

17 December 2009

Mr. Gary Banks AO  
Chairman  
Productivity Commission  
Level 28, 35 Collins Street  
Melbourne, VIC 3000

Dear Mr. Banks,

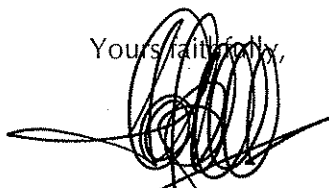
Re: Response to Productivity Commission Draft Report on Gambling October 2009

We enclose our submission to the Productivity Commission Draft Report on Gambling for your attention.

*Parramatta Leagues Club* is one of the largest licensed clubs in the country and as such is a key stakeholder in implementing any of the recommendations put forward by the Productivity Commission. Our response raises many issues that are of concern to similar operations affected by any legislative changes that may result from the final report of the Productivity Commission.

Thank you for your consideration of the following submission.

Yours faithfully,



Tullio Cofrancesco  
Chief Executive  
*Parramatta Leagues Club*

## Response Australian Government Productivity Commission Draft Report on Gambling

Parramatta Leagues Club

14 December 2009

We present the following submission to the Productivity Commission for its consideration in the final report on Gambling.

### **Nature of the Report**

We note that the report is not an analysis of the productivity of the gambling industry (with positive contributions and negative outcomes of the industry noted) but rather a series of analyses of problem gambling, focused on the use of electronic gaming machines. Chapters 2-11 focus on this aspect of gambling with a rather cursory look at internet gambling and the racing industry in chapters 12 and 13.

We welcome the analysis and information related to problem gambling that is contained in the report – indeed, there is a wealth of information provided that was compiled from Australian and overseas sources that can assist us in dealing with those that have problems controlling their gambling. We view that this part of the analysis should not be a part of the Productivity Commission Report but deserves a separate report as an investigation into harm minimisation strategies.

We also note that Commission acted as instructed to provide harm minimisation strategies and recommendations rather than provide a productivity analysis. This instruction explains why there was little if any analysis done regarding the loss of revenue to the venues providing electronic gaming machines and the flow on effects of such revenue loss to the local community and to the various state government bodies.

***We recommend that the final report include an analysis of the productivity of the gambling industry with positive contributions to the local community (through employment, entertainment provision, social benefits, etc) offset with negative effects of problem gambling.***

***We recommend that the final report include an analysis of the loss of revenue to gaming machine venues and to the local business community and various state and local government bodies resulting from implementing recommended changes.***

### **High Intensity Recreational Player**

We note that the underlying assumption that was reiterated repeatedly, is that there are really only two playing styles – the “low intensity recreational gambler” and the “high intensity player.” The underlying assumption is that a “high intensity player” is similar to an individual with “gambling problems.” There is no acknowledgment of a style of player known as a “high intensity recreational player” – that is- an individual who plays in a “high-intensity” style, but **can afford to do so** and views that as “entertainment” or “recreation”. Curiously however, there is a subtle acknowledgment of a valid “high-intensity” recreational style but only in the context of a casino. The report cites that a casino is valid because it is a destination location for gaming and is a benefit to the local tourist industry. It does not address the issue as to why a casino should receive such favourable treatment – perhaps the tourist proportion means most of the problem gamblers return to their home destination (presumably overseas) and are not a problem for the Australian community.

***We recommend that the final report include an analysis of the high intensity recreational player acknowledged in a Club environment just as the draft report acknowledges the existence of such players in a Casino environment.***

### **Effect of Income Shortfall as a Result of Introduction of Recommended Measures**

In the absence of any analysis of the results of the introduction of recommended measures on the revenue of the Club industry we provide an analysis of the effect of the measures on *Parramatta Leagues Club* and the flow on effects of the loss of such revenue.

We note that the nature of large clubs in NSW is that they function as a destination location for gaming. This is due to their large number of gaming machines, modern gaming machines, modern facilities for food, beverage, entertainment, etc. Large clubs function as a not-for-profit casino and entertainment destination for community members and those outside their communities. They attract the same type of patrons that *Star City Casino* attracts in Sydney. As a result they attract a number of high intensity recreational players (that are not mentioned in the Productivity Commission Report). The recommendation to lower the bet limit to \$1 per button push will remove the patronage of all high intensity recreational players from all clubs and force them to go to *Star City Casino* for their high intensity recreational gaming.

The result of the limiting of player losses to \$120 per hour will lower *Parramatta Leagues Club* gaming revenue by approximately 32%. This one change will lower our gaming revenue about \$18m and lower the NSW State Government revenue by about \$6.5m.

If all the recommendations (decreased trading hours, pre-commitment, ATM changes, lower betting limits, cheques for amounts over \$250) are implemented we expect our gaming revenue to drop by 42.5% (or \$25m) which will lower the NSW State Government revenue by \$9m.

The Draft Productivity Report asserts that revenue shortfall will be made up by changes in gaming technology. We submit that there is no way this shortfall can be made up through changes in gaming technology. The suggested changes mean that “high

intensity recreational players" will no longer be able to play at *Parramatta Leagues Club*. The "high intensity recreational players" will migrate to the casino for their recreation.

These changes will destroy the viability of *Parramatta Leagues Club*. We will no longer be able to offer services that were subsidised by gaming and we will no longer provide funding for the community activities that we currently provide. Our support for Rugby League at both the top level and at the junior level will reduce dramatically. Approximately half our employees will be made redundant to accommodate the lower revenue received by the Club, if it survives at all.

***We request that the Productivity Commission produce workings showing how the shortfall in revenue will be made up by "changes in technology" as asserted by the Draft Productivity Commission Report.***

### **Nature of Problem Gambling**

One of the most interesting aspects of the report was the in-depth discussion and analysis of the nature of problem gambling. We believe that this part of the report provides very useful information in dealing with problem gambling.

The first – and very important point – is that problem gambling is not a chemical addiction (this particular fact was not stated so blatantly in the report but could have been). Other forms of addiction like alcohol, tobacco and illicit drugs are all chemical addictions and as a result are more problematic to treat. Gambling "addiction" (if it can be called such) is far less problematic - this is highlighted in the report with the following statements:

- Many of those who initially develop gambling problems resolve those problems;
- Many recover without professional help;
- Early intervention or education at early signs of gambling problems mitigates the effects of such problems for individuals;
- Self-help resources (such as on-line gambling counselling) are effective; and
- Correcting wrong beliefs (cognitive therapy) is effective in treating problem gambling.

We view this part of the report as very informative. The nature of problem gambling with electronic gaming machines (so-called "addiction") is very similar to the nature of individuals having credit problems ("addiction" to credit) with the exception that "addiction" to credit is much more widespread in the Australian population than the "addiction" to gaming machines. This is a reasonable explanation as to why "addiction" to gaming machines carries a social stigma while "addiction" to credit does not.

There are a number of similarities between problem credit use and problem gaming machine use. Both are the results of a cognitive dissonance (in terms of credit card or commercial credit use – not understanding how compound interest works against an individual, viewing a credit card limit as an amount to spend on goods and services rather than an allowable amount to borrow, a lack of understanding of the difficulty in repaying such credit), both have very similar social consequences (family breakups, poverty, suicides, depression, etc) and both are exacerbated by other co-morbidities (depression, mental health issues, mental capacity issues and substance use addictions). Just as a problem gamer may be “sucked in” by the lights, sounds, excitement and entertainment of a machine to meet an emotional need, a problem credit user is “sucked in” by the attraction of being able to purchase a product or service to meet an emotional need. Both problems are self-control issues.

There are so many similarities between the two that we view so-called “problem gambling” as “problem spending.”

With this view of the nature of problem gambling in mind the Productivity Commission does make a number of recommendations that we do wholeheartedly support such as:

- Provision of early education and intervention to mitigate against the effects of problem gaming. This can even be done in the venue by having a “new members” reception to familiarise new members with the Club’s facilities. This reception would include a presentation from a qualified counsellor (perhaps *Betsafe*) on problem gaming and the early warning signs.
- Steps to remove the stigma of problem gaming. This could be done in public education forums. Problem gambling material can be placed in discreet locations in the Club (such as restrooms). We believe that discreet access to self-help material is very useful.
- Financial education programs in schools: We believe that it is inappropriate to have gambling education in schools as such, but it is appropriate to have financial management education with a part of that being gambling.
- Focus on correcting wrong beliefs. We do support measures that inform gamers while they are playing (even on screen) to inform them of correct beliefs regarding the entertainment value of gaming machines.
- Self-exclusion support for immediately invoking self-exclusion.
- Internet therapy. We view that this has real promise and we could even provide a direct link from the Club website.
- Voluntary pre-commitment. We support a voluntary pre-commitment regime similar to that in place at *Crown Casino*, so that those who wish to pre-commit are more readily able to do so.

There are a number of provisions that we currently have in place at the Club to mitigate the effects of problem gambling. Some of these are voluntary and some are required by NSW Legislation:

- We allow no credit card withdrawals from ATM machines.
- We cash no cheques at the Club.
- We have daily checks to ensure that all required literature is in place regarding problem gambling.
- We do support the current close down periods but would not support an increase in close-down periods.

### **Casinos and Online Gaming**

We have mentioned that a number of the recommendations put forward by the Productivity Commission apply only to Club and Hotel gaming machines venues. Casino venues are exempt from these recommendations. We view this as a deplorable distinction resulting in the migration of high intensity recreational gamers from community based non-profit clubs, to profit-making large enterprises that are capitalised on the Australian Stock Market. This redistributes funding from community clubs to shareholders in casino businesses.

According to the Productivity Commission report, online gaming is not yet a large problem. We expect, however, that it will become a large problem as it becomes more prevalent. We note that the Commission recommends online gaming sourced from Australia be allowed, as there is no way to stop individuals now from gaming online at offshore sites. We view this recommendation as an abrogation of responsibility. Yes, it might mean forgoing revenue that would be available for Australian suppliers, but it also removes the one major disincentive for online gaming that is currently in place – the lack of assurance regarding the reliability of gaming providers located overseas and the lack of recourse against such providers.

### **Research**

We applaud the depth of research gathered in putting together the Productivity Commission Report. The report emphasises that good research is rare and difficult to interpret. We wholeheartedly support continued research into problem gaming, the effects of electronic gaming machines and effective harm minimisation measures.

## Conclusion

While we welcome the Productivity Commission Report on Gambling we recommend the following be addressed in the final report:

- ***Economic effect of changes on gaming machine service providers*** – the final report should include an analysis of the effects of changes on Clubs and the flow-on economic effects of such changes;
- ***High intensity recreational players*** – the final report should acknowledge the patronage of high-intensity recreational players in venues other than a Casino environment;
- ***Increased revenue from technology changes*** – the final report should include an analysis and workings to support the assertion that Clubs are able to recover lost revenue from the changes in gaming laws through the use of new gaming technologies;
- ***Online gaming*** – The final report should include an analysis of the negative effects of online gaming and the projected future negative effect as the take up of online gaming increases in the future;
- ***Research*** – the final report should include a strong recommendation for ongoing and comprehensive problem gambling research to provide information for governments to assist them in drafting legislation.