling machine addicts report instituting their own behavioural management systems (freezing their ATM cards in blocks of ice, wearing thongs to and from work etc) in what is often a futile attempt to prevent themselves from responding to "the call of the pokies". Many actively

attempt to solve their “gambling” problem in this way (with varying degrees of success) for up to two years before approaching problem gambling help services.

The gambling addict on the other hand, tends to remain in denial about the problems that gambling causes in their life. They do not report knowing they had a problem either during their gambling career or after they quit. Indeed, most will actively declare bad luck and the moralistic attitude of others to be the problem. As a result, the gambling addict often has no desire to quit for many years after they begin gambling. They are not motivated to limit their spending while gambling and rarely attempt to restrict their access to gambling venues.

A further distinction between gambling addiction and gambling machine addiction is that people affected by gambling machine addiction blame themselves for the problems their excessive gambling causes themselves and others close to them. So pervasive is the self-blame associated with gambling machine addiction, that many gambling machine addicts attempt suicide in a desperate bid to stop the harm they cause themselves and their families<sup>2</sup>. The high suicide rate amongst gambling machine addicts – something not commonly seen in other addictions - is testament to the gaming machine addicts propensity to take full and personal responsibility for the consequences of their actions. Unfortunately, the gaming machine addict also has an inability to see what the more traditional gambling addict sees - that our behaviour is as much influenced by the world in which we live and the people around us, as it is freely chosen.

Harm from excessive gambling on electronic gaming machines tends to occur after a significantly shorter period of involvement in the activity than it does in all other forms of gambling. According to Breen and Zimmerman<sup>3</sup>, the latency of onset into problem and pathological gambling in machine gamblers, occurs after just 1.08 years (vs. 3.58 years for ‘traditional gamblers’).

More recently, evidence gathered from female Maori poker machine players who were experiencing difficulties controlling their gambling, indicated that the latency of onset of gaming machine addiction may be as short as twelve weeks after the onset of gambling<sup>4</sup>.

---

<sup>2</sup> **Penford, Alison; Hatcher, Simon; Sullivan, Sean; Collins, Nicola.** 2006.

“Gambling Problems and Attempted Suicide. Part I. High Prevalence Amongst Hospital Admissions”. *International Journal of Mental Health and Addiction*. Volume 4 (3).

**Penford, Alison; Hatcher, Simon; Sullivan, Sean; Collins, Nicola.** 2006. “Gambling problems and attempted suicide: Part II - Alcohol abuse increases suicide risk”. *International Journal of Mental Health and Addiction*. Volume 4 (3)

<sup>3</sup> **Breen, Robert B; Zimmerman, Mark.** 2002. “Rapid Onset of Pathological Gambling in Machine Gamblers”. *Journal of Gambling Studies*. Volume 18. Pages 31-43

**Breen, Robert.B.,** 2004. “Rapid Onset Of Pathological Gambling In Machine Gamblers: A Replication”. *eCOMMUNITY: International Journal of Mental Health & Addiction*, Volume 2(1). <http://www.ecommunity-journal.com/content/full/2/1/7>

<sup>4</sup> **Kiata, Liz.** 2004. “Playing the pokies. Women gambling on the electronic gaming machines (EGMs). A New Zealand context. Final Report of findings”. *Auckland, Problem Gambling Foundation of New Zealand.*

My personal experience with gaming machines was similar. I knew I had a problem sticking to pre-determined limits within weeks of beginning to play gaming machines. I spent most of the years between 1995 and 1999 trying on the one hand to stop myself from going to the machines and on the other, choosing to play them and trying without success to stick to the spending limits I set myself prior to each session. The notion of committing suicide seemed an all too reasonable way out of the vicious downward spiral of gamble, lose all, hate myself cycle I became embroiled in at the age of 40.

Like many problem gamblers I have spoken with both in Australia and overseas during the last ten years, I first gambled around the age of ten, but until I came into contact with the pokies, my gambling was controlled, enjoyable, affordable and often indulged in during celebratory and social outings with friends. My problem was not – and still is not - with gambling per se. The last time I played a gambling machine, I intended to play for one hour and spend no more than \$50. I blew \$500 in six hours that day. This happened despite my extensive knowledge of how gaming machines shape and condition behaviour and how programmed in illusions such as the near miss, alter people's perceptions about the probability of winning<sup>5</sup>. It happened despite my knowing that the odds of winning a large payout were miniscule, and it happened despite my very best intentions and determination to stick to a pre-determined spending limit that I could afford.

This shortened addicting period alone makes the task of early intervention into - and prevention of - problem gambling related to poker machines, difficult to achieve. By the time an individual's response to their loss of control is evident to venue staff, their families and even the machine gambler themselves, significant losses as well as cognitive and behavioural conditioning is likely to have occurred. In particular, "the over spend, feel guilty, chase losses" cycle that predominates in machine gamblers is well on the way to being habitual and beyond conscious control by the time the financial effects are felt and the problem noticed by a third party. Additionally, by the time the individual's loss of control is evident to others, the player themselves are apt to have become "comfortable" with risking significantly larger amounts of money gambling than they would ever been prepared to spend initially.

The shortened addicting period and rapid descent of gambling machine users into financial distress invariably leads to detrimental psychological, financial and social consequences for families and friends of gamblers that are difficult to quantify. The propensity of gambling machine design to cause loss of

---

<sup>5</sup> **Rivlin, Gary.** 2004. "The Tug of the Newfangled Slot Machines". The New York Times Magazine. May 9, 2004. <http://owlfoundation.net/web-pix/pdf-files/slots-casino-addiction-gambling.pdf>

**Falkiner, Tim; Horbay, Roger.** 2006. "Unbalanced Reel Gaming Machines" [http://www.casinofreepa.org/images/documents/falkiner\\_horbay\\_09\\_09\\_06.pdf](http://www.casinofreepa.org/images/documents/falkiner_horbay_09_09_06.pdf)

**Horton, K. Turner, N. Horbay, R.** 2007. "Do Weighted Reels on a Slot Machine Distort a Gambler's Judgment of Probability: The Effect of Near Misses". <http://www.gamblingresearch.org/contentdetail.sz?cid=3184>

control<sup>6</sup> coupled with market researched machine programming and venue design<sup>7</sup> that encourage and increase the amount of time customers 'spend on device', invariably fosters addiction to gambling machines so insidious and rapid that they render early intervention programs – and indeed, host responsibility programs – wholly ineffective in reducing gambling related harm.

The results of Duty of Care's research into the differences in levels of problem gambling that exist between South Australia and Western Australia clearly shows that gambling machines are the predominant cause of the dramatic increase in numbers of problem gamblers.

In 1990, both South Australia (population of 1.5 million people) and Western Australia (population of 1.9 million people) had some 14 different forms of legalised gambling accessible through a large number of outlets throughout their respective states. Both states had one centrally located casino. According to treatment providers, in 1990 Western Australia had an estimated 3,000 problem gamblers – South Australia had an estimated 2,500 problem gamblers.

In 1994, South Australia introduced 15,000 multiple lined, electronic gambling machines into 600 venues scattered throughout the state. Western Australia introduced just 1,500 electronic gambling machines into their one casino.

By 1999 – with no other gambling products introduced to either state - South Australia's problem gambling population had blown out to 23,000 people. An almost ten fold increase. Western Australia's problem gambling population on the other hand, had grown from 3,000 people to 7,000 people. While these facts might be construed as evidence that Western Australians are less vulnerable to addiction because they have fewer character defects or psychological disturbances than South Australians, we would argue that they provide incontrovertible evidence that electronic gambling machine design is responsible for shaping and conditioning behaviour of anyone who has easy access to – and uses - electronic gambling machines on a regular basis.

South Carolina's experience following the removal of all gaming machines from the state in 1999 is further evidence that gambling machine addiction is distinct from gambling addiction and responsible for the high numbers of problem gamblers occurring in regions that have gambling machines. South

---

<sup>6</sup> **Dickerson, Mark; O'Connor, John.** 2006. "Gambling as an Addictive Behaviour: Impaired Control, Harm Minimisation, Treatment and Prevention" Cambridge University Press  
**Livingstone, Charles; Woolley, Richard; et al.** 2008. "The relevance and role of gaming machines games and game features on the play of problem gamblers". Report prepared for the Independent Gambling Authority.

<http://www.iga.sa.gov.au/pdf/0801/Final%20report.Print.Feb08.pdf>

<sup>7</sup> **Thomas, Anna Christina; Sullivan, Gavin Brent; Allen, Felicity Catherine Louise.** 2009. "A theoretical model of EGM problem gambling: More than a cognitive escape". International Journal of Mental Health and Addiction. Volume 7 (1)

**Finlay, Karen et al.** 2005. "Assessing the contribution of gambling venue design elements to problem gambling behaviour".

<http://www.austgamingcouncil.org.au/images/pdf/eLibrary/3169.pdf>

Carolina's experience was explored in Bridwell and Quinn's 2002 study<sup>8</sup> on the impact banning had on levels of problem gambling in the state. In it, Bridwell and Quinn found that within three months of the removal of gaming machines from South Carolina, there was;

- A decline in the number of active Gamblers Anonymous groups from 32 groups to just 16<sup>9</sup> (there are currently only 9 groups operating).
- An 85% drop in the numbers of people seeking help for their so called "gambling addiction",
- A 100% drop in numbers of callers to the state run gambling help line,
- An 80-90% drop in the number of people attending weekly Gamblers Anonymous meetings that continued operating.

Reports from 2003 by the Lancaster County sheriffs department (South Carolina), and the York County Sheriffs Office (South Carolina)<sup>10</sup> declared that the crime rate – most notably the prevalence of robbery with violence - dropped by 44% once the gaming machines were removed from the state.

These changes happened despite other gambling products being both legal and readily accessible before and after the ban came into force. Bridwell and Quinn comment in their study<sup>11</sup> that people addicted to South Carolina's gambling machines did appear not to have taken up other forms of gambling or other addictive products/substances once the ban came into force. Denied easy access to electronic gambling machines, problem gamblers in South Carolina appear to have simply stopped gambling and returned to living their lives as they had before the machines were introduced to the state.

In all states and countries throughout the world where electronic gambling machines have been legalised, introduced and widely distributed, there occurs (within five years) a sudden and dramatic rise in numbers of problem gamblers. Electronic gambling machines are clearly a harm causing product, NOT a "safe, fun-filled form of entertainment for all but a few psychologically disturbed individuals" as so often claimed in industry arguments.

In Duty of Care's opinion, any government or business that allows gambling machines to remain legal and in operation KNOWING that harm is foreseeable, identifiable and preventable (by banning the product), open themselves up to charges of unconscionable conduct.

---

<sup>8</sup> Bridwell, R. Randall and Quinn, Frank L., 2002. "From Mad Joy To Misfortune: The Merger Of Law And Politics In The World Of Gambling". Mississippi Law Journal. Spring, 2002. pp 565-729

<sup>9</sup> "Facts on Video Poker in SC". The State. Posted on Tue, May. 20, 2003. Accessed, Friday, May 23, 2003. (Article reprinted below - no longer available online)

<sup>10</sup> "Courts still seeing video gambling's effects". Post Courier. Saturday, June 7, 2003. Accessed, Monday, June 9, 2003 at, www. Charleston. net/ (Article reprinted below - no longer available online).

<sup>11</sup> Bridwell, R. Randall and Quinn, Frank L., 2002. "From Mad Joy To Misfortune: The Merger Of Law And Politics In The World Of Gambling". Mississippi Law Journal. Spring, 2002. pp 565-729



According to Mark Dickerson<sup>12</sup> the loss of control associated with gambling machines is due to the continuous nature of purchasing decisions that electronic gambling machines require gamblers make. He asserts that,

“The typical regular gambling machine gambler in NSW makes 832 consecutive purchasing decisions in a 30 minute session of play”.

It is almost impossible for humans to make that many conscious and well considered decisions in 30 minutes. Inevitably when faced with that many separate decisions, individuals will suspend conscious decision making and act without thought.

Dickerson also asserts that during sessions of play, “43.8% of regular players will report that they experience an irresistible urge to continue”. Dickerson asserts the “erosion of control” that occurs during play in spite of the gambler setting time and monetary spending limits before gambling,<sup>13</sup> is both a “natural outcome of regular involvement in the activity” and “responsible for the excess losses experienced by gaming machine players”.

Dickerson asks, “Given that gaming is now typically described by the gambling industry as “purchasing a commodity or leisure product” would not a consumer watch-dog be concerned about a sales practice that provided the consumer with an automated unlimited supply of the product under conditions that were associated with the average regular customer feeling an uncontrollable urge to buy more?”

Today, people who self-report having a problem **only** with gaming machines, make up approximately 80% to 90% of the estimated 300,000 problem gamblers in Australia. Those who experience problems from betting on the other 14+ forms of legalized gambling available in this country together contribute just 10% to the pool of people directly experiencing harm as a result of excessive gambling. Few prevalence studies provide data about the different proportions of problem gambling and non-problem gambling that occurs among regular users of all forms of legalised gambling available in Australia. Whether different forms of gambling are associated with different levels of addictiveness remains unclear as does the risk of harm each gambling product entails.

In his submission (dated February 2009), Allen Windross wrote,

“The normal process of life means that each day a number of Australians who gamble will die. Yet the amount of annual gambling

---

<sup>12</sup> Dickerson, M., 2003, “Exploring The Limits Of ‘Responsible Gambling’: Harm Minimisation Or Consumer Protection? Gambling Research (Journal of the National association for Gambling Studies Australia), 15, 29-44

<sup>13</sup> Dickerson, M., 2004. “Measurement and modelling of impaired control: implications for policy”. Presented 5th.Oct.2004: Insight International Problem Gambling Conference, Nova Scotia.

<http://www.nsgamingfoundation.org/main/presentations/Professor%20Mark%20Dickerson.pdf>



stakes does not decrease. Thus new gamblers are being created around, at least, the same rate as the deaths.”

This claim erroneously assumes that the amount of money staked somehow equates to the number of people gambling (i.e. that where total amount gambled increases, the number of people gambling must also be increasing and where it remains stable, the number of people gambling must also remain static). Neither of these premises is correct.

In their 2005 study, Eltridge and Delfabbro<sup>14</sup> found that the percentage of South Australians who gamble on poker machines at least once per year or more has fallen from a high 38.2% of SA adults (in 2001) to just 30.2 % of SA adults (in 2006). Net gaming revenue has increased significantly over the same time period. Similar findings are found in other Australian states suggests that, on average, each gambling machine user is spending more money.

Eltridge and Delfabbro’s research on what might be termed ‘the market reach of poker machines’ clearly shows that the market reach of poker machines is becoming more and more narrow. i.e. either more people are quitting poker machines each year than are starting to gamble on them, or, fewer people are choosing to start gambling on poker machines each year than those who die or quit gambling on them.

Given that the net revenue from poker machines has increased between 2001 and 2006 AND the number of people gambling on poker machines has fallen, it is clear that either poker machines are becoming increasingly voracious and capable of taking more money from fewer people over time, or that an increasing proportion of regular poker machine users are now addicted to gambling machines and are compelled by their addiction to spend more money.

Allen then goes on to ask,

“How do these persons learn to gamble responsibly?”

Duty of Care fails to see how Allen draws the conclusion that new gamblers are “responsible gamblers” from his statement that an increased amount of money is being gambled, and the number of people commencing their gambling career is equal to number of people dying. Quite clearly, IF the number of gamblers remains static during a time when gambling machine revenues increase, the people who ARE gambling must be spending more money. No other logical conclusion can be drawn from these facts.

---

<sup>14</sup> **Eltridge, Frances; Del Fabbro, Paul.** 2006. “Evaluation of the 2004 legislative amendment to reduce EGMs . Research report for Independent Gambling Authority”  
<http://www.iga.sa.gov.au/pubcons/amend04/Research%20Report%20final.pdf>

Allen cites a Scotland a review by Crawford Moodie and Frances Finnigan<sup>15</sup> that found:

“Female problem and probable pathological gamblers had particularly high depressive symptomatology, suggesting co-morbid depression may be a prominent feature of problematic female gambling. Specific to electronic gaming machines and with a quantitative study Anna Thomas<sup>16</sup> concluded ‘that people experiencing significant stressors may be vulnerable to EGM gambling problems because this gambling form provides an accessible means of cognitive and physical escape. People with limited coping resources may be particularly vulnerable”.

While the association between problem gambling and both substance abuse and mental health issues are well documented in the research, researchers have taken great pains to point out that “an association” between gambling and various co-morbidities, does not mean that the various co-morbidities cause people to develop gambling problems.

At the International Conference on Gambling and Risk Taking, Lake Tahoe, Nevada in 2006, Nigel Turner (gambling addiction researcher with Toronto's Centre for Addiction and Mental Health) presented evidence that negative emotions (boredom, reliance on escape and lack of support during stressful periods in the gamblers life) account for just 35% of the variance in problem gambling. Early wins account for an additional 10%, erroneous beliefs around 5% and impulsivity just 2.5%. This leave 47.5% of the variance in the development of problem gambling unaccounted for – perhaps people in the remaining cohort are those who learn all too well precisely what gambling machine designers such as, Anthony Baerlocher from International Game Technology<sup>17</sup>, and machine owners/operator wish them to learn....namely, the longer you gamble, the more likely you are to win a substantial sum of money and the more near misses you see, the closer is the next big payout.

The truth is, researchers are unable to determine whether stress, depression and limited coping resources are the result of gambling addiction or the cause of it. Asking problem gamblers about their pre-gambling addiction lives and relying on this information to explain the causes and pre-cursors of problem gambling is fraught with problems.

Ask a happy person about the weather that dominated their childhood experiences and they will recall warm, sunny, fun-filled days spent with ‘special’ friends. Ask a depressed person about the kind of weather that

---

<sup>15</sup> **Moodie C and Finnigan F**, 2006, “Association of pathological gambling with depression in Scotland”. Psychological Reports Vol 99 (2). Page. 407-417.

<sup>16</sup> **Thomas, Anna**, 2008, ‘EGM Problem Gambling: The importance of escape and accessibility as gambling motivators’ NAGS website, 2008 Student Award, accessed February 2009:

<sup>17</sup> **Rivlin, Gary**. 2004. “The Tug of the Newfangled Slot Machines”. The New York Times Magazine. May 9, 2004. <http://owlfoundation.net/web-pix/pdf-files/slots-casino-addiction-gambling.pdf>

dominated THEIR childhood and they will predominantly recall times when they were alone (or fighting with friends and relatives), when the weather was cold, wet and rainy. Depressed people simply do not recall sunny, fun filled days from their childhood.

The same memory recall anomaly occurs in gamblers.

Duty of Care members still struggling to overcome their addiction to poker machines frequently report high stress levels, high gambling losses, overwhelming guilt about their gambling, a need to distance themselves from friends and family to avoid their gambling being discovered. They also speak of experiencing deep depression and frequent thoughts of suicide.

When asked while in this state of mind about their pre-addicted lives, problem gamblers whose gambling is still problematic, tend to ONLY recall times from their past when their relationships were dysfunctional or less than supportive, and when they were highly stressed, anxious and or depressed.

When Duty of Care members who have overcome their addiction, freed themselves of stress causing debts, re-established their relationships and risen out of their depression, are asked about their pre-gambling lives, they tend to recall mostly happy days, fulfilling and supportive relationships and little depression...until they developed an addiction to gambling machines.

In the absence of longitudinal studies that follow the lives of large groups of people from their teen years to their senior years, the issue of whether problematic levels of gambling are more common among people with depression and poor coping skills, or whether the development of an addiction to gambling gives rise to high levels of stress, anxiety, depression and the desire to escape from ones woes by becoming totally absorbed in gambling that gamblers report, cannot be determined.

Duty of Care strongly refute the notion that ONLY people who are depressed, who have inadequate support networks or who tend to avoid facing their problems by escaping into fugue states, are the only people vulnerable to becoming problem gamblers.

The facts are that;

- Levels of problem gambling within any community rises dramatically within five years of the introduction and widespread distribution of electronic gambling machines no matter where in the world this occurs,
- Levels of problem gambling do NOT rise significantly in the same time frame in similar communities that do not introduce electronic gambling machines,
- Increases in levels of problem gambling occurs in communities that introduce - and allow convenient access to - electronic gambling machines, irrespective of whether or not those same communities have other forms of legalized gambling available prior to the introduction and widespread distribution of electronic gambling machines,

- Levels of help seeking rise dramatically within the first five years after the introduction and widespread distribution of gambling machines, and
- Levels of help seeking by problem gamblers fall to levels experienced prior to the introduction of electronic gambling machines in any community that bans them.
- The drop in numbers of people seeking help for their gambling (after the banning of gambling machines) occurs even in communities where other forms of gambling remain both legal and readily accessible.

It goes without saying that IF people addicted to electronic gambling machines were addicted to gambling per se rather than to electronic gambling machines, there would be;

- no increase in numbers of people seeking help for the gambling after the introduction of gambling machines
- a more equitable distribution of problem gamblers across all forms of gambling (rather than a preponderance of problem gamblers among just one form)
- the number of problem gamblers seeking help would remain stable after gambling machines were banned, and
- problem gamblers would seek to feed their addiction to gambling by betting on other forms of gambling once electronic gambling machines were banned.

That people addicted to gambling machines simply stop gambling on electronic gambling machines and do not switch to other forms of gambling, suggests that the psychological and mental makeup of problem gamblers is not the main cause of the increase in levels of problem gambling that occurs with the introduction of electronic gambling machines. It suggests instead that electronic gambling machines are addictive in and of themselves and that they have a greater addictiveness potential than any other form of gambling.

Detractors to our arguments will no doubt point out that New South Wales has had electronic gambling machines operating for many years without significant problems developing. While this argument is acknowledged, it ignores the issue of significant changes that have occurred with the computerization of electronic gambling machines in the late 1980's. Gambling machines are no longer toys used by women to while away a few hours while the men play sport.

Computerisation of gambling machines has reduced the betting cycle from an average ten seconds to one of barely 3 seconds. It has allowed for betting on multiple lines, which has had the effect of increasing the minimum average bet on a one-cent machine from 3 cents to 25 cents. It has allowed the inclusion of virtual reels, which has obscured from consumers the makeup of reels. Computerisation has allowed the substitution of reel strips with large ratio's of low paying symbols for reels strips containing large ratios of higher paying symbols – and vice versa - depending on number of credits bet. The return to player (RPT) percentage that a particular machine is set to can be

changed overnight so that a particular machine that has an RTP of 89% today may have an RTP of 96% tomorrow without the gambler being aware that anything has changed.

While gambling regulations require regulators be informed when game chips are changed, the consumer often remains unaware of any changes to machine payout percentages. That gamblers are not fully informed of the odds of winning/losing is bad enough, but that the odds of winning/losing can be altered with no change in the outward appearance of a machine runs contrary to all consumer protection principals and fair trading laws.

The changes to gambling machine programming have allowed for the manipulation of the gamblers cognitions as to the true odds of winning. As a result of these changes, the incidence harm experienced by regular gambling machine users has increased significantly with every alteration in program design and configuration.

Various researchers have begun exploring electronic gambling machine programming in an effort to establish which features contribute to the unacceptably high level of addiction and harm that occurs among regular gambling machine users.

As Natasha Schull says<sup>18</sup>,

“Since addiction is a relationship between a person and an object or activity, it makes sense to take a close look at the gambling technology — not just the gamblers.”

Schull also explains that,

“today’s machines are much different from ones of the past. Visual graphics are now calibrated so the gamblers’ eyes won’t get tired so quickly. Sound is manipulated as well, to reduce the stress of cacophony in cavernous spaces. To facilitate faster play, today’s machines have buttons and touch-screens instead of handles and mechanical reels. Instead of coins, they accept player credit cards. Instead of a few games per minute, it is now possible to play hundreds. Inside the machines, complicated algorithms control the odds “Every feature of the machines is geared to keep people playing until they’re broke.”

Falkiner and Horbay<sup>19</sup> Falkner and Horbay have written and spoken extensively on the issue of unbalanced reels and the effect the appearance of a greater than normal number of near misses has on player perceptions of the odds of winning.

---

<sup>18</sup> **Schull, Natasha.** 2008. “Big Losers - The casino industry's ideal customers”. Massachusetts Institute of Technology, Spectrum. Fall 2008  
<http://spectrum.mit.edu/issue/2008-fall/big-losers/>

<sup>19</sup> **Falkiner, Tim; Horbay, Roger.** 2006. “Unbalanced Reel Gaming Machines”  
[http://www.casinofreepa.org/images/documents/falkiner\\_horbay\\_09\\_09\\_06.pdf](http://www.casinofreepa.org/images/documents/falkiner_horbay_09_09_06.pdf)

Falkner and Horbay argue that because unbalanced or asymmetric reels are concealed from players, gambling machines are deceptive and lead the player to create incorrect perceptions of how the games work, including incorrect perceptions of the nature of randomness and true probabilities of the game.

Duty of Care wish to point out at this stage that gaming machine reels can be unbalanced in three ways –

1. A game may have different numbers of particular symbols across reels but have a set number of symbols on each reel. An example of this design would be where there are 50 symbols on each reel strip, 5 reels in total and there might be two suns on reel one, four on reel two and three on reel three and nine suns each on reels four and five. The effect of such a set up would be that the user would see two suns lining up on the last two reels far more often than they would if an identical number of symbols appeared on each reel.
2. A game may have different numbers of symbols on each reel. For example, there may be 25 symbols on reel one....32 on reel two.....50 on reels three, 25 on reel four and forty on the fifth reel. This could be okay IF the ratio of each symbol on each reel remained the same, but Falkner and Horbay have found that they do not. The effect of this is once again that high paying symbols appear more often on some reels and less often on others again giving the player the impression that the odds of high paying symbols lining up on a pay line are greater than they actually are.
3. The final way reels may be unbalanced is for the length of the reels and / or the number of high paying symbols appearing on each reel varies according to number of credits bet. In this method, users betting one credit per line may be exposed to 25 symbols per reel but when betting five credits per line, may be exposed 50 symbols per reel with a higher proportion of high paying symbols on various reels. In this way, a greater number of high paying symbols flash past the users eyes while the reels are “moving” when the gambler is betting five credits per line than the gambler would “see” when betting just one credit per line.

Unbalanced reels lead to the greater than chance appearance of near misses and then to the belief that the odds of winning being greater than they actually are. For example, when a near miss consists of two of three symbols needed to trigger free games, gaming machine users come to believe that the free games are “close” or “due to come up very soon” – this perceptions occurs even where gamblers understand that each outcome of each spin is not dependent on previous outcomes. The effect of multiple near misses is that gaming machine users spend more money than they otherwise might in hope of winning big and recouping money they have already spent.

Falkner and Horbay describe unbalanced reels as fraudulent and suggest that the concealment of unbalanced reels and the true odds of winning from players contravene the trade practices act. I liken the incorporation of unbalanced reels into game programs - and the failure of manufacturers to

give any indication of the odds of winning any combination of symbols - to the age-old practice of salting a worthless gold mine with gold nuggets.

For the gaming machine user - as for the purchaser of a worthless gold mine that has been salted – what one sees is not what they are in fact buying. The true state of affairs relating to their purchase - the risks the purchaser faces and the likelihood they have of making a profit from their purchase - is deliberately – and knowingly - kept from them.

Despite your willingness to purchase a gold mine I am selling, my actions in salting it and not revealing that fact to you, render any contract of sale between us null and void under trade practices law. That gaming machine reels are unbalanced, do not need to be unbalanced to return a fixed percentage of monies bet to game users, AND gamblers are told of neither the presence of unbalanced reels NOR the true odds of winning, must impact on the legality of the unwritten contract that exists between the gambler and the gaming machine owner.

Duty of Care are well aware that game programs are checked for compliance with the Australian and New Zealand Gaming Machine Standards, but we have cause to wonder what aspects of games are checked? According to the submission of The Gaming Technologies Association, “EGM’s are required to be implemented such that the symbols visible to the player (and even whilst spinning) are exactly as per the reelstrip defined when the play button was pressed.

Included in our CD of research documents are two photo images that appear on two gambling machines while the reels are “spinning”. The photos were obtained from video footage of different gambling machines. The video footage was slowed down to show what has happening during the spinning of reels and still photos taken.

In the first example, (Geisha\_double\_symbol), identical symbols (J’s) appear one on top of – and immediately next to - the other on both reels one and two. On reel three, two tens appear one on top of – and immediately next to - the other. Having gambled for up to six hours a day for over three years, I can state unequivocally that I have NEVER seen two identical symbols line up in this way on a gambling machine screen. Neither have any Duty of Care members I have shown the photos to. Collectively the embers and I would have seen millions of gambling machine screens – more, I would suggest, than many testers.

In the second example, the symbols appearing on the screen during a spin appear both blurred and overlapped. Again, if the standards require that “symbols visible to the player” are to be “are exactly as per the reelstrip defined” “**even whilst spinning**”, why is it that any reel strips we have seen do not show identical symbols next to each other? Why is it that blurred symbols do not appear on screen between spins?



These are just two examples where it can be shown that “symbols visible to the player (and even whilst spinning) are” NOT “exactly as per the reelstrip defined when the play button was pressed” suggesting that this requirement of the standards is not checked or tested prior to the “game” being approved.

In a recent online news item<sup>20</sup>, "Gaming Laboratories International (the parent company of Gaming Laboratories Australia) did not discover an error that caused a gambling machine to malfunction because (according to James Maida, president of the firm), “it was hidden among 1,400 lines of computer code in one module of the software”.

How many more programming “errors” remain undiscovered when the programs are “checked” for compliance with the Standards? How many consumers are unaware that a similar error in programming has caused them to lose hundreds of dollars? Coding errors such as the one above only come to light when they result in the gambler being erroneously awarded a large win that the machine owner refuses to pay because the machine malfunctioned.

The office of Consumer and Business Affairs (SA) claim all consumers have the following rights;

- **A right to honest and accurate information to help them decide which goods or services to purchase** – honest and accurate information regarding the odds of any particular winning combination of symbols coming up, is NOT forthcoming from gambling machine operators. Neither is information about the odds of free spins being awarded. The failure of gambling machine manufacturers and operators to inform gamblers of the RTP that each machine is set to or the odds of winning each combination of symbols, denies gambling machine consumers the information they need to choose which gambling machine to use.
- **Consumers have a right to a fair and reasonable contract when they purchase goods and services.** How “fair” is the implied contract between a gambler and the gambling machine owner/operator when the manufacturer has all the knowledge about how the product operates and the consumer none? How “fair” is the contract when the owner/operator of a gambling machine has all the rights to declare the contract between the gambler and themselves null and void but the consumer lacks information that will enable them to determine whether or not a machine is functioning correctly?
- **Consumers have a right to redress if they have a problem with something they bought...** IF a gambler works out that a machine they have been using is operating incorrectly, which consumer protection body can they appeal to? The SA office of Consumer and Business Affairs do not handle gambling related claims. Neither does Consumer Affairs Victoria. Authorities responsible for gambling

---

<sup>20</sup> “Lottery 'glitch' leaves players suspicious”. Lottery Post. Sep. 2, 2007.

<http://www.lotterypost.com/news/162019>

machine regulation in each state do not handle complaints of this nature. The gambling machine consumer is once again denied their right as consumers of a legal product when they have problems.

- **Consumers have a right to claim compensation where they suffer loss caused by a product or service...** Accepting that a bet on a gambling machine is a purchase that is paid for at the time the 'play' button is pressed, why is it that gamblers can obtain no receipt or record of purchase? No receipt or record of purchase, equals no right to compensation! Without documented proof of loss, the gambler is denied the right to claim compensation for losses that are the direct result of a gambling machine malfunction.

Duty of Care remains deeply concerned with the lack of consumer protections afforded to gambling machine consumers. Where gambling machine providers breach codes of practice or when machines malfunction and gambling machine consumers are disadvantaged as a result, those same consumers are unable to prove to a court's satisfaction that they were even in the venue at the time the breach or malfunction occurred let alone how much they are out of pocket as a result. This is totally unacceptable.

Gambling is deemed to be an activity that is inherently risky. Gamblers "knowingly" place bets where the risk loss is high, but the same can be said of people who purchase motor vehicles. There is risk of the purchaser being hurt in a car accident or of the vehicle being 'written off'. Whether the purchaser "knows" there is risk of harm in driving does not give motor vehicle sellers the right to withhold information from the purchaser about the state of repair of the vehicle they are selling – information without which the consumer faces greater risk of harm and loss than they might wish to accept.

The gambling machine user should be afforded the same access to relevant information about the machine they are about to purchase their bets from as the consumers of motor vehicles are.

Robert Simpson (CEO of *the Ontario Problem Gambling Research Centre*) in his article "The Liability Debates"<sup>21</sup> likens the gambling environment to the drinking environment of the 1970's when talk of responsibility for alcohol related harm was dismissed with the observation that "no-one forces anyone to drink".

How often have we heard that "no one forces people to gamble" or that "everyone knows problem gamblers fail to take responsibility for the consequences of their actions"? How often have I wondered where in making such claims members of the gambling industry are accepting responsibility for the consequences of THEIR actions in limiting customer choice by;

- Replacing games that have a maximum of three lines with machines that have nine lines and then ones with nine lines with ones that have

---

<sup>21</sup> **Simpson, Robert.** 2005. "The Liability Debates". Newslink. Summer 2004. <http://www.responsiblegambling.org/articles/newslinkSummer2004.pdf>

50 lines? Consumers were not asked if they wished to continue using machines with three lines...machines with three lines just disappeared off the gambling room floor.

- When gambling machine providers remove “games” set to return 94% and replace them with outwardly identical “games” set to return 88% without informing their customers and the customer loses more money than they might otherwise have, where are the providers taking responsibility for the harm?
- When gambling machine providers replaced the one armed bandit that gamblers could not “play” for 48 hours straight with machines with buttons that require just one small finger action to “play”, where are they taking responsibility for the greater losses and harms that occurred?

Simpson mentions in his article that in 1973 the landmark Menow ruling established under common law that “alcohol providers owe a duty of care to their patrons to prevent foreseeable harm”. He goes on to suggest that ultimately the courts will be called upon to decide whether or not gambling providers owe a duty of care to their customers to protect them from foreseeable harm. He also argues that the technology already exists that allows providers of gambling machines to track gambler spending. Add to the recent development of a well researched algorithm that can accurately identify problem gamblers from their spending patterns and the development of machine side technologies that can provide customers with the tools that allow them to preset - and adhere to – spending limits, and it is not hard to imagine that in the near future, people harmed by the gambling industry’s failure to utilise those technologies to reduce the harm gambling machine addiction causes will file a plethora of successful law suits.

Duty of Care supports the banning of gaming machines. We do not call for all forms of gambling to be banned because the research evidence is increasingly clear that it is the purposeful design of gaming machines and the unethical – if not unconscionable - conduct of electronic gambling machine venue owners/operators in knowingly promoting an unsafe product as a “safe, fun-filled form of entertainment” that is predominantly responsible for the unacceptable level of “problem gambling” in any state where electronic gambling machines operate.

If ‘we’, as a society, are to be effective in reducing the level of “problem gambling” in Australia and effective in reducing the numbers of people being harmed by excessive gambling, then reducing the incidence of “gaming machine addiction” is what we must deal with first and foremost.

It is our considered position that government will not achieve a reduction in levels of gambling related harm unless they either;

- Ban all electronic gambling machines until they can be proven safe for all users of them, **or**
- Introduce legislation that requires ALL electronic gambling machine use by individual gamblers be tracked in real time and that ALL

- gamblers MUST pre-set daily net loss limits before being able to gamble on any gambling machine in Australia, **or**
- Introduce an electronic perimeter control system that is individualised and centrally monitored, and which will prevent access to gambling rooms (and therefore gambling machines) by any person under the age of 18 years and any person entering into a self-exclusion contract.

Duty of Care recommend that should the government refuse to ban electronic gambling machines, that smart technologies be utilized to enable an independent central monitoring body to record the spending of all persons using gambling machines anytime they use one anywhere in Australia.

The smart technology pre-commitment system Duty of Care recommends would be similar to that recommended by our President during the 2005 Independent Gambling Authority Inquiry into Smart technologies<sup>22</sup>. We note that machine side systems have been developed that utilizes USB<sup>23</sup> technology as well as smart cards<sup>24</sup>. Current loyalty card systems could be readily adapted for use with the added benefit that they are already in place in many venues and provided to customers free of charge.

Smart technologies were tested in Windsor, Nova Scotia<sup>25</sup> in 2007. In addition to tracking and storing play activity, the Responsible Gambling (RG) System trailed allowed players access to five responsible gaming (RG) features:

- **'Account Summary'**: tracked expenditure, amounts won/lost over time while playing the machines (e.g. day, week, month, year).
- **'Live Action'**: tracked expenditure, amounts won/lost and any limits set for the current play session only.
- **'Money Limits'**: allowed players to set specific spending limits (e.g. pre-set or self-selected values) for certain periods (e.g. until closing, day, week, month).
- **'Play Limits'**: allowed players to exclude themselves from play for a given period (e.g. until close, day, month, year).
- **'48-Hour Stop'**: allowed players to enact, immediately, a two-day exclusion period (e.g. quickly exclude themselves for a 48-Hour 'cool-down' period).

In total, 1,854 adults actively played any Video Lottery Terminal (VLT) in the Windsor Area during the field trial with almost 30,000 day-sessions of play recorded over the six-month period. Play activity was heavily skewed towards

---

<sup>22</sup> **Pinkerton, Sue**. 2005. Submission to the IGA Smart Card Inquiry into Smartcard Technologies.

<http://www.iga.sa.gov.au/pubcons/smartercd/Pinkerton%20submission.pdf>

<sup>23</sup> **Responsible Gaming Networks**. 2009. "Submission to the Independent Gambling Authority Inquiry into Barring Arrangements".

<http://www.iga.sa.gov.au/pubcons/iiba/Responsible%20Gaming%20Networks.pdf>

<sup>24</sup> **TechLink Entertainment**. 2006. "Responsible Gaming Device and Icare Program (see Gambling Research CD prepared for the Productivity Commission Gambling Inquiry, March, 2009).

<sup>25</sup> **Schrans, Tracy; Schellinck, Tony**. 2007. "Assessment of the Behavioral Impact of Responsible Gaming Device (RGD) Features: Analysis of Nova Scotia Player-card Data - WINDSOR TRIAL". [http://www.nsgc.ca/pdf/Focal%20Research%20Report%20\\_2\\_.pdf](http://www.nsgc.ca/pdf/Focal%20Research%20Report%20_2_.pdf)

regular players, defined as “those having played six or more times during the trial” (e.g. *≈1+ times per month*). These regular players (n=871) accounted for slightly under half (47%) of total VLT players in the test area, but contributed almost 93% of total day-sessions of play (n=28,007) and, correspondingly, 94% of total net revenues (e.g. *out-of-pocket money spent by players*). The other half of the player base active during trial (53%) collectively contributed about 2,000 play sessions and about 6% of total net revenue.

Trial of the RG features was high, with the vast majority (71%) having used an RG feature in at least one play session especially My Account (68% %) and Live Action (59%). Those Regular Players who tried any features on the system accounted for 78% of all play sessions and 78% of net revenue (e.g. *total player ‘out-of-pocket’ expenditure*) over the course of the trial, suggesting that experimentation of the RG system was highest among the most frequent VLT players.

Continued use (e.g. *adoption*) of the RG features was high especially among regular players with almost two-thirds, (65%), continuing to use them during additional play sessions. Comparative analysis consistently found that use of the RG system was associated with longer play sessions, increased wagering activity (e.g. *higher amounts of money put into the machines during play*), higher winnings (e.g. *higher amounts won during play*), and higher cash-outs (e.g. *higher amounts of money cashed out during the session*). At the same time there were no changes observed in player expenditure (e.g. *the amount of money spent out-of-pocket by the player*) nor was there any change observed in the frequency of play (e.g. *rate of play*). However, there were increases in the percent of sessions ending in a positive or ‘win’ outcome (e.g. *percent winning sessions*) and in the percent of money that players cashed out as a percent of the amount they put into the machine (e.g. *cashout*).

Despite the industries claim that smart technologies will not be accepted by the public, they are now successfully being used to track gambling machine spending and to provide gambling machine consumers with the opportunity to set limits on their spending in South Africa, Saskatchewan, Norway, Sweden and Nova Scotia.

The iCare system in use in Saskatchewan<sup>26</sup> was introduced in response to rising indemnity insurance costs. The later refusal by Lloyds of London to underwrite the insurance of any casino in Canada against problem gambling related claims<sup>27</sup> validated the need for a system to be introduced that allowed players access to their spending history and to preset limits on their spending. The refusal of Lloyds to underwrite casinos followed the development of player tracking algorithms capable of positively identifying problem gamblers with a 95% level of accuracy.

---

<sup>26</sup> **TechLink Entertainment.** 2006. “Responsible Gaming Device and Icare Program. (See Gambling Research CD prepared for the Productivity Commission Gambling Inquiry, March, 2009)

<sup>27</sup> **Davies, Bill.** President iView. Saskatchewan Gaming Corporation. 2006. Personal communication. Email dated, 18.05.2006. (See Gambling Research CD prepared for the Productivity Commission Gambling Inquiry, March, 2009)

Legal arguments in Duty of Care claims have (in the past) failed because problem gambling is deemed a “hidden addiction”. Until recently, gambling venues have not been held responsible for the prevention of problem gambling by the courts because of the difficulty of identifying problem gamblers.

With the advent of player tracking systems and algorithms that allow for automatic and accurate identification of problem gamblers by their gambling patterns alone, insurers now recognize that venues are increasingly “at risk” of losing a class action suit for failing in their duty of care to gambling machine users. Venues hoping to avoid duty of care claims by not installing mandatory player tracking he venue have at their disposal a system that allows them to accurately identify problem gamblers, to establish the level of harm that occurs among gambling machine users and to accurately foresee the risks of harm all gambling machine users face.

Venues that fail to install player-tracking systems that are readily available are not likely to be exempt from prosecution under tort laws governing duty of care. One of the defining points of the law is that the plaintiff takes “all reasonable steps to avoid causing harm”. Refusing to install a system capable of identifying problem gamblers may result in venues being charged with negligence (i.e. the failure to do something which a reasonable man would – or could – do to prevent foreseeable harm).

Another option that could be utilized in order to reduce gambling related harms is the introduction of computerised perimeter control systems located in all gambling room entrances. Perimeter control systems offer a technologically sound method of preventing self-barrred gamblers from entering a gambling room and gambling. Current day self-barring contracts place full responsibility for the success or otherwise of the contract on the gambler. They are written in such a way that venues actively absolve themselves of responsibility for identifying and removing self-barrred gamblers.

Gamblers and venue management have very different expectations regarding self-barring contract. In their study “Evaluation of Self-exclusion Programs and Harm Minimisation Measures”<sup>28</sup>, O’Neil; et al claim,

“Gamblers expect someone to stop them if they try to enter venues from which they are barred. At the same time, venues expect that the self-excluded patron will take full responsibility for honouring the agreement”.

---

<sup>28</sup> **O’Neil, Michael; Whetton, Steve; Dolman, Ben; Herbert, Marianne; Giannopoulos, Voula; O’Neil, Diana; Wordley, Jacqui.** 2003. “Evaluation of Self-exclusion Programs and Harm Minimisation Measures”; Prepared by The SA Centre for Economic Studies for: Gambling Research Panel, Victoria.  
<http://www.adelaide.edu.au/saces/publications/consultancy/CompleteReportSelfExclusionA.pdf>

Unfortunately, many of our members who have signed self-exclusion contracts have been driven to test the theory that venues will stop them from gambling – often with disastrous results

Duty of Care believe an ideal perimeter control systems would,

1. Link all perimeter control systems of all venues in each state.
2. Be administered and monitored by a single entity in each state.
3. Allow gamblers to self-bar from ALL venues in a state following the signing of a single contract and each request would take effect immediately
4. Allow gambling access cards to be collected from any gambling venue or authority on presentation of photo ID and/or proof of age card.
5. Allow individuals to obtain one – **and only one** - access card that will allow unlimited access to all gambling rooms across the state
6. Would contain a photo of the valid cardholder - to facilitate later checking by venue staff.
7. Require gamblers wishing to bar themselves to forfeit their right of access to any – and all - gambling rooms in the state in which they live, but would still enable them to access non-gambling areas of all venues.
8. Enable gamblers concerned about their gambling to temporarily limit access to gambling venues before their lives were seriously affected. This capability would encourage early intervention by gamblers not needing or wanting to bar themselves for a lifetime.
9. Allow the gambler to set the duration of any access restriction they apply for – eg 1 day, week, month or year.
10. Would be difficult but not impossible to revoke. We suggest a minimum cooling off period of at least one week before barring order is revoked.
11. Would require venue operators and program administrators conduct random identification checks of customers inside a gambling area (as occurs with the random checking of bus and train tickets). Where venue staff detect a fraudulent card user gambling, the venue should be exempt from financial penalty. In ANY instance where a customer is found to have used someone else's card to enter a gambling area, the card should be confiscated and destroyed, the customer fined and then removed. Random checking of cards and card users would reduce the incidence of non-problem gamblers and venue staff "lending" their cards to barred customers and customers who have forgotten their own card (as occurred during Nova Scotia's trial of smart cards).

No submission to a national inquiry into gambling would be complete without making at least one brief comment on the issue of state government management of gambling machines, the taxes they derive from gambling machines and the dilemma they face by being both reliant on the income generated by a harm causing product while at the same time facing federal government constraints on their more traditional forms of revenue generation.



In 1997, Schrans and Schellinck<sup>29</sup> were the first researchers to have access to actual gambling machine player data. They discovered that 25% of gambling machine users account for over 96% of revenue and that problem gamblers account for over 50% of revenue.

Given that gambling machine profits are derived predominantly from small number of regular and problem gamblers, state governments have to know that the introduction of measures that will significantly reduce the prevalence of problem gambling, will also have a major effect on their state budgets and subsequently on their ability to fund services to their citizens.

How then we might ask could the federal government encourage states to reduce their reliance on gambling taxes?

There seems to be three possibilities.

1. The federal government could tie each states share of GST to gambling machine profits – the greater a state's profit from gambling machine tax, the lower the proportion of GST the state gets.
2. The federal government can take over regulation of gambling machines, thereby removing the conflict of interest state governments face in reducing gambling harm whilst reliant on the taxes generated, or,
3. The federal government can introduce an annually increasing rate of taxation on gambling machine profits of hotels and clubs (as proposed under Senator Fielding's, "Poker Machine Harm Reduction Tax (Administration) Bill 2008").

The first option would encourage state government to remove the tax on gambling machines. At first blush, this would seem to give gambling machine owners/operators a massive boost in profit share, but Duty of Care believe that once state government coffers are no longer benefiting from gambling machine taxes, they (state governments) will rapidly develop an interest in introducing consumer rights and protections to gambling machine consumers. We predict that within two years, state governments would compel gambling machine owners/operators to introduce smart technologies with precommitment capabilities.

The second option (federal regulation of gambling machine operations) would enable the federal government to introduce consumer protection laws that the states are unwilling to do currently because of the risk to their coffers. With no vested interest in profits derived from gambling machines, the federal government would be more likely to introduce the mandatory use of smart technologies that would not allow people to put money into a gambling machine until they had set a daily spend limit and prevent the gambler from using any machine once that limit had been reached and a new 24 hour period had begun.

---

<sup>29</sup> **Schrans and Schellinck.** 1998. "Nova Scotia Video Lottery Players' Survey 1997/98". Focal Research. (No longer available on line – see Gambling Research CD prepared for the Productivity Commission Gambling Inquiry, March, 2009).

The final option (an incrementally increasing federal taxation of the profits of gambling machines in hotel and clubs) would make operating gambling machines in hotels and clubs less profitable over time, thereby reducing the number of venues in each state. Eventually, the number of venues operating gambling machines in each state would be reduced to between one and four casinos thereby limiting convenient access to gambling machines that is associated with unacceptably high levels of addiction and harm.

With regards to the contribution of gambling revenue on community development activity and employment, Duty of Care read with great interest the submissions of a number of clubs that operate gambling machines.

We note from the submissions that few clubs mention the amounts of monies donated to each local organization they claim to have donated to, or the number of times in the last decade they have donated to each of the organizations they claim to be supporting from their clubs profits. In fact, only the names – and therefore number - of organizations they have donated to are provided in many submissions.

Some submissions appear to have padded the list of organisations they claim to have made donations to. For example, the Rules Club (Riverina Australian Football Club) listed 151 organisations they donated to during the 2007/2008 financial year, but the names of some donation recipient organisations appear multiple times on the list with the name of just one bowling club appearing no less than 12 times.

The implications are that the clubs donate to many organisations and that the bodies donated to are almost entirely financially supported by the donating organization and will not be able to continue without the club's donations. But is this so? What proportion of each club/hotel's profits are spent in support of local clubs, sports, charities? What proportion of the receiving organisation's income over the last decade have the donating organization supplied? 5%? 20%? Or, 100%?

In late 2004, the CEO of the Salisbury North Community Football Club (SNCFC), was quoted in local papers as saying that the loss of 8 poker machines would result in the loss of \$250,000 in income for the club. As the SNCFC owned 40 poker machines at the time and (assuming the CEO's statement was accurate) each 8 machines owned by the club generated \$250,000, we can safely assume that SNCFC took at least \$1 million from the Salisbury North community in the form of net poker machine revenue during 2003/2004.

The SNCFC claimed that the loss of 8 poker machines would have such a detrimental affect on their income that they would no longer be able to donate \$50,000 to local sporting groups and many local sporting bodies would not survive. According to our calculations, SNCFC took \$1million out of the Salisbury North Community and returned - in the form of donations to local sporting bodies - the princely sum of just \$50,000.

In speaking to members of some of the clubs that the Salisbury North Community Football Club donated to that year, I discovered that the donations spoken about were one-of donations that were received in the two months immediately prior to commencement of state government debate on the Independent Gambling Authorities recommendations regarding a reduction of gambling machine numbers in South Australia.

Duty of Care still wonder how devastating taking 8 machines from the Salisbury North Community Football Club would really have been. By our reckoning, the Salisbury North community would have been at least \$150,000 better off each year. Sadly, the South Australian government voted against the removal of any gambling machines from South Australian clubs, and the Salisbury North community now loses **more** than \$1 million per year to gambling machines owned by the Salisbury North Community Football Club. Many of the clubs who received a one-of donation from the club in 2004 have not seen another donation come their way.

Duty of Care would urge caution in tacitly accepting that donations made to sporting bodies are as regular as claimed in some submissions.

Club Bondi Junction report in their submission that,

“The decline in poker machine revenue in our Club in 2008 caused by higher taxes, anti smoking legislation and more people using internet gambling was 16.5% and this has left the club battling to stay viable”.

Duty of Care would like to know how Club Bondi Junction determined that “more people using Internet gambling” has contributed to the significant drop in their 2008 profit margin? Have they surveyed former regular gamblers who used to visit their club and discovered that these same former regular members do not now gamble in Club Bondi Junction because they can gamble in their homes? Have they merely assumed that the increased growth in internet gambling revenues **MUST** be a contributor to a drop in revenue? Worse yet, are they hoping that in blaming internet gambling they can add weight to the unfounded rhetoric that problem gamblers are sick people who are unable to control their gambling rather than normal people have become addicted to a product purposely designed to addict?

Duty of Care does not believe current harm minimization measures have had any appreciable impact on the prevalence of problem gambling. Further, we believe that the only harm minimization measures accepted by the industry have been accepted by the industry precisely because they know from researching loyalty card data that they will not work.

Duty of Care does not believe prevalence studies are good indicators of the effect of harm minimization measures. Prevalence studies conducted using

the telephone are at best very blunt instruments<sup>30</sup>. Duty of Care would go as far as saying that problems with telephone poll methodology means that as levels of problem gambling increase, telephone poll research will show a decrease in the level of problem gambling.

ALL telephone surveys SIGNIFICANTLY under report both problem gambling prevalence AND gambler spend rates. The evidence for this claim is.....

1. "Best practice" of survey takers is to call between the hours of 6pm and 9pm Monday to Friday and between 10am and 9pm on weekends – these are the very times when venues are at their busiest. Results are therefore skewed towards surveying people who do not gamble at worst and towards people who gamble infrequently at best. Telephone surveys are LEAST accurate in determining the prevalence of problem gamblers who gamble both regularly and for long periods at a time.
2. The BEST survey in Australia so far has managed to account for just 17% of total gambling spend – most surveys account for about 9% of total gambling spend. Taken at face value, it APPEARS from ANY telephone survey that "MOST people spend affordably and gamble without risk of harm". The reality is that, losses are between FIVE and TEN times greater than reported in surveys!
3. Telephone surveys survey people with landlines who are AT HOME to answer the phone. Problem gamblers (a) are more likely to have their phone disconnected (due to no payment of bills), AND they are more likely to be out gambling when anyone calls them on their landline.
4. The number of people who have a landline is decreasing. The recent NSW prevalence study reported that 52% of calls made by survey takers were to unconnected numbers, business telephones and other "out-of-scope numbers" (i.e. non-english speaking households).
5. Telephone surveys survey only persons over 18, yet we know that problem gambling among youth is four times greater than that of adults. (A recently completed computer simulated gambling study using university psychology undergraduates found that 25% of this cohort had SOCGS scores in excess of 5...apparently this was "within the expected prevalence range".
6. Telephone surveys rarely capture responses from Culturally and Linguistically Diverse (CALD) groups, including those of Aboriginal and Torres Strait Islander background. As anyone who wanders through the casino would notice, Asians make up a large proportion of gamblers. They also currently comprise a SIGNIFICANT proportion of heavy gamblers in hotel gambling rooms.
7. Problem gamblers are SIGNIFICANTLY more likely to refuse to agree to participate in a telephone survey. IF they happen to be the last person to have a birthday in the household called, they are

---

<sup>30</sup> **Doughney, James.** 2007. "Lies, damned lies and 'problem gambling' prevalence rates: the example of Victoria, Australia". Journal of Business Systems: Governance and Ethics. Volume 2 (1) <http://www.jbsge.vu.edu.au/issues/vol02no1/Doughney.pdf>

SIGNIFICANTLY LESS likely to return the call and significantly MORE likely to make themselves unavailable to answer survey questions at an appointed time.

8. Problem gamblers who agree to be surveyed are more likely to lie about the amount of time, money they spend and about the frequency of their gambling - especially if they have not told their family that they have a problem if their family are not aware of the extent of their gambling. They are even more likely to lie during a survey if a family member is at home when they are answering the survey takers questions (especially if their telephone is located in the lounge or family room of their home).
9. ALL gamblers – particularly those who are married/partnered and over 18 – under-report losses and over-report wins. It is the nature of the human beast to paint themselves as winners rather than losers. Of note is that males under 18 are more likely to OVER-report the amount of money they spend on gambling products even though they still over-report winnings and under-report losses.
10. At any given moment in time, the number of people surveyed who will admit to having a gambling problem is dependent on how much media attention has been given to concerns about gambling losses and the level of problem gambling in the community. In our opinion, the productivity commissions report into gambling prevalence is the only telephone survey to even get close to accurately assessing the true level of problem gambling as it was conducted at a time when media reports/public concerns about problem gambling were at their lowest. Shame and guilt (and therefore lying about gambling involvement) are apt to increase as public concern about gambling/gambling losses increases and as media reports become more shocking.

The percentage of people who deliberately lie about their level of gambling involvement CANNOT be held to be consistent across time even when survey methodology remains the same – for example...

Duty of Care argue that where there has been an actual INCREASE in numbers of people experiencing gambling harm in the years between two identical surveys (as the increase in losses over that time would indicate to any reasonable thinking person), more people will have more to hide, more people will experience shame and guilt, more people will have had their telephone disconnected and more people will be out gambling when the survey takers call. Therefore, the number of people surveyed who lie about the amount of time and money they spend and the number of times they gamble in a week/month is apt to increase between the first and second survey with the end result that the second survey results will indicate a DROP in the number of people experiencing harm/difficulty controlling their gambling where there has actually been an increase.

The only way to accurately evaluate the success or otherwise of harm minimisation measures is through examination of actual player data before and after a harm minimisation measure is introduced. This of course would

only be possible after the introduction and mandatory use of individualised gambling access cards/keys and tracking technology capable of recording each individual's gambling spend no matter where in Australia they gamble, how long they gamble for and on what form of gambling they spend.

Prepared by,

Sue Pinkerton RN  
President of Duty of Care  
South Australian Representative of Duty of Care  
Problem Gambling Research Consultant  
Former Gambling Machine Addict

**The State**  
**Tue, May. 20, 2003**

**'Facts on Video Poker in SC'**

**Post Courier**  
**Saturday, June 7, 2003**

**Courts still seeing video gambling's effects**