



NICK XENOPHON
Independent Senator for South Australia
AUSTRALIAN SENATE

Mr G Banks, Mr R Fitzgerald & Ms L Sylvan
Commissioners
Productivity Commission – Inquiry into Gambling
GPO Box 1428
Canberra ACT 2601

Dear Commissioners,

RE: Submission to the Productivity Commission's draft report into Gambling

I refer to my previous discussions with the Productivity Commission in relation to this matter, including my initial submission on 01 April 2009 to this Inquiry and the public hearing on Tuesday 01 December 2009, in which I participated via teleconference.

I welcome the Productivity Commission's draft recommendations released on 21 October 2009. However, I believe the recommendations can go further to significantly reduce the enormous social and economic harm caused by gambling, in particular by electronic gambling machines.

In this submission, I wish to discuss some of the draft recommendations, outline my concerns and highlight where I believe more can be done.

1. *Draft Recommendations (Chapter 5) – Counselling and treatment support services*

- 1.1 The recommendations put forward by the Productivity Commission with respect to building on existing support campaigns and providing greater awareness about issues associated with problem gambling is positive.
- 1.2 However, counsellors have expressed concerns to me about the lack of funding available to them to service the needs of people in the community with a gambling problem and to advertise their services in a way that adequately reaches the community.
- 1.3 In addition, the efficacy of gamblers' rehabilitation services needs to be assessed on a rigorous and systematic basis, and this could be best carried out by a national research body that is independent of governments, industry and other vested interests.

- 1.4 In particular, it needs to be established how many people with a gambling problem are currently receiving help and, of those, how many have been assisted to overcome their problem. In this way, best treatment practices and approaches can be determined and applied.

2. Draft Recommendations (Chapter 7) – Pre-commitment strategies

- 2.1 I support the recommendation that self-exclusion arrangements should be strengthened such that they apply across all venues; that gamblers can immediately invoke self-exclusion at a venue, without interview; and, that family members are able to make applications for third-party exclusions, subject to evidence and due process, amongst other measures.
- 2.2 Similarly, I support the introduction of a pre-commitment system which requires that players set spending limits on their gambling which cannot be revoked once play commences. Such a system should apply to all poker machines across all jurisdictions. A two-tiered approach (to poker machines) would undermine the effectiveness of such a strategy.
- 2.3 Players should not be able to opt-out of this pre-commitment system as it undermines its intent and effectiveness.
- 2.4 In addition, smart card technology should be introduced which would require players to set monetary and time limits, and the period for accruing these limits, prior to commencement of play. Further, machines should be fitted to require a smart card device to be inserted before it can operate, thereby preventing players from circumventing the system.
- 2.5 Smart cards are currently in use in Norway, where machines are only accessible to pre-registered users via a pre-paid card. Individual gambling losses are limited to about \$100 a day and \$485 a month. Machines do not take cash or credit cards and smart cards are used to automatically impose a 10-minute cooling off period after one hour of continuous gambling by an individual.
- 2.6 A pre-commitment system could be introduced well before 2016. Smart card and USB technology already exist – electronic gambling machine manufacturers should be required to retro-fit old machines and supply new machines which comply with this requirement. A transition period of 12-18 months would be a reasonable time frame for these modifications.

3. Draft Recommendations (Chapter 9) – Access to cash and credit

- 3.1 The Productivity Commission's findings in its 1999 report on the use of ATMs at venues is compelling.

Table 8 **How often do you withdraw money from an ATM at a venue when you play the poker machines?**

	<i>Never or rarely</i>	<i>Often or always</i>
	%	%
Recreational players	90.0	4.6
Problem gamblers (SOG 5+)	47.0	37.8
Problem players (SOGS 10+)	25.2	58.7

Source: PC National Gambling Survey.

- 3.2 Given this, the problem with the \$200 a day recommendation is that it may not be effective where a person has multiple cards.
- 3.3 Furthermore, it would mean, for instance, that a person who draws \$200 out at 11:59pm could draw out another \$200 two minutes later.
- 3.5 Access to ATMs at venues fuels gambling addiction and their removal will negligibly inconvenience recreational gamblers. However, having effective and rigorous pre-commitment measures in place would arguably more effectively combat problem gambling.

4. Draft Recommendations (Chapter 10) – Accessibility of gaming machines

- 4.1 I support the Productivity Commission's recommendation that venues should be required to impose these shutdown periods earlier and for a longer duration.
- 4.2 Any shutdown period should be uniform across a region so as to obviate the risk of problem gamblers simply leaving one venue that is closing to another that is still open down the road.

5. Draft Recommendations (Chapter 11) – Game features and machine design

- 5.2 Following the release of the Commission's draft recommendations, I have introduced a Private Senator's Bill – the *Poker Machine (Reduced Losses – Interim Measures) Bill 2009* – which provides for interim measures to regulate the rate of poker machine losses by limiting the maximum bet to \$1 on any spin, and also minimising the maximum loss per hour to \$120.
- 5.3 The volatility of machines also needs to be reduced significantly so that in a typical playing period for a recreational gambler (of, say, 20-30 minutes) the average rate of return for that machine is delivered during that period of play.
- 5.4 Further, the industry should disclose all documents, data and software information with respect to the random reinforcement schedules of machines. Previously, researchers for the Independent Gambling Authority of SA have

expressed frustration in not being able to obtain full details from machine manufacturers.

- 5.5 I support the recommendation that machines be modified such that they cannot accept more than \$20 in credit at one time – this would be a welcome interim step. This will work to reduce the amount gamblers are able to 'load up' their machines without realising the total amount they are gambling with.

6. *Draft Recommendations (Chapter 12) – Online gaming and the Interactive Gaming Act*

- 6.1 The role of technology is a serious and increasing issue for gamblers. As the Reverend Tim Costello, CEO of World Vision and anti-gambling harm campaigner, says, "With the internet, you can lose your home without ever actually having to leave it".
- 6.2 I am concerned by the Productivity Commission's recommendations that we legalise the practice of online gambling and attempt to regulate it in order to minimise harm, under a scheme of "managed liberalisation".
- 6.3 Given the growth in online gaming, I have given notice for there to be a Senate inquiry into Interactive Gambling.

The terms of reference are as follows:

- a) the recent growth in interactive sports betting and the changes in online wagering due to new technologies;
- b) the development of new technologies (including mobile phone and interactive television) that increase the risk and incidence of problem gambling;
- c) the relative regulatory frameworks of online and non-online gambling;
- d) inducements to bet on sporting events online;
- e) the impact of betting exchanges, including the ability to bet on losing outcomes;
- f) appropriate regulation (including codes of disclosure) for persons betting on events over which they have some participation or special knowledge (including match fixing of sporting events); and,
- g) any other related matters.

If the Senate motion is successful, this Inquiry will examine the prevalence of interactive and online gambling in Australia and the adequacy of the *Interactive Gambling Act 2001* to effectively deal with its social and economic impacts.

- 6.4 While many of these websites originate from overseas, there is scope for Australian consumers who use credit cards originating from Australian-based banks to void gambling transactions. This would have the effect of frustrating the operations of illegal gambling websites.

7. Draft Recommendations (Chapter 13) – Developments in the racing and wagering industries

- 7.1 Betting on sporting events has topped \$200 million - a conservative figure, and recent years have seen new forms of betting emerge, including the opportunity to bet on a team to lose through agencies such as Betfair. This raises obvious concerns about the risk of corruption in sport.
- 7.2 A national system of regulation and penalties when it comes to all betting on professional sports needs to be implemented, with an immediate suspension of all sports betting until this regulatory framework is in place, which should include tough legal penalties for players, officials, coaches or anyone else involved in any form of match-fixing or manipulation of a game.

8. Draft Recommendations (Chapter 14) – Regulatory processes and institutions

- 8.1 The reliance that State Governments have on gambling taxes begs the question of what roles and functions gambling industry regulators should adopt both in the context of the current legislative frameworks regulators operate under, and the broader context of the role regulators can have in protecting consumers of gambling products. The obvious follow-on question from that is whether gambling regulators have fulfilled a useful and productive role in protecting consumers from harm.
- 8.2 The Productivity Commission's 1999 inquiry into gambling, recommended a broad regulatory framework which would comprise:
- 'Big picture' policy decisions being made by each Government/Parliament, but informed by more open processes and better information;
 - An independent gambling control authority in each State and Territory:
 - With the primary objective of furthering the public interest;
 - It's charter emphasizing a high standard of consumer protection as a central objective;
 - With the role of making decisions in accordance with registered criteria, as well as providing objective information to Government and the community.

The framework was also supposed to include:

- A structure which facilitates its statutory independence;
- Coverage of all gambling activities; and
- Processes based on transparency in public consultation.

- 8.4 However, it is my understanding that, to date, very few if any of these measures have been implemented.
- 8.5 Furthermore, until now, governments and regulators alike appear to be preoccupied with the management of the casualties of gambling rather than addressing the harm caused in the first place.

8.6 A national approach and body is needed to benchmark regulatory standards and enforcement against the goal of dramatically reducing the harm caused by gambling products, particularly poker machines.

9. Draft Recommendations (Chapter 15) – Gambling policy research and evaluation

9.1 I support the recommendations made by the Productivity Commission that there ought to be an independent centre for gambling policy research at a national level.

9.2 To this end, it must be independent of government, must receive tri-annual funding and have the independence and status of a statutory authority in order for it to be effective.

Finally, the social impacts of problem gambling have been well documented. The link between problem gambling and family breakdown, crime, mental illness, financial hardship and suicide, is well established.

I am encouraged by the Productivity Commission's draft report and recommendations into gambling. However, I believe these measures can be strengthened so to result in effective harm reduction.

I look forward to reading your final report and recommendations (and to the Commonwealth government taking action to reduce the harm caused by gambling).

Yours Sincerely,



NICK XENOPHON
Independent Senator for South Australia

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