

Submission from the Tasmanian Government

Productivity Commission

Inquiry into Gambling

April 2003



Tasmania
Explore the possibilities

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Tasmanian Government Submission to the Productivity Commission's Inquiry into Gambling

I. Executive Summary

- Tasmania was the first jurisdiction in Australia to sanction a private sector gaming operator (Tattersall's 1897), the first to establish a casino (1973) and the first to licence a betting exchange (Betfair 2006).
- Like other jurisdictions, Tasmanians now have available a wide range of gambling options including racing, sports betting, lotteries, electronic gaming machines (EGMs), casino, keno, football pools and minor gaming.
- The State's gambling industry is subject to a regulatory regime comprising the Tasmanian Gaming Commission (TGC) and the Director of Racing for Racing Services Tasmania.
- The Tasmanian Government is concerned to ensure that recreational gambling can continue to be enjoyed by Tasmanians, while minimising the risk of problem and at-risk gambling, particularly for vulnerable groups.
- Results of the latest independent review of the social and economic impacts of gambling in Tasmania were released in 2008. Key findings of the review, entitled *Social and Economic Impact Study into Gambling in Tasmania* (SEIS) Volume 1 and Volume 2: *The Prevalence Study* indicate:
 - An estimated 0.54 per cent of the sample scored in the problem gambling range, 0.86 per cent in the moderate risk range, and 0.99 in the low risk range;
 - There was no significant change in the incidence of problem gambling between 2005 and 2007;
 - Tasmanian problem gambling and 'moderately at risk' rates were similar to South Australia, but lower than in Victoria and Queensland;
 - Total gambling expenditure in Tasmania increased in the 25 years to 2005/06 in real terms from \$123 million to \$287 million or by 133 per cent, significantly less than the Australian total increase of 260 per cent;
 - There has been no impact on aggregate economic activity in Tasmania as a result of gambling expenditure;
 - While the absolute contribution of gambling taxes and fees to Tasmania's own source revenue increased from \$67 million in 2001/02 to \$86 million in 2006/07 the share of state tax revenue coming from gambling taxes and fees has been falling;
 - The main source of problem gambling is EGMs in hotels, clubs and casinos. Those gamblers identified as higher risk (problem or moderately at risk) were significantly more likely to use ATMs at casinos and to be loyalty cardholders;

- o A number of characteristics of Tasmania's gambling industry and its regulation have helped minimise problem gambling. These include the absence of gambling venues operating 24 hours per day, the current maximum bet limit of \$10 in clubs and hotels and that gaming machines with note acceptors are not allowed in hotels and clubs; and
 - o An association between communities that are more disadvantaged (on the Socio-Economic Indexes for Areas), the regional concentration of gaming machines and Net Gaming Revenue.
- The above results rank Tasmania in the middle of Australian states and territories in terms of the proportion of problem and at risk gamblers.
- The Tasmanian Government recognises that a small but significant proportion of gamblers continue to suffer harm as a result of problem gambling, and is committed to taking further measures to protect gamblers and minimise harm to individuals and the community.
- To this end the State Government has recently announced the introduction of a comprehensive set of measures, as recommended by the TGC in response to the SEIS, Key elements include:
 - o enhancing restrictions on access to gambling by minors;
 - o imposing mandatory codes to improve gaming environments, including a prohibition on serving alcohol and food in public gaming areas between the hours of 9pm and close of gaming operations each day;
 - o placing further restrictions on access to cash in gaming venues;
 - o enhancing training requirements for gaming staff;
 - o improving information available to players on game rules and returns;
 - o restricting inducements that may encourage problem gambling;
 - o aligning penalties for gaming with those for liquor licensing;
 - o strengthening the gaming exclusions regime;
 - o enhancing education for at risk groups;
 - o reviewing the effectiveness of gambling support helplines;
 - o imposing a maximum cash payout of \$1 000 (amounts above this to be paid by cheque);
 - o reducing the current cash input limit on EGMs from \$9 899 to \$500;
 - o reducing the bet limit on gaming machines from \$10 to \$5 and strengthening other machine-based interventions;
 - o providing the Tasmanian Gaming Commission with a formal mandate in relation to responsible gambling and harm minimisation; and
 - o The development of a statewide strategy to minimise future harm caused by gambling.

2. Introduction

The last four decades have witnessed an expansion of gambling products and associated growth in the gambling industry in Tasmania. During the 1970s Australia's first casino was established in Hobart and lottery products were greatly expanded. This was followed by the introduction of electronic gaming machines (EGMs) into clubs and hotels in Tasmania during the 1990s. In February 2006 the Australian presence for the online gambling company Betfair, the world's biggest betting company, was established in Tasmania.

In response to this product expansion and industry growth the Tasmanian Government established two gambling regulators – the Tasmanian Gaming Commission (TGC) and the Director of Racing for Racing Services Tasmania (RST). RST responsibilities include stewardship, registration, licensing, integrity controls and bookmaker activities covering all three codes of racing in Tasmania - thoroughbred, harness and greyhound.

The TGC operates independently of the Tasmanian Government, but is supported by the Liquor and Gaming Branch of the Revenue, Gaming and Licensing Division of the Department of Treasury and Finance. The TGC has sole responsibility for the regulation of gaming in Tasmania, through the State's *Gaming Control Act 1993* (the Gaming Act). A key purpose of the Gaming Act is to maintain the integrity of gaming in Tasmania.

Section 151 of the Gaming Act requires gaming operators in Tasmania to pay four per cent of gross gaming machine profit each month toward a Community Support Levy (CSL). The Gaming Act requires the Tasmanian Treasurer to distribute the total CSL levy for the benefit of sport and recreation clubs; charitable organisations; and research into the prevention of compulsive gambling, treatment of compulsive gamblers, community education and other health services.

The State Government's Gambling Support Program (GSP) is primarily funded through the CSL. Responsibilities of the GSP include the delivery of problem gambling support services, gambling community education and health promotion, gambling research and the Charitable Organisations grants programs.

The Tasmanian Government is concerned to ensure that recreational gambling can continue to be enjoyed by Tasmanians, while minimising the risk of problem and at-risk gambling, particularly for vulnerable groups. To assist in effective evidence-based planning for this, independent reviews of the social, financial and economic impact of gambling in Tasmania occur every three years, in accordance with section 151(5) of the Gaming Act.

The *Social and Economic Impact Study into Gambling in Tasmania* (SEIS) Volume 1 and Volume 2: *The Prevalence Study* detail the findings of the latest of these reviews. This submission draws heavily from these volumes. The SEIS is an independent study undertaken by the South Australian Centre for Economic Studies. Copies of both volumes, together with the TGC's report to the Tasmanian Treasurer on the SEIS findings, released in October 2008 (the TGC Report) are available at <http://www.treasury.tas.gov.au/> (click on 'liquor and gaming').

As stated in the SEIS, Tasmania has established several venue and machine specific measures that will assist in placing it at the forefront in Australia in minimising harm associated with gambling in clubs and hotels. These include banning ATMs in gaming venues (the two casinos are excluded from this), setting a maximum bet limit of \$10 in clubs and hotels and banning gaming machines with note acceptors in hotels and clubs.

In response to the SEIS, on 20 March 2009 the Treasurer, the Hon Michael Aird MLC, announced that the Tasmanian Government will introduce a set of measures designed to minimise problem and at-risk gambling. These measures include:

- enhancing restrictions on access to gambling by minors;
- imposing mandatory codes to improve gaming environments, including a prohibition on serving alcohol and food in public gaming areas between the hours of 9pm and close of gaming operations each day;
- placing further restrictions on access to cash in gaming venues;
- enhancing training requirements for gaming staff;
- improving information available to players on game rules and returns;
- restricting inducements that may encourage problem gambling;
- aligning gaming-related penalties with those for liquor licensing;
- strengthening the gaming exclusions regime;
- enhancing education for at risk groups;
- reviewing the effectiveness of gambling support helplines;
- imposing a maximum cash payout of \$1 000 (amounts above this to be paid by cheque);
- reducing the current cash input limit on EGMs from \$9 899 to \$500;
- tightening bet limitations on gaming machines from \$10 to \$5 and strengthening other machine-based interventions; and
- providing the TGC with a formal mandate in relation to responsible gambling and harm minimisation.

The Tasmanian Government will develop a state-wide strategy to minimise future harm caused by gambling and will continue to monitor the effectiveness of the measures introduced.

The remainder of this submission consists of responses grouped according to the key topic areas as outlined in the Productivity Commission's (the Commission) Gambling Issues Paper.

3. Gambling Activity in Tasmania

3.1 The gambling industries

What have been the main changes to the structure (shares, ownership patterns, location) and conduct of Australia's gambling industries? What are the likely future trends? What new technological platforms for gambling are emerging? What are the impacts of these changes on gamblers, businesses, and the likely social costs and benefits of gambling?

The structure of the gambling industry in Tasmania has remained relatively stable in recent years. The operation of EGMs has remained with the same monopoly operator, the Federal Hotels Group (Federal Hotels) and, under a deed of arrangement, will do so until 2018 with a rolling five year term (at the Tasmanian Government's discretion) after that date. EGMs have been capped at a state-wide total of 3 680 with a maximum of 2000 in clubs. This cap was reached in 2006.

In January 2006 Australia's first licensed betting exchange operator, Betfair, commenced operations in Tasmania, under the Gaming Act.

The increase in popularity of sports betting, and the growth in overseas customers using internet and telephone services has assisted in the growth of wagering business for TOTE Tasmania.

Section 3 (pp 19-36) of the SEIS further considers the history and structure of gambling in Tasmania, concluding that:

"The last three decades have been characterised by a steady liberalisation of gambling activities associated with an increasing community acceptance of gambling. As a consequence, the range of gambling activities that are available to the public has increased greatly over this period. Tasmanians now have available every major type of gambling played in Australia."

What have been the changes to gaming machines (numbers, location and characteristics)? What future trends are likely in the characteristics of gaming machines?

Gaming machines were progressively introduced to Tasmanian clubs and hotels from January 1997. Tasmania has one gaming contractor, Network Gaming, which is part of Federal Hotels. The SEIS Volume 1 states:

- Tasmania's principal gaming operator, Federal Hotels, holds exclusive rights to operate table gaming, gaming machines and keno throughout the State until 30 June 2018 after which the licence converts to a rolling five year licence, renewable annually;
- As part of the 2003 Deed of Agreement between the Crown and Federal Hotels Pty Ltd, a state-wide cap of 3 680 gaming machines was established to cover hotels, licensed clubs and Tasmania's two casinos. This cap was reached in early 2006. Licensed clubs are entitled to a maximum of 40 EGMs, hotels to a maximum of 30 EGMs. The two casinos have 1 280 or 34.8 per cent of the total number of EGMs; and
- The average number of EGMs per hotel in Tasmania is 23.5 (Australia 21) and the average per club is 19 (Australia 49).

3.2 Gambling expenditure

What factors explain trends in gambling expenditure, particularly in gaming machine expenditure, since 1999? Has the gaming machine market 'matured'? What roles have harm minimisation measures played?

The introduction of 'table gaming' style gaming machines into Tasmania's casinos in 1986 resulted in a sharp increase in expenditure which occurred again with the introduction of modern style gaming machines into Tasmania's casinos in 1993.

With the introduction of EGMs in Tasmanian clubs and hotels in 1996/97 growth in real gambling expenditure in casinos abated. EGM gambling expenditure in casinos has ranged from \$89.5m in 2003/04 to \$96.6m in 2007/08. Total gambling expenditure at casinos grew at an annual average rate of just 0.3 per cent over the decade to 2006/07, compared to 5.5 per cent per year between 1982/83 and 1996/97.

Following the introduction of EGMs into hotels and clubs on 1 January 1997, gambling expenditure grew in real terms from \$29.8 million in 1997/98 to a peak of \$129.7 million in 2004/05 – an average growth rate of 23 per cent per annum. Real expenditure on gaming machines has fallen over consecutive years since 2004/05.

The above data, sourced from Section 4 of the SEIS Volume 1, suggests that the EGM market has 'matured' and that previous growth was a result of innovation and the 'novelty' of gaming machines being introduced to new markets.

Harm minimisation measures that could be directly linked to a decline in gaming machine expenditure are the introduction of limited smoking bans in hotel and club gaming areas from 1 January 2005 (a total ban on licensed premises took effect from 1 January 2006) and the state-wide cap on gaming machines being reached in early 2006. In addition, media attention on problem gamblers and EGMs may be a factor in the decline in gaming machine expenditure. However, the prevalence rate and the numbers of clients attending problem gambling services in Tasmania did not reflect a decline over this period, suggesting moderate and problem gambler groups are probably maintaining their expenditure rates.

Changes in population, inflation and expenditure make long term comparisons complex, however total gambling as a proportion of Tasmania's household disposable income (HDI) has decreased in the six years to 2005/06. This is shown in the table below.

Tasmania Gaming Expenditure as a percentage of household disposable income ¹			
Year	Casino	Gaming Machines (Hotels and Clubs)	Total Gaming
1999-00	0.898	.0756	2.252
2005-06	0.818	0.897	2.121
	Includes EGMs in casinos		

¹ Australian Gambling Statistics 1980-81 to 2005-06. Queensland Government Treasury.

Gaming machine expenditure as a percentage of HDI has fallen in casinos but increased in hotels and clubs. Current figures for gaming machines and casino expenditure are available in the Tasmanian Gaming Commission Annual Report 2007-2008, available at <http://www.treasury.tas.gov.au> (see 'Liquor and Gaming' section). This Report indicated a 4.6 per cent increase in expenditure in hotel/clubs compared to 2006-2007, and a 7.2 per cent increase in casino expenditure in the same period.

What factors explain the increased share of gaming machine expenditure in total gambling expenditure since 1999?

The increased share of EGM expenditure can be attributed to a range of factors. Before 1997, restrictions applied to the type of gaming machines allowed in casinos – the law required that machines simulate casino games. Due to the nature of the games, the machines took longer to play a game when compared to the modern style of gaming machine.

There has been a significant shift within the casino environment away from the traditional table games to EGMs, as the popularity of EGMs has increased. A relatively high proportion of Tasmania's EGMs are located within the casinos.

The expansion of gaming machines into hotels and clubs resulted in a significant increase in the availability of EGMs into new markets that, combined with the (until recently) favourable economic conditions, would have supported an increase in expenditure.

What are likely to be the future changes in spending for different types of gambling especially in relation to gaming machines and to new technologies (such as those involving the internet or mobile phones)?

Overall, the majority of the adult population in Tasmania and across the nation gamble at least once a year. The results of the SEIS Volume 2 show that 71.7 per cent of the sample had gambled at least once in the previous year. This figure is similar to gambling participation rates found in other states: South Australia 69.5 per cent (2005), Victoria 75.3 per cent (2003), and the Australian Capital Territory 75 per cent (2001). Gambling participation rates include all forms of gambling such as the purchase of a lottery or "scratchie" ticket or a "once a year" wager on the Melbourne Cup.

Chapter 4 (pp. 38-75) of the SEIS Volume 1 examines changes and trends in gambling behaviour and participation in Tasmania. Information provided includes longitudinal, nominal and real gambling expenditure in Tasmania, general participation levels and participation in specific gambling activities such as racing and wagering, Betfair, lotteries, casinos, gaming machines and other forms of gambling. The data indicates:

- Total gambling expenditure in Tasmania rose from \$123 million in 1980/81 to \$287 million in 2005/06, or in real terms by 133 per cent, while Tasmania's adult population increased by 27 per cent over the same period;
- Total real gambling expenditure in Tasmania in the period 1980/81 to 2005/06 has grown more slowly compared to Australia (average rate of growth: Tasmania 3.4 per cent; Australia 5.3 per cent);
- Average expenditure per adult at \$774 per annum or 2.4 per cent of HDI is below that for Australia at \$1 122 per adult or 2.9 per cent of HDI. Only Western Australia has lower expenditure per adult at \$551 or 1.4 per cent of HDI;

- In 2005/06 wagering on racing in Tasmania totalled \$319 million with losses at \$28 million or 8.8 per cent of total wagered. This compared to an average player loss of 14 per cent of the total wagered by all Australians;
- Total expenditure on EGMs in hotels and clubs increased in real terms from \$29.8 million in 1997/98 to \$129.7 million in 2004/05; and
- Per capita expenditure on EGMs was \$597, representing 77 per cent of the average expenditure per adult on all forms of gambling.

The analysis suggests that there has been no impact on aggregate economic activity in Tasmania as a result of gambling expenditure. Gambling expenditure may therefore represent a transfer of activity between sectors of the economy rather than an increase in total output.

Based on the above, hotel and club segments show good long term potential to maintain their existing client bases to secure revenue. This suggests that in the future, industry will continue to seek a variety of continuous play products that appeal to this established client base. Government harm minimisation and community education will continue to target potential, established problem and 'at-risk gamblers,' who are often located in disadvantaged communities.

4 Participation and profile of gamblers

What surveys of the participation and profile of gamblers have occurred since 1999 and what do they show? What methodology was applied in these surveys? How robust are the results?

SEIS – Volume 2, The Prevalence Study, 2008

The following results are drawn from SEIS Volume 2, released in June 2008. The Study involved a telephone survey of 4 051 Tasmanian adults in August and September 2007. Respondents were interviewed using the Computer Assisted Telephone Interview (CATI) System and households were randomly sampled. The Study was the fifth major stand-alone study into gambling in Tasmania since 1994, and provides information in relation to changes in behaviour and attitudes of Tasmanians in relation to gambling.

Overall results indicated little difference in gambling activity participation rates since 2005. Results also indicated:

- 71.7 per cent of the sample had gambled at least once in the previous year;
- The most popular activities were lotteries (52.3 per cent), scratch tickets (31.8 per cent), gaming machines (28.5 per cent) and keno (25.9 per cent);
- Only 16.8 per cent gambled on horse races, 7 per cent on casino table games, and 3.9 per cent on sports;
- Few people took advantage of electronic media/technology to gamble;
- Participation rates for internet gambling and poker tournaments were very low (< 2 per cent);
- 7 per cent of the sample gambled at least weekly on an activity other than lotteries, scratch tickets, or bingo (a significant increase from the 2005 survey);

- Males were more likely than females to gamble on racing, sports, casino table games, private card games, the Internet, and in poker tournaments. Participation rates in these activities were also higher amongst younger people;
- Overall gambling participation rates as well as regular gambling was generally higher in males, young people (18-29 years), people of Aboriginal descent, and amongst people with lower levels of educational attainment;
- The lowest participation rates were observed in older people (60+ years), in those with a university education, or among students; and
- Internet gambling, casino table gambling, and horse racing was more strongly favoured by people with greater education and/or higher personal incomes.

Roy Morgan Research Tasmanian Prevalence Study in 2005

This study was the fourth in a series of studies into the extent and impact of gambling in Tasmania. It involved interviewing 6 048 Tasmanian residents aged 18 years or over. All interviews were conducted over the telephone via CATI.

Prior studies were conducted in 1994, 1996 and 2000. These studies were commissioned by the GSP, within the Department of Health and Human Services (DHHS).

The 2000 study used the South Oaks Gambling Screen (SOGS). The 2005 study used both the SOGS and the Canadian Problem Gambling Index (CPGI), to enable a transition to CPGI in future prevalence studies. The CPGI is the preferred screen as recommended by the research commissioned for the Ministerial Council on Gambling, *Gambling Research Australia: Problem Gambling and Harm: Towards a National Definition*, December 2005.

The 2000, 2005 and previous reports into gambling in Tasmania are available from the GSP website at www.dhhs.tas.gov.au/gambling (see 'publications and resources' and follow the links to Tasmanian research). Fact Sheets for the 2005 study are available from the same web page.

Limitations of the SEIS, the 2005 study and previous telephone surveys

Telephone surveys are widely used to determine the prevalence of problem gambling as they offer a number of advantages such as cost and control over survey administration. As with most telephone surveys, both the SEIS and the 2005 study have some methodological shortcomings, especially the tendency to under-report the incidence of problem gambling.

Section 6 (p 6.35) of the 1999 Productivity Commission's Report into Gambling (the Report) addresses the accuracy of the SOGS, discussing false positives and negatives, and comparing SOGS findings with specific harms reported by gamblers. The Report also examined the tendency for population surveys to omit the most severe cases of problem gambling, estimating "that if the true prevalence rate of people with severe problems was around 0.7 per cent it is easily possible that surveys would suggest a prevalence rate...at around 0.3 per cent." The Report also notes "some counselling groups suggested the Commission's prevalence figures could have understated the prevalence of problem gambling by up to a threefold factor (sub. D252, p.1), although the Commission considers that to be highly unlikely." (p 6.36).

Roy Morgan Research used the same SOGS questions under similar conditions in the 2005 Study, with the implication that the finding for problem gamblers was underestimated by the same factor.

In 2006 the Office of Economic and Statistical Research published the 2004-05 Australian Gambling Statistics (AGS). Data for two categories of gambling can be compared with the SEIS Volume 2, and indicate a sizeable under-reporting of gambling expenditure for gaming machines, with the hotel/club category totalling only 16 per cent of the AGS figure of \$125.7 million.

The authors of the SEIS also note problems with unreliable estimates of expenditure associated with self-report studies, and for these reasons support conducting focussed socio-economic studies on selected key regions in order to provide more meaningful data.

4.1 Problem gamblers

What new problem gambling instruments have been developed since 1999, either in Australia or overseas? How adequate are the instruments, particularly the Canadian Problem Gambling Index and the Victorian Gambling Screen, in measuring problem gambling prevalence in Australia? How do these new instruments compare with the South Oaks Gambling Screen? Is it possible to refine these instruments further, or to change the survey methodology that applies to them, to make them more accurate or counter the inherent bias in responses?

In October 2005 the Ministerial Council on Gambling endorsed the national definition of problem gambling as set out in the report *Problem Gambling and Harm: Towards a National Definition* and adopted the CPGI as the national measurement tool for population-based surveys.

Considerable debate on gambling screens has taken place both at the academic level² and in Tasmania it has been discussed by the GSP and its Break Even Service providers. Currently the GSP favours the CPGI for prevalence studies and also for initial screening with clients attending the services. This is not solely because of the superiority of CPGI, but for reasons of comparability. GSP also uses the New Zealand 'Eight' Gambling Screen (Early Intervention Gambling Health Test) in community education, and counsellors are free to use additional tests they consider useful, for example the DSM – IV and Windsor Screen.

The problem is perhaps less to do with the specific screen and more to do with under-reporting. The Eight Gambling Screen, with less negative questions than SOGS or CPGI, may provide more accurate responses.³ However, the CPGI is the well-established 'international standard'.

² See for example, Matthew Stevens & Martin Young *Gambling screens and problem gambling estimates: A parallel psychometric assessment of the South Oaks Gambling Screen and the Canadian Problem Gambling Index*. Gambling Research Vol 20 (1), May 2008.

³ Don't Let an Opportunity Go by: Validation of the EIGHT Gambling Screen Sean Sullivan Int J Ment Health Addiction (2007) 5:381–389

4.1.1 Assessing trends from recent surveys

What changes have occurred to the incidence, prevalence and profile of problem gamblers once account is taken of the potentially different thresholds used to define problem gambling? What has happened to 'at risk' groups? Have new groups of problem gamblers emerged? Have problem gambler spending patterns changed? What factors are likely to have affected problem gambling prevalence?

The profiles of the various gambling groups were examined in both the SEIS and Tasmania's 2005 gambling study. Key findings included:

- Young people 18-24 being identified as at risk (2005 study); and
- The identification of lower socio-economic Local Government Areas as bearing a high proportion of gambling impact (SEIS).

In Tasmania, and Australia-wide, there is an established link between socio-economic status and poor health and wellbeing outcomes, as demonstrated through a number of studies.^{4 5 6 7} The SEIS indicates problem gambling and EGM gambling are associated with lower socio-economic communities, suggesting that gambling adds to the social and health disadvantage in these communities. These findings also suggest research into the sociological factors, in addition to the psychological factors around problem gambling, would be valuable.

The GSP has based its community education strategy and new awareness program on these findings. Gaming venue staff are also a vulnerable group.⁸

Questions relating to participation in internet and poker tournament gambling were included in the SEIS. Participation rates were 1.4 and 1.2 per cent respectively, indicating a very low popularity compared to EGMs.

EGMs continue to be the most popular form of gambling and the most significant issue from a problem gambling perspective. The SEIS Volume 2 discussion of EGM gambling and disadvantaged communities suggests disadvantaged communities be considered as an 'at risk' population group.

The risk thresholds of EGM gamblers, particularly regular gambling (technically, playing once a week or more) can also be used to define groups of problem gamblers and those at risk. Various studies have cast light on the problem gambling continuum since the Productivity Commission Report of 1999 (Summary p. 19).

⁴ Williams, A., Crawford, M. 2003, *Our Kids Action Plan 2004-2007: Working Towards a Holistic Response for Tasmania's Children*, p8. Department of Health and Human Services, Tasmania.

⁵ *None so deaf as those that will not hear. The Economist* print edition June 23 2007

⁶ Campbell, F A, Ramey, 1994, Effects of Early Intervention on Intellectual and Academic Achievement: A Follow Up Study of Children from Low-Income Families, *Child Development*, 65: in Shore, 1997

⁷ Mason K, Arnold R, *Problem gambling risk factors and associated behaviours and health status: results from the 2003/03 New Zealand Health Survey*. Ministry of Health, Wellington.

⁸ Hing, N. & Breen, H. (2008) 'How working in a gaming venue can lead to problem gambling: the experiences of six gaming venue staff' *Journal of Gambling Issues*, Issue 21, July 2008, pp.11-29

The 2005 Prevalence Study, as in the previous studies, points to poker machines as the major product driving problem gambling, as indicated below:

EGMs at (Tasmanian) Casinos (p. 22):

- These gamblers comprise 22 per cent of the (adult) Tasmanian population;
- Heavy poker machine players at casinos comprise 1 per cent of the Tasmanian population;
- 50 per cent of these heavy players score 5+ on SOGS; and
- On the CPGI, 32 per cent of heavy players scored 8+ (i.e. are problem gamblers), and a further 10 per cent scored between 3 and 7 (moderate risk).

EGMs at Club or Hotel (p. 23):

- These gamblers comprise 23 per cent of the Tasmanian population;
- Heavy poker machine players at clubs/hotels comprise 2 per cent of the Tasmanian population;
- Six per cent of these heavy players score 10+ on SOGS and a further 35 per cent score between SOGS 5 and 9; and
- On the CPGI, 31 per cent of heavy players scored 8+ (i.e. are problem gamblers), and a further 14 per cent scored between 3 and 7 (moderate risk).

Betting on horses or greyhounds away from the track, or TOTE off-course:

- TOTE off-course gamblers comprise 15 per cent of the Tasmanian population;
- Heavy TOTE off-course gamblers comprise 2 per cent of the Tasmanian population;
- 19 per cent of the heavy gamblers score 5+ on SOGS; and
- On the CPGI, 16 per cent of the heavy gamblers scored 8+ (problem gambler) and a further 19 per cent scored between 3 and 7 (moderate risk).

These findings highlight the association between regular gambling and problem gambling and reinforce the Commission's 1999 findings "...regular gamblers appear to be the risk prone group..." (Vol I, S8.6). This has implications for harm minimisation, as discussed below.

Canadian research has explored expenditure threshold⁹ as an indicator of problem gambling. The threshold appears to be approximately \$1 000 expenditure per year, and gambling twice or more per week.¹⁰ Research is currently underway in Tasmania to develop a better understanding of this measure.

⁹ A set of low-risk gambling limits were recently produced using Canadian epidemiological data on the intensity of gambling behaviour and related consequences (Shawn R. Currie, David C. Hodgins, Jian Li Wang, Nady el-Guebaly, Harold Wynne, Natalie V. Miller *Replication of Low-Risk Gambling Limits Using Canadian Provincial Gambling Prevalence Data*. *Journal of Gambling Studies* (2008) 24:321–335). "The empirically derived limits (gambling no more than two to three times per month, spending no more than \$501–\$1000 CAN per year or no more than 1% of gross income spent on gambling) accurately predicted risk of gambling-related harm after controlling for other risk factors."

¹⁰ NAGS 18th Annual Conference, Adelaide 3-5 Dec 2008 *Factors that influence the impact of problem gambling on the family* Ramsay Dixon. In his survey of Victorian problem gamblers, the gamblers' average expenditure was \$350 per week, average sessions = 3.3 per week.

What other Australian or overseas surveys of problem gambling prevalence and profiles have occurred since 1999? How robust are the results?

The SEIS and 2005 Tasmanian gambling study both contain comparisons with other prevalence studies. The following table is sourced from the SEIS Volume 2, page 57:

Table 5.2
Comparative Inter-jurisdictional Prevalence Rates for Problem Gambling as Based on the CPGI

	Sample Size	Moderate Risk	Problem Gambling
Queensland 2001	13,082	2.70	0.83
Queensland 2003	30,373	1.97	0.55
Victoria 2003	8,479	0.91	0.88
South Australia 2005	17,140	1.20	0.40
New South Wales 2006	5,029	1.60	0.80
Northern Territory 2005	1,873	n.a.	0.64
Tasmania 2005	6,048	1.02	0.73
Tasmania 2007	4,051	0.86	0.54

Note: n.a. = not applicable.

The above studies used similar methodologies to the recent Tasmanian gambling surveys.

5. Impacts of gambling

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? For example, have measures introduced by governments to address problem gambling and those at risk of problem gambling reduced the extent of social costs of gambling?

The SEIS comprehensively considers the social, economic and financial impacts of gambling in Tasmania, including the net impact. These results are discussed from pages 97 to 245. Broadly, results indicate:

- Tasmania's prevalence of problem gambling has remained statistically unchanged from 2000 levels. Tasmania is now more similar to other Australian states in terms of gambling prevalence than was the case in 1997-98 (see Figure 10, Summary p. 38 of the Productivity Commission Report 1999);
- Ongoing initiatives in Tasmania to reduce the prevalence of problem gambling include self-exclusion, industry harm minimisation, regulatory harm minimisation and community education. Arguably, this has helped to maintain problem gambling prevalence and the social costs of gambling at a fairly constant level, over the past decade;
- On balance, claims that the gambling industry has significantly contributed to economic growth in the aggregate economy are not substantiated, while equally the claims that spending on gambling has impacted on traditional areas of spending (i.e. retail) are equally not able to be substantiated. This is *not* to conclude that some businesses in some localities may not have been adversely affected (Section 7.1);
- A potentially important area of economic impact from gambling is on other forms of expenditure. The results of modelling non-gambling consumption expenditure, gambling expenditure and income suggests that the level of gambling expenditure does not affect the level of non-gambling final consumption expenditure (Section 7.2);

- The singular economic impact from gambling which has had an unambiguously positive effect was the consumer surplus (a measure of satisfaction or utility) which Tasmanians derived from gambling activities. This analysis identifies a net benefit of between \$71 to \$120 million from consumers' enjoyment of gambling; although this is largely off-set by excess losses of problem gamblers of \$91 million (Section 7.5);
- Gambling taxation is an important source of revenue for the Tasmanian Government. At \$84.3 million in 2006/07 it represented 11.5 per cent of State own source revenue.¹¹ This placed Tasmania in the middle of the range in relation to proportion of revenue coming from gambling taxes. This proportion was highest in the ACT at 15.1 per cent, followed by South Australia at 14 per cent and Victoria 13.1 per cent, with Western Australia ranked lowest at 6.1 per cent;¹²
- While the absolute contribution of gambling taxes and fees to Tasmania's own source revenue increased from \$67 million in 2001/02 to 84.3 million in 2006/07¹³ the share of state tax revenue coming from gambling taxes and fees has been falling;
- The largest source of revenue in 2006/07 was from gaming taxation (EGMs) at \$50.8 million, then lotteries \$24.1 million and tax and product levies on Betfair at \$5.0 million;
- Gaming machines whether located in hotels, clubs or casinos account for approximately 60 per cent of the total gambling taxation and lotteries account for a further 29 per cent;
- The SEIS Volume 2¹⁴ indicates that 0.54 per cent of Tasmanian adults scored in the problem gambling range and 0.86 per cent of adults were moderately at risk;
- The high risk and moderately at risk groups are distinct from regular gamblers in their experience of depression, disruptions to family life, incurring substantial debts, and disruptions to work and study;
- There was a positive, significant relationship between gaming expenditure and nearly all crime rates in Tasmania;
- On the basis of the Commission's estimated cost and frequency of harms, adjusted where possible using Tasmanian data, the estimated annual total social cost of problem gambling (in 2007 dollars) ranges from -\$42 million to -\$132 million. This is an annual cost per problem gambler of \$8 000 to \$25 000;
- It is generally acknowledged that social impacts of the gambling industry are characterised by small benefits experienced by the vast majority of those engaged in gambling, and significant costs for a small minority of gamblers (problem gamblers) and those around them. This poses challenges for policy makers;
- The forms of benefits and costs making up the assessment of the net impacts are consumer surplus (benefit), taxation revenue (benefit), excess expenditure by problem gamblers (cost) and social costs of problem gambling (cost); and

¹¹ As shown in Table 10, in 2006/07 gambling taxes and fees totalled \$86 million, comprising 11.9 per cent of the share of state tax revenue. Licence fees are set as a cost recovery charge on industry to cover the cost of regulation and monitoring.

¹² In 2007/08 this figure was \$90 million, representing 10.8 per cent of Tasmania's own source revenue Department of Treasury and Finance, Tasmania.

¹³ Ibid

¹⁴ Using the Canadian Problem Gambling Index (CPIGI) screen.

- Drawing together the quantifiable economic and social costs suggests that the net impact on Tasmania is ambiguous, with the net benefit of the quantifiable impacts of gambling ranging from -\$62.7 million to +\$75.5 million.

What are the regional impacts (for example, in low income areas, outside major metropolitan areas, or in remote or Indigenous communities)?

Regional impacts are considered by SEIS Volume 1, section 14. In alignment with other similar research, the SEIS indicates:

- An association exists between disadvantage, the regional concentration of gaming machines and net gaming revenue (NGR);
- There is also an association between high per capita NGR and lower medium income;
- EGMs earn higher per capita revenue in disadvantaged areas, while revenue per machine generally falls as the level of disadvantage declines; and
- The NGR appears to be the most significant influence on the number of Helpline callers from a region. Local government areas with high total expenditure generate more callers than areas with no local expenditure on gaming machine gambling. This suggests a need to examine the spatial determinants giving rise to problem gambling.

What Australian or overseas studies have been undertaken since 1999 on the impacts of gambling? What do they show? What methodologies and assumptions were applied in these studies? How robust are the studies' estimates of impacts? To what extent has the resolution of problems faced by former problem gamblers mitigated the social impacts?

The SEIS covers some of these issues in Section E of Volume 1, 'Future Research Framework'.

Qualitative insight into the impacts of gambling is available in the following two Tasmanian publications:

- *House of cards: Problem gambling and low income earners in Tasmania*. Anglicare Tasmania, Margie Law 2005, available from the DHHS website listed earlier; and
- *Woman Sucked into Pokie* (2007), detailing experiences of problem gamblers, published by and available from the DHHS.

University of Tasmania researcher Dr Janet Patford has examined the impact of gambling on families in the following series of papers:

- Patford, J. (2007). For Poorer: How Men Experience, Understand and Respond to Problematic Aspects of a Partner's Gambling, *Gambling Research* 19(1&2), 7-20.
- Patford, J. (2007). The Yoke of Care: How Parents and Parents-in-law Experience, Understand and Respond to Adult Children's Gambling Problems, *Australian Journal of Primary Health*, 13(3), 59-68.
- Patford, J. (2007). Linked lives: Adult children's experiences of late onset parental gambling problems, *International Journal of Mental Health and Addiction* 5(4), 367-380.

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

Data indicates that the costs and impacts of gambling in Tasmania have changed little since the Productivity Commission's 1999 Report. As discussed earlier, younger people are now a growing demographic in relation to gambling and disadvantaged communities are also identified. Further information is provided in SEIS Volume 1 and particularly in chapter 2, Volume 2.

What kinds of consumer issues may arise from gambling and how best should policy deal with them?

Submissions to the SEIS from individuals and groups expressing concern about problem gambling were not calling for prohibition of gambling activities but for greater consumer protection and improved services to help limit the adverse effects.

Of particular concern were safety issues associated with EGM usage. Consumer safety and harm minimisation are not the same thing – ideally products should be safe before they are used. The SEIS does not address gambling in consumer protection terms although it does link EGM safety with harm minimisation measures including identification and smart cards.

Consumer protection problems are exacerbated because problem gamblers are not vocal about exposure and harm in the system. Many will hide their problem because of the shame associated with gambling addiction.

The SEIS authors note that the above combination of factors suggests that if continuous forms of gambling are to remain at the current level of availability and accessibility, then consumer protection policies would best focus on constraining the gambler's ability to gamble continuously.

The SEIS suggests smart card or smart technology is a consumer protection option for all EGMs, noting "(A) universal system throughout all gaming venues and the requirement that everyone must produce the card before starting a gambling session would facilitate a range of consumer protection measures, and improve information quality and availability to industry and to policy-makers and to the gamblers themselves."

Smart cards or ID cards offer a potential solution to many of the issues of harm and safety. Just as drivers must be licensed to drive cars, gambling patrons can be licensed to gamble on the most problematic gambling categories. Electronic technology is capable of tracking gamblers' activity closely. Thresholds for gamblers 'chasing losses' – measured on the frequency and pattern of gambling sessions – could be utilised to alleviate problem gambling on EGMs. A disadvantage for recreational gamblers is the mandatory requirement to use the smart card. There may also be some costs to industry in implementing a smart card system.

Other consumer protection methods are relatively simple to introduce and include games displaying information on the probability of wins and losses, reducing/removing player inducements and compulsory breaks.

What are the impacts of gambling on social capital, and what might this imply for the regulation and taxation of the gambling industries?

Societies rich in social capital are characterised by dense and extensive networks of trusting and co-operative relationships underscored by a heightened ethic of social reciprocity.¹⁵

The SEIS highlights disadvantaged communities as carrying a disproportionate impact of problem gambling. These communities have reduced socio-economic capacity, and presumably, social capital. Gambling adds to the existing disadvantage in these populations:

From a health perspective, gambling is not a neutral activity exempt from health and social implications, even for low levels of involvement. The Tasmanian Government's GSP definition of problem gambling includes both harm and psychological dimensions, as follows:

Problem gambling is an unhealthy attachment to gambling. 'Unhealthy' is characterised by false expectations and beliefs as well as adverse impacts on thinking, self-respect, finances, relationships, work and lifestyle.¹⁶

The Tasmanian Government is helping to offset the negative impacts of gambling by channelling a percentage of gambling tax revenue back to Tasmanian communities through the CSL.

6. Taxation and regulatory arrangements

6.1 Taxation

What have been the main changes to state and territory taxation arrangements applying to gambling since 1999? Have there been changes to the application of the mutuality principle?

The introduction of the GST in 2000 impacted upon the Tasmanian gambling taxation arrangements by necessitating a reduction in taxation levels to allow for the 10 per cent GST on gambling profits. As gambling taxes are also based on gambling activity profit, taxation arrangements required amendment to avoid applying tax to a tax component of the profits.

Federal Hotels holds exclusive rights to operate casinos, gaming machines and conduct keno in Tasmania. This exclusivity was provided by the 1993 Deed of Arrangements and ratified by the Gaming Act.

In 2003 the Tasmanian Government renegotiated the Deed and introduced a state-wide limit on gaming machine numbers, including hotel and club limits. Existing venue limits were also set in legislation. The State negotiated increased taxation and licence fee revenue and increased contributions to the CSL, as well as securing other commitments from Federal Hotels.

The mutuality principle is not applicable in Tasmania. There is no special treatment to clubs as the tax is applied to the exclusive license holder, Federal Hotels, and not the clubs.

¹⁵ Christopher Scalon *The problems with 'social capital'* The Age July 19 2003

¹⁶ The definition was developed for community education purposes, to explore the transition from healthy to unhealthy behaviour.

What factors have influenced trends in state and territory gambling tax revenues, following the introduction of the GST? Have declining shares of tax revenues from gambling and gaming machines resulted from increases in other state and territory taxes, such as payroll tax and stamp duty? How has the determination of gambling tax rates changed?

As discussed above, gambling tax revenues have largely reflected the changing nature of the industry and the maturing of the Tasmanian gambling environment. Other taxation revenues, such as payroll tax and duties have been largely influenced by economic conditions and the move towards greater national harmonisation. Taxes sourced from gambling have fallen as a percentage of total State own sourced revenue in recent years from 13 per cent in 2002 to 11.8 per cent in 2007. This is expected to be 10 per cent in 2008-09.

To what extent are different forms of gambling taxed differently? What impacts have any differences in taxation had? Have they led to problems or distortions in gambling activity? How have any differences in taxation, and consequent impacts, changed since 1999?

Gaming taxes have been consistently applied on gaming profits. Table gaming is taxed at a lower rate than EGMs in recognition of the higher labour costs incurred in providing this form of gaming.

EGMs are taxed on gross profits and contribute the largest source of gambling tax.

There is no tax applied to totalisator wagering. Rather, fixed product fees are paid directly to the industry. This no-tax environment has stimulated growth in turnover from major customers such as corporate bookmakers as it enables low margin transactions to be profitable.

What challenges to state and territory tax arrangements are posed by technological changes to gambling (for example, the emergence of certain forms of internet gambling)?

The internet poses problems in the application of taxes, especially in determining where the transaction has occurred and in which jurisdiction it can be taxed.

Has there been greater harmonisation of taxation arrangements across the states and territories or across different gambling forms? What role should the Australian Government take in this area?

Jurisdictions have tended to make taxation arrangements independently due to the competitive nature of the gambling industry. The Australian Government's focus has been on policy initiatives to reduce problem gambling and increase consumer protection.

Are the current levels of gambling taxes, particularly in respect of gaming machines, appropriate? How do gambling taxes affect the 'odds' of gambling for consumers, and with what distributional outcomes for consumers and effects on problem gamblers?

The tax is based upon the gross profit derived from gambling, the 'odds' or player return is legislated and there is a prescribed minimum player return. It is difficult to ascertain any direct linkage between the tax rate, the legislated player return and the consumer outcome.

Licence fees and permit charges are designed to cover the cost of administration and regulation of the gambling sector and therefore have no net revenue effect.

Volume I, page 157 of the SEIS notes that total revenue (taxes and fees) from gambling has fallen as a proportion of the Tasmanian Government's own source revenue. In 2006/07 total revenue was \$86 million, equating to 11.9 per cent of own source State revenue. This is a reduction from 13.5 per cent in 2001/02.

Additional information relating to the taxation structure of gambling in Tasmania and government revenue can be drawn from Section C (10) of the SEIS.

6.2 Government Regulation

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?

The main change to Tasmania's regulatory framework has been the licensing of gambling operators under the Gaming Act, to use new forms of gambling via telecommunications devices such as the internet. This change was introduced in late 1999.

The licensing of gambling via telecommunications devices presented an opportunity to attract gambling operators using these new forms of technology. While there was some initial interest from operators, the restrictions contained in the *Interactive Gambling Act 2001* (Commonwealth) limited the opportunities from this initiative. However in 2006, Tasmania did eventually licence a betting exchange, known as Betfair.

To what extent has technological change affected the ability of state and territory governments to regulate gambling? Has regulation impeded technological innovation within Australia's gambling industries?

Tasmania has been at the forefront of adapting to technological change, establishing flexible regulations to deal with new forms of gambling. The licensing of Betfair required amendments to the Gaming Act as the existing legislation did not allow for wagering where the operator is a broker between other wagering parties.

To what extent are different forms of gambling regulated differently? What impacts have any differences in regulations had? Have they led to problems or distortions in gambling activity? How have any differences in regulation, and consequent impacts, changed since 1999?

Tasmania regulates most activities under the Gaming Act. This provides a reasonably consistent approach to regulation and applies to any holder of a licence or permit under the Act. The Tasmanian Government will shortly introduce amendments to bring the State's last major gambling operator (the totalisator operator, TOTE Tasmania) under the Gaming Act.

To what extent has there been greater harmonisation of regulations across the states and territories or across different gambling forms?

While it is the responsibility of each jurisdiction to regulate gambling, regulators in each jurisdiction participate in cross-jurisdictional forums. Forums share information on gambling regulation and harm minimisation measures and this has led to some consistency in approach. However each jurisdiction's gambling framework has evolved over a long period and reflects the policy decisions of their own state or territory government.

6.3 Regulatory and policy-making processes and institutions

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

As noted above there have been changes to the regulatory framework to regulate internet-based gambling operators, such as Betfair. Harm minimisation measures have also been introduced, including a comprehensive player exclusion scheme and a cap on gaming machine numbers.

Further changes are planned, including regulating the TOTE under the Gaming Act and new measures to address problem gambling in response to the SEIS.

The Gaming Act was amended in December 2005 to allow for some miscellaneous amendments and for the licensing and regulation of betting exchanges to operate under a Tasmanian gaming licence.

The Liquor and Gaming Branch of the Department of Treasury and Finance provides administrative support to the TGC, which is a separate legal entity established under the Gaming Act.

The Liquor and Gaming Branch is located within the Revenue, Gaming and Licensing Division of the Department of Treasury and Finance and has offices in Hobart and Launceston. It consists of the following units:

- Research and Policy
- Operations
- Compliance
- Communications and Education
- Technical and Systems Audit

The Department of Treasury and Finance has responsibility for the administration of the Gaming Act but is not responsible for any of the functions of the TGC. The Department's role is to ensure that the TGC is and remains properly constituted and is able to carry out its statutory functions.

The TGC's key role is to be the independent regulator of gaming in Tasmania. The functions of the TGC are outlined in Section 125 of the Gaming Act.

In exercising its functions the TGC does not perform its functions independently of the State, rather it is a vehicle through which the State operates to control and regulate gaming.

The TGC is subject to the direction of the Treasurer in the performance of its functions (s127) but directions cannot be given which interfere with its statutory functions such as the granting or cancellation of any licence.

As a result of the Treasurer's CSL direction, introduced in September 2006, the TGC is responsible for recommending the CSL annual budget and monitoring expenditure against the budget approved by the Treasurer.

To what extent have these measures been supported by research, especially field trials and evaluations? What has been the quality of this research against such criteria as validity, reliability, independence and transparency?

Tasmania's response to the SEIS has been examined in the light of research conducted elsewhere.

How effective has the Ministerial Council on Gambling been in addressing its objectives? To what extent has the national Framework on Problem Gambling been applied by state and territory governments? How effective has Gambling Research Australia been in addressing its objectives? Are its priority areas of research appropriate? What changes, if any, should be made to the various national initiatives?

The Tasmanian Government believes the Ministerial Council on Gambling has been, and continues to be, effective in providing direction to harm minimisation and consumer protection measures. The Council's main themes support a public health approach to gambling with prevention, intervention, partnerships and continuing research. The National Framework on Problem Gambling has been useful for providing a common understanding for industry, government and the TGC on problem gambling issues and approaches.

Gambling Research Australia has been particularly useful in providing a research repository (bibliography) and initiating key research. The National Data Dictionary has informed GSP's new services database. Research on *Identifying Problem Gambling in Gambling Venues* (2007) makes clear how venues can separate recreational from problematic gambling customers, paving the way for effective intervention.

The Gambling Working Party is also providing a valuable service, particularly in sharing information, approaches and resources. The provision of a national online counselling service is being coordinated by the Gambling Working Party and the states are also looking at better sharing of community education materials.

Research priorities change over time. Tasmania has proposed that priority areas for research should move on from the how and why of problem gambling to 'what messages work' in prevention and intervention, and toward a fuller understanding of the social (rather than the psychological) contexts of gambling. The GSP believes that Australians should be taught 'how gambling works' to counter erroneous beliefs and to provide for safer gambling products, particularly EGMs.

7. Consumer protection measures

7.1 Harm minimisation measures

The Gaming Act deals with some aspects of harm minimisation. The introduction of the Tasmanian Government's new measures to minimise problem gambling, discussed earlier, will strengthen this approach.

7.1.1 Industry and government actions

What industry codes of practice have been introduced since 1999, or are in prospect, to address problem gambling and other consumer protection concerns? What measures do they contain?

Tasmanian gambling providers have an Advertising Code of Practice and a voluntary Code of Practice called the Tasmanian Gambling Industry Group Code of Practice. Following the release of the SEIS and the policy responses from the TGC, the Tasmanian Government has announced a suite of additional measures designed to help address problem and at-risk gamblers in Tasmania. These measures have been discussed previously.

What measures have gambling venues introduced to address problem gambling and other consumer protection concerns?

Gaming venue staff participate in Responsible Conduct of Gaming, and work with the State Government's GSP to promote the responsible conduct of gaming through advertising and awareness campaigns, such as Responsible Gambling Awareness Week, and also through facilitation of the Break Even Network service providers.

Are there sufficient incentives, such as the threat of litigation by gamblers, for gambling venues to introduce consumer protection measures? What does the case law in this area reveal?

There are varying opinions as to the level of consumer protection measures that should apply to EGM gambling and whether existing measures are sufficient. The Tasmanian gambling industry has recently made it clear that it considers existing harm minimisation and consumer protection measures are adequate.¹⁷

Research clearly shows that regular EGM gambling is problematic – there is an identifiable level of financial damage, unrealistic expectations and probable harm for this group of gamblers. Some 40 per cent of EGM revenue is estimated to derive from problem gamblers.¹⁸ Ideally the principle 'regular EGM gambling is problematic' should be built into codes of practice. This could then ensure gaming venue staff proactively warn patrons that they are at risk. If patrons show signs of problem gambling¹⁹, appropriately higher levels of intervention are indicated.

¹⁷ AHA's Steve Old commenting on possible responses to the SEIS, Jan 2009.

¹⁸ Table 5.7 Section 5.15. *Share of spending (loss) accounted for by problem gamblers by different gambling products, 1997-98*. Productivity Commission Report, 1999.

¹⁹ *Identifying Problem Gamblers in Venues* Gambling Research Australia 2007

The Tasmanian Government is not aware of any litigation being brought against gaming venues by consumers. The TGC actively monitors venues and licence holders to ensure that they comply with rules and licence conditions, including consumer protection requirements. The 2007-08 TGC Report lists disciplinary action, including licence cancellation and monetary penalties awarded against venues and special employee licence holders, as examples of sufficient incentive to comply with existing consumer protection measures.²⁰

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?

The National Snapshot of Harm Minimisation Strategies provides a useful overview, however it does not include the package of measures announced by the Tasmanian Government on 20 March 2009 to further address problem gambling (see the Introduction for details).

To what extent have the development of harm minimisation measures reflected regulatory best practice (such as clear objectives, evidence of likely efficacy, consultation with stakeholders, coordination with other measures, and cost-effectiveness)? What changes, if any, in regulatory processes in this area are warranted?

The SEIS addresses these issues, particularly in pages 184 to 198. Specifically, the SEIS found that Tasmania differed from other jurisdictions in a number of ways that promote best practice, including:

- o banning ATMs in club and hotel gaming venues;
- o being the first state to ban smoking inside any licensed venue;
- o no venues operate gaming for 24 hours a day;²¹
- o having competitive advertising of gaming moderated, partly through the brand name of "Oasis", and partly through the industry voluntary code of practice;²²
- o gaming machines with note acceptors not being permitted in hotels and clubs, while autoplay is prohibited in hotels and clubs and the casinos; and
- o having a maximum bet limit of \$10 in clubs and hotels.²³

The TGC Report contains a summary of all existing harm minimisation measures in Tasmania.

Are there inconsistencies in harm minimisation measures across jurisdictions, as well as across the different forms of gambling? What problems or distortions do any inconsistencies cause?

Inconsistencies exist across jurisdictions in relation to regulatory measures within venues, responsible service of gambling courses and community education campaigns promoting prevention and intervention, which are variously affected by local priorities and funding.

²⁰ Tasmanian Gaming Commission Report 2007-2008 Annual Report pp 35 - 36

²¹ Up to 20 hours (88 venues); up to 19 hours (5 venues), and up to 18 hours (10 venues).

²² The Tasmanian Treasurer announced on 20 March 2009 that voluntary codes will be replaced with mandatory codes and that bet limits will be reduced to \$5.

²³ This limit has been in place for some time. Under the new suite of gambling measures to be introduced in Tasmania, the maximum bet limit will reduce to \$5.00 in clubs and hotels.

What impact has smoking restrictions had on expenditure by gamblers? To what extent is the impact temporary? Are gambling venues able to legally reconfigure their premises to accommodate smokers?

On 1 January 2005 limited smoking bans in hotel and club gaming areas were introduced in Tasmania (a total ban on licensed premises took effect from 1 January 2006). This ban has been directly linked to a decline in gaming machine expenditure (see SEIS Section 4 pages 69 and 70).

Between the introduction of the new smoking restrictions in January and the end of the financial year in June, overall turnover for gambling machines dropped by almost ten per cent across the board, compared with the same six-month period last year.²⁴

The table below shows EGM expenditure figures in Tasmania between 2004 and 2008:

Sector	2004-2005 \$m	2005-2006 \$m	2006-2007 \$m	2007-2008 \$m
Gaming machines at club/hotel	125.7	109.4	112.2	117.3
Casino all gaming (includes EGMs)	102.0	99.8	101.9	109.3
TOTAL	227.7	209.2	214.1	226.6

7.1.2 Assessing the effectiveness of harm minimisation measures

Is the Commission's approach to evaluating consumer protection or harm minimisation measures still appropriate?

There are a number of ways in which the Commission's existing approach could be enhanced. These include:

- Placing a greater emphasis upon sociological research and the need for cultural change around gambling and risk;
- Integrating community education with regulation – providing more coordinated prevention measures;
- Comparing and aligning consumer protection and gambling with consumer protection in other sectors, such as transport; and
- Adopting a consumer protection model that reflects that regular gambling, particularly on EGMs, can be unsafe.

²⁴ Tasmanian Gaming Commission 2004-2005 Annual Report

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

The TGC Report outlines the current situation in relation to inadequacies in arrangements and provides a selection of possible reforms.

As previously mentioned, on 20 March 2009, in response to the findings of the SEIS and after consultation with key community and industry groups, the Tasmanian Treasurer announced a range of measures to further address problem gambling in Tasmania.

What have been the impacts of harm minimisation measures that have been introduced? What have been their impacts on problem gambler and those at risk of problem gambling? Have the measures led to a reduction in the incidence and prevalence of problem gamblers and of those at risk of problem gambling? Have the measures enhanced consumer protection more generally? Have the provided gamblers with informed choice or greater control over the gambling? Do they measure adversely affect recreational gamblers? Have there been any unintended consequences arising from the measures? What other benefits and costs of the measures are there?

Research indicates that the prevalence rate of problem and at-risk gambling in Tasmania has remained virtually unchanged during the past three prevalence studies. The Tasmanian Government has announced a new range of measures to promote harm minimisation in relation to gambling – however, these are yet to be introduced and the impacts of these measures cannot yet be assessed.

To what extent are co-morbidities (such as depression and substance abuse) in problem gamblers and those at risk of problem gambling relevant to the effectiveness of harm minimisation measures?

SEIS volume 2, section 6, examines co-morbidities and gambling, including cigarette smoking and alcohol consumption. This issue is also discussed in relation to disadvantaged communities in the Participation and Profile of Gamblers section above. SEIS results indicate:

- Regular gamblers were significantly more likely to smoke than the rest of the sample;
- There was no relationship between alcohol consumption and the regularity of gambling. A second analysis, based on regular gamblers only, indicated CPGI risk level was also not significantly associated with the prevalence of alcohol use; and
- A significant proportion of regular gamblers reported heavy drinking, however, there was no significant association between CPGI risk level and heavy drinking.

7.1.3 The scope for new technologies

What new technologies might enhance or support harm minimisation measures? Are there examples of such technologies being used here or overseas? Are there regulatory impediments to the adoption by the gambling industries of these new technologies? What would be the cost to the industries? What privacy issues might arise? What other impacts would these technologies have? Should the adoption of particular technologies be mandated?

The technology based nature of EGM gambling lends itself to electronic harm minimisation, including smart cards or smart technology. The use of smart technology could significantly enhance existing harm minimisation measures for EGMs, as discussed below.

Smart loyalty cards which 'talk' to EGMs are already available in the gambling industry, and have considerable customer acceptance. Therefore, additional new 'smart' technology would have few, if any, additional privacy issues. If regulatory limits were to be built in to smart technology the information being collected would clearly identify patrons who were gambling excessively. There are sensitivities around defining the level of gaming loss that is 'problematic' for individual gamblers. In addition, gambling venues are required to display a duty of care to patrons.

Gambling limits can be built into smart technology on two levels:

- Patron limits on spending in a given period; and
- Harm minimisation limits based on the risk of gambling – warnings when patrons begin to gamble regularly, and exclusion when problematic levels are reached (based on dollars and number of sessions).

The Responsible Gaming Network's Submission to the Victorian Legislative Council Select Committee on Gaming Licensing, 2007 examines the latest technology.²⁵

There may be some cost to the gambling industry for the technology. The introduction of smart technology as a harm minimisation tool could have a major impact on gambling revenue at individual venues, thus potentially affecting the viability of the product in the absence of attracting new markets. To be most effective, the introduction of smart technology would need to be universal and mandated.

A two year research program is currently underway in Nova Scotia to obtain customer feedback on a new system that will require gamblers to hold a smart card in order to use EGMs.²⁶

Player pre-commitment technology is changing around the world and in some places smart card technology has been replaced by a user USB player protection key.

The Tasmanian Government supports the principles behind smart cards, machine intervention strategies and pre-commitment technology and will be seeking a national response to this issue.

²⁵ See www.parliament.vic.gov.au/council/gaminglicensing/Submissions/G1.28.pdf

²⁶ Card-carrying gamblers have say on new system. About 300 VLT players to test, give opinions on tracking cards. January 14, 2009. The Chronicle Herald.

7.2 Quantitative restrictions

7.2.1 Regulation of access to gaming machines

What key developments have there been since 1999 to regulate access to gaming machines in the states and territories? 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? Are there changes in prospect that would increase or decrease access to gaming machines (for example, increasing caps or extending the location of gaming machines)? What changes should be introduced?

The impact of regulating access to EGMs is probably best seen in Western Australia where EGMs are available in casinos only. The prevalence of problem gambling in Western Australia has remained markedly lower than in other Australian states and territories.

The TGC Report states that "(F)urther considered interventions could be put in place without unreasonably diminishing the enjoyment of recreational gamblers." These include changes to the design and operation of EGMs such as slowing spin rates, reducing lines and maximum bets and turning off sound effects. A full list of these measures is contained in the Report.

7.2.2 Regulation of internet gambling and other emerging gambling technologies

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

Which community groups are affected most by internet gambling? How does internet gambling affect problem gamblers and those at risk of problem gambling? How might other forms of gambling, such as wagering services provided by TABs, be affected?

In Tasmania e-gambling is currently being monitored, but at this stage has a low take-up rate.

Research into youth gambling involving 505 South Australian adolescents aged 15 to 17 years indicated 2 per cent were gambling infrequently on the internet, and 0.4 per cent weekly.²⁷ However 15 per cent of the sample listed internet gambling as an activity they would like to try when aged 18.

There are real concerns with consumer protection in relation to internet gambling. It is estimated that by 2010 there will be in excess of 2000 online casino sites operating internationally.²⁸ As this research states "assessments of the selected sites visited demonstrates there is intrinsic potential for excessive gambling with many operators exhibiting a lack of responsible safeguards to protect vulnerable participants such as adolescents and problem gamblers." It should be noted that online casinos can operate from Australia but under Australian law cannot be utilised by Australians.

²⁷ Paul Delfabbro and Letitia Thrupp *The social determinants of youth gambling in South Australian adolescents* *Journal of Adolescence* 26(2003) pp 313 – 330.

²⁸ Shaaron Kapcelovich *Provision of Responsible Gambling Features within Online Casino Sites* National Association for Gambling Studieconference, Adelaide 2008

The United Kingdom's Gambling Commission found more than 33 per cent of online casinos and bookmakers in the United Kingdom (UK) had website 'deficiencies' that could enable children to gamble.²⁹ Some 164 companies are permitted to operate around 250 gambling websites within the UK.

Some gaming websites are deliberately structured to pay out more than 100 per cent in the demonstration phase, then fall back to a lower rate.³⁰ Internet gambling with EGM style games can be just as rapidly played as those located within venues.

A report from the UK³¹ could indicate that latent demand may exist in Australia for internet gaming. Figures released by the UK Conservative Party showed "... nearly a quarter of a million more people gambled online last year compared to 2007 when advertising was permitted for the first time."

It is probably too early to identify trends resulting from the introduction of advertising of internet gambling services, however, a report on internet gambling from the UK Gambling Commission³² has initially found:

- There were a number of significant socio-demographic differences between internet gamblers and non-internet gamblers. Internet gamblers were more likely to be male, relatively young adults, single, well educated, and in professional/managerial employment; and
- The problem gambling prevalence rate was significantly higher among internet gamblers than among non-internet gamblers. Some questions in the problem gambling screen questionnaire were more heavily endorsed by internet gamblers, including gambling preoccupation and gambling to escape.

Of concern is the potential for these products to be targeted toward remote residents, as is apparent in the United Kingdom.

The UK Gambling Commission's latest survey data on remote gambling participation indicates that the proportion of UK adult residents participating in remote forms of gambling has increased to 9.7 per cent for the year to December 2008, up from 8.8 per cent in 2007 and 7.2 per cent in 2006, although this growth is largely attributed to online participation in the National Lottery.³³

What possible consumer and commercial benefits may be derived from new gambling platforms and what do these benefits suggest for appropriate regulatory arrangements?

Technologically, EGMS are a potentially problematic product that generates significant income to both government and industry, the benefits and disadvantages of which flow through to the community. It is vital that regulatory arrangements are carefully and holistically considered, particularly in relation to the introduction of new gambling platforms.

²⁹ *Third of gambling websites let children place online bets*. January 13, 2009. Mail Online.

³⁰ Serge Sévigny, , Martin Cloutier, Marie-France Pelletier and Robert Ladouceur Internet gambling: misleading payout rates during the "demo" period *Computers in Human Behavior*, 21(1), 153-158 (2005).

³¹ Rosa Prince *Problem gambling soars following growth of internet games* Daily Telegraph 19 March 2009

³² Internet gambling: a secondary analysis of findings from the 2007 British Gambling Prevalence Survey UK Gambling Commission Oct 2008

³³ *Fears of gambling endemic as NHS say 1.3 million Britons have serious problem*. January 27, 2009. Daily Mail.

What have been the rationales, benefits and costs of the Interactive Gambling Act and any other regulation applying to internet gambling? Is the regulation of internet gambling justified? What evidence is there of the impact of this regulation on problem gambling and those at risk of problem gambling? What other impacts of the regulation have there been? How has the Act affected other gambling forms, particularly those not reliant on the internet to deliver services? What has been the extent of compliance with and enforcement of the Interactive Gambling Act? Is the lack of reach of the Act to offshore internet gambling a concern?

The Australian Government's *Interactive Gambling Act 2001* is the principal, overarching policy instrument for the regulation of interactive gambling in Australia. The introduction of this Act signified a move towards a nationally consistent and collaborative approach toward regulating interactive gambling.

The aim of the *Interactive Gambling Act 2001* is to limit further expansion of interactive gambling, minimise the impact of problem interactive gambling and strengthen consumer protection.

Research indicates that the current take-up rate of this form of gambling in Australia is minimal at less than 5 per cent of all gamblers. However, there is potential for a significant increase in interactive gambling as a result of the increase in accessibility and affordability of technologies underpinning the service.

Despite existing regulatory controls anyone with internet access can gamble on-line 24 hours a day, seven days a week.

There is a significant gap in available data, and further research is required to identify the demographics of interactive gamblers, how they are accessing the service and the indicators of problem gamblers using the service.

In addition, there is a need for consistent data collection across jurisdictions to provide a national picture of emerging trends in interactive gambling participation.

What impacts have the recent High Court Betfair decision had on the capacity of the state and territory governments to regulate internet gambling?

The High Court decision was welcomed as it ensures that Betfair is able to trade freely in other jurisdictions. The Tasmanian Government is of the opinion that competition in the wagering industry from other forms of gambling should not be restricted simply to protect Government revenue. The internet is a medium that crosses jurisdictional borders and attempts to restrict access is problematic and, as in the High Court decision, potentially unconstitutional. The Tasmanian Government's view is that it is better to allow an operator to set up in Tasmania and be fully regulated in this jurisdiction than for Australians to use overseas sites of questionable safety.

To what extent do the developments in new gambling platforms reflect broader global trends in e-commerce, with their parallel regulatory challenges?

The Republic of Singapore is in the process of deregulating casino gambling while concurrently introducing what appear to be serious consumer safeguards.

The *Casino Control Act 2006* establishes the Casino Regulatory Authority of Singapore and the National Council on Problem Gambling³⁴, provides for the licensing of casinos and their employees and for the supervision and control of casino operators. This follows the Singaporean Government's announcement in 2005 that it is relaxing its ban on casinos and is allowing the development of two 'integrated resorts'³⁵

³⁴ http://en.wikipedia.org/wiki/National_Council_on_Problem_Gambling

³⁵ http://en.wikipedia.org/wiki/Integrated_resort

incorporating casinos, with the aim of boosting the tourism industry. Locals who wish to enter the casinos will be required to pay a daily entry fee of S\$100 or purchase an annual entry pass for S\$2,000. This measure is aimed at reducing the negative effects of compulsive gambling. The entry fees will fund harm minimisation support and education.

In November 2008 Phillip Ryan - CEO of Responsible Gaming Networks, Melbourne - claimed that smart technology would be deployed to enforce the gambling regulation the Singaporean government requires.³⁶

8. Government programs relevant to gambling

What key developments have occurred to government programs since 1999? What changes, if any, have taken place in respect of funding the programs? What changes should occur to government programs? Should greater attention be given to the education of young people about gambling, particularly in relation to financial literacy? How successful would such an approach be?

The Tasmanian Government has noted changes in problem gambler profiles over recent years, responding with a number of initiatives, including:

- What's the real deal (a school-based program);
- Youth video competition;
- Cartoon based press and TV ads; and
- The current Community Education strategy targeting disadvantaged communities.

Many gambling participants don't understand the probabilities and realities of gambling. Failing to understand how gambling works makes this group susceptible to the main message of industry promotion - that gambling is based on luck and luck is an endless opportunity.

It is important that all Australians understand the probabilities and realities of gambling, to provide a balance to the main thrust of industry promotion.

What developments have there been in relation to providing counselling and support services? Has there been increased monitoring and evaluation of treatment options for problem gamblers? Have new treatment options emerged? Has the proportion of funding for counselling and support services changed? How relevant are co-morbidities to the provision of counselling and support services to problem gamblers?

Tasmania provides a range of gambling counselling and support services, as detailed below:

- Tasmania's Break Even Gambling Services includes a Gambling Helpline, financial counselling and group sessions, provided free of charge and available in larger towns and cities. Internet-based services are being implemented in conjunction with other states;
- Self-exclusion is arranged through Break Even Services where the exclusion can be supported by counselling. Approximately 300 patrons are currently excluded from either gaming or TOTE venues;

³⁶ Phillip Ryan Recent global developments in precommitment public policies. Presentation at National Association for Gambling Studies conference, Adelaide 2008

- Self-exclusion is a component of the Tasmanian Gambling Exclusion Scheme. In November 2008 the Scheme was enhanced with an online database that can be accessed in real time by counsellors, government scheme administrators and venue staff. The database incorporates Exclusion Notices, complete with photo, that are lodged online and are immediately available to venue staff;
- An evaluation of the Tasmanian gambling counselling services is currently underway. *Break Even Gambling Services Client Information for the period 1 July 2000 to 30 June 2007* is available from the GSP website, under the 'publications and resources' menu item;
- Counselling is based around cognitive behaviour therapies although counsellors can utilise other therapies they deem appropriate. Evaluation is ongoing in key areas including counsellor training and development; referrals in and out; provision of culturally responsive services; capacity in rural and remote areas; community education and outreach programs. Complex and high need clients receive special attention with case management and reviews at three, six and 10 sessions and multiples thereof;
- Funding of counselling and support services occurs on demand and the demand for services has proven to be fairly stable over time; and
- Co-morbidity issues are addressed, particularly mental health issues. In addition special attention is given to clients who are financially disadvantaged, disabled, of Aboriginal descent, in prison pre-release programs or from culturally and linguistically diverse backgrounds.

Further information on the above services is available from
http://www.dhhs.tas.gov.au/health_and_wellbeing/gambling

9. Other

The 1999 Productivity Commission Report Summary (pp 4 to 42) discusses erroneous beliefs around gambling, referencing the research of Moore and Ohtsuka, conducted in 1998.

The DHHS explored this research further with a public survey conducted at a major Tasmanian agricultural event, Agfest, receiving tens of thousands of visitors annually. Dr Keis Ohtsuka, Senior Lecturer from the School of Social Sciences and Psychology at Victoria University provided permission to use a slightly amended version of the questions included in the Productivity Commission's Report Summary Table 7. The public survey findings were similar to those of the Report's Table 7. In addition, information gathered from the high proportion of young people among the respondents indicated the existence of illusions of control even before respondents were of a legal age to gamble. Overall, approximately 10 to 15 per cent of respondents displayed illusions of control and this group may be particularly vulnerable to problem gambling.

A paper examining part of the above data was presented by Dr Ohtsuka at the 2006 Australian National Association of Gambling Studies conference.

Previous research on illusion of control beliefs regard this over-optimistic belief on the outcome of random events as a result of gambling activities as a risk factor (a predictor of gambling harm). However, a substantial number of young people (under legal gambling age) surveyed at the Agfest reported illusion of control beliefs before they are exposed to commercial gambling. Future research needs to further investigate if the levels of illusion of control beliefs among youth are related to informal games or

gambling (such as card games or a game of pool) that young people play or are acquired through other types of learning (e.g., general emphasis on skill learning at the school setting).

10. Commonly used Acronyms

AGS	Australian Gambling Statistics
CATI	Computer Assisted Telephone Interview
CPGI	Canadian Problem Gambling Index
CSL	Community Support Levy
DHHS	Tasmanian Department of Health and Human Services
EGM	Electronic Gaming Machine
GSP	Gambling Support Program
HDI	Household Disposable Income
NGR	Net Gaming Revenue
RST	Racing Services Tasmania
SEIS	Social and Economic Impact Study into Gambling in Tasmania (Volume 1 and Volume 2)
SOGS	South Oaks Gambling Screen
TCG	Tasmanian Gaming Commission