

--SUBMISSION TO THE PRODUCTIVITY COMMISSION GAMBLING INQUIRY

Primary Contact:
Jennifer Borrell
Senior Researcher
Kildonan UnitingCare

Gambling Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

6 April 2009

INTRODUCTION

As per the Issues Paper '*Gambling*' (December 2008) the Productivity Commission has been asked to undertake a 12 month public inquiry into Australia's gambling industries. Kildonan UnitingCare would like to express appreciation to the Australian Government for commissioning this Inquiry and to the Productivity Commission for its diligent investigation of gambling industries in Australia, both past and present.

We note that the terms of reference include: nature and definition of gambling, participation profile of (problem) gamblers, economic impacts, social impacts, contributions of gambling revenue, effects of regulatory structures, implications of new technologies, impact of government budgets and the impacts of recent harm minimisation measures. For this Submission our focus will mainly be on the local social and economic impacts of EGM gambling especially for our service user base, with broad reference to the implications of new technologies and the (ineffective) impacts of harm minimisation measures. In particular, we have found EGMs to provide the main source of local gambling-related problems. This will support our contention that attempts to properly regulate the EGM industry have been grossly inadequate and that people and communities already under stress are most vulnerable to adverse effects of what is, essentially, a harm-inducing product.

ABOUT KILDONAN UNITINGCARE

Kildonan UnitingCare is a 127 year old agency focused on building thriving communities that are inclusive and based on respect, justice and compassion. The organisation operates mostly across the Northern suburbs of Melbourne, with some programs being state-wide and national. Kildonan's 'Social Advocacy Services' include: residential energy audits, community housing, training and consultancy, No Interest Loan Schemes and financial counselling. Kildonan UnitingCare also provides a wide range of family and youth support services, a Work for the Dole program, community hubs and social support for people with a mental illness.

In developing better ways to assist people who are vulnerable to unmanageable debt, Kildonan has worked closely in partnership with energy and utility businesses that provide electricity, gas and water to domestic consumers. These collaborations have resulted in the development of successful company hardship policies, the provision of hardship awareness training to energy company personnel and the development of innovative programs to assist consumers. Our experience and expertise in energy-related hardship for consumers has also informed the development of equitable energy policy in Victoria. In addition, we work closely with banks in developing and implementing consumer hardship policies.

KILDONAN'S RESPONSE TO THE INQUIRY

Kildonan's Service Users

Kildonan UnitingCare is based in Epping, which is part of the City of Whittlesea. A large part of Kildonan UnitingCare's service user base is also in the City of Whittlesea. More information about the municipality is provided in the box below.

City of Whittlesea

The City of Whittlesea is located in Melbourne's north about 20 kilometres from the CBD. Covering an area of approximately 487 square kilometres, the city is geographically one of the largest municipalities in metropolitan Melbourne.

There are 17 suburbs in the City of Whittlesea and the City embraces Bundoora (part only), Thomastown, Lalor, Mill Park, Epping, South Morang, Doreen, Mernda, Wollert, Yan Yean, Eden Park, Whittlesea, Woodstock, Donnybrook, Humevale, Kinglake West, and Beveridge (part only).

Residents of the city come from a diverse range of cultural backgrounds, with a very high percentage of residents born in other countries, particularly Macedonia, Italy, and Greece. Demographically, over half of the residents are from non-English speaking backgrounds.

The municipality's population has grown at a rapid rate during the past 30 years, more than quadrupling from 27,000 in 1969 to approximately 130,000 in 2007. In the next few years the City of Whittlesea is expected to become Victoria's fastest growing municipality with the population forecast to double in the next 20 years. It is now attracting 40 new residents each week.

Council is preparing itself for significant development in a number of growth areas in the coming years including Epping North where VicUrban (formerly the Urban and Regional Land Corporation) purchased land for a planned community of 25,000 persons.

The municipality's southern border is 14.5 kilometres from the Melbourne CBD and the completion of the Metropolitan Ring Road provides direct freeway links to airports, docks and central Melbourne.

Retrieved 3 April from the City of Whittlesea website: <http://www.whittlesea.vic.gov.au/>

Our catchment area is characterised by new developments and families with young children and high mortgage obligations. Many suffering from enormous financial and social stress are first time welfare and support clients, who are feeling the strain of high mortgage obligations. There is a considerable degree of single parent poverty in Whittlesea Township. In addition there is public housing in South Morang, where a lot of our No Interest Loan Scheme (NILS) clients come from. (Eligibility for NILS is low income and/or having a government concession card).

We are also providing financial assistance to many home buyers on new estates who are under stress. (Of particular concern is a current application for a new EGM venue in such an area in Mernda in the City of Whittlesea). While these home buyers are often two income households they are also mortgaged to the limit, in the context of current frequently reckless lending practices. Often debt is complex as mortgage obligations are accompanied by a range of other debts, such as car loans, credit cards, school fees and personal loans. With the low level of disposable income for such households, any financial stress can render a financial situation unmanageable.

Certainly our financial counsellors have seen more families in recent times who have reached a point where they can no longer meet financial obligations and have access to life necessities. While in the past such clients had usually experienced a crisis such as illness or sudden unemployment, this is no longer necessarily the case. In fact we are seeing more working families (with both parents working) who have become financially over-committed. As suggested above, a lot of these families come from new areas where they have bought house packages. To add both financial and social stress these new areas lack infrastructure, thus people need to drive relatively long distances to shops and services. Due to geographic isolation and the lack of public transport, residents often need to own cars and are thus vulnerable to rising petrol prices.

Because of the high level of home and car ownership amongst our service user base, measures of socio-economic disadvantage (e.g. SEIFA) tend to underplay the true level of financial stress and hardship.

These social and demographic factors are of particular relevance to this submission as it has been well established that people who are socially and economically disadvantaged are particularly susceptible to EGM gambling problems and that the EGM industry acts as a drain on low income and stressed communities and households (Doughney, 2004; Doughney, J. & T. Kelleher, 2008/09; Livingstone, C., Woolley, R., Borrell, J., Bakacs, L. & Jordan, L., 2006; Smith 1998, 2000).

Electronic Gaming Machines in Kildonan's Service Area and Their Impacts

Local EGM Data

Some information about Electronic Gaming Machines (EGMs) in the City of Whittlesea is provided below.

Expenditure Data 2006 - 2007 (all figures as at 30 June 2007)

	2007 Population Projection	2007 Population (18+) Projection	VENUE NO.	EGM NO.	TOTAL NET EXPENDITURE 2006-07
City of Whittlesea	132,103	98,773	9	616	\$84,033,308.76
Metropolitan Total	3,721,537	2,910,784	334	19,832	\$2,003,105,506.87
Victorian Total	5,129,445	3,979,244	522	27,279	\$2,543,175,356.33

	Population per venue	Population (18+) venue	Net EGM per expenditure per person	Net EGM per expenditure per adult	EGM per 1000	EGM per 1000 (18+)
City of Whittlesea	14,678	10,975	\$636	\$851	4.66	6.24
Metropolitan	11,142	8,715	\$538	\$688	5.33	6.81
Victoria	9,827	7,623	\$496	\$639	5.32	6.86

Retrieved 3 April 2009 from: <http://www.vcgr.vic.gov.au>

Total net expenditure in the City of Whittlesea for the financial year 2007-08 was a massive \$87,459,035.65. What is marked in the data presented above is that the net expenditure (customer losses) per adult for 2006-07 is substantially greater in Whittlesea - \$851.00, than the average for the metropolitan area and for Victoria (\$688.00 and \$639.00 respectively).

Given the high level of disadvantage in the area, it is probably not surprising that the City of Whittlesea has some of the highest yielding EGM venues in the State of Victoria. This is shown in the table below.

EGM Losses/ Expenditure in Whittlesea Venues

Venue Name	Venue Type	Gaming Machines	Gaming Losses/ Expenditure
BUNDOORA TAVERNER	Hotel	100	\$17,513,639
CASA D ABRUZZO	Club	60	\$4,894,966
EPPING HOTEL	Hotel	40	\$6,918,593
EPPING PLAZA HOTEL	Hotel	100	\$15,813,458
EPPING RSL	Club	40	\$2,772,125
EXCELSIOR HOTEL-MOTEL	Hotel	105	\$16,021,341
LALOR BOWLING CLUB	Club	36	\$2,821,156
PLOUGH HOTEL	Hotel	100	\$17,909,129
WHITTLESEA BOWLS CLUB	Club	40	\$2,794,629

* Out of 522-524 venues across the state
Retrieved 3 April 2009 from: <http://www.vcgr.vic.gov.au>

EGM Expenditure and Rankings per EGM Venue in Whittlesea

The municipality has some of the highest yielding EGM venues in the state, as demonstrated in the figures below, which were prepared by Peter Spratt, Senior Research Officer at the City of Whittlesea.

City of Whittlesea Venues in Top 20*

2007/08

- Rank #4 : Plough Hotel (\$17,909,129)
- Rank #5 : Bundoora Taverner (\$17,513,639)
- Rank #13: Excelsior Hotel-Motel (\$16,021,341)
- Rank #16: Epping Plaza Hotel (\$15,813,458)

2006/07

- Rank #4 : Plough Hotel (\$18,350,933)
- Rank #8 : Bundoora Taverner (\$17,133,023)
- Rank #14: Epping Plaza Hotel (\$14,994,832)
- (Excelsior Hotel-Motel - \$14,136,709 – ranked #25)

* Out of 522/524 EGM venues in Victoria

2005/06

Rank #2 : Plough Hotel (\$18,196,174)
Rank #6 : Bundoora Taverner (\$16,787,220)
Rank #12: Epping Plaza Hotel (\$14,936,486)
(Excelsior Hotel-Motel - \$13,387,331 – ranked #25)

2005-2008 (3 yrs)

Rank #2 : Plough Hotel (\$54,456,236)
Rank #7 : Bundoora Taverner (\$51,433,882)
Rank #12: Epping Plaza Hotel (\$45,744,776)
Rank #20: Excelsior Hotel-Motel (\$43,545,381)

2005-2008 (3 yrs) – Expenditure per EGM

Rank #7 : Plough Hotel (\$544,562)
Rank #12: Bundoora Taverner (\$514,339)
(Epping Hotel - \$483,742 - ranked #21)
(Epping Plaza Hotel - \$457,448 - ranked #32)
(Excelsior Hotel-Motel - \$414,718 – ranked #54)

EGM-related Hardship Encountered by Financial Counsellors

At a local EGM application hearing, a Financial Counsellor with Gambler's Help Northern, who works in our catchment area, submitted a witness statement, stating that: *'of the clients who present to the service, 85% to 90% cite EGMs near to where work or live as the source of their gambling problems.'* He stated that most of the clients were from Epping, Thomastown and Mill Park areas, consistent with the location of EGM venues. The absence of public transport and infrastructure were identified as relevant dimensions of disadvantage and problem gambling on local EGMs.

Retrieved from:

[http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/954C74A86A3BCB98CA257410007A4356/\\$File/DecisionBridgeInn18March2008.pdf](http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/954C74A86A3BCB98CA257410007A4356/$File/DecisionBridgeInn18March2008.pdf)

Certainly, financial counsellors working in partnership with Kildonan, are encountering many people who are first home buyers and in two-income households who have EGM gambling problems. They typically gamble 'to win', as a way of solving their financial problems, only entrenching their difficulties in the process. This has had a devastating effect on many families who are trying to establish themselves and on their dependent children who are then neglected and deprived in a variety of ways.

Kildonan Financial Counsellors have also encountered the tragic consequences of excessive EGM gambling for older and retired people. In one case a retired Vietnam veteran and his wife lost the house they had totally owned due to his EGM gambling in the year preceding his first visit to Kildonan UnitingCare. In addition he had acquired an \$80,000 credit card debt, mostly due to his excessive EGM gambling. He was continually being harassed by creditors and both he and his wife were concerned that her car could be repossessed by them. By the time he sought help from a Financial Counsellor he had only two real options: (i) continue to put up with harassment from creditors; (ii) declare bankruptcy. He chose the first for some time and tried various strategies such as hanging up the phone and changing his number. This situation caused a great deal of anxiety for both the man and his wife. Without the EGM problem they had been materially comfortable as the veteran's pension was twice the normal rate.

In another case a couple came to see a Kildonan Financial Counsellor due to difficulties arising from the woman's excessive EGM gambling. The man was a sub-contractor and self-employed. His wife had become bored after her children left home. She started gambling on EGMs to fill her social void and gambled away the money that her husband had set aside for taxation obligations. As the tax debt was in his name he was forced to declare bankruptcy. The Financial Counsellor assisted him with this process and referred the couple to relationship counselling, although she doubts that they followed through with this. Due to the fact that the man had to declare bankruptcy while his wife did the gambling, the man expressed a lot of anger and feelings of betrayal and breakdown of trust. The Kildonan Financial Counsellor believes that the future of their relationship was jeopardised due to the wife's problem with EGM gambling and the effect it had on the couple's relationship.

CONCLUSION

While we know from the Productivity Commission's Inquiry into Australia's Gambling Industries in 1999 that access to EGMs is strongly associated with problematic gambling, this underscores the obvious point that the machines themselves are a harmful product (as also found by the PC in 1999). Certainly we witness first hand through our programs and networks the hardship that EGM gambling causes to individuals, families and communities.

Thus we strongly recommend that proper and diligent product safety regulation be applied to EGMs, with the Federal Government providing the states with fiscal incentives to effectively implement this through State Commonwealth funding arrangements. We also recommend that the Federal Government uses its influence with the states and territories to have Australian standards for design of EGM products stringently address product safety and harm prevention requirements, as this is patently not happening at present (see Livingstone et al, 2006).

REFERENCES

- Doughney, J. 2004, 'New data on poker machines: the low-income areas slugged again', [online] *VLGA Online Library*, Victorian Local Governance Association. Retrieved 18 March 2008 from the World Wide Web: <http://www.vlga.org.au/search/results.shtml>
- Doughney, J. & T. Kelleher 2008/09, 'Victorian and Maribyrnong gambling: a case of diverted consumer spending', in *An Unconscionable Business: The Ugly Reality of Electronic Gambling: a Selection of Critical Essays on Gambling Research, Ethics and Economics*. (forthcoming)
- Livingstone, C., Woolley, R., Borrell, J., Bakacs, L. & Jordan, L. (Australian Institute for Primary Care, La Trobe University) 2006, *The Changing Electronic Gaming Machine (EGM) Industry & Technology: Final Report*. Victorian Department of Justice, Melbourne.
- Smith, J. 1998, *Gambling Taxation in Australia*. Research Study No. 32, Australian Tax Foundation, Sydney.
- Smith, J. 2000, 'Gambling taxation: public equity in gambling business', *The Australian Economic Review*, vol. 33 (2), pp. 120-144.