

InterChurch Gambling Taskforce

Submission to Productivity Commission Issues Paper on Gambling

April 2009

The Victorian InterChurch Gambling Taskforce welcomes this opportunity to make a submission to the Productivity Commission inquiry into gambling in Australia. The submission from the Taskforce will primarily be focussed on the situation in Victoria, with which the Taskforce is most familiar.

Victorian InterChurch Gambling Taskforce

The Victorian InterChurch Gambling Task Force was established in 1996 by the Heads of Churches in Victoria with the following objectives:

1. To increase awareness amongst the Churches about the broadening gambling industry and to potentially harmful effects on the common good.
2. To provide critical analysis and interpretation of research on gambling and the gambling industry, in particular the social and economic impacts and any other projects undertaken by the government, the Victorian Casino and Gaming Authority and the gambling industry.
3. At every level to communicate the alternatives to gambling as a solution to
 - a) individual personal problems
 - b) socio-economic development.
4. To call Government to further account for its integration of the gambling industry into its economic management.

What new technological platforms for gambling are emerging?

The new technological platforms that have emerged for gambling include:

- The internet;
- Mobile phones;
- Interactive television; and
- Server based games on EGMs, which allow a gambler to select from more than one game on an EGM.

What roles have harm minimisation measures played?

The Taskforce believes that harm minimisation measures, in terms of education of the community about the risks and consequences of gambling problems, restrictions on the location of EGMs and restrictions on the design of EGMs have assisted in the maturing of the EGM market and curbing its growth.

How adequate are the instruments, particularly the Canadian Problem Gambling Index and the Victoria Gambling Screen, in measuring problem gambling prevalence in Australia?

It is the understanding of the Taskforce that the Victorian Government has abandoned the development and use of the Victorian Gambling Screen and is using the Canadian Problem Gambling Index (CPGI) instead. Such an approach is desirable as other Australian jurisdictions are using the CPGI and it is desirable to have a problem gambling prevalence screen that is consistent across all Australian States and Territories.

What changes have occurred in the incidence, prevalence and profile of problem gamblers once account is taken of the potentially different thresholds used to define problem gambling?

EGM continue to be the favourite form of gambling for people with gambling problems. In the last public survey undertaken in Victoria which was in 2003, undertaken on behalf of the Gambling Research Panel, it was found that 84% of people with gambling problems identified EGMs as their favourite form of gambling.¹

A study by the SA Department for Families and Communities found that moderate and high risk gamblers are more likely to play EGMs than any other form of gambling. The most popular gambling activity among moderate and high risk gamblers, at just over 90%, was EGMs.²

What factors are likely to have affected problem gambling prevalence?

The Taskforce believes that greater awareness of the risks and consequences of problem gambling in the community has contributed to the drop in the incidence of problem gambling in a number of States and Territories across Australia since 1999. The Taskforce also believes that many of the harm minimisation measures that have been introduced by State and Territory Governments have assisted in reducing the prevalence of problem gambling.

However, on a less positive note, people whose lives have already been severely harmed by gambling and who have run out of money and assets to gamble with will no longer be counted in the problem gambling prevalence. Thus, there is a growing body of people for whom the impact of problem gambling has run its course and who will not be counted in problem gambling prevalence measures.

The Taskforce is also of the view that simply because problem gambling prevalence has reduced is not a reason to stop introducing all reasonable measures, through action by both governments and industry, to reduce harm and problem gambling. Every suicide, divorce and other severe impact that could be reasonably avoided should be. The Taskforce is deeply concerned by those industry bodies that believe problem gambling and harm are now at acceptable levels and there is no further need for action to reduce such harm.

Have the nature and extent of impacts from gambling on the gambling industries, other industries, gamblers and the wider community changed since 1999? In what way? What factors have contributed to any changes?

There appears to have been a reduction in the rate of problem gambling in the Victorian community as a whole, or at the very least no increase in problem gambling prevalence. However, it is unclear how much credit can be given to Government policy changes for any reduction in the rate of problem gambling over the impact that a growing awareness of problem gambling in the community has had on curbing people's gambling activities. Although Victorian Government advertising campaigns have been effective in raising awareness of the risks of problem gambling.

Despite positive action by the Government on a number of fronts to reduce the harm caused by gambling in Victoria and to increase the benefits to the community of legalised forms of gambling, there is still much more to be done before it could be said that all reasonable efforts have been made by the Government to minimise harm. The Victorian Government still needs to commit to stronger implementation of a public health framework for gambling regulation and policy. Gambling expenditure in Victoria continues to grow being \$4.85 billion in the last financial year, with losses from pokies alone exceeding \$2.6 billion, although

¹ Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 12.

² SA Department for Families and Communities, *Gambling Prevalence in South Australia*, 2006.

gambling expenditure has dropped in real terms (that is by comparison to 2004 dollars). As the brunt of these losses are felt by people with gambling problems, their families and their communities, the longer term public and private costs of gambling still need to be addressed.

Have the nature and extent of the costs of problem gambling on individuals, their families and the wider community changes since 1999? If so, in what way? What factors have contributed to any changes?

In the Taskforce's understanding of the available evidence the social costs to individuals, their families and the wider community from problem gambling remain relatively similar to those found by the Commission in 1999, although the impact on the wider community may be lower due to the lower prevalence of problem gambling.

A study by the SA Department for Families and Communities in 2006 found some of the social impacts on high risk gamblers were:³

- 16% of high risk gamblers had often or always had no money to pay their rent or mortgage due to their gambling. This compares to 0% amongst moderate risk gamblers.
- 23% of high risk gamblers had often or always had no money to pay their household bills, compared to 0.5% of moderate risk gamblers.

Are the current levels of gambling taxes, particularly in respect of gaming machines, appropriate?

The Taskforce is of the view that the tax rates in Victorian on the EGM industry have been far too low, especially in relation to the two operators for EGMs in hotels and clubs. The operators have been able to extract monopoly rents and that they get a share of EGM revenue provides them with a strong incentive to see that EGM revenue is maximised, regardless of the harm caused to individuals, their families and the broader community. The high levels of revenue share gained by venues likewise encourages them to maximise EGM revenue.

In the 2007-2008 financial year the Victorian Government collected \$991.3 million in taxes on EGMs (excluding GST), while the total revenue from EGMs was \$2,611.5 million.⁴ Thus, the taxes excluding GST were only 38% of EGM revenue.

The National Competition Policy (NCP) Review of November 2000 for Victoria used 1999 figures to argue the operators had an Internal Rate of Return in excess of 27% and a monopoly rent of between \$200 million to \$500 million a year. The Victorian Government rejected these figures arguing that this was an inflated figure. They introduced a tax of \$1533 per EGM, or \$21 million per operator. It was a flat charge that did not increase with the increasing revenue to the industry over time.

From the Tattersall's bid for Unitab, the Tatt's Group stated that in 2005 Tattersall's made \$219.1 million on EGMs and a total after tax profit of \$247.6 million. Tattersall's assets were \$825.2 million giving an after tax rate of return on assets of 30%. Figures from the TABCORP bid for Unitab indicated that the after tax rate of return on shareholders funds across the entire TABCORP business was 21.5% in 2004 and 16.4% in 2005.

TABCORP's argument that its profitability matched that of normal levels in the gambling industry misses the privileged position they have of being in a duopoly, reducing their business risks, and that they have lower capital outlay (in terms of number of EGMs) for the same level of revenue (for example EGMs in Victoria take about 2.5 times as much as EGMs

³ SA Department for Families and Communities, *Gambling Prevalence in South Australia*, 2006.

⁴ Victorian Commission for Gambling Regulation, *Annual Report 2007-2008*, Oct 2008, p.129.

in NSW). InterChurch Gambling Taskforce has argued that in the short – medium term losses on EGMs should decrease from \$2.6 billion to \$2.1 billion per year, while the Government tax take should increase from \$0.93 billion to \$1.1 billion.

EGM venues get an unfair advantage over local competitors that do not have EGMs, having extra cash to discount meals and drinks and upgrade facilities. This creates unfair competition which is bad for the community as it means it is harder for venues without EGMs to compete with those venues that do.

The Taskforce is of the view that a higher proportion of taxation is required to increase community benefit from allowing for legalised EGMs and to reduce incentives for operators and venues to maximise revenue. The Taskforce believes that it is through Government taking a greater share of EGM revenue that the community benefits of EGMs can be maximised. However, at the same time the Taskforce continues to believe that the Government needs to overcome its dependence on EGM revenue. Thus, while the Taskforce supports the Government taking a greater share of EGM revenue, it believes that overall revenue should be reduced by the introduction of a range of harm minimization measures to reduce problem gambling.

What have been the main developments in state and territory regulations applying to gambling since 1999? What are the rationales, benefits and costs of any new regulatory measures?

Justification for Regulation

Large parts of the gambling industry seek to argue that problem gambling is the fault of individuals who fail to act responsibly. The industry often tries to limit their obligation to providing information to assist gamblers in making ‘informed’ choices. The Taskforce supports the provision of information to assist them in making informed choices, including setting themselves affordable limits that they stick to.

However, the Taskforce also believes that the gambling industry and Government have a responsibility to ensure that if gambling is allowed to be placed into communities there are restrictions on the design features of the gambling product to make it a safer product. This is no different to having safety design features for a range of other products that are sold in the community.

The Taskforce also notes research showing that many gamblers, especially people with gambling problems, do not set themselves affordable limits and thus providing a safer product will reduce the total level of problem gambling by making it harder for people to harm themselves through excessive gambling.

The report commissioned by Gambling Research Australia on *Analysis of Gambler Pre-Commitment Behaviour* found that up to half (51%) of regular Australian gamblers admitted to not always calculating the affordability of their gambling.⁵ At least one in five regular gamblers tends to “never” calculate the affordability of their gambling.⁶ Around a third of EGM gamblers said they “never” set any limit on their gambling.⁷ Gamblers who used a shorter basis for setting limits (such as per session) tended to have significantly more difficulty in keeping to spend limits.⁸ Most regular Australian gamblers do not tend to monitor their

⁵ McDonnell Phillips Pty Ltd, “Analysis of Gambler Pre-Commitment Behaviour”, Gambling Research Australia, June 2006.

⁶ McDonnell Phillips Pty Ltd, “Analysis of Gambler Pre-Commitment Behaviour”, Gambling Research Australia, June 2006, p. 7.

⁷ McDonnell Phillips Pty Ltd, p. 10.

⁸ McDonnell Phillips Pty Ltd, p. 11.

gambling expenditure over a longer period. Only 8% of regular EGM players set an additional upper monthly limit.⁹ For regular EGM gamblers, 37% only set their limit when they arrived at the venue.¹⁰ 57% of EGM gamblers had trouble staying within their limits and EGM gamblers were more likely than other gamblers to exceed their maximum spend limit and bet size limit.¹¹

The GRA research on pre-commitment demonstrates that it would be flawed strategy for governments in Australia to rely on people making informed choices, including setting themselves limits that they stick to, as the only measure to curb the risk and prevalence of problem gambling.

Professor Dickerson found that 80% of regular gamblers reported losing control of time or spending on EGMs.¹²

The on-going presence of erroneous beliefs about EGMs by gamblers also means that it is not possible to simply rely on gamblers to make informed choices and justifies regulatory action to make sure the EGM have design restrictions to make them a safer product. A study by the SA Department for Families and Communities found the following levels of erroneous beliefs amongst EGM gamblers:¹³

- 19% of players strongly believe that winning and losing occurs in cycles on EGMs.
- 5% strongly believe that there are certain ways of playing that increase winning.
- 18% strongly believe that it is always bad to play on an EGM that has recently paid out.

Further regulation is also justified based on community support for such regulation to reduce harm. For example, in the last survey conducted in 2003 in Victoria:

- 85% of Victorians said that gambling is a serious social problem.
- 87% of non-gamblers and 74% of gamblers agreed that gambling was too widely accessible in Victoria.
- 81% of people believed that gambling problems in Victoria had worsened in the three years before the survey.¹⁴

Of importance, a significant majority (62.4%) of Victorians think local governments should have the right to determine if new EGMs are placed into their area.¹⁵

The Victorian Gambling Research Panel study from April 2003 found that 50% of gamblers did not believe gambling added to their enjoyment of life. Thus, it is reasonably safe to conclude that many changes to gambling products and practices to reduce harm could be introduced without it impacting on the majority of gamblers' entertainment.

Regulatory Developments in Victoria since 1999

The Bracks Government in Victoria coming into office in 1999 had inherited the establishment of Crown Casino and a state cap of 30,000 electronic gaming machines (EGMs).

⁹ McDonnell Phillips Pty Ltd, p. 11.

¹⁰ McDonnell Phillips Pty Ltd, p.12.

¹¹ McDonnell Phillips Pty Ltd, pp. 13, 15.

¹² Mark Dickerson, "Measurement and Modeling of Impaired Control: Implication for Policy", Paper presented at Insight Nova Scotia Conference, October 2004.

¹³ SA Department for Families and Communities, *Gambling Prevalence in South Australia*, 2006.

¹⁴ Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 13.

¹⁵ Centre for Gambling Research, Australian National University, "2003 Victorian Longitudinal Community Attitudes Survey", Gambling Research Panel, Melbourne, April 2004, p. 14

In its 2002 second term election policy statement: *Labor's Commitment to Better Gambling Regulation in Victoria*, Labor committed to continuing to reduce problem gambling and providing more resources to expand services for problem gambling counselling.

The Victorian Government has stated that its current guiding principles for gambling policy are:

- *Consumer Choice*
The Government recognises that gambling is a legitimate recreational activity for many, and Victorians are entitled to expect the highest standards of choice and service from gambling in a competitive and innovative marketplace.
- *Community Benefit*
The Government is committed to ensuring that the legitimate financial benefits of gambling are transparent, recognisable, and fairly distributed to the community.
- *Harm Reduction*
The Government is committed to reducing the harm caused by people experiencing the effects of problem gambling, and recognises that the State, the gambling industry and community partners have a shared responsibility to deliver effective solutions.
- *High standards of transparency and accountability*
The Government seeks to ensure the highest standards of transparency, probity, integrity and accountability in the development of evidence based gambling policy, and the community will be engaged on the decisions that affect them.
- *Sustainable Racing Industry*
The Racing Industry is a vital part of Victoria's economic and social fabric. The Government is committed to providing an environment that promotes a viable and sustainable future for the Racing Industry.

During its first term, the Bracks Government introduced reforms including regional caps on the number of gaming machines in five local government areas with higher per capita gambling spending and a public media campaign on the risks of gambling. This has seen the removal of 406 EGMs from these capped areas.

During its second term, the Government introduced caps in another five regions, and extended the areas covered by some of the existing caps. This has seen the removal of an additional 543 EGMs from capped regions to be placed in uncapped areas. Assessment of the regional caps found that their limited reduction in the number of EGMs had done little in the capped regions to reduce the level of problem gambling. The main benefit of the regional caps is to reduce the amount of gambling tax revenue collected from these regions, most of which are socially and economically vulnerable.

Other positive initiatives in the second term of the Labor Government were:

- Smoking restrictions in gaming venues, which led to a significant fall in revenue from EGMs. The smoking restrictions subsequently have become smoking bans throughout the venue, but the extension from restrictions to bans did not have a detectable impact on EGM revenue.
- Providing an additional \$12 million for Gambler's Help counselling services for people with gambling problems to allow for after hours services and providing services to culturally and linguistically diverse communities.
- Reducing the number of 24 hour licences for gaming venues from 123 in 1999 to 41 in early 2003 and by 2006 there were no 24 hour licences except for Crown casino.
- Banning of public advertising of EGMs and restricting venue signage.
- Limiting the amount that can be lost on a single button press on an EGM to \$10.
- Banning auto-play facilities on gaming machines.
- Banning EGMs from being able to accept \$100 notes through note acceptors.

- The introduction of Community Benefit Statements for gaming venues, largely to try to prevent tax avoidance by gaming clubs who have a tax exemption from paying onto the Community Support Fund on the basis that they provide more community benefits than for-profit hotels.
- Provided \$2.9 million to 60 diverse community organisations to build community knowledge of, and resilience to, problem gambling.

Between 2000 and 2006 the Victorian Government spent \$19.5 million on problem gambling advertising.

In January 2006 the Victorian Government funded the establishment of the Community Advocate on Gambling, but after the first Advocate resigned in 2007 the Victorian Government has left the position vacant.

The Victorian Government established the Problem Gambling Roundtable, made up of industry and community representatives. The Roundtable was rendered completely ineffective by the Government requiring consensus in decision making which meant the least socially responsible industry bodies had a right of veto over the Roundtable suggesting anything meaningful to address the harms gambling has caused the Victorian community. The Roundtable was replaced by a smaller Responsible Gambling Ministerial Advisory Council (RGMAC), made up of members of the gambling industry and the community appointed by the Minister for Gaming. RGMAC allows for discussion between industry and the community and provides advice to the Minister, with the Government needing to take responsibility for accepting or rejecting the advice. RGMAC does not require consensus and Government has reserved the right to compel RGMAC to discuss issues the Minister would like addressed. RGMAC has proved far more effective than the Problem Gambling Roundtable and has forced a more meaningful engagement of the gambling industry in having to address the causes of problem gambling in Victoria.

In October 2006, the Bracks Government announced its next, and current phase, strategy on gambling entitled '*Taking Action on problem gambling*'. The strategy committed \$132 million to tackling problem gambling over five years in seven priority action areas. The strategy included:

1. Building Better Treatment Services

- \$53.6 million for direct counselling services for problem gambling, bringing total counselling provided to 100,000 hours per year;
- \$2.1 million to expand after hours Gambler's Help services;
- \$4.3 million to improve existing case management and referral systems so that a person seeking counselling will be able to make an appointment to see a problem gambling counsellor at any time and from any place in Victoria;
- \$4.2 million in a joint venture with the University of Melbourne and Monash University to create a Problem Gambling Research and Treatment Centre;
- \$4.9 million in maintaining and enhancing services for culturally and linguistically diverse and Indigenous communities;
- \$4.8 million to provide material aid for the families of problem gamblers who face severe hardship as a consequence of problem gambling;

2. Ensuring a more socially responsible gambling industry

- Introducing the requirement for the gambling industry to have Codes of Conduct in relation to the 'responsible' provision of gambling, that will be monitored and enforced by the VCGR;

3. Promoting Healthy Communities

- \$24 million in a statewide community education and awareness campaign to raise community awareness about 'responsible gambling' and the risks associated with new forms of emerging gambling technology;

- \$4.6 million to build on the community partnerships strategy which aims to bring together people and organisations to improve understanding of problem gambling issues and risks and to assist them in helping individuals and their families affected by problem gambling;
 - \$2 million for community advocacy for responsible gambling to ensure that there is a strong and viable community voice on gambling issues;
4. *Protecting vulnerable communities*
- By 2010, the maximum density of EGMs in non-capped local government areas (except for the Central Business District of Melbourne) will be 10 EGMs per 1,000 adults;
 - The Government will amend the Victorian Planning Provisions which will give local councils full planning control over future EGM placement by requiring a planning permit for all future applications to increase EGM numbers;
5. *Improving Consumer Protection*
- By 2010 ATMs at EGM venues must not allow customers to withdraw more than \$400 per day;
 - The maximum bet limit on EGMs will be reduced to \$5 per button push;
 - The Minister for Gaming and the VCGR will be given the power to ban any gambling product or practice that encourages problem gambling;
 - The maximum amount that a gambler can load onto an EGM at any one time will be reduced from \$9,949 to \$1,000;
6. *Enhancing the Regulator*
- The Government will require the VCGR to consider a broader range of matters when determining an application for approval of a new gaming venue or determining an application for an increase in the number of machines in an existing venue.
7. *Fostering gambling research*
- \$7.2 million to be spent on problem gambling research over five years.

Additional reforms announced under the Brumby Government have been:

- On 10 April 2008 the government announced an end to the TABCORP and Tatts Group duopoly over operating Victoria's 27,500 pokies in pubs and clubs. After 2012, when the existing licences expire, clubs and pubs will own and operate the pokies directly. However, the government announced that the details on how the EGM licences will be allocated will be subject to further public consultation. At this stage the Government has indicated a preference for an E-bay style on-line auction to sell the EGM licences to the highest bidder;
- The new licences will last 10 years, instead of the 20 years the existing TABCORP and Tatts Group licences had lasted for. The shorter licences to give government and the community more ability to change arrangements more frequently for the purposes of minimising harm to the community.
- A progressive tax system will be implemented for EGM venues, so that smaller less profitable clubs will pay a lower rate of tax compared to large for-profit hotels on the revenue make from EGMs.
- On 13 March 2008 the Premier announced that EGM venues must remove ATMs by 2012, with exemption allowed for venues in rural locations where there are limited cash facilities.
- On 25 March 2008 the government promised that after 2010 all new EGMs must have a facility to allow for gamblers to set limits on the time they gambling and the amount they are willing to lose. On 31 March 2009, the Victorian government announced that the ability to set time and loss limits would apply to all EGMs by 2013 and that EGMs would shut down when the limit was reached.

In the view of the Taskforce, the Victorian Government's broad policy framework on gambling is flawed in the following areas:

- It does not give local communities a strong say in what gambling opportunities are imposed on them from outside;

- It only commits the Government to reducing harm on individuals with gambling problems and does not recognise that problem gambling impacts on the families and communities that the people with gambling problems are part of.
- It fails to recognise that gambling can create harms that are beyond problem gambling, such as gambling businesses diverting funds away from other more productive businesses and stifling other recreational activities.
- It states the community has a “responsibility” to develop effective solutions to problem gambling, while it is the gambling industry and Government that overwhelming profit from the gambling activity. Responsibility to fix the harm should rest solely with those who are benefiting from the harm being caused. However, community should have a strong voice in the formulation of the solutions, which are the responsibility of the Government and gambling industry to resource.

In addition, Victorian Government policy should adopt a pre-cautionary principle to all new gambling opportunities, so that new gambling opportunities are not introduced into the community until there is a level of certainty that they will not increase the level of harm the community is experiencing from gambling.

‘Taking Action on problem gambling’ represented a very positive change in direction in Government policy on gambling. However, the positive nature of the broad framework set by the policy has been undermined by the weak nature of concrete and specific measures introduced under the policy. The result is that the State Government still has a long way to go before it has exhausted all reasonable actions it could take to reduce the harms caused by legalised forms of gambling in Victoria, especially with regards to EGMs.

In 2008 the Victorian Government introduced the *Gambling Legislation Amendment Act* which gave the Minister for Gaming the power to ban gambling products and practices incompatible with the Victorian Government’s responsible gambling policy and legislation. Products and practices that violate the Government’s responsible gambling policies face fines of up to \$100,000.

To what extent has technological change affected the ability of state and territory governments to regulate gambling?

The internet has presented huge problems for governments trying to regulate gambling via that medium. The recent High Court decision in the *Betfair* versus the WA Government has made such regulation even harder, emphasising the need for Federal Government action to regulate gambling through the internet.

What have been the main changes to state and territory regulatory frameworks for gambling since 1999? How have the governance and administration or regulatory frameworks changed? What impacts have any changes had on the quality of policy and regulation-making in the jurisdictions?

The Victorian Government replaced the gambling regulator, the Victorian Casino and Gaming Authority (VCGA), with the Victorian Commission for Gambling Regulation (VCGR) and removed the requirement of the regulator to promote gambling, as had been the case under the VCGA. This has seen a positive culture shift within the VCGR towards the sole task of ensuring the gambling industry complies with its legal obligations.

To what extent have measures to address problem gambling and those at risk of problem gambling been supported by research, especially field trials and evaluations?

The Victorian InterChurch Gambling Taskforce is concerned at the growing trend of the gambling industry to attempt to use research as a weapon against reforms to reduce problem gambling. The reality of research on measures to reduce problem gambling rates is that there will always be some uncertainty about the impacts of the harm minimisation measure and this uncertainty is always played to by the gambling industry as a reason to do nothing and allow them to continue with business as usual.

The problems faced by research into evaluating harm minimisation measures are:

- If the measure is tested in a simulated gambling environment, then the nature of the simulated environment may impact on the results;
- If the measure is placed in a real gambling environment and gamblers surveyed about the changes in their behaviour as a result, then there is uncertainty that their stated behaviour matches their real behaviour while gambling;
- If a test group of gamblers are monitored, then ethics demands that they are informed that their behaviour is being monitored. There is then uncertainty about if the gamblers modify their gambling behaviour based on the knowledge that they are being observed.

Player tracking, as has started to occur in Canada, can provide better quality information about the real gambling behaviour of individual gamblers (with the data collected in compliance with the requirements of privacy legislation). However, the EGM industry in Australia is strongly opposed to player tracking.

It would appear that the gambling industry knows that uncertainty in research results around potential harm minimisation measures is a great ally in the battle to try and stop governments introducing measures aimed at reducing problem gambling. The EGM industry will always argue that there is not enough research and there is not enough certainty in the research to justify the introduction of any measure to reduce problem gambling. The perpetual argument for more research before any measure can be introduced at the very least helps to provide further delay in any government action on introducing measures to reduce problem gambling.

The EGM industry finds allies in some academic researchers who support the industry's arguments that any level of uncertainty within the research should mean that governments should not introduce measures to reduce problem gambling. These academic researchers support the need for perpetual research which will always contain a level of uncertainty and, in their view, never should result in government taking regulatory action.

Governments can also find the argument of the need for further research a useful excuse of failing to regulate the gambling industry.

The Taskforce notes that Federal Government has used this inquiry itself as a reason not to take any action to introduce measures at the Federal level to curb problem gambling. The Government dominated Parliamentary Committee rejected all the harm minimisation measures proposed in the three Bill put forward by Senator Steve Fielding and Senator Nick Xenophon on the basis that the Federal Government should wait for the conclusion of this inquiry before even considering any action to reduce problem gambling.

The Taskforce believes that research plays an important role in determining what harm minimisation measures should be introduced to reduce problem gambling and other gambling related harms to the community. However, governments need to accept that all research, especially research into human behaviour, will have a level of uncertainty within it.

Thus, a point will be reached where it is necessary for a government to decide on balance if a measure should be introduced. Such a decision needs to take into account:

- The degree to which the measure is likely to reduce problem gambling, risky gambling behaviours or other gambling related harm;
- The degree to which the measure is likely to unduly impact on gamblers that do not have a gambling problem;
- The acceptability of the measure by gamblers and the wider community;
- The cost of further research into the effectiveness of a measure versus the likelihood that such research will reduce uncertainty about the measure. The cost of research needs to take into account both the financial cost of the research and the further harm that is likely to be experienced by gamblers as a result of inaction compared to the likely harm reduction effect of the measure; and
- The cost of implementing the measure.

Consider the case for action to remove ATMs from EGM venues. Research commissioned by the gambling industry from the University of Sydney Gambling Research Unit found that people with gambling problems in hotels were more likely to use ATMs, while those in clubs in NSW did not¹⁶. The study also found that visits to ATMs in venues were linked to heavy losses¹⁷. Further, people with gambling problems would continue to gamble until they had used up all the money available to them through ATMs located in venues¹⁸.

A 2001 gambling industry sponsored survey found that 83% of venue patrons in Ballarat did not use ATMs in the venue¹⁹. This suggests that removing ATMs from EGM venues is unlikely to inconvenience the majority of patrons.

A 2004 survey of clients of problem gambling services in Victoria reports that the vast majority of respondents believe that it would be very effective to remove and ban ATMs from gaming venues.²⁰

A December 2005 report commissioned by the Victorian Gambling Research Panel, *Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria*, found most EGM gamblers access an ATM at least once during a gambling session. Gaming venue managers agreed that venue-based ATM-users are most likely to spend their withdrawals on gambling on EGMs.

The report found that research indicated that many EGM players were critical of the placement of ATM and EFTPOS facilities in venues (i.e. they are located in close proximity to the gaming area), indicating little confidence in their placement outside of gaming rooms, as required by law in Victoria, as an effective responsible gaming measure. Focus group research found the proximity of ATMs to EGMs means that money could be withdrawn and then inserted into a machine without sufficient time for thought of consequences.²¹

¹⁶ Blaszczyński, A., L. Sharpe and M. Walker, "The Assessment of the Impact of the Reconfiguration on Electronic Gaming machines as Harm Minimisation Strategies for Problem Gambling", The University of Sydney, November 2001, pp. 58-59, 63.

¹⁷ Blaszczyński et. al., p. 63.

¹⁸ Blaszczyński et. al., pp. 80, 83.

¹⁹ ACIL Consulting, "The Impact of Gaming in Ballarat", 14 December 2001.

²⁰ New Focus Research Pty, "Problem Gamblers, Loved Ones and Service Providers: Study of Clients of Problem Gambling Services, Stage 2: Round 1 Report", Victorian Gambling Research Panel, Melbourne, 2004.

²¹ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005, p. 31.

The report noted a 2004 study conducted in the ACT, where it was found that a greater proportion of regular gamblers (93%) and self-identified problem gamblers (90%) than recreational gamblers (70%) reported spending money withdrawn from venue ATMs on gambling. Of these groups, a large majority of gamblers (89%) spent gambling money withdrawn from an ATM in a gaming venue on gaming machines. Furthermore, a greater proportion of regular gamblers and self-identified problem gamblers reported withdrawing large amounts of money from venue located ATMs than did recreational gamblers. The same study also found that regular and problem gamblers tended to access ATMs at gaming venues more frequently than do recreational gamblers and non-gamblers.²²

The 2005 report found that 41.6% of EGM gamblers never accessed ATMs. EGM gamblers who use an ATM at gaming venues rarely access it for the purpose of purchasing food and beverages (11.7%). Of those EGM gamblers who withdrew money from an ATM, 74% did so for the purposes of gambling.²³ Those who access an ATM more than twice do so exclusively to gamble. Frequency of ATM use by EGM gamblers is significantly correlated with the reason for accessing an ATM. The frequency of ATM use by an EGM gambler is connected with increased levels of spending, extended amounts of time in the gaming venue, the frequency of their gambling and their score on the problem gambling index. There is a significant relationship between problem gambling and EGM gamblers' usage of ATMs for gambling purposes, whereby moderate-risk and problem gamblers make significantly more withdrawals from an ATM than non-problem or low-risk gamblers.²⁴

EGM gamblers, particularly those with problematic gambling behaviour, were found to make multiple withdrawals of less than \$200. EGM gamblers, both in country and metropolitan venues across hotels/pubs and clubs across Victoria, specifically stated that ATMs should be removed from gaming venues, and in doing so rank this as possibly the most effective measure that would be introduced in the future. Disconcertingly, more people with gambling problems report that an ATM should be located in the gaming area compared with those gamblers without problems.²⁵ The report concluded that "While locating ATMs outside of gaming areas allows EGM players some space or opportunity for thought and contemplation about further gambling – an enforced break-in-play – the accessibility to such facilities may still be too close to the gaming area as to negate this break."

The 2006 GRA report on gamblers pre-commitment found that access to an ATM in the venue was one of the reasons for gamblers breaking their pre-commitment limits that they had imposed on themselves.²⁶ It was also found that avoiding the use of an ATM and leaving the ATM card at home were key strategies employed by EGM gamblers to try to stay within their limits.²⁷ The second highest response from gamblers about how to assist them to stay within their self-imposed limits was that there should be no ATM in the venue, which was favoured by 17% of all gamblers, 14% of EGM gamblers and 16% of people with gambling

²² Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005, p.31.

²³ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005, p. 93.

²⁴ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005, p. xxv.

²⁵ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005, p. xxv.

²⁶ McDonnell Phillips Pty Ltd, "Analysis of Gambler Pre-Commitment Behaviour", Gambling Research Australia, June 2006, p. 21.

²⁷ McDonnell Phillips Pty Ltd, pp. 29, 31.

problems as an unprompted response from gamblers.²⁸ It was the most selected measure that people with gambling problems identified as assisting them to stay within their limits from a prompted list.²⁹

The Taskforce notes the submission by the ATM Industry Reference Group to the Committee on the *Poker Machine Harm Minimisation Bill 2008* in which they stated that in their view, people with gambling problems are likely to have multiple ATM cards which would defeat simply setting a withdrawal limit on ATMs at licensed venues. This view further points to the regulatory necessity of removing ATMs from licensed venues in order to achieve an effective harm minimization measure with regard to problem gambling within the venue.

The Taskforce notes that customers to licensed venues could benefit financially if ATMs were removed and cash was only available through EFTPOS withdrawals, as there is a service charge on every ATM withdrawal through non-bank ATMs that make up more than 99% of ATMs in pubs and clubs. No such charge currently applies to customers making cash withdrawals on EFTPOS. Verbal advice from the banks to the Taskforce has suggested that some of the larger licensed venues make tens of thousands of dollars each year through their share of the transaction fees on ATM withdrawals within the venue. Noting the disproportionate use of ATMs in licensed venues by through people with gambling problems, this is a further extraction of money from such people by the venue and the ATM provider, although a minor one compared to the average overall losses that such people suffer as a result of their problem.

Despite all the studies listed above on the impact of ATMs in EGM venues on problem gambling behaviours, representatives of the Victorian EGM industry continue to argue that there is no evidence that removal of ATMs from EGM venues will have any impact on problem gambling behaviour.

The next level of research would be a field trial. This could involve the removal of ATMs from EGM venues within a particularly contained area, such as a rural town or centre. It would require some measure of how people with gambling problems make use of ATMs in the venues prior to their removal and then some measure of how their behaviour changes after the removal of the ATMs, as well as measuring any inconvenience experienced by patrons of the venue that do not have a gambling problem. Such an exercise is likely to be costly and time consuming. It is not clear how a government could force venues within a particularly locality to shut down their ATMs for the period of the trial. Further, it is likely that there will be uncertainty about how the behaviour of people with gambling problems changes after the removal of the ATMs. Thus, after an expensive and time consuming field trial a government may end up with no significantly higher level of certainty about the effectiveness of removing ATMs from EGM venues than before the trial was conducted.

What has been the quality of this research against such criteria as validity, reliability, independence and transparency?

The Taskforce is aware that sections of the gambling industry and academia will attack the validity and reliability of research into the impact of harm minimisation measures to reduce problem gambling. While such research is often lacking and its reliability can be open to question, this can be due to factors outlined above about how such accurate and reliable assessments can be made. Such assessments are also complicated by the fact that often the gambling industry will be introducing new measures to increase profits at the same time as governments have introduced harm minimisation measures.

²⁸ McDonnell Phillips Pty Ltd, p. 34.

²⁹ McDonnell Phillips Pty Ltd, p. 36.

The argument that will be mounted by industry that harm minimisation measures should not be introduced unless their impacts are perfectly known is unrealistic. The reality is that at times governments need to act to reduce harm with the best possible information they have at the time.

The Taskforce notes that the gambling industry does not support a precautionary approach to the introduction of new gambling products. The gambling industry strongly opposes an approach that would require reliable and accurate research to prove that a new gambling product will not cause harm in the community before it could be introduced into the community. However, they demand such a standard be applied to harm minimisation measures.

The Taskforce believes that the research budget for harm minimisation in Victoria is inadequate and would prefer to see an annual research budget at this time of \$10 million. This would allow for large scale field trials of harm minimisation measures and would reduce the need to limit research into harm minimisation based on the limits of the research budget as occurs now. The limiting of the research budget means some areas of harm minimisation that may have high likelihood of a positive impact must wait years before research projects can even be considered.

Should government make industry codes of practice mandatory?

The Taskforce is supportive of mandatory Codes of Practice for gambling providers, but only for those measures where it does not make sense to legislate or regulate. Mandatory Codes have a roll to play in shifting gambling industry culture from one of 'tick-box' compliance with government regulation and legislation to one where the industry must actively consider a duty of care towards its patrons and staff.

In 2008 the Victorian Government introduced legislation and regulation so that gambling providers in Victoria are required to have a Code of Conduct within the Minister's directions and the Codes need to be approved by the Victorian Commission on Gambling Regulation, that will also have the responsibility to ensure the Codes are complied with. Some forms of gambling, such as EGMs and horse racing, are now also be required to provide programs by which gamblers can elect to exclude themselves from further participation in that form of gambling, as a mechanism to try and assist them in dealing with a gambling problem.

The InterChurch Gambling Taskforce had requested the following measures be adopted. All of which were rejected in the Minister's Directions:

- That the Code include restrictions on advertising and promotion; already adopted in the Queensland Responsible Gambling Code of Practice;
- That staff be trained to interact with customers displaying identifiable signs of problem gambling so that they may assist that customer in overcoming their problem. The ACT has already adopted some of these measures in their regulations for the Code of Practice for the ACT gambling industry;
- That staff in EGM venues not be permitted to gamble in their own venue - a recommendation by the NSW Independent Pricing and Regulatory Tribunal after reviewing research and evidence on the issue;
- That gambling providers implement practices to discourage others from attempting to provide credit or offer loans directly to their customers for the purposes of gambling, which the gambling industry had previously agreed to;
- That gambling venue staff not be permitted to help customers complete cheques for cash, which the gambling industry had already voluntarily agreed to;
- That gambling providers indicate how they will deal with family members of a problem gambler if they are approached by the family member and refer the family member to problem gambling help services;

- That the gambling industry be required to encourage customers to take a “cooling off period” after a significant win, which was a measure featured in the 2001 Australian Gaming Council Responsible Gaming Code.

Does the National Snapshot of Harm Minimisation Strategies provide a complete representation of government actions? What other government actions have taken place since 1999 to introduce harm minimisation measures? What harm minimisation measures are in prospect?

Pre-Commitment

Trials with pre-commitment systems are underway in Queensland, NSW and South Australia. Smart cards appear to be the most common form of pre-commitment device under investigation.

The Victorian Government has announced that the ability to set limits on both time and money spent on EGMs must be on all new generation EGMs starting in 2010. On 31 March 2009 a further announcement indicated that the ability to set limits on time and money spent on EGMs must be on all EGMs by 2013, with EGMs shutting down when a limit is reached. A further, more significant pre-commitment system will be announced to be implemented by 2015-2016.

The Taskforce is supportive of the introduction of an access device that allows gamblers to set limits on the time and money they spend on EGMs. The Taskforce has a strong preference that all EGMs require the gambler to have an access device to gamble. There might be special access devices that could be given by a venue to people who are tourists (live more than a specified distance from the venue or have come from overseas) to facilitate those that want to have a one off gambling session on EGMs.

A move towards having EGMs only work from a dedicated access device has the potential to assist in promoting more sensible gambling habits as well as assisting those with gambling problems. However, the introduction of such access device carries the risk of increasing problem gambling if cash can be loaded onto such an access device. The access device could become the equivalent of being able to insert a single note worth thousands of dollars into an EGM. For this reason, an access device should not be a replacement for cash. The access device should be required to enable the EGM to begin gambling, but it is preferable that the gambler still be required to insert money into the EGM.

Such access devices could offer the following features and consumer protection measures:

- Pre-commitment. The gambler could be required to specify how much they are willing to lose in a month or week. When this limit is reached the gambler is locked out of the system until the time period expires. The development of pre-commitment betting limits was recommended by research commissioned by the Gambling Research Panel that looked at the existing self-exclusion program.³⁰
- Self-exclusion. Having a system that requires the use of an access device would allow someone who chooses to self-exclude to be locked out of the system for the duration of the self-exclusion by them surrendering their access device and having themselves placed on a list of people not to be issued with an access device.
- Activity statements. Having an access device would allow the generation of a regular activity statement. These might be limited to those that gamble above a certain amount in a given time or based on frequency of play. Someone who only plays less than once a month and spends only a small amount of money is unlikely to need an activity statement.

³⁰ South Australian Centre for Economic Studies, “GRP Report No. 2. Evaluation of Self-exclusion Programs”, Gambling Research Panel, Victoria, Feb 2003.

- Warning messages and breaks. The system could monitor a gambler's play patterns. If a gambler started to increase their intensity in play from their usual pattern, it could trigger appropriate warning messages. This message could appear in the language appropriate to the gambler. Also, if someone gambles for a certain period, a mandatory lock-out period could be implemented. This is something that a gambler might be able to specify as part of their 'responsible' gambling strategy.
- Bet limits. The gambler could be required to pre-specify a bet limit on how much they are willing to bet on a single button press with the specification lasting a week or month before the gambler can change the setting.

All of these features are likely to only be of any significant benefit if all EGMs require an access device to operate, otherwise a gambler will be able to get around the consumer protection measures by using EGMs that do not require an access device to be operated.

A December 2005 report commissioned by the Victorian Gambling Research Panel, *Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria*, found that both EGM gamblers and gaming venue managers agreed that the facility to track spending and set monetary limits would be a potentially effective harm minimisation measure.³¹

The Taskforce does note that in the 2006 GRA research into pre-commitment by gamblers, only 26% of EGM gamblers favoured a compulsory smart card and 61% preferred a voluntary card. Further, 53% favoured being able to set their own limits, with 40% believing limits should be set according to a person's ability to pay and 7% believing the same limit should apply to all people. If a compulsory limit was applied though, 52% of EGM gamblers said it would have no impact on their enjoyment of gambling on EGMs and 17% said it would make their gambling more enjoyable.³²

Having a system where an access device was needed to operate EGMs would also facilitate player tracking. It would facilitate being able to identify the real changes in gambling behaviour in response to the introduction of measures to curb problem gambling, overcoming some of the significant areas of uncertainty in the ability to conduct research in EGM gambling at present. Data collection would be de-identified, in compliance with privacy legislation, except in cases where a gambler might allow themselves to be identified for the purposes of research.

Banning Free Spins

The *Poker Machine Harm Minimisation Bill 2008* put forward by Senator Steve Fielding proposed a ban on free spins on EGMs.

The Taskforce supports a ban on free spins, as the Gambling Research Australia report on pre-commitment by gamblers found that extending gambling to obtain free spins was one of the factors that caused EGM gamblers to break their pre-commitment decisions and exceed their self-imposed limits.³³ The research found that setting a goal to obtain a certain number of free spins before leaving was one of the critical factors that caused people to continue gambling on EGMs beyond their self-imposed limits. The report recommended that the reinforcement schedule of free spins in the context of EGM gambling should be examined.³⁴

³¹ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005.

³² McDonnell Phillips Pty Ltd, "Analysis of Gambler Pre-Commitment Behaviour", Gambling Research Australia, June 2006, p. 40.

³³ McDonnell Phillips Pty Ltd, "Analysis of Gambler Pre-Commitment Behaviour", Gambling Research Australia, June 2006, p. 21.

³⁴ McDonnell Phillips Pty Ltd, p. 26.

Payout prizes to be limited to a maximum of \$1,000

The *Poker Machine Harm Minimisation Bill 2008* put forward by Senator Steve Fielding proposed a limit on prizes from EGMs to a maximum of \$1,000 and a ban on linked jackpots.

The Taskforce notes that the research commissioned by Gambling Research Australia into pre-commitment by gamblers indicated that people with gambling problems were more likely to increase their spending after a win.³⁵ Having a small win (of around \$20), the potential to win a top payout or prize, the potential to win a large linked jackpot and having a large win (of \$100 - \$200) were all found to be causes for EGM gamblers to break their pre-commitment decisions.³⁶

It has been the Taskforce understands that a mix of prizes encourages gamblers to gamble for longer and spend more money than they otherwise would. Large prizes can encourage an increase in gambling expenditure as the gambler chases the possibility of a large win or looks for a large win in an attempt, against the odds, to recover their losses. However, more frequent small wins are also required to keep the gambler gambling. An EGM that simply absorbed the money placed into it and very rarely paid out, is likely not to encourage a gambler to keep gambling.

The frequent small wins are necessary reinforcement to keep the gambler gambling. It would be the Taskforce understands that currently the EGM industry will have sought to have EGMs that offer an optimum range of payouts to try and maximise gambling expenditure. The mix of payout sizes and frequencies will have been informed by experience of which EGMs have been most popular with gamblers in terms of expenditure and which have resulted in lower expenditure. The payout sizes and frequency is a mix of rarer large payouts and more frequent small payouts.

Setting an upper limit of \$1000 to payout sizes would reduce the incentive for gamblers to gamble more than they otherwise would in the hope of a large payout. However, assuming that minimum required return to players would still apply, EGMs will be required to offer more frequent small payouts. On balance, the Taskforce believes that restricting payout prizes to \$1,000 is likely to reduce problem gambling behaviour, as it restricts the ability of the EGM industry to have unrestricted design of payout tables, where unrestricted design of payout tables is likely to encourage excessive gambling.

The Taskforce strongly supports a restriction of linked jackpots, as these do encourage gamblers to gamble beyond their own pre-commitment limits.

To what extent have industry and government actions since 1999 dealt with the inadequacies in arrangements previously identified by the Commission?

Ban Note Acceptors on EGMs

The Productivity Commission raised bank note acceptors as a feature on EGMs that may contribute to problem gambling. Allowing bank note acceptors on EGMs has been an area where there have been a variety of responses. In South Australia, Tasmania and the Northern Territory in clubs and hotels there are no bank note acceptors on EGMs. In Queensland EGMs can only accept \$20 banknotes with a maximum of five banknotes at a time. In Victoria there is a ban on bank note acceptors taking \$100 notes.

Comparing overall problem gambling levels between Victoria, NSW, Queensland South Australia and the Northern Territory indicates that the level of problem gambling is lower in

³⁵ McDonnell Phillips Pty Ltd, p. 19.

³⁶ McDonnell Phillips Pty Ltd, p. 21.

the states without note acceptors. However, the Taskforce accepts this in itself does not prove that note acceptors are the determining factor in a lower problem gambling prevalence rate as there are a number of key differences between the EGM environments in each state.

Problem gambling prevalence in Victoria, NSW, South Australia, Northern Territory and Queensland.³⁷

	Victoria	South Australia	NSW	Northern Territory	Queensland
High risk/ problem gamblers	0.97%	0.40%	0.80%	0.64%	0.47%
Moderate risk gamblers	1.00%	1.2%	1.60%		1.80%

A 2001 study by Blaszczyński *et al.* found that limiting note acceptors to \$20 would lead to a 42% reduction in expenditure among EGM gamblers and would not impact on the enjoyment of people without gambling problems.³⁸ This report was reviewed by an independent group commissioned by the New South Wales Department of Gaming and Racing. The report argued that a 42% reduction in revenue would most likely have an impact on problem gambling and that further investigation into note acceptors was warranted to determine if restrictions on them would be a potential harm minimisation measure.³⁹ When this measure was introduced in Queensland there was nothing like a 42% drop in EGM revenue.

A 2004 study in the ACT found that more than one-third of regular EGM gamblers and one-half of self-identified problem gamblers always used banknote acceptors when playing EGMs. Less than one-in-five self-identified problem gamblers did not use this facility.⁴⁰ The study also established that EGM gamblers using banknote acceptors on a more frequent basis tended to use larger denominations than those using them only rarely or sometimes. Similarly, regular EGM gamblers and people with gambling problems who used this facility tended to use larger denominations than recreational gamblers.

A study in Queensland investigated the impact of allowing a maximum of five \$20 banknotes being able to be entered into an EGM at any one time. The majority of people interviewed for the study reported no change in their gambling behaviour. A significant proportion (15 – 20%) reported reductions in:

- The amount of money spent on EGMs each visit and each month,
- The size of bets;
- The amount of time spent gambling on EGMs each visit and each month; and
- The frequency of visits to gaming venues.

Furthermore, people in the high-risk to problem gambling group were found to experience the greatest changes in behaviour with approximately 30% to 40% reporting changes in the amount of money they spent on EGMs per visit and each month, their levels of enjoyment, the frequency of visits, and the amounts of money spent on other entertainment at gaming venues. Although the majority of consumers reported no change in their gambling behaviours, a significant proportion of people reported harm minimizing behaviours, especially in the high-risk to problem gambling group. Interestingly, despite these reported

³⁷ Gambling Research Australia submission to the Senate Community Affairs Committee inquiry on the *Poker Machine Harm Reduction Tax (Administration) Bill 2008*, 25 June 2008, p.3.

³⁸ Blaszczyński, A., L. Sharpe and M. Walker, “The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling”, University of Sydney Gambling Research Unit, November 2001.

³⁹ Tse, S. R. Brown and P. Adams, “Assessment of the Research on Technical Modifications to Electronic Gaming Machines in New South Wales, Australia”, Report for New South Wales Department of Gaming and Racing, Sydney, 2003.

⁴⁰ McMillen, J., D. Marshall and L. Murphy, “The Use of ATMs in ACT Gaming Venues: An Empirical Study”, Report for the Australian Capital Territory Gambling and Racing Commission, Australian National University Centre for Gambling Research, September 2004.

changes there has been no observable long-term effect on the revenue-generating capabilities of EGMs that can be attributed to change in banknote acceptors.⁴¹

Anecdotally, people with gambling problems report that when EGMs were coin only, the stains left on their hands by handling large volumes of coins acted as a restraint on their gambling.

The Taskforce would strongly prefer the removal of note acceptors altogether in those jurisdictions that currently allow for them, at the very highest allowing for note acceptors that accept \$5 notes.

Multiple Lines on EGMs

There has been no action by industry or governments in Australia on the issue of multiple line betting on EGMs identified by the 1999 Productivity Commission report.

The Productivity Commission found that the average EGM gambler without gambling problems, who played more than one line, played an average of six lines. For people with gambling problems the average number of lines played was 8.9.⁴²

A study by the SA Department for Families and Communities found that at risk gamblers on average bet on a higher number of lines than recreational gamblers.⁴³

- 46% of EGM gamblers always bet more than one line when gambling;
- 66% of moderate and high risk frequent gamblers bet on more than one line; and
- 34% of people played 1 – 5 lines, compared to 34.4% of moderate and high risk frequent gamblers who gamble 11 – 20 lines when they bet on more than one line.

The Productivity Commission found that only 35.7% of EGM gamblers without gambling problems bet more than one credit per line and the average number of credits bet per line for those that bet more than one credit per line was 4.1. On the other hand 65.6% of people with gambling problems bet more than one credit per line and the average number of credits per line for those that bet more than one credit per line was 5.9.⁴⁴

Bets Limits on EGMs

The 1999 Productivity Commission report pointed to bet limits on EGMs as a possible measure to reduce problem gambling. The Productivity Commission found that on average, people with gambling problems staked \$1.62 per button push compared to 57 cents for non-problem gamblers⁴⁵.

The Northern Territory has a bet limit of \$5 in hotels and clubs. Canada has a maximum bet limit of C\$2.50 on Video Lottery Terminals. New Zealand has a maximum bet limit of NZ\$2.50 for machines outside of the casinos. The UK has a maximum bet limit of 0.5 pounds.⁴⁶

⁴¹ Brodie, M., N. Honeyfield & G. Whitehead, "Change in Banknote Acceptors on Electronic Gaming Machines in Queensland: Outcome Evaluation", Research and Community Engagement Division, Queensland Office of Gaming Regulation, Brisbane, July 2003.

⁴² Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 16.79.

⁴³ SA Department for Families and Communities, *Gambling Prevalence in South Australia*, 2006.

⁴⁴ Productivity Commission, 1999, p. 16.79.

⁴⁵ Productivity Commission, "Australia's Gambling Industries", Report No. 10, AusInfo, Canberra, 1999, p. 16.80.

⁴⁶ Caraniche Pty Ltd, "Evaluation of Electronic Gaming Machine Harm Minimisation Measures in Victoria", Victorian Gambling Research Panel, Office of Gaming and Racing, Victorian Government Department of Justice, Melbourne, Victoria, December 2005.

Since 1999, the Victorian Government introduced a bet limit of \$10 per button push on EGMs, but without providing any information about how many gamblers were actually betting above \$10 per button push. More recently, the Victorian Government has started to implement a bet limit of \$5 per button push, but again without revealing how many gamblers are betting above this level anyway.

Research commissioned by the gambling industry found that only 3.5% of EGM gamblers bet above \$1 per button push. Of people without gambling problems only 2.3% bet over \$1 per button push, while 7.5% of people with gambling problems bet over \$1 per button push⁴⁷. The report concluded that a bet limit per button push of \$1 would be “a potentially effective harm minimisation strategy for a small proportion of players.”

The 2006 study by the SA Department for Families and Communities found that at risk gamblers were far more likely to increase their bet size to chase losses than recreational gamblers. The majority of gamblers (81.4%) did not increase their bets when they found themselves losing while gambling on EGMs. However, 10.2% did increase their bets, either sometimes, often or always. This compares to 48.6% and 34.4% respectively, of moderate and high risk frequent gamblers who increased their bets when they find themselves losing.⁴⁸

The report commissioned by Gambling Research Australia into pre-commitment recommended that there bet limits should be a key priority in assisting people in keeping their pre-commitment decisions.⁴⁹ The research found that 12% of EGM gamblers “often” or “always” used maximum bets to influence their win rate.⁵⁰ EGM gamblers, including people with gambling problems, reported that avoiding high or large bets was a more effective strategy to keep within their pre-commitment limits.⁵¹

What evaluation, research or trials relating to the effectiveness, or benefits and costs of harm minimisation measures have been conducted and what do they show? What has been the adequacy of such evaluations against such criteria as validity, reliability, independence and transparency? How have such evaluations informed policy?

Between 2000 and 2006 the Victorian Government spent a mere \$2.3 million on research to identify how to reduce problem gambling, spread thinly across 17 projects. This helped to assist the Government to argue that it did not have adequate research.

In ‘*Taking Action on problem gambling*’, the Victorian Government has only committed to spend an average of \$1.4 million a year to identifying solutions to minimise the harms from gambling, which has greatly constrained the level of information needed for Government to make policy decisions and identify such solutions. The Government spending on research for the solutions to minimise the harm from gambling represents less than 0.1% of the tax revenue the Government gets from gambling (less than \$1 per \$1,000).

Staff Training and Intervention

Research has been conducted into the role staff training could play in identifying problem gambling behaviours and allowing for appropriate interventions to be carried out where

⁴⁷ Blaszczynski, A., L. Sharpe and M. Walker, “The Assessment of the Impact of the Reconfiguration on Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling”, University of Sydney Gambling Research Unit, November 2001, pp. 10-11.

⁴⁸ SA Department for Families and Communities, *Gambling Prevalence in South Australia*, 2006.

⁴⁹ McDonnell Phillips Pty Ltd, “Analysis of Gambler Pre-Commitment Behaviour”, Gambling Research Australia, June 2006, p. 14.

⁵⁰ McDonnell Phillips Pty Ltd, p. 24.

⁵¹ McDonnell Phillips Pty Ltd, “Analysis of Gambler Pre-Commitment Behaviour”, Gambling Research Australia, June 2006, pp. 29-31.

problem gambling behaviour has been identified. A study in South Australia found that most indicators identified by the self-report study of gamblers as being signs of problem gambling could be observed in venues, and that many were observable within single observation sessions. “Indeed, a number of patrons displayed clusters or sequence of behaviour that would give them a 70% probability of being classified as a problem gambler.⁵² Some indicators of a possible gambling problem “are highly objective and subject to little variation in interpretation”⁵³ and include:

- Self disclosure that the person has a gambling problem;
- Using a disguise;
- Trying to sell items in the venue to raise money to continue gambling;
- Requests to borrow money from staff or other customers; and
- Repeated visits to an ATM to withdraw money to continue gambling.

In other places, such as Switzerland, gambling venue staff are trained in appropriate interventions to assist people when they are showing signs that they are highly likely to have a gambling problem. Such a requirement for training and intervention should be introduced into Australian jurisdictions.

Have there been any data or studies showing what impacts regulating access to gaming machines has had on problem gambling or on the broader social impacts of gambling?

The Taskforce notes the research that has found that the social impact of gaming machines is highly dependent on a variety of factors related to the design of the venue and its geographical location. The Taskforce notes the recent literature review of destination gambling by Young *et al.* (2007)⁵⁴ that examined the literature about the social impacts of gaming venues based on their design and location.

Marshall *et al.* (2004)⁵⁵ examined the catchments of eight clubs in the Tuggeranong Valley (suburban Canberra). Clubs with extensive catchments were located near areas of community congregation, while clubs with small catchments were located further away, often in lower SES suburbs. In addition, patrons were prepared to travel different distances to reach their favourite clubs. Of clubs with extensive catchments (two of the eight) patrons were travelling from up to 20km away. Three clubs had medium catchments with a substantial proportion of patrons travelling 5 – 10 km. Three clubs had tight catchments where patrons travelled less than 3 km. In terms of accessibility then, the Marshall *et al.* (2004) study suggested that proximity of gaming venues to places of community congregation (e.g. shopping centres) and the location of relative to socio-economic disadvantage influence gambler behaviour. These findings tend to support the notion of induced demand, or supply-lead growth in which distance is a key variable, though in accessibility terms, this was also affected by the social dimension in terms of client characteristics such as age, gender, income and marital status.

In a subsequent study, Marshall (2005)⁵⁶ found a strong relationship between distance travelled to gaming venues and expenditure on gambling in that people who lived closer to

⁵² Paul Delfabbro, Alexandra Osborn, Maurice Nevile, Louise Skelt and Jan McMillen, “Identifying Problem Gamblers in Gambling Venues”, Gambling Research Australia, November 2007, p.17.

⁵³ Paul Delfabbro, Alexandra Osborn, Maurice Nevile, Louise Skelt and Jan McMillen, “Identifying Problem Gamblers in Gambling Venues”, Gambling Research Australia, November 2007, p. 18.

⁵⁴ Young, M., B. Tyler and W. Lee, “Destination-Style Gambling”, School for Social and Policy Research, Charles Darwin University, May 2007.

⁵⁵ Marshall, D.C., J. McMillen, S. Niemeyer and B. Doran, “Gaming Machine Accessibility and Use in Suburban Canberra: A Detailed Analysis of the Tuggeranong Valley”, Canberra: The Centre for Gambling Research, Australia National University, 2004.

⁵⁶ Marshall, D., “The Gambling Environment and Gambling Behaviour: Evidence from Richmond-Tweed, Australia”, *International Gambling Studies*, 5, 2005, 63-83.

venues were bigger spenders. This study of the Richmond-Tweed area found that centres with the greatest per capita concentrations of EGMs also had the highest EGM participation.

McMillen and Doran (2006)⁵⁷, in the case of Maribyrnong in Victoria, suggest that expenditure patterns could be affected by size and type of venue, location near shopping centres, residential areas or transport corridors, range of other facilities offered, marketing campaigns, opening hours and local strategies to ameliorate gambling impacts. In other words, a range of venue-specific factors are important in affecting social outcomes. This study showed that there is significant variation from place to place, even at the smallest scale, in the relationships between social context and gambling outcomes.

Griswold and Nichols (2006)⁵⁸ examined the spread of venue based gambling in the US on social capital in 300 metropolitan statistical areas across the US. These researchers found that social capital of a community is reduced when a gambling venue is located within 15 miles. This relationship was directly attributable to this effect of the gambling venue on social capital, there being no significant difference in the social capital of areas before the introduction of gambling venues. This work showed that, beyond 15 miles, there was no significant effect on social capital. Thus gambling *per se* in a whole societal context was found not as important as location, which defines the limits of social impact which are generally confined to employment generation and increases in problem gambling.

What trends are likely in relation to internet gambling and other platforms such as mobile phones and digital TV?

It is likely that as existing forms of gambling mature and growth in profits flattens the gambling industry will continue to explore all possible options for developing new forms of gambling, making use of technologies such as the internet, mobile phones and digital TV.

The Victorian Commission for Gambling Regulation (VCGR) has approved that TABCORP will be able to allow people to gamble through their televisions, if they have a telephone betting account and have Foxtel. The Commission argued that there is a safeguard in that people can set up a pin number, so children will not be able to access the system. Further, the Commission argued that there are currently only a couple of hundred people who would have both a telephone betting account and subscribe to Foxtel.

However, no broad public inquiry was conducted into this expansion in gambling opportunities and a thorough assessment as to its potential to increase problem gambling in the State does not appear to have been conducted. People who have worked in the gambling industry have indicated that there is substantial potential to increase gambling opportunities through interactive television.

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⁵⁷ McMillen, J., and B. Doran, "Problem Gambling and gaming machine density: socio-spatial analysis of three Victorian localities", *International Gambling Studies*, 6, 2006, 5-29.

⁵⁸ Griswold, M. T., and M. W. Nichols, "Social Capital and Casino Gambling in U.S. Communities", *Social Indicators Research*, 77, 2006, 369-394.