

Response to Productivity Commission Draft Report - Gambling

Introduction - Club One

Club One is a Not for Profit incorporated body that holds the Special Club license per Section 24A of South Australian Gaming Machine Act. (see www.clubone.net.au for more details) This License was recommended by the Independent Gambling Authority (IGA) as a part of a raft of measures designed to manage Gaming Machines in South Australia. The License permits Club One to secure, transfer and co locate GMEs within the industry framework of Licensed Gaming Venues. Club One Reports to the Office of Liquor and Gambling Commissioner (OLGC) and the Parliament and distributes its surplus as grants to Not for Profit organisations

Club One is part of the gaming policy framework in South Australia. This framework has the goal of producing a well run, high integrity, safe and profitable gaming industry that generates well distributed and broad benefits to the community. It does this by relying on a licensing regime which creates identifiable, monitored and secure adult only venues that are managed to a standard and that distribute their profits by way of community benefit or taxation.

Integrity is maintained by independent regulators, centralised independent technological scrutiny, parliamentary oversight, self regulation and industry sponsored but independent intervention agencies.

Club One views gambling as normal human behaviour. It is part of human risk taking behaviours manifesting as a specific activity as well as a component of human endeavours as diverse as business decision making, health management and social relationships.

General Comments on the Draft Report.

Whilst the Report remit was very broad, the Report discusses at length problem gambling and models of gambling intervention. It noted:

Even if there is a broad consensus that problem gambling involves significant harm to gamblers, precisely defining, measuring and interpreting it poses substantial challenges. [report 4.5]

The report decides however that:

Given evidence that higher risk gamblers represent a much greater share of people playing late at night — a time when they are also often under the influence of alcohol — the Commission proposes that regulated shutdowns for gaming rooms in hotels and clubs should be extended and commence earlier. (Report XXXII)

This is a not a valid conclusion. In South Australia, the evidence is that problem gamblers do not drink. In fact many venues close down as much of their food and alcohol services as possible as they are not used. This matter was explored at length by the Independent Gambling Authority during one of its hearings that led to the establishment of the practice Codes for the industry. It is of concern that the Commission may have relied on such “evidence” to make its recommendation for earlier night closing hours as it is based on a mis-apprehension of the behaviours of Gambling Machine users.

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Interestingly, to redress the issue of a lack of evidence, the Report recommends a national research body (chapters 14 and 15). [Report 3.3]

Unfortunately the Report is not willing to await this new evidence

Evidence is essential to good public policy. But an excessively high standard of proof about what would reduce consumer detriment from gambling risks policy paralysis in an area where there are demonstrably large community costs from inaction. Policy needs to take account of both the costs of mistakenly introducing ineffective policies, as well as the costs of failing to act when a policy option may in fact be effective.

Club One does not accept this statement. Medical history is littered with failed experiments that have damaged the population. Club One argues that after 50 years of gaming machines, the evidence does exist of the nature and impact of such gambling. There is a reasonable base for genuine evidence based policy and a basis for delaying the introduction of policies until they are validated.

The Report also presents a pervasive belief that the parts of the gambling sector can be manipulated without affecting the whole.

A more coherent and effective policy approach is called for. There is a particular need for targeted harm minimisation policies that can effectively address the high rate of problem gambling among regular gaming machine players. Most gamblers would not be affected by this approach. (OVERVIEW XV)

If there is a high rate of problem gamblers (as undefined) among regular machine players as the statement implies, then most gamblers will be affected.

There will also be an impact on local venues. The report admits that

Effective harm minimisation policy for gaming machines will inevitably erode gaming revenues. In the longer run, however, technological changes may attract a wider base of consumers, offsetting this. (OVERVIEW XV)

Club One does not accept this outcome. The hope that technology will solve the income problem is not based on any evidence – it is reminiscent of 2YK .

The Report underplays the experience of the states, this is weakness, the states are responsible for gambling, they have the experience, knowledge and have developed policy in the context of real evidence. If anything the report “points the bone” at the states

Moreover, while one of the benefits of federalism is its capacity for generating useful policy experiments, some of the variations in jurisdictional regulations are not well justified. This is especially so in the fractured arrangements for gaming machine standards. (Report XL)

The report also recommends a new access to legal action and penalties.

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Statutory provisions to enable gamblers to seek redress through the courts for egregious behaviour by venues appear necessary. (OVERVIEW XV)

Given each state has a range of penalties and in South Australia an inspectorate and independent Commissioner and an Independent Gambling Authority exists, Club One sees no requirement for even more actions but does not oppose the proposal.

The Report recommends that by 2016 there be regime of pre commitment that will solve almost all the harm problems.

There should be a progressive move over the next six years to a universal precommitment system for gaming machines, using technologies that allow all consumers in all venues to set binding limits on their future play. Safe default settings would apply, but players could opt out, with periodic checking of their preference to do so. With effective pre-commitment, many other regulations on gaming machines could be modified, or be removed as they become redundant. (OVERVIEW XV, Report XXX, XLVI)

The Report also argues for a redesign of the Gaming Machine:

Changes to gaming machines provide the most promising avenue for harm minimisation.

Most people play on gaming machines infrequently, for relatively short periods of time and with low intensity. The average cost —between \$30 and \$40 an hour — is commensurate with many other entertainments.

However, it is possible to play most gaming machines at much higher rates than this — up to expected losses of around \$1200 per hour. That is not commensurate with any other form of everyday entertainment. Many of those who play like this have a very high likelihood of experiencing problems. The Commission has seen evidence of gamblers losing more than \$65 000 over 100 hours of gaming machine play in just one month — equivalent to a loss of around \$650 per hour (Report XXVIII)

Club One does not support controls of individuals by technology. In an opt in vs opt out system for pre commitment, Club One would support an opt in system. Similarly it would not support a punitive or prohibitive element to any opt in or out system. Club One supports a process of informed choice given the clients in present venue arrangements are adults with free will.

The Reports finds that those who use lotteries and scratchies are not problem gamblers and that Gaming Machines produce almost all the problem gamblers. This group contributes some 40% of all “losses”, which unlike the terms an “order” of drinks or the “purchase” of an amusement arcade ride is a value loaded term. The figure quoted per player is \$7,000 pa. (OVERVIEW XXV) This is \$135 per week. This concurs with a report commissioned in 2008 by the South Australia Independent Gambling Authority (IGA) which stated:

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SA has a problem gambling prevalence rate of 1.6% of the adult population according to a gambling prevalence study conducted in 2005. That study also concluded that 30% of the adult population used EGMs at least once per year, and of that group 20.3% used EGMs at least fortnightly (i.e., ~ 6.1% of the adult population). [p9 The Relevance and Role of Gaming Machine Games and Game Features on the Play of Problem Gamblers IGA 2008]

Club One supports targeting the 1.5% but asks why the other 98.5% of the players must be restricted in their activities?

A specific concern - The Internet

Given the potential for growth in online, mobile phone and television-based quizzes, competitions and auctions — particularly with convergence of online and broadcasting technologies — there are sound reasons for increased regulatory oversight of such gambling. However, it is not clear who should have responsibility. The Commission seeks views on this matter

The Report makes a recommendation supporting the introducing of internet gambling, sustained by a belief it can be controlled

Liberalising the domestic supply of online gaming, accompanied by strong harm minimisation, would divert consumers from risky overseas sites. (OVERVIEW XV)

The report offers the following rationales for internet gambling

By eliminating local supply, the short-run effect of the ban has been to limit development of online gaming in Australia. (There is significant spending offshore, reflecting the fact that the Australian Government cannot effectively enforce a ban on foreign suppliers.)

On the other hand, online gamblers tend to have higher incomes (reducing the financial risks), their gambling is more likely to be observed by their families (compared with the often anonymous social setting of a club or hotel), and they receive a record of their transactions if they gamble using credit cards. In that context, the overall risks for online gambling would seem lower than supposed.

In any case, the risks posed by more freely available online gambling have to be set against the benefits of the medium, which includes better odds and improved products (such as interactive games). And, regardless of the arithmetic of pain versus gain, a ban is probably unsustainable anyway:

Accordingly, the long-run consequence of prohibition may be higher problem gambling risks and a loss of commercial opportunities and tax revenue in Australia. As with other forms of gambling, there are strong grounds for ameliorating its harms, while trying to preserve its benefits for recreational gamblers. (Report XXXVI)

Club One rejects the unsubstantiated three “user” rationales offered – That the affluent will play the internet, they will use credit and this is acceptable and the family will police the players.

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Club One rejects the other rationale – that the internet player needs to be saved from themselves.

On experience and best evidence available, Club One surmises that legalising the internet will replicate the experience of the liberalisation of gambling but many times worse, as it is not controllable. Even absolutist regimes such as Iraq and China cannot control its use; it is unlikely Australia will better their record.

Conclusion – Statement of Response

Club One is based within the club sector of South Australia. A club is a group of likeminded persons who govern their own affairs within a democratic governance structure that has a high emphasis on self reliance, self management, volunteerism and self determination. Consequently Club One makes the following points:

1. Communities are best governed by themselves and thereby Club One does not support any centralisation proposed by the report. The present system permits the communities of the states to form their own policies in response to their communities. The states do respond to their communities as evidenced by the many legislative actions. There is an inbuilt assumption in the report that these responses are not enough but it may be that they do respond to all the community not just a section.
2. The best forms of governance rely on limited and accountable bureaucracies. Club one does not support the governance models posed in the report as they promote large bureaucracies and place inordinate power into the hands of bureaucrats.
3. The move away from diversity regulatory implied in the report is not supported by Club One. The potential for a federal department for gambling located within health or a like bureaucracy is not supported by Club One. Instead, a small secretariat providing information exchange and review would be best practice.
4. The proposal to open the internet with its 24/7 access and very poor controls and overt corruptibility as evidenced by virus', hacking and theft of identities and emails, is not desirable. It is also a move away from venue based controls supported by Club One and state legislators. It is also based on poor evidence and assumptions (e.g. the user is more affluent) and the report condones credit gambling to permit such internet access. Given the argument in the report is that existing venues need to be closed for longer to prevent access and more decision making steps need to occur such as pre- commitment and ATM management, the recommendation for internet liberalisation contradicts a core position within the report.
5. To be consistent, Club One would argue that if the internet is to be liberalised, then it should be made accessible via the present secure venues within their operating hours, adopting their exclusion of minors and their on site assistance to users.
6. Club one questions the rationale presented in the report that any action is good. Gaming Machines have been with Australians since the 1950's. Liberalised gambling has been available in South Australia for over 10 years. Prohibitions, controlled access to substances and other legislative processes have been with Australians even longer. Additionally there is the experience of the

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impacts of the recent smoking bans on gambling behaviour. Thus evidence exists for planned rational responses – it should be used and where evidence does not exist, then the proposal should not be applied until validated.

7. The argument that the multibillion dollar gambling industry is funded by barely 1.5% of the population tests credibility. A significant, scientific, independent and conclusive study needs to be undertaken to identify the contribution of individuals to gambling revenue.
8. Club One does not support controls on free individuals by technology. In an opt in vs opt out system for pre commitment Club One would support an opt in system. Similarly it would not support a punitive or prohibitive element to any part of an “opt” system. Club One supports an informed choice process.