



ABN 37 067 391 511

17th December 2009

By email: gambling@pc.gov.au

By mail:

Gambling inquiry

Productivity Commission

Locked Bag 2, Collins St. East, Melbourne, VIC 8003 Australia

Introduction

ALH Group (ALH) welcomes the opportunity to respond to the Productivity Commission's Draft Report into Australia's gambling industries. As a direct industry participant in the provision of a wide range of hospitality services, including gambling products, ALH is in the unique position of being able to inform the Commission's Inquiry from the retail front. This experience gained over several decades has enabled ALH to become a market leader in the provision of responsible gambling.

ALH is concerned that many of the Commission's key policy recommendations proposed in the Draft Report are not likely to achieve the Commission's own objective of maintaining the enjoyment of the majority of Australians who gamble responsibly as part of a lawful and legitimate social pursuit. The measures proposed in the Draft Report are heavy-handed, ill-directed and are likely to result in a significant loss of enjoyment for recreational (responsible players) while having little impact on reducing the incidence of problem gamblers.

ALH supports the adoption of an appropriately designed voluntary pre-commitment model as the most effective way of minimising the level of problem gambling associated with gaming machines. Pre-commitment mechanisms are likely to assist those with negative gambling behaviours but not at the expense of reducing the utility recreational players.

ALH is a board member of the Australian Gaming Council (AGC), an industry body responsible for providing input into gambling policy and research, and as such has worked closely with the AGC in the preparation of their detailed response to the Commission's Draft Report. The AGC has the benefit of policy input and expertise from a wide variety of industry participants who collectively have many years of experience in the responsible provision of gambling products. We commend the AGC's submission and ask that the Commission carefully considers its substance. The purpose of this submission is to highlight and reinforce our specific areas of concern with the Commission's draft policy recommendations.

Executive Summary

- A well-designed voluntary pre-commitment model is the way forward in effectively and efficiently assisting those who have negative gambling behaviours.
- The policy measures proposed in the Draft report concerning gaming machine bet limits and maximum cash deposits are unlikely to be effective or efficient in addressing negative gambling behaviours. In terms of effectiveness, there is no evidence to suggest that these types of one-size-fits-all, blunt policy measures are likely to reduce the level of problem gambling. In fact, much of the available evidence suggests that the impact will be largely on reducing the utility of responsible gamblers while having very little impact on the target minority, so representing inefficient and costly policy responses. Even if such policy measures could be demonstrated to have some level of impact on reducing the level of problem gambling, the benefit would be unlikely to be outweighed by the substantial detriment to recreational players and the industry overall – thus imposing a net social cost.

In its Draft report, the Commission states that even policy measures with 'modest efficacy' are likely to deliver sizeable social benefits. We urge the Commission to reconsider the adoption of more targeted policy measures which are more likely to yield a higher level of efficacy in reducing problem gambling but also deliver higher efficiency through preserving the utility of responsible players. A voluntary pre-commitment model is consistent with these principles.

- There has been a real and significant decline in the level of severe problem gambling since the Commission's 1999 inquiry with the incidence of severe problem gamblers *more than halving* from 1999 to 2009.¹ The Commission should acknowledge in its Final Report the collective achievements of industry stakeholders, including hotels, clubs and state and territory regulators in substantially reducing the incidence of severe problem gamblers during this period. It should also be acknowledged that regardless of policy initiatives some small level of negative gaming behaviours will continue to persist.

ALH detailed responses to Draft policy recommendations

In this section, we address some of the key Commission Draft recommendations in detail.

Draft recommendation **10.1**: *Regulated shutdowns for gaming rooms should be extended and commence earlier given gamblers are more likely to be intoxicated during the evening and therefore take greater risks with their money*

- Regulated shutdowns already occur across Australia – 4 hours in any 24 hour period in Victoria; between 3am and 9am in NSW; 6 hours in Qld. There is no evidence to support the extension of shutdown periods in reducing negative gambling behaviours.
- Measures should be regulatory neutral - further trading hour restrictions are likely to cause player substitution into less regulated or unregulated gambling environments, for example, online gaming through the internet.
- This measure negatively impacts recreational gamblers, penalising consumers who work non-standard business hours, e.g. workers from call centres, factories, transport operators, hospitality workers etc.

¹ Productivity Commission Draft Report, October 2009, Chapter 4.1, Key points

Draft recommendation 11.1: *The bet limit should be lowered to \$1 per button push (equating to losses of around \$120 per hour) with much lower limits on how much cash can be fed into machines at any one time*

- The current bet limit has already been reduced to \$5 per button push from \$10 in most states.
- Further reducing it to \$1 would decimate the legitimate spending of responsible players without necessarily reducing that of problem gamblers. The massive reduction in consumer surplus equates to a drop in industry revenue of approximately 40% with no demonstrated or proven beneficial impact for problem gamblers. The Tasmanian Government has also recently rejected proposals to introduce \$1 per button push for this reason. An unproven policy measure with such a serious and substantial negative industry impact cannot be supported in the Commission's Final Report.
- The efficacy of this policy measure is unfounded. Consumers with problematic behaviour could simply spend more extended periods of time in the venue or substitute to less regulated gambling products including the internet.
- Even if the policy measure could be demonstrated to have some level of impact on reducing the level of problem gambling, this benefit would be unlikely to be outweighed by the substantial detriment to recreational players and the industry overall.
- For the same reasons, reducing the amount of cash that can be deposited into a machine at any one time to \$20 is not a sensible proposition. Queensland introduced \$20 limits in 2001 and revenue fell by almost 20%. They reversed that decision within weeks recognising the negative impact on the expenditure and enjoyment of responsible, social players.

Draft recommendation 9.3: *Venues should be required to reimburse patrons through cheque payment or direct account crediting for a 'big' win (over \$250)*

- The proposed measure is not supported by any research and the recreational player unfairly bears the social cost of this policy measure. A withdrawal of \$250 may not represent a big win for many recreational players yet under this proposal they lose use of their own money over a 2-3 day cheque float period.
- Administrative costs of processing cheques on \$250+ payouts are substantial. A cheque minimum of \$1000 is administratively workable.
- Regulatory neutrality: there are no payout (cheque) restrictions on TAB, Lotto etc.

Commission Observation: *Exposure of children to gambling activity.*

- All jurisdictions have measures prohibiting gambling by minors, or prohibiting the entry of minors into the gaming areas of venues
- In all Australian jurisdictions minors are already strictly prohibited from entry into gaming areas. This prohibition, is a strict liability matter with significant economic penalties for breach. All venues are required to have in place signage barring minors from entry into gaming rooms and are subject to constant surveillance by gaming and venue staff.
- At a venue level, we cater for a broad range of customers through the provision of a wide range of hospitality offerings including family bistros and children's entertainment areas that are unrelated and mutually exclusive from the provision of gambling products. Our venues provide families with an affordable dining out option and the provision of playground facilities is designed to provide kids with a place to enjoy themselves while their parents/guardians enjoy a meal and the company of relatives and friends.

Draft recommendation 8.2: *The Commission sees grounds for establishing a circumscribed capacity for consumers to seek compensation and for the imposition of penalties on venues (this would only apply when the standard of patron care was very poor)*

- There are already extensive State government regulations in place with heavy financial penalties for breaches.

Draft recommendation 9.1: ATMs should be relocated away from gambling floors and daily cash withdrawal limits on ATMs will help some gamblers

- ATMs are already away from and out of sight of gaming rooms as part of current guidelines
- Many States have existing regulations in place with additional regulatory changes being implemented in the short term such as Victoria where, after 2010, any ATMs located within a gaming venue must limit the amount of cash withdrawals to \$400 per day per card.

A new era of more effective regulation

The PC stated in its Draft report that "with effective pre-commitment, many other regulations on gaming machines could be modified, or be removed as they become redundant". In this key point, the Commission is acknowledging that a new, more sophisticated era of gambling regulation is now possible through advances in information technology since 1999. Such technology has the potential to replace the less efficient, one-size-fits-all, blunt instrument-type measures (for example, interference with bet limits or trading hours) which have been traditionally used to regulate and tackle problem gambling in Australia.

ALH would support a national voluntary pre-commitment model that:

- Is voluntary to sign up and allows consumers who wish to use pre-commitment in venues to be able to set binding time and money limits on their future play. We do not support a mandatory pre commitment model which would be in effect a "licence to play" which would discourage and impose costs on the recreational player. Recreational freedom and flexibility is preserved under a voluntary model.
- Can interface with existing and new loyalty programs such as the current operational pre-commitment systems in South Australia and Queensland.
- ALH is currently trialling a voluntary pre-commitment system in Queensland providing leadership in this area and would welcome the opportunity to work together with the Government and state regulators to develop the most effective and efficient voluntary pre-commitment model.

Yours sincerely,



Bruce Mathieson
CEO and Managing Director