

Mr. Gary Banks
Chairman
Productivity Commission
Locked Bag 2, Collins St. East
Melbourne, VIC 8003 Australia

18 December 2009

Dear Mr Banks,

I am pleased to submit the Australasian Gaming Council (AGC) submission in response to the Productivity Commission (PC) Draft Report on Gambling.

Accompanying the AGC response is an Economic Analysis of the PC Draft Report by KPMG Econtech.

The AGC and the PC have the shared goal of promoting the enjoyment and well being of Australians while minimising any harm to vulnerable people from gambling products.

The AGC agrees with the following general comments by KPMG Econtech and further supports very strongly the KPMG Econtech statement that further work must be undertaken by the PC in order to present COAG with a complete report which complies with the *Productivity Commission Act 1998* and COAG protocols.

The AGC requests that the PC seeks an extension of time to carry out the necessary cost-benefit analysis and economy wide modelling of the PC Draft Recommendations and hence complete the final report in a timely and professional manner.

KPMG Econtech states that:

- Some of the recommendations advanced in the 2009 PC Draft Report tackle the symptoms or effects of problem gambling rather than target its causes.
- Quantitative analysis and modelling of the impacts of the recommendations is necessary. The quantitative analysis and modelling should address:
 1. the increase in costs that the gaming industry would incur to implement the recommendations and ensure ongoing compliance with new requirements;
 2. the fall in revenues that the gaming industry would bear as a result of reduced customer patronage of gaming venues;
 3. the direct financial impacts for governments that would be associated with a reduction in gaming industry revenues and the implications for government budgets;
 4. the indirect economic impacts associated with a reduction in gaming industry revenues in terms of reduced employment, investment and economic activity; and
 5. the indirect social impacts that would be associated with a reduction in gaming industry revenues in terms of reduced investment in local community, sporting and recreational initiatives that gaming industry revenues help to underpin.

- In keeping with the *Productivity Commission Act 1998*, KPMG Econtech would expect the report to contain cost-benefit analysis, supported by economy-wide modelling. Moreover, given the emphasis on Electronic Gaming Machines (EGMs), the modelling tools to be used need to feature sufficiently detailed product definition to capture the impact of policy changes to EGMs and other specific products within the gambling industry.

The AGC submission makes the following points:

- The PC did not respond fully to the Council of Australian Governments (COAG) Terms of Reference. Particularly, an assessment of the contribution of gambling revenue to community development activity and the Australian economy generally is lacking and is required to be done.
- Some measures recommended by the PC do not adequately recognise the needs or enjoyment of both low spending and high spending recreational gamblers. Further, some recommendations may result in costly changes which fail to adequately protect problem gamblers and produce perverse outcomes for all gamblers.
- The impact of existing harm minimisation measures and the efficacy of those measures currently on trial or planned for implementation have not been comprehensively analysed before the proposal of further regulation.

In short, the AGC considers that some of the recommendations made within the Draft Report may have far reaching negative consequences for state government revenues, community activity, industry viability, employment, capital investment, tourism and individuals.

Thorough modelling of the impact (direct and indirect) as well as the implementation and compliance costs of Draft Report recommendations needs to be undertaken in order to develop a policy blueprint for certainty and sustainability for Australia's gambling industries. This work would need to include assessing the impact of PC recommendations on employment in the industry in consultation with the Liquor, Hospitality and Miscellaneous Union (LHMU)

We need also to recognise that those who work in or visit hotels, clubs and casinos in Australia are not simply statistics or survey results.

The industry provides employment which allows many Australians to live with dignity and provide for their families. Industry patrons are the thousands of Australians who as part of their daily lives seek the enjoyment and cheer of the variety of offerings which venues provide. A small group will have issues in their lives which demand the respect of carefully tested and sensitive interventions and support when gambling becomes a problem.

Sincerely,

Cheryl Vardon
Chief Executive Officer
Australasian Gaming Council



Australasian Gaming Council

Submission to the Productivity Commission
Draft Report on Gambling

December 2009

Australasian Gaming Council
Level 40/140 William Street
Melbourne
VICTORIA 3000
www.austgamingcouncil.org.au

The Australasian Gaming Council

The Australasian Gaming Council (AGC) is a national industry association established in June 2000.

The AGC supports a sustainable gambling industry, while promoting gambling education and responsible gambling.

Within a public policy framework the AGC:

- promotes responsible gambling and high quality gambling research;
- develops and distributes gambling education resources;
- participates in and leads public policy forums and events about gambling;
- maintains an extensive gambling research eLibrary and industry statistical database; and
- provides first class services for members including issues papers, newsletters, research comment and the AGC website.

The AGC has comprehensive coverage of the industry in Australia. A complete list of AGC members may be seen at www.austgamingcouncil.org.au, on the membership page.

Executive Summary

From the outset of discussion the Australasian Gaming Council (AGC) submits that the Productivity Commission (PC) did not respond fully to the Council of Australian Governments (COAG) Terms of Reference in determining the way forward for gambling. Chiefly:

- The economic impacts of the gambling industries (including industry size, growth, employment, organisations, inter-relationships with other industries and the benefits these provide to the economy as a whole) are discussed only briefly - as is the contribution of gambling revenue to community development activity.

The AGC also contends that:

- Some harm minimisation measures recommended by the PC do not adequately account for the needs or enjoyment of both low and high spending recreational gamblers. Some may also result in costly changes that fail to adequately protect problem gamblers and/or give rise to unintended consequences;
- The impacts of harm minimisation measures already in place and the possible efficacy of those on trial or planned for implementation have not been comprehensively analysed prior to the proposal of further regulation; and
- Some of the recommendations made may have far reaching negative consequences for state government revenues, industry viability, employment, capital investment and tourism.

Thorough modelling of the impacts (direct and indirect) as well as proper assessment of the implementation and compliance costs of Draft Report recommendations is now required in order to complete the final PC Report.

Further exploration of the evidence base is also required to ensure that those consumers affected by problems are indeed those targeted by the PC's advocated strategies.

Chapters 2 & 3: The Gambling Industry and the Policy Framework

- In the context of the Draft Report, an index of community well-being is taken by the AGC to mean a reduction of harm from problematic gambling which does not impact on the well-being of Australians who visit hotels, clubs and casinos as a significant part of their leisure and recreational choice.
- The AGC believes that many recreational gamblers¹ not only suffer no harm from gambling but may derive improved well-being from participation in a range of social activities. These choices could include gambling but may equally include activities and social benefits funded through the gambling industries and taxation upon gambling.
- Extensive analysis of the overall benefits provided by Australia's gambling industries is an omission from the Draft Report not adequately rectified by a statement that focus should remain on problems that require policy responses.
- Underestimation of the benefit provided by the industry suggests that cost benefit calculations provided by the Draft Report to inform policy makers should be questioned.

¹ **Please Note:** In those instances where the AGC uses the term 'recreational gamblers' this phrase is inclusive of both low and high spending recreational gamblers.

- Promotion of a 'back of the envelope' figure as 'key' neither promotes public understanding of the complexities involved in assessing social cost nor provides evidence of deeper investigation into changes that may have impacted upon such costs over a decade of harm minimisation initiatives.

Chapter 4: Prevalence of Problems

- The AGC contends that the PC has not measured harm with a screen designed to assess the number and quantum of harms experienced by gamblers on any objective, independent and validated scale designed for such purpose. The CPGI (PGSI) is the sum of its parts – some of which may illustrate harm and others which have been criticised as inaccurate indicia of harm.
- Co-morbidity within the problem gambling population remains a salient concern and the quantum of harm attributable to gambling activities is thus important. Seeking to address harms caused by a number of factors with gambling policy is a shortsighted approach to overall public health.
- While the PC states that harms occurring to gamblers are broader than prevalence rates the harms identified by the PC remain concentrated in the problem gambler group, and to a lesser degree, the moderate risk group. Policy intervention must thus be targeted appropriately to impact these groups rather than impacting all gamblers.
- Given that harm is held by the PC to rest on a continuum and that research states to a lack of clear evidence regarding the stability and progression of gambling problems, it is hard to determine precisely which "low level indicators of current harm" the PC identify as "pointing to future risk". An aggregate of low level indicators does not constitute any certainty of future harm to any individual but points rather to community education measures as the most appropriate action warranted.
- The AGC suggests that if policy measures are to minimise harm within a public health framework then a proper measurement of harm is needed, both pre and post policy implementation, for evaluation purposes.
- A greater understanding of the number, nature and quantum of harms attributable to gambling could provide better insight into precisely where and how harm minimisation policy and education programs should be effectively directed and the process by which treatment services may be designed and resourced to deal appropriately with client complexity.

Expenditure of Problem Gamblers

- As the PC is aware, findings are weakened by inadequacies in the individual datasets used for the Draft Report.
- While aggregate outcomes may fortify results the expenditure estimates obtained remain sufficiently wide to suggest that true figures remain materially uncertain.
- It is essential that the Draft Report evidence some understanding that recreational gambling is not categorised merely by low spend. Recommendations within the Draft Report should encompass the needs of those gamblers who may, within a carefully considered and appropriate budget, evidence a high spend that remains consistent with their personal recreational choice and means.

Chapter 5: Counselling and Treatment Support Services

- Before any further discussion about the relative merit of various gambling sectors contributing a 'proportionate' percentile of funding, an overall analysis of existing contributions needs to be made.
- The AGC suggests that an examination of whether appropriate funding amounts are being directed towards counselling and other community services from existing consolidated revenue pools should be performed prior to any revised taxation regime being proposed.

Chapter 6: Gambling Information and Education

- Draft Report comments on gambling education in schools, including statements that there is lack of evidence that existing programs have changed behaviour, are flawed and evidence a basic misunderstanding of the role of schools.
- Schools constantly review and evaluate all school programs for learning outcomes. This is not about measuring behavioural change but about assessing understanding.
- Education and information which allows young people to make wise choices about the use of discretionary money and provides an understanding of safe behaviour is one part, but a critical part, of the harm minimisation continuum of strategies to assist in preventing and reducing harm from problem gambling.
- The PC warns of the potential for adverse outcomes from teaching about adult activities. These statements overlook the experience and responsibilities of school leaders and their communities in delivering education programs in ways that are student focused ie: continually evaluated for both content and sensitivity of approach.
- A finding and a recommendation which encourages governments to work with stakeholders to develop quality responsible gambling education programs built on the best ideas (both from state programs and from successful international curricula) is now necessary.

Chapter 7: Pre-commitment Strategies

Self-Exclusion

- While the recommendations made accord, for the most part, with many existing practices the AGC suggests that focus in self-exclusion should not be on an enforcement model but a recovery model with the goal of promoting self-efficacy.
- An immediate or remote self-exclusion process may not canvass all matters (including referral for support and treatment options) that feature in current processes designed to provide high levels of support and assistance.
- The AGC suggests that interview and evidence collection for third party invocation of welfare exclusions should rightfully be the province of the regulatory authority in concert with treatment providers rather than the responsibility of the gambling provider.

Pre-commitment Strategies

- The AGC suggests that if pre-commitment is to be progressed an opt-in model (rather than a mandatory with opt-out model) would more appropriately balance the interests of high and low spending recreational gamblers (and tourists) with the needs of those 'at risk' or experiencing problems.
- Australian research suggests that those who experience problems are not unaware of the impacts of their gambling behaviour. Combined with the appropriate marketing and educative tools voluntary systems could be used as a matter of choice and a self-help measure by those experiencing problems.
- Qualitative follow-ups to the Nova Scotia pre-commitment trials by the International Gaming Institute in Las Vegas found that "a major concern across all groups pertained to privacy and security". Consumer acceptance of card based or registration systems for gambling are not assured.
- The AGC believes that a default setting for time/expenditure may well fail to protect some problem gamblers while removing both choice and enjoyment in participation for those who gamble recreationally and within their means.
- The AGC contends that there remains little to no evidence of the efficacy of player tracking systems to assist problem gamblers. Nor have such systems as may exist been trialed in an Australian setting.
- The cost implications of pre-commitment solutions – especially technology-based solutions – are not well documented. Industry estimates have demonstrated that significantly higher costs may be entailed than those figures accepted to date by the PC.
- The costs that may be encountered if dissatisfied recreational consumers walk away from the product altogether are not adequately canvassed – nor is the social cost should problem gamblers move to other, less protected, formats.

Chapter 8: Venue Activities

- The industry welcomes scrutiny of gambling venue compliance with both mandatory and voluntary measures and notes that this recommendation accords to a great extent with existing regulatory practice.
- Current codes already contain requirements for appropriate complaints processes. Alternatives suggested within the Draft Report discussion could create a complex process which is neither cost effective nor practical. Where current in-venue processes may be considered insufficient there is already provision for complaints to be escalated to the appropriate regulatory authority.
- Any proposed statutory cause of action would indeed have to be narrowly and carefully construed to avoid claims based more upon the fact of pecuniary loss than any egregious behaviour on the part of venues.
- The AGC has long advocated training in staff awareness of the visible signs that an individual may be experiencing difficulties with their gambling and have welcomed the insight of the

detailed work in this field completed by Delfabbro et al.² The AGC emphasises however that the research base for identification of problem gamblers in the gaming venue states to a theoretical possibility of identification - not surety - and certainly not surety of a type that could warrant action for failure.

Chapter 9: Access to Cash and Credit

- While pleased that the PC has recognised the withdrawal of ATMs from venues to be an impractical, ineffective and costly measure the AGC submits that the ATM withdrawal limit proposed in the Draft Report may not effectively target harm to those experiencing problems and will further impact high spend recreational gamblers and other consumers.
- The probability and impacts of potential 'perverse outcomes', such as problem gamblers bringing more cash to venues or making cash withdrawals at ATMs outside the venue (allowing credit to be accessed) are an all too foreseeable consequence of limiting access to cash in venues.
- The AGC submits that further regulation on ATM withdrawal limits should not be progressed until the impacts of the \$400 daily limit applicable to Victorian venues from 2010 are properly assessed.
- The AGC suggests that the means by which ATM technology can assist problem gamblers without inconveniencing other consumers (such as transactional limits enabled by banks at consumer request and/or ATM self-exclusion programs) is deserving of much further exploration as an effective measure that does not impact on recreational gamblers and provides tailored solutions for problem gamblers.
- The AGC suggests that the requirement for venues to pay any gambling prize above \$250 by cheque or direct credit to a gamblers account is likely to:
 - create substantial operational pressures - raising costs and wait times for consumers;
 - cause inconvenience to consumers and loss of revenue to businesses as customers who may wish to use a portion of winnings for other recreational options, consumables or transport purchases may be unable to do so; and
 - result in unintended consequences as problem gamblers 'play down' their wins even further to avoid cheque payment.

Chapter 10: Accessibility of Gaming Machines

- The AGC contends that a common closing time engineered to assist problem gamblers and to be imposed in all venues is neither supported by research able to identify such a time nor takes into account the diversity of venues and consumers. Such a manifestly untargeted approach would have significant adverse impacts on many commercial operations and recreational consumers.

² Delfabbro, P; Osborn, A; Nevile, M; Skelt, L & McMillen, J (2007) *Identifying Problem Gamblers in Gambling Venues*, Gambling Research Australia.

Chapter 11: Game Features and Machine Design

- The recommendation for a \$1 bet limit (or indeed any reduced bet limit) must be supported by a larger dataset and the impacts modelled in detail. The AGC submits that the impacts of this recommendation on high spending recreational gamblers and the gambling industry in general are in no manner trivial. Such a policy change would have major implications for consumer enjoyment, venue revenues and industry viability. The evidence as provided is not acceptable for a recommendation of national policy change.
- Marked differences in the estimates of the impact of this recommendation as provided in the Draft Report suggest that true impacts remain unknown.
- Further, the Gaming Technologies Association (GTA) has submitted that the cost of implementation – including the replacement and/or reconfiguration of EGMs required to comply with a \$1 bet limit - would be significant.
- Modification of Bank Note Acceptor (BNA) denominations has been shown in research conducted by Blaszczynski et al ³ to be of limited effectiveness in minimising harm.
- Reducing cash input limits requiring short breaks in play to reinsert notes, while certainly an irritant to many EGM gamblers, would fail to assist problem gamblers in the manner intended. Problem gamblers may counteract this measure merely by adjusting the intervals at which they place funds in the EGM.

Chapter 12: Online Gaming and the Interactive Gambling Act

- The AGC believes that the proposed managed liberalisation of online gaming in Australia presents a unique opportunity to develop a best practice, well researched and efficient harm minimisation model incorporating the most appropriate measures for the Australian online gaming population prior to implementation.
- A number of current unknowns surrounding the characteristics of online gamblers and pathways to problem gambling in the online environment need to be resolved before this can occur and baseline research is required to gauge effectiveness of measures implemented at later assessment.

Chapter 15: Gambling Policy Research and Evaluation

- As with similar harm minimisation frameworks in Australia, gambling harm minimisation efforts should be undertaken within a multi-stakeholder partnership model emphasising greater collaboration.
- The AGC holds the strong view that the advisory council for any new and proposed gambling research centre should have broad representation from the gambling industry and supports this recommendation.

³ Blaszczynski, A, Sharpe, L and Walker, M (2001) *The Impact of the Reconfiguration of Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit

Introduction & Overview

The Australasian Gaming Council (AGC) thanks the Productivity Commission (PC) for the opportunity to comment on the Productivity Commission Draft Report on Gambling (Draft Report) released 21 October 2009.

The AGC restates here some basic contentions of the AGC submission of April 2009.

Chiefly, that:

- Principles which are underpinned by sound research and agreed upon through stakeholder consultation are essential to sustainable public policy;
- While acknowledging that governments will act from community and political pressures to implement policy changes in the gambling industry, the AGC believes that hasty action may cause costly error and inhibit industry development and innovation in a rapidly-changing environment; and that
- The following principles form the basis for gambling public policy that will promote responsible gambling, educate consumers and provide confidence in regulatory change:
 - Informed choice and consumer education;
 - A sustainable industry;
 - Collaborative relationships with governments and community leaders; and
 - Evidence based policy which includes:
 - Sound methodology and data;
 - Real evidence that is open to scrutiny;
 - Independence; and
 - A policy environment that is receptive to evidence.

In this submission the AGC comments briefly upon selected recommendations and/or the findings of the Draft Report with regard to:

- The Gambling Industry and the Policy Framework;
- The Prevalence of Problems with Gambling;
- Counselling and Treatment Support Services;
- Gambling Information and Education;
- Pre-commitment Strategies and Self-Exclusion Programs;
- Venue Activities;
- Access to Cash and Credit;
- Game Features and Machine Design;
- Online Gambling and the Interactive Gambling Act; and
- Gambling Policy Research and Evaluation.

From the outset of discussion the AGC submits that the PC did not respond fully to the Council of Australian Governments (COAG) Terms of Reference in determining the way forward for gambling. Chiefly:

- The economic impacts of the gambling industries (including industry size, growth, employment, organisations, inter-relationships with other industries and the benefits these provide to the economy as a whole) are discussed only briefly - as is the contribution of gambling revenue to community development activity.

The AGC also contends that:

- Some harm minimisation measures recommended by the PC do not adequately account for the needs or enjoyment of both low and high spending recreational gamblers. Some may also result in costly changes that fail to adequately protect problem gamblers and/or give rise to unintended consequences;
- The impacts of harm minimisation measures already in place and the possible efficacy of those on trial or planned for implementation have not been comprehensively analysed prior to the proposal of further regulation; and
- Some of the recommendations made may have far reaching negative consequences for state government revenues, industry viability, employment, capital investment and tourism.

Thorough modelling of the impacts (direct and indirect) as well as proper assessment of the implementation and compliance costs of Draft Report recommendations is now required in order to complete the final PC Report.

Further exploration of the evidence base is also required to ensure that those consumers affected by problems are indeed those targeted by the PC's advocated strategies.

The AGC believes that the Draft Report currently displays a lack of the careful targeting and appraisal that "should enable good prospects of avoiding 'collateral damage' to recreational gamblers from harm minimisation measures".⁴

The AGC has engaged KPMG Econtech to focus on findings and recommendations that are of particular concern. These include:

- Draft Finding 3.1: which states to benefits of \$450 million per year and long term benefits of several billion dollars arising from a sustained 10% reduction in the social costs associated with problem gambling;
- Draft Finding 4.5: which states that problem gamblers account for around 40% of total EGM spending (the midpoint of a range of estimates as high as 60% and conservatively at least 20%);
- Draft Recommendations concerning pre-commitment strategies;
- Draft Recommendation 11.1: which recommends a maximum bet limit of \$1; and
- Draft Recommendation 11.2: which recommends maximum cash input limits of no more than \$20 with no further cash to be inserted until credit is below \$20.

The KPMG Econtech Report, *Economic Analysis on Productivity Commission Draft Report on Gambling*, 18 December 2009, is annexed to this submission.

⁴ Productivity Commission (2009) *Draft Report on Gambling* p 3.7

Chapters 2 & 3: The Gambling Industry and the Policy Framework

There is a clear statement at the beginning of the Draft Report that:

The key criteria for policy should be the overall wellbeing of the community.

This means that measures aimed at addressing the adverse impacts of legalised gambling need to be balanced against the sizeable benefits of gambling for recreational gamblers and the industry.

“Well-being” is a concept relating to health, happiness and prosperity and its proper definition requires context. The World Health Organisation defines health as “a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity”.⁵ Social scientists note that “psycho-social well-being may be a more accurate formulation of mental and social well-being, and the reasonableness of a definition that requires complete health has been questioned”.⁶ Generally, in public health and human services spheres well-being may be taken to mean an *optimal quality of healthy community life*.

The AGC notes that enhancing quality of life and community well-being is a clear policy goal of governments however adequate measures for definition and measurement of outcomes are not simple. The object of community well-being is reinforced also by the objectives of the *Productivity Commission Act 1991*, the Terms of Reference supplied by the COAG for the current investigation into gambling and the COAG Principles of Best Regulation.

In the context of the Draft Report an index of community well-being is taken by the AGC to mean a reduction of harm from problematic gambling which does not impact on the well-being of Australians who visit hotels, clubs and casinos as a significant part of their leisure and recreational choice.

In light of this understanding the AGC questions whether recommendations and findings made in the Draft Report would in fact achieve truly beneficial outcomes that promote the well-being of all in the community if adopted by state/territory governments.

The AGC believes that many recreational gamblers⁷ not only suffer no harm from gambling but may derive improved well-being from participation in a range of social activities. These choices could include gambling but may equally include activities and social benefits funded through the gambling industries and taxation upon gambling.

A concentrated focus in the Draft Report upon gambling harm and social costs that may derive from problem gambling has seen excluded that most important element of balance between cost and benefit. This balance, the PC itself acknowledges as integral as it “seeks to extract as many gains as possible from reduced harms from gambling with as little detriment as possible to its positive features”.⁸

Overall, the AGC contends that the 2009 Draft Report does not sufficiently acknowledge the significant benefits created by Australia’s gambling industries.

⁵ <http://www.who.int>

⁶ Larson, James (1996) The World Health Organisation’s Definition of Health, *Social Indicators Research*, Volume 38, Number 2 181-192.

⁷ Please Note: In those instances where the AGC uses the term ‘recreational gamblers’ this phrase is inclusive of both low and high spending recreational gamblers.

⁸ Productivity Commission (2009) *Draft Report on Gambling* p3.4

While it is understood that benefits were detailed in the 1999 Report, the AGC does not believe that fact to remedy the insufficient acknowledgement of current benefits and inadequate appraisal of the many positive changes implemented since 1999 through the collaborative actions of governments, industry and communities in the current Draft Report.

Extensive analysis of the overall benefits provided by Australia’s gambling industries is an omission from the Draft Report not adequately rectified by a statement that focus should remain on problems that require policy responses.

Lack of a thorough account of benefit is compounded by errors identified in the Draft Report snapshot of the gambling industry’s size and contribution. For example, the employment and associated contribution provided by gambling businesses has been underestimated.

The PC found the gambling industry employs around 67,000 staff directly with a further 105,000 non-gambling staff at casinos, hotels and clubs across Australia whereas industry association figures submitted to the PC accounting for employment at clubs, hotels and casinos alone totalled 294,989:

- Casinos - 19,737⁹,
- Hotels- 188,862¹⁰ and
- Clubs- 86,390¹¹

Employment figures for EGM manufacturers have not been included in the Draft Report yet were provided by the Gaming Technologies Association (GTA) as 2,200 direct staff.¹²

Findings pertaining to labor flexibility within the Draft Report are compromised by a miscalculation of the number of people directly employed by the gambling industries. There is also cause for concern that such underestimates have been used to support the contention that “many apparent benefits would still be present were the industry to be smaller”.¹³

Underestimation of the benefit provided by the industry suggests that cost benefit calculations provided by the Draft Report to inform policy makers should be questioned.

A statement that a 10% reduction in the social costs related to problem gambling could yield a gain of around \$450 million annually is reported as a key finding of the Draft Report. The methodology used to come to this pronouncement is then qualified as a ‘back of the envelope’ calculation based upon an update of harms quantified and associated costs estimated some ten years ago.

The AGC would suggest that if promoting such a statement as ‘key’ it is incumbent upon the PC to:

- Provide an up to date discussion of the social costs identified as well as the methodology by which they were quantified; and

⁹ Allen Consulting Group (2009), *Casinos and the Australian Economy* – Report to the Australasian Casino Association, p10.

¹⁰ Australian Hotels Association (2009) *Submission to the Productivity Commission Public Inquiry into Gambling* p3.

¹¹ Clubs Australia (2009) *Submission to the Productivity Commission Public Inquiry into Gambling*, 2009, p105. Note that this figure as provided actually excluded Victoria suggesting that even further employee numbers should be included.

¹² Gaming Technologies Association (2009), *Submission to the Productivity Commission Public Inquiry into Gambling*, p 20.

¹³ Productivity Commission (2009 Draft Report on Gambling p3.4

- Provide an evaluation of whether the nature or quantum of the social costs identified some ten years previously remains sufficiently similar that an update to current prices will suffice.

Promotion of a 'back of the envelope' figure as 'key' neither promotes public understanding of the complexities involved in assessing social cost nor provides evidence of deeper investigation into changes that may have impacted upon such costs over a decade of harm minimisation initiatives.

The Draft Report also canvasses a number of policy models applicable to reform. While public health and consumer models promote many of the goals intrinsic to seeking community well-being little discussion has been granted as to how measures which empower gamblers to gain greater control without technological or government/industry intervention may be achieved – in fact the notion of any personal responsibility on the part of gamblers is largely dismissed within the Draft Report.

It is argued that while the models emphasised by the PC seek to educate, inform and protect there is no single best approach to responsible gambling.

The AGC asserts that responsible gambling is enabled by joint action from governments, industry, community and gamblers themselves.

Similarly, Blaszczyński, Ladouceur and Nower suggest that “only in the context of a collaborative and cooperative partnership between industry, governments and individual gamblers can gambling stakeholders achieve the objectives of consumer protection and responsible gambling.”¹⁴

¹⁴ Blaszczyński, A., Ladouceur, R., Nower, L. and Shaffer, H (2005) *Informed Choice and Gambling: Principles for Consumer Protection*, Australasian Gaming Council.

Chapter 4: The Prevalence of Problems with Gambling

Draft Report Findings

4.1 There are many people not categorised as ‘problem’ gamblers who, nevertheless, say they are harmed by their gambling.

4.6 While far from certain, problem gambling prevalence rates appear to have fallen somewhat. It is unclear how much this reflects natural adaptation or the impact of government policy, though both are likely to have contributed.

The AGC notes PC acknowledgment that overall prevalence rates appear to have fallen and the subsequent caveats regarding the significance of the problems that remain.

There is no argument from the AGC that problem gamblers may experience significant harms arising from their gambling. The AGC contends however that policy measures seeking to mitigate harm to problem gamblers must also seek a careful balance that does not impact on the enjoyment of those who play at recreational levels.

The Draft Report states that both harm and high problem gambler expenditure suggest potential high costs as a result of policy inaction. “This increases the size of the gains from effective policy, provides stronger grounds for more stringent regulations and may justify the reversal or weakening of the usual burden of proof when introducing new regulation”.¹⁵

The AGC contends that the PC has not measured harm with a screen designed to assess the number and quantum of harms experienced by gamblers on any objective, independent and validated scale designed for such a purpose. Rather, individual unit data responses from within the CPGI/PGSI framework have been used.

The CPGI is the sum of its parts – some of which may illustrate harm and others which have been criticised as inaccurate indicia of harm.

The definition and measurement of harm remains a difficult task.¹⁶ Draft Report analysis of the problems experienced by gamblers briefly references the work of Svetieva and Walker¹⁷ and also reflects the earlier work of the PC in construction of a HARM Index for the 1999 Report.

The Draft Report appears to suggest however that the suite of CPGI/PGSI responses may act as effective markers of harm whereas a number of prominent Australian researchers have argued for some time that the CPGI may not measure clearly the distinction between harm and behaviour or thoughts (some of which may not necessarily represent the presence of problematic gambling). This screen in fact includes questions which may be more reflective of the moral polarisation associated with gambling and/or items that may be responsive to cultural differences in gambling attitudes.

Svetieva and Walker’s writing on this subject urges particular caution against using questions which tap into moral attitudes (such as the experience of guilt or receipt of criticism) stating that this will “not only result in invalid measures of harm but will introduce systematic differences between large groups of people”.¹⁸

¹⁵ Productivity Commission (2009) *Draft Report into Gambling* p4.33 and also at p3.30

¹⁶ Walker, M (2003) *Exploring the Limits of Responsible Gambling: Harm Minimisation or Consumer Protection*, Proceedings of the 12th Annual Conference of the National Association for Gambling Studies, Melbourne. In a research project for the then Victorian Casino and Gaming Authority Walker sought to measure harm with a scale of 21 items that gave a three factor structure comprising harm to the individual, to the partner and to the respondent’s enjoyment of gambling.

¹⁷ Svetieva, E and Walker, M (2008) Inconsistency between concept and measurement: The Canadian Problem Gambling Index (CPGI) *Journal of Gambling Issues*, Issue 22, December 2008 157-173

¹⁸ Svetieva, E and Walker, M (2008) Op Cit

The Draft Report however includes guilt as an indicia of those experiencing 'significant problems' with their gambling¹⁹ and tabulates CPGI responses about guilt and criticisms received as indicia of psycho-social harms occurring in Queensland, NSW, Tasmania and South Australia.²⁰

Co-morbidity within the problem gambling population remains a salient concern and the quantum of the harm attributable to gambling activities is thus important. Seeking to address harms caused by a number of factors with gambling policy is a shortsighted approach to overall public health.

Many of the analyses of harm experienced by gamblers outlined in the Draft Report provide no information regarding the presence of other possible contributing issues, factors or co-morbidities. The AGC has previously submitted that co-morbid disorders are of greater significance and complexity than may have been previously considered and that causality of harm may be much more difficult to ascribe given this understanding.²¹

While the PC states that harms occurring to gamblers are broader than prevalence rates the harms identified by the PC remain concentrated in the problem gambler group, and to a lesser degree, the moderate risk group. Policy intervention must thus be targeted appropriately to impact these groups rather than impacting all gamblers.

Focusing on an aggregated issue present across a number of groups where harm occurring to the individual may be small is presented by the Draft Report as a significant factor but calls to question the nature of the harm identified. For example, faulty cognitions may be present across a variety of groups – including those without any further problems. In the absence of other behaviours faulty cognitions may not translate to future harm and may be best addressed with community education strategies targeted towards all with the aim of creating informed choice.²²

While the PC notes that longitudinal studies are required the Draft Report posits that “people displaying weak symptoms of harm (for instance sometimes feeling guilty) are at higher risk of future harms”.²³

The AGC contends that there is very little research addressing the issue of gambling symptom patterns across time or potential risk factors for the progression of problem gambling. Available research has suggested that “patterns of symptom endorsement vary considerably and potentially indicate quite different problem gambling trajectories”.²⁴

Given that harm is held by the PC to rest on a continuum and that research states to a lack of clear evidence regarding the stability and progression of gambling problems, it is hard to determine precisely which “low level indicators of current harm” the PC identify as “pointing to future risk”. Low level indicators do not constitute certainty of future harm and as such community education measures may be the most appropriate action warranted.

¹⁹ Productivity Commission (2009) Draft Report into Gambling p 4.18 in analysis of the 2006 NSW prevalence survey

²⁰ Ibid p4.22

²¹ See for example the work of Thomas, S., Jackson, A., Lorains, F. & Dowling, N. (2009) *Problem Gambling and its Co-morbidities: A Systematic Review*, A paper prepared for the Australasian Gaming Council by the Problem Gambling Research and Treatment Centre also Thomas, S & Jackson, A (2008) *Risk and Protective Factors, Depression and Co-morbidities in Problem Gambling*.

²² See for example Swedish National Institute of Public Health (2009) *Gambling motivation and involvement: A review of social science research* p65

²³ Ibid p4.5

²⁴ LaBrie, R., Schaffer, J., Nelson, S. & Gebauer, L (2009) Gambling Problem Symptom Patterns and Stability Across Individual and Timeframe. *Psychology of Addictive Behaviours* Vol 23, No 3 523-533.

The AGC suggests that if policy measures are to minimise harm within a public health framework then a proper measurement of harm is needed both pre and post policy implementation for evaluation purposes.

A greater understanding of the number, nature and quantum of actual harms attributable to gambling may also provide a better insight into precisely where and how harm minimisation policy and education programs may be effectively directed and the process by which treatment services may be designed and resourced to deal appropriately with client complexity.

“A statistically sound measure of harm caused would seem a necessary next step in problem gambling research. Some attempts to develop such an index already exist...²⁵ Each one aims to assess gambling-related problems in all the main domains of functioning, including the financial, legal, occupational, and psychosocial domain, giving a pure, comprehensive, and composite measure of gambling-related harm. Although none are without major criticism, these earlier attempts give some guidance to the kind of reasoning needed to measure harm caused by gambling successfully. The way forward may well begin with the logic behind these instruments.”²⁶

Calculations of Expenditure

Draft Report Finding

4.5 *It is estimated that problem gamblers account for around 40 per cent of total gaming machine spending (the midpoint of a range of estimates as high as 60 percent and conservatively at least 20 per cent). Moderate risk gamblers account for a further significant share.*

The AGC notes the large range of diverse methods and datasets triangulated by the PC in an attempt to estimate the expenditure of problem gamblers. The difficulties in any such process have been noted by a variety of researchers on a number of occasions. Individual findings in many of the datasets used within the Draft Report are significantly weakened by inadequacy.

Individual findings are weakened by inadequacies in the data available. While aggregate outcomes may fortify results the expenditure estimates obtained remain sufficiently wide to suggest that true figures remain materially uncertain.

Importantly - the PC found very little evidence of the ratio of expenditure to household income that may be attributed to problem gamblers.

At what point expenditure becomes problematic is a relative concept - proportionate to the gambler, their income, their outgoings and financial position. As Svetieva and Walker note:

There may be heavy time and monetary expenditure on gambling activities, but if there are no consequences of that behaviour, as may often be the case for gamblers with ample leisure time and large disposable incomes, then this cannot constitute problem gambling in the public health sense.²⁷

It is essential that the Draft Report evidence some understanding that recreational gambling is not categorised merely by low spend.

²⁵ Mention is made here of the PC's own HARM Index formulated for the 1999 Report.

²⁶ Svetieva, E & Walker, M (2008) Op Cit 168

²⁷ Svetieva, E & Walker, M (2008) Op Cit 160

Recommendations within the Draft Report should encompass the needs of those gamblers who may, within a carefully considered and appropriate budget, evidence a high spend that remains consistent with their personal recreational choice and means.

As an example, evidence cited in the body of Appendix B from data provided by Clubs Australia is held to show that 20% of players account for 80% of income. However, as the PC rightly admits, the data provided does not show evidence of how many (or indeed if any) problem gamblers were present in that 20% proportion.

Chapter 5: Counselling and Treatment Support Services

Draft Report Recommendation

5.4 Governments should ensure that existing funding mechanisms for help services are based on greater contributions from those gambling forms found to involve the greatest social harms.

The gambling industry as a whole contributes significantly to the each state/territory government's taxation pool. These funds are directed to consolidated revenue and the industry has no influence in deciding the ultimate beneficiaries.

Before any further discussion about the relative merit of various gambling sectors contributing a 'proportionate' percentile of funding, an overall analysis of existing contributions needs to be made.

It must also be acknowledged that while regulated levies represent one level of financial contribution from the gambling industry a considerable amount of local level donations are given by venues over and above all mandated taxes. These donations support charities, sports, other recreational pursuits and community amenities amongst many other causes.

Clubs and Hotels are often at the heart and hub of their local community where their support for local endeavours and community pursuits is well appreciated. The PC need only look to the wealth of submissions made to the 2009 inquiry from various local community and sporting groups to see this contention well evidenced.

The AGC suggests that an examination of whether appropriate funding amounts are being directed towards counselling and community services from existing consolidated revenue pools should be performed prior to any revised taxation regime being proposed.

Lending support to this concern is a recent report of the Victorian Auditor-General's Office into the Management of the Community Support Fund (CSF)²⁸ which found that:

"the CSF has spent \$1.4 billion since 1991 on programs and initiatives to benefit the Victorian community, but the fund's overall performance cannot presently be assessed as it has no explicit objectives and there is no monitoring, evaluation or reporting on its overall effectiveness".²⁹

While states such as Queensland have implemented a public and transparent record of funds divested to the community from gambling contributions such a system is perhaps not as clearly evidenced in all states/territories.

²⁸ The Community Support Fund (CSF) is a statutory trust fund that has been operating in Victoria since 1991. It is funded from a set proportion of gambling revenues. Recently its income has averaged over \$100 million annually. The fund typically averages expenditure of around \$50 million per year.

²⁹ Report of the Victorian Auditor-General (2009) *Management of the Community Support Fund* pp vi - viii

Chapter 6: Gambling Information and Education

Draft Report Recommendation

6.2 Given the risk of adverse outcomes, governments should not extend school-based programs without first assessing the impacts of current programs.

The AGC's position on school based responsible gambling education programs is well established. The initial AGC submission of April 2009 put forward the AGC's strong opinion on the value of a gambling education program for schools and also describes the existing work of state and territory education systems in this important life skills area of the curriculum.

The AGC has carried out research and development work in responsible gambling education programs with advice from the Commonwealth Government's Financial Literacy Foundation, state and territory governments and in consultation with students and teachers.

In teaching about adult activities which students will eventually encounter and may already be experimenting with, schools seek to inform, dispel myths and false beliefs, and provide strategies which will help young people make better choices and avoid potential for harm.

The AGC contends that research and anecdotes chosen by the PC to support the Draft Report view on this matter are not relevant to school based responsible gambling education programs or any other life skills programs. The PC appears to confuse school education with community gambling education programs, "warning campaigns" or counselling programs for problem gamblers.

Draft Report comments on gambling education in schools, including statements that there is lack of evidence that existing programs have changed behaviour, are flawed and evidence a basic misunderstanding of the role of schools.

Schools constantly review and evaluate all school programs for learning outcomes. This is not about measuring behavioral change but about assessing understanding.

To appropriately measure behavioral change a cohort of students gambling in unregulated environments would need to be followed through to adulthood. Their gambling experiences in venues once they reach eighteen and beyond would need to be monitored and examined for problem gambling behaviour. An unwieldy and, the AGC would suggest, unlikely piece of research.

The AGC holds a strong view that responsible gambling education programs are an important part of the middle and senior school curriculum - together with programs about the responsible use of alcohol, credit and driver safety.

Programs presenting information and protective behaviour strategies about activities which young people will face as they grow to adulthood are already well established in school curriculum offerings and in national curriculum development.

Education and information which allows young people to make wise choices about the use of discretionary money and provides an understanding of safe behaviour is one part, but a critical part, of the harm minimisation continuum of strategies to assist in preventing and reducing harm from gambling.

Research clearly shows that young people are now gambling increasingly.³⁰ They do so in unregulated environments with little or no understanding of how to budget and manage money or of behaviour which may be risky.

The Draft Report recommendation about schools' responsible gambling education programs suggests a moratorium on further development while evaluations of current programs are conducted and while evidence of their efficacy is collected. This demonstrates a limited knowledge of the work of educators and continuing curriculum evaluation, the input and control over curriculum choices which school communities and school leaders have and also a lack of awareness of the current curriculum development work of school jurisdictions in this area.

School communities and school leaders are well informed and are well aware of the careful approach needed in the teaching of curriculum programs about adult activities which carry some element of potential for risk.

Delfabbro and Lambos concluded of the *Dacey Dealings* Program available in South Australian Schools that:

"... Dacey Dealings programs had been successful in providing young people with a more realistic and rational understanding of gambling. Participants appear less susceptible to erroneous beliefs concerning gambling odds and outcomes, and appear to be more cautious about the potential financial benefits of gambling. The programs also appeared successful in increasing young people's awareness of the possible negative consequences of problem gambling, of the different forms of gambling activity, and of some of the formal services that are available to assist problem gamblers."³¹

The PC warns of potential for adverse outcomes from teaching about adult activities. These statements overlook the experience and responsibilities of school leaders and their communities in delivering education programs in ways that are student focused ie: continually evaluated for both content and sensitivity of approach.

In the course of teaching and learning exchanges teachers may find that some students are affected by gambling (or alcohol, managing credit or other experiences which carry some risk) through parents, family, peers or their own experimentation in unregulated environments (perhaps the internet or a poker game). Learning exchanges enable teachers and school counsellors to work together to provide assistance. **These are positive, not perverse outcomes.** School education programs are for all students.

The AGC is of the view that the PC team did not consult widely on this issue, particularly with educators, and did not research or consider carefully the importance of school based life skills education programs which promote the safety and well-being of young Australians.

Australian governments have a clear and independent responsibility in this area which the Draft Report did not recognise.

Recommending inaction in this area may in fact continue to put at risk many young Australians and as such the draft finding and recommendation about school-based gambling education programs should be changed in the PC's final report.

³⁰ Monash University School of Social Work (2007) *New Directions: Gambling Education and Financial Literacy for Young People*, Australasian Gaming Council p3 – numerous references are cited.

³¹ *Dacey Dealings - Pilot: Final Report Phase*, South Australian Department of Education and Children's Services (2007) p21 referencing Delfabbro P & Lambos C (2005) *Dacey Dealings final report, outcome evaluation*. University of Adelaide.

A finding and a recommendation which encourages governments to work with stakeholders to develop quality responsible gambling education programs built on the best ideas (both from state programs and from successful international curricula) is now necessary.

Chapter 7: Pre-commitment Strategies

Draft Report Key Point

- ***Self-exclusion allows gamblers to prevent themselves playing at specified venues but existing arrangements have deficiencies***

Self-Exclusion Programs

In discussing existing self-exclusion programs Blaszczynski, Ladouceur and Nower noted a key deficiency as over reliance on “external control of an individual’s behaviour”.³² In a paper commissioned by the AGC these authors have suggested that better links to counselling and education would “optimally shift the focus over time from an industry policing focus to individual monitoring of gambling self-efficacy”.³³

The AGC sees a need for further exploration of the pathways to recovery and treatment that arise from self-exclusion rather than increased emphasis on enforcement responsibilities of the gambling provider. The work of the AHA Vic in collaboration with both Gamblers’ Help and the Department of Justice in establishing such a program based on the pathways model provides a strong example of the benefits of this approach and was mentioned in the AGC’s previous submission to this inquiry.³⁴

While the recommendations made accord, for the most part, with many existing practices the AGC suggests that focus in self-exclusion should not be on an enforcement model but a recovery model that furthers the goal of promoting self-efficacy.

Forfeiture

Draft Report Recommendation

- ***As in Victoria, there should be confiscation of prizes won by persons shown to be in breach of self-exclusion orders.***

The AGC, while not opposed to the issue of forfeiture in principle, notes there is no empirical evidence or research to suggest that forfeiture deters breach of self-exclusion.

The AGC would also like to correct the assumption (noted at hearings conducted in Melbourne on 6 December 2009) that the forfeited funds of self-excluded gamblers remain with the gambling provider. The existing Victorian legislation on this issue is quite clear. Funds must be forfeited to the State and are payable to the Victorian Commission for Gambling Regulation for payment into the Community Support Fund.³⁵

³² Blaszczynski, A., Ladouceur, R. and Nower, L (2004) *Self-Exclusion: A Gateway to Treatment*, Australasian Gaming Council

³³ Ibid p18

³⁴ The program - trialled from May-November 2007 - emphasises education and rehabilitation. It also works to reduce any perceived conflicts of interest and increase transparency in implementation and monitoring. Program results have reportedly been promising and evaluations showed improved links to treatment and a higher uptake of counselling opportunities. See Victorian Self-Exclusion Pilot Partnership, Presentation to the National Association for Gambling Studies Conference, Wednesday 3 December, 2008 <<<http://www.nags.org.au/Conference08/6Strong.pdf>>>

³⁵ See for example Victoria’s *Casino Control Act* (1991) s78B(2)

³⁵ Blaszczynski, A., Ladouceur, R. & Nower, L (2004) *Self-Exclusion: A Gateway to Treatment*, Australasian Gaming Council.

Refining the Self-Exclusion Process

Draft Report Recommendation

7.2 Governments should ensure that, in any of the self-exclusion programs offered by venues, gamblers have the choice of:

- *immediately invoking self-exclusion at the venue (without interview), or*
- *excluding themselves at a place outside the venue, or*
- *to the extent, practicable, being able to self-exclude through remote means.*

Misconceptions and misunderstandings regarding the parameters of self-exclusion, what is entailed and how the self-exclusion affects all parties involved are a possible unintended consequence of an overly simplistic, non-personalised or remote process.

An immediate or remote self-exclusion process – while making innate sense - may not canvass all matters (including referral for treatment options that feature in current processes) designed to provide high levels of support and assistance.

The practicable extent to which these simpler solutions may be offered to consumers while maintaining the benefits of a self-exclusion process which emphasises contact with, and support for, the gambler - as well as referral to treatment - is of importance.

Research upon this subject makes it clear that managing and clarifying the expectations “regarding the role and limits of responsibility of individual gamblers, industry, legal/government authorities and interested community members is vitally important to avoid unrealistic expectations and unfair criticisms”³⁶.

Third Party Exclusion

Draft Report Recommendation

- *subject to evidence and due process, there be a capacity for family members to make applications for third party exclusions and for nominated venue staff to initiate involuntary exclusions of gamblers on welfare grounds.*

The AGC suggests that interview and evidence collection for third party invocation of welfare exclusions should rightfully be the province of the regulatory authority in concert with treatment providers rather than the responsibility of the gambling provider.

Pre-commitment Strategies

Draft Report Recommendations

7.4 Governments should implement by 2016 a universal pre-commitment system for gaming machines that:

- *provides a means by which players could set personally-defined pre-commitments and, at a minimum, a spending limit, without being subsequently able to revoke these*
- *encourages gamblers to play within safe spending and time limits by specifying default limits*

³⁶ Blaszczyński, A; Ladouceur, R; and Nower, L (2004) Op Cit.

- **enables gamblers to opt-out, with periodic checking of their preference to do so**
- **applies to all gaming machines in all venues in a jurisdiction**
- **allows occasional gamblers to stake small amounts**
- **avoids identity fraud**
- **is not complicated for gamblers to understand and use**
- **does not unduly affect the enjoyment of those selecting safe playing options**
- **presents few obstacles to future innovation in the presentation and design of the system.**

From the outset the AGC has recommended that:

- The promotion of responsible gambling practices, greater understanding of effective budgeting and simple limit-setting mechanisms that are readily employed by consumers in every area of their lives is necessary as part of a broader educative stance;
- Further research regarding consumer acceptance, cost effectiveness and long-term impact is required to ensure that the implementation of any strategy does not cause serious unintended consequences for stakeholders;
- Clear policy principles are established before undertaking any trial of a pre-commitment strategy. The development (specifically for that state) of the principles of the South Australian Responsible Gambling Working Party provide an example; and
- Evidence from trials of pre-commitment strategies conducted in an Australian context should be analysed and used to inform Australian decisions.

The AGC suggests that much has already been achieved in Australia with regard to pre-commitment and that the PC's stance is not warranted considering the voluntary trials and pilot programs currently underway.

Opt-in v Opt-out

Australian research conducted by McDonnell-Phillips has indicated that while there is a reasonable level of consumer interest in both limits and pre-paid gambling cards the notion of limit setting will not appeal to all. A key finding of this research was "that **pre-commitment will have "the greatest impact if it offered as a voluntary rather than a compulsory option"**".³⁷

The implications of this finding were cited by the author as that "the most positive response to pre-commitment would arguably be to offer voluntary pre-commitment services to gamblers, which are accompanied by high quality communication strategies (ie. to nurture uptake of the concept by high need segments).³⁸

The AGC suggests that if pre-commitment is to be progressed an opt-in model (rather than a mandatory opt-out model) would more appropriately balance the interests of high and low spending recreational gamblers (and tourists) with the needs of those 'at risk' or experiencing problems.

McDonnell-Phillips found that problem gamblers reported more harm from exceeding limits, particularly monetary limits than other groups sampled. The study found that "the high level of harm reported by higher risk gamblers suggests that the sample was quite aware of the impacts of their gambling".³⁹

³⁷ McDonnell-Phillips Pty Ltd (2006) *Analysis of Gambler Pre-commitment Behaviour* p46

³⁸ Ibid p46

³⁹ Ibid p17

In the context of card-based strategies this report also found that 15% of gamblers saw “no reason” to offer it at all. However, there was a majority view that it if offered it should be **voluntary** (63% of gamblers) and that players should ultimately **self determine limits** (54% of gamblers).⁴⁰

The author of this study concluded that findings highlighted reasonably strong interest in future uptake. 47% of EGM players indicated that they would try limit setting and use it in the long term and 51% of problem gamblers also indicated that they would use limits in the long term.

Australian research suggests that those who experience problems are not unaware of the impacts of their gambling behaviour. Combined with the appropriate marketing and educative tools voluntary systems could be used as a matter of choice and a self-help measure by those experiencing problems.

The McDonnell-Phillips report adds that while neither acceptance nor uptake would be universal, “it is apparent that both concepts present some intrinsic value to a fair proportion of regular Australian gamblers. It is also particularly noteworthy that there is high interest from problem gamblers.”⁴¹

The notion that those experiencing problems may not seek to help themselves by utilising a voluntary system is often raised however these findings suggest that outcomes may be otherwise.

Action upon reaching limits

It should be noted that suggestions contained in the Draft Report for play after limits have been reached (such as restricted play of free games offering no monetary prizes or 100% return to player (RTP) functionality) are not compatible with a viable commercial business model and would therefore have impacts on both venue and government revenues.

Such suggestions for extending participation (while using a format which could encourage significant misconceptions regarding both return to player and costs of an actual game) may also have perverse impacts on ‘at risk’ gamblers, impacting on the play of these individuals at their return to a ‘live’ game. This suggestion also appears to be at odds with previous statements in the Draft Report regarding the supposed ‘conditioning effect’ of EGM play.⁴²

Privacy and Player Identification

Adherence to privacy principles is important - but not the only issue. Industry has submitted a serious contention that concerns for privacy may result in consumer rejection of the product.

The Australian research on this subject suggests that privacy is of importance to gamblers. McDonnell-Phillips found that “27% of EGM players surveyed were very concerned about the privacy aspect of a gambling card”.⁴³

Nisbet has also emphasised in her research into card-based gambling that “an understanding of consumer acceptance is crucial to any discussion of responsible gambling and harm minimisation”.⁴⁴

The AGC submits that while identification details may be required for many everyday activities it does not follow as a matter of course that gambling consumers will be willing to accept mandatory

⁴⁰ Ibid p39

⁴¹ Ibid p39

⁴² Productivity Commission (2009) *Draft Report on Gambling* p3.9

⁴³ McDonnell Phillips Pty Ltd Op Cit p47

⁴⁴ Nisbet, S. (2005) *Responsible Gambling Features of Card-Based Technologies*, International Journal of Mental Health and Addiction, Vol 3 No 2 p55.

requirements. It is in fact entirely possible that recreational consumers will be deterred from participation by a requirement for registration and identification procedures.

Qualitative follow-ups to the Nova Scotia pre-commitment trials by the International Gaming Institute in Las Vegas found that “a major concern across all groups pertained to privacy and security.

Despite assurances that their personal data would not be linked with their gambling data, and despite reassurances that this was not an attempt by the government to monitor gambling behaviours, participants were highly skeptical. Again, this might be expected given the newness of the technology; however, at the very least it is clear that these are significant barriers to widespread acceptance of the product”.⁴⁵

Default Settings

In recommending a default limit for harm minimisation the Draft Report assumes that it is possible to calculate the likelihood of risk - appearing to suggest that gamblers are homogenous and that trials of any system will be able to identify a ‘one size fits all’ harm minimisation setting for time and expenditure.

The AGC believes that a default setting for time/expenditure may well fail to protect some problem gamblers while removing both choice and enjoyment in participation for those who gamble recreationally and within their means.

The Draft Report also suggests that in ‘exceptional circumstances’ limits may be set on behalf of the gambler by a family member – or perhaps a member of staff.⁴⁶

The suggestion that gaming staff may take responsibility for setting of a limit on behalf of a gambler – whose personal financial circumstances and budget for recreational gambling are unknown to them - is manifestly inappropriate even with the caveat of ‘exceptional circumstances’ applied by the PC.

The setting of any limit for gambling should only be undertaken by the gambler themselves with due reference to their financial situation, budget for gambling and appropriate advice.

Hospitality staff, while well trained in responsible gambling, are not employed as qualified financial advisers – nor should they be expected to assume such responsibility. It also remains extraordinary that such action should be suggested if it is indeed the contention of the Draft Report that there is significant conflict between industry’s commercial interests and effective harm minimisation efforts.

Auxiliary Functions

The Draft Report suggests that data gained from a pre-commitment system could be used to track players and inform interventions.

⁴⁵ Bernhard, B., Lucas, A. & Dongsuk J (2006) *Responsible Gaming Device Research Report*. International Gaming Institute University of Nevada, Las Vegas p19

⁴⁶ Productivity Commission (2009) Op Cit p7.28

The AGC contends that there remains little to no evidence of the efficacy of player tracking systems to assist problem gamblers. Nor have such systems as may exist been trialled in an Australian setting.

The notion that Server Based Gaming (SBG) could provide the answer is also pre-emptory. As yet there is no use of SBG in any Australian jurisdiction. While some industry sectors may be represented as having shown limited interest⁴⁷ in such technologies any widespread deployment will ultimately depend upon both consumer appeal and cost.

The Australasian Casinos Association (ACA) have submitted an assessment of SBG to the PC which advises that “market conditions around the world suggest that the roll-out of SBG technology will be very slow due to the combination of the size of the capital investment and the unquantifiable return on that investment.”⁴⁸

Cost

Some of the issues to consider when assessing cost include:

- Resource allocation to fund live trials of proposed measures;
- Development of the pre-commitment package (could include software and/or hardware);
- Transferability issues – Australian EGM venues utilise a variety of operating systems/platforms;
- Installation of equipment or upgrades to existing equipment;
- On-going management and maintenance;
- Staff training; and
- Consumer education tools.

The cost implications of pre-commitment solutions – especially technology-based solutions – are not well documented. Industry estimates have demonstrated that significantly higher costs may be entailed than those figures accepted by the PC.

Divergences in the estimated cost of pre-commitment systems are not unusual and suggest that much depends upon the nature of the system discussed, the quality and type of components, specific jurisdictional requirements/systems and the pre-existing technology.

It is important to note that lower cost estimates may be more appropriately quotations for specific components rather than a full account of the range of costs that would apply to installation, roll out, maintenance and upgrade of any ‘universal’ system.

⁴⁷ The PC Draft Report quotes Clubs NSW as pointing to the commercial likelihood of SBG in 2009 see reference at Productivity Commission (2009) Op Cit. p 7.36

⁴⁸ Spence, Neil (2009) *Server Based Gaming: A Long and Uncertain Path to Implementation*, Australasian Casinos Association (PC Submission 264 <http://www.pc.gov.au/projects/inquiry/gambling-2009/submissions>)

Cost for industry and government may also be measured in terms of revenue reduction. There is no definitive research into the impact of pre-commitment strategies or evidence to suggest real impacts on revenues.

The Draft Report acknowledges quite categorically that trials of any default would, of necessity, reduce aggregate gaming expenditure. Whether the benefit expected in relation to such cost would necessarily be forthcoming remains unclear.

The costs that may be encountered if dissatisfied recreational consumers walk away from the product altogether are not adequately canvassed – nor is the social cost should problem gamblers move to other, less protected, formats.

The issue of consumer migration to other high intensity gambling formats not as rigorously regulated as the EGM market is possible. The Draft Report should give adequate consideration to the potential outcome that some problem gamblers, (who research suggests are attracted to and participate in a variety of game formats) may transpose their activity to less heavily regulated forms.

Chapter 8: Venue Activities

Codes & Compliance

Draft Report Recommendation

8.1 Governments should enhance existing compliance and complaints-handling arrangements by:

- ***enabling their gambling regulators, or accredited compliance auditors, to regularly appraise gambling venues' compliance with harm minimisation measures, both mandatory and voluntary, and publicly report their findings.***

The argument that a conflict of interest exists between venue business imperatives and motivations to assist problem gamblers persists despite a range of submissions from various stakeholders regarding the changes implemented since 1999.

The Draft Report does not reflect many of the proactive industry actions and programs undertaken in this area. It is emphasised again that the design of mandatory codes in place has been facilitated with active industry collaboration and insight and that many of the provisions put in place were already evident under voluntary structures.

The industry welcomes scrutiny of gambling venue compliance with both mandatory and voluntary measures and notes that this recommendation accords to a great extent with existing regulatory practice.

Complaints

Draft Report Recommendation

- ***introducing a mechanism for gamblers and venue staff to make complaints to the relevant gambling regulator about venue conduct contributing to problem gambling. This mechanism should be promoted to gamblers within venues and to staff through their responsible gambling training.***

Venues currently resolve a number of issues on the spot thereby reducing the need for yet another level of oversight with corresponding legislation/regulation. Where this process may be considered insufficient there is already provision for complaints to be escalated to the appropriate regulatory authority.

Current codes already contain requirements for appropriate complaints processes. Alternatives suggested within the Draft Report discussion could create a complex process which is neither cost effective nor practical.

A Statutory Cause of Action

Draft Report Recommendation

8.2 Governments need to enhance gamblers' capacity to obtain judicial redress against gambling providers that behave egregiously. This could include a new statutory cause of action to apply in circumstances where a venue-based provider has behaved in specified ways that would clearly contribute to harms.

The Commission seeks views on whether a new statutory cause of action should be established and what criteria would be appropriate.

The AGC submits that, while judicial redress has been limited, judicial investigation of such matters has sought to properly explore evidence relating to the actual nature of the relationship between the parties and causation of the loss as well as any possible contributory factors that should play a part in assessing the quantum of damages.

Any proposed cause of action would indeed have to be narrowly and carefully construed to avoid claims based more upon the fact of pecuniary loss than any egregious behaviour on the part of venues.

If pecuniary penalty to the venue is the main consideration of the Draft Report then options for enforcement of fines, restrictions on licensing and indeed loss of gaming license already exist within the power of the relevant regulatory authorities.

Staff Training

Draft Report Recommendation

8.3 Governments should enhance existing training requirements by:

- ***preparing problem gambler identification and intervention guidelines for venues, including a short list of commonly agreed indicators of problem gambling; and***
- ***requiring gambling venues to provide staff training on these guidelines and on the process for lodging complaints about a venue.***

The AGC has long advocated training in staff awareness of the visible signs that an individual may be experiencing difficulties with their gambling and have welcomed the insight of the detailed work in this field completed by Delfabbro et al.⁴⁹

The AGC contends that appropriate response to possible problem gamblers identified by behavioural cues within the venue is already the subject of staff, management and responsible gaming officer training procedures.

The industry clearly accepts that further training and guidelines that shed light on the complexity of human behaviour in this area is an ongoing necessity. Industry has already evidenced significant commitment to furthering this recommendation.

The Draft Report discussion travels further however by suggesting that the complaints process recommended should include complaints regarding a failure to identify and intervene.⁵⁰

The AGC emphasises that the research base for identification of problem gamblers in the gaming venue states to a theoretical possibility of identification - not surety – and certainly not surety of a type that could warrant action for failure.

⁴⁹ Delfabbro, P; Osborn, A; Nevile, M; Skelt, L & McMullen, J (2007) *Identifying Problem Gamblers in Gambling Venues*, Gambling Research Australia.

⁵⁰ Productivity Commission (2009) Draft Report on Gambling p 8.35

Chapter 9: Access to Cash and Credit

Draft Report Recommendations

9.1 Governments should fine-tune existing regulations of ATMs/EFTPOS facilities by introducing the following changes in gaming venues:

- **Cash withdrawals from ATMs/EFTPOS facilities should be limited to \$200 a day.**
- **ATMs/EFTPOS facilities should be a reasonable distance from the gaming floor, visible to the public and venue staff, yet not to gamblers from the gaming floor.**
- **Warning and help messages should be clearly visible on ATMs/EFTPOS facilities.**

The Commission seeks views on the practicability of exempting casinos from draft recommendation 9.1 in relation to their high rollers and international visitors.

A \$200 limit ATM withdrawal limit (indeed any limit) may impact recreational gamblers as well as other patrons of hospitality venues.

While pleased that the PC has recognised the withdrawal of ATMs from venues to be an impractical, ineffective and costly measure the AGC submits that the ATM withdrawal limit proposed in the Draft Report may not effectively target harm to those experiencing problems and will further impact high spend recreational gamblers and other consumers.

The PC should not pre-empt an analysis of impacts from upcoming restrictions on Victorian venue ATMs and submits that further regulation on ATM withdrawal limits should not be progressed until the impacts of the Victorian decision are properly assessed.

The probability and impacts of potential 'perverse outcomes', such as problem gamblers bringing more cash to venues or making cash withdrawals at ATMs outside the venue (allowing credit to be accessed) are an all too foreseeable consequence of limiting access to cash in venues.

With regard to the specific views sought by the Commission on this issue: Given that casinos are destination venues and that most offer not just gambling but high end retail, accommodation and dining the extension of the recommended limit to such venues could substantially impact a large proportion of consumers in general as well as a significant proportion of Australia's tourist market – all of whom expect ready access to cash for their varied purchasing needs.

The AGC suggests that the means by which ATM technology can assist problem gamblers without inconveniencing other consumers - such as transactional limits enabled by banks at consumer request and ATM self-exclusion programs – is deserving of much further exploration as an effective measure that does not impact on recreational gamblers and provides tailored solutions for problem gamblers.

Cheque/Direct Credit Payment for Prizes above \$250

Draft Report Recommendations

9.3 *Governments should require venues to pay any gambling prize above \$250 by cheque or direct credit to the gambler's account, except for winnings by high rollers and international visitors in casinos.*

Available research, as acknowledged by the Draft Report, while collectively supporting the case for general restrictions, does not recommend changes to the current thresholds for non-cash payment of 'large wins'.

Given the lack of research evidence as to what amount may actually curb problem gambler impetus to gamble below the cash payment threshold the basis for the Draft Report's recommendation to reduce current thresholds by such a significant degree remains unsupported.

It may equally be supposed that if a substantial reduction to the threshold does not in fact stop non-cash avoidance behaviour in problem gamblers that the recommended lower threshold may actually result in gambling of wins to an even lower sum.

The AGC suggests that the requirement for venues to pay any gambling prize above \$250 by cheque or direct credit to a gamblers account is likely to:

- **create substantial operational pressures - raising costs and wait times for customers;**
- **cause significant inconvenience to a number of consumers and loss of revenue to businesses as customers who may wish to use a portion of winnings for other recreational options, consumables or transport purchases may be unable to do so; and**
- **result in unintended consequences as problem gamblers 'play down' their wins further to avoid cheque payment.**

Chapter 10: Accessibility of Gaming Machines

10.1 *Drawing on the Queensland approach, governments should introduce a shutdown period for gaming machines in all hotels and clubs that commences earlier, and is of longer duration, than currently.*

The Commission seeks feedback on the period of shutdown that would best target problem gambling, with least side-effects on recreational gamblers.

Shutdowns may essentially be regarded as ‘time caps’. The Draft Report itself recognises that “operating hours of gaming machines and other restrictions on accessibility are unlikely to be as effective as other harm minimisation measures... primarily because small changes to accessibility make little difference”.⁵¹

The PC has noted that research provides little guidance as to which particular time of the day problem gamblers may seek to play and the impacts of such a measure on shift workers and other members of the recreational gambling public. Blue Moon’s literature review, “uncovered only limited research focusing on mandatory shutdowns”.⁵² Additionally, and unsurprisingly, interviews revealed that problem gamblers could play at any time.

Given the evidence of impact to non-problem gamblers provided in the discussion of the Draft Report the AGC does not accept that there is a sufficient evidence base to determine a period that would effectively target problem gambling with least side effects on recreational gamblers.

The AGC contends that a common closing time engineered to assist problem gamblers and to be imposed in all venues does not take into account the diversity of venues and consumers.

Such a manifestly untargeted approach would have significant adverse impacts on many commercial operations and recreational consumers.

⁵¹ Productivity Commission (2009) *Draft Report on Gambling* p10.26

⁵² *Ibid* p10.19

Chapter 11: Game Features and Machine Design

\$1 bet limit

Draft Report Recommendation

11.1 In all jurisdictions, the maximum bet limit on gaming machines, other than those in high roller or VIP rooms at casinos, should be set at one dollar.

Blaszczynski, Sharpe and Walker (Blaszczynski et al) conducted research in 2001 that is heavily referenced in this section of the Draft Report.⁵³ This research itself explains that it was constrained by the parameters of its enquiry – including study of 1c denomination machines and a convenience sample of hotels, clubs and gamblers.

While the study is sound of design the authors specify that consideration needs to be taken in the interpretation of results “and in generalising the findings to other populations of gamblers and gaming devices other than 1c denomination poker machines”.⁵⁴

While the PC may feel there is a prima facie case for a lower bet limit the Draft Report also references a 1999 conclusion that **any measure to reduce intensity should use a large dataset**. The AGC would draw attention to the fact that a decade later the PC remains well aware that no such systemic research has been done.

The recommendation for a \$1 bet limit (or indeed any reduced bet limit) must be supported by a larger dataset and the impacts modeled in detail. The AGC submits that the impacts of this recommendation on recreational gamblers (especially high spending recreational gamblers) and the gambling industry in general are in no manner trivial. Such a policy change would have major implications for consumer enjoyment, venue revenues and industry viability. The evidence as provided is not acceptable for a recommendation of national policy change.

The impact on revenue of a \$1 bet limit has been estimated, both by CIE and Blaszczynski et al. CIE estimated that a \$1 maximum bet in New South Wales would see gaming machine revenue decrease by 17% and 39% at clubs and hotels respectively.⁵⁵ Alternatively Blaszczynski et al contended that revenue losses may be small.⁵⁶

Marked differences in the estimates of the impact of this recommendation as provided in the Draft Report suggest that true impacts remain unknown.

Further to this matter is the significant cost of replacing or reconfiguring EGMs to adjust for reduction to the recommended bet size. The AGC supports the submission of high cost estimates and other concerns stated to by the Gaming Technologies Association (GTA) at the public hearings held Tuesday 15th December 2009 with regard to this recommendation.

The Gaming Technologies Association (GTA) has submitted that the cost of implementation – including the replacement and/or reconfiguration of EGMs to comply with a \$1 bet limit – would be significant.

⁵³ Blaszczynski, A, Sharpe, L and Walker, M (2001) *The Impact of the Reconfiguration of Electronic Gaming Machines as Harm Minimisation Strategies for Problem Gambling*, University of Sydney Gambling Research Unit

⁵⁴ Ibid p7

⁵⁵ Centre for International Economics (2002) *Gaming Machine Revenue at Risk*

⁵⁶ Blaszczynski et al (2001) Op Cit.

\$20 Cash Input Limits

Draft Report Recommendation

11.2.1 In all jurisdictions, the maximum amount of cash that can be inserted into a gaming machine should be \$20, with no further cash able to be inserted until the maximum credit on the machine falls below \$20.

The Draft Report itself states that evidence of the efficacy of prohibiting note acceptors or limiting their use to low denominations is not 'wholly clear'.

The research of Blaszczynski et al in 2001 examined player behaviour in response to reduced note denomination of \$20.⁵⁷ Anecdotal data obtained from pathological gamblers participating in focus groups suggested that a proposed modification to BNAs would be unlikely to lead to an alteration in patterns of play and the study concluded that there was no evidence that this modification would effectively reduce gambling behaviour amongst problem gamblers.

The modification was ultimately considered of limited effectiveness in minimising harm but the authors thought that it would lead to an overall reduction in revenue to the gaming venues.⁵⁸

Modification of BNA denominations has been shown in research conducted by Blaszczynski et al to be of limited effectiveness in minimising harm to problem gamblers.

A study conducted in Nova Scotia by Focal Research found that players would spend the same amount of money, but over a longer period, in the absence of BNAs. Incidentally, the Nova Scotia study also highlighted a player rating of bill acceptors as more effective (31% of respondents) in assisting them to manage time and money spent than the actual responsible gambling features being studied as the purpose of the research.⁵⁹

While the PC may consider that cash input limits remain too high it remains a fair contention that 'loading' up the machine beyond a single note is not necessarily a factor common to all problem gambler playing styles.

Orchestrating short breaks in play to reinsert notes, while certainly creating an irritant to many EGM gamblers, is a measure problem gamblers could counteract merely by adjusting to the reinsertion of notes at specific intervals.

⁵⁷ Blaszczynski et al (2001) Op Cit.

⁵⁸ Blaszczynski et al (2001) Op Cit p9

⁵⁹ Focal Research Consultants (2002) *Atlantic Lottery Corporation Video Lottery Responsible Gambling Features*.

Chapter 12: Online Gaming and the Interactive Gambling Act

Draft Report Recommendations

12.1 The Australian Government should repeal the Interactive Gambling Act, and in consultation with state and territory governments, should initiate a process for the managed liberalisation of online gaming.

- **The Australian Government should evaluate the effectiveness of these harm minimisation measures, as well as the regulator overseeing the national regulatory regime, on an ongoing basis.**

The AGC believes that the proposed managed liberalisation of online gaming in Australia presents a unique opportunity to develop a best practice, well researched and efficient harm minimisation model incorporating the most appropriate measures for the Australian online gaming population prior to implementation.

A number of current unknowns surrounding the characteristics of online gamblers and pathways to problem gambling in the online environment need to be resolved before this can occur and baseline research is required to gauge effectiveness of measures implemented at later assessment.

As part of the recommended review, the Federal Government should also act to ensure a consistent approach to harm minimisation regulation for internet sports-betting and wagering services.

Chapter 15: Gambling Policy Research and Evaluation

Draft Report Recommendations

15.1 All jurisdictions should improve the usefulness and transparency of gambling survey evidence by:

- **conducting prevalence surveys at the same time and using a common set of core questions;**
- **making de-confidentialised unit records of gambling surveys available in a public domain data archive, at no cost to users.**

The AGC welcomes an approach to gambling research in Australia which places research on a sound footing throughout the nation and indeed canvasses results from across Australasia.

The AGC also welcomes any move to improve efficiencies in data collection and transparency particularly the release of unit data collected through state and territory prevalence surveys.

The AGC believes however that policy differences between jurisdictions may continue to make comparisons difficult and adds that longitudinal studies are required to enable greater understanding of the incidence and duration of gambling problems. Prevention efforts, harm minimisation policies and tertiary treatment of problem gamblers must also be informed by further research into the high incidence of co-morbid disorders.

Conducting research into gambling which has direct policy applicability is also a welcome recommendation. Effective prevention and harm minimisation require “coordinated, extensive

and enduring efforts between effective educational initiatives and effective policy initiatives”.⁶⁰ A more structured approach to the formulation of harm minimisation initiatives has been previously recommended by the AGC.

As with similar harm minimisation frameworks in Australia, gambling harm minimisation efforts should be undertaken within a multi-stakeholder partnership model emphasising greater collaboration.

The AGC holds the strong view that the advisory council for any new and proposed gambling research centre should have broad representation from the gambling industry and supports this recommendation.

⁶⁰ Williams, R.J., West, B.L., & Simpson, R.I. (2007) *Prevention of Problem Gambling: A comprehensive review of the evidence*. Report prepared for the Ontario Problem Gambling Research Centre, Guelph, Ontario p. 42