
1 The inquiry

Gambling is a controversial issue. It provides enjoyment for many, problems for some, employment and income for thousands, and much taxation revenue for governments. But very little is known about the industry. What information we have is patchy, of variable quality and in some cases, quite dated — a particular problem for a rapidly growing and changing industry. Available data often sheds light on one jurisdiction only: detailed comparative analysis across states and territories (or between modes of gambling) is not possible. This dearth of quality information has been an obstacle to good public policy making in an area where the debate in the broader community has become increasingly polarised.

1.1 The reference

On 26 August 1998 the Treasurer asked the Productivity Commission to undertake a public inquiry into Australia's gambling industries. The Commission was asked to report on:

- the economic impacts of the gambling industries, including interrelationships with other industries such as tourism, leisure, other entertainment and retailing; and
- the social impacts of gambling industries, including the incidence of gambling abuse, the cost and nature of welfare support services, the redistributive effects of gambling and the effects of gambling on community development and the provision of other services.

Other matters to be examined included the effects of regulatory structures (including licensing arrangements, entry and advertising restrictions and differing taxation arrangements), the implication of new technologies such as the internet, the impact on Commonwealth, state and territory budgets and the adequacy of ABS statistics on gambling.

The Commission was asked to provide an information report which can serve to enhance public understanding of the issues and assist government decision-making. Some participants were unclear as to the implications of this, thinking it precluded the Commission from policy analysis. This is not the case: the report does provide a range of policy-relevant findings and assessments intended to be of assistance to all

governments. But it does not contain policy recommendations of a kind which require a formal response from government.

1.2 Inquiry processes

Contentious policy issues such as gambling lend themselves well to an independent public inquiry process. It provides an effective way of allowing the views of many diverse interests, including those who would not normally take part in a government inquiry, to be represented. To this end, the Commission advertised in the national press at the commencement of this inquiry, inviting public submissions. It established a website (at www.pc.gov.au), and prepared and released an Issues Paper to guide individuals and organisations wishing to take part — and many have done so. The Issues Paper was distributed widely, and placed on the website.

Visits and discussions

A round of visits and informal discussions commenced almost immediately, continuing until the end of the year. Over 60 meetings were held, some with groups of participants. In some cases, meetings were organised by, for example, government departments and agencies in several jurisdictions, counselling agencies and problem gamblers.

These discussions have helped the Commission come to grips with key issues and questions that it needed to address. The Commission is very grateful to all those who participated.

Submissions

The inquiry has attracted considerable public attention. The Commission received 290 public submissions, ranging from short letters to 200 page reports. In addition, there were 39 confidential submissions, many relating personal experiences from gamblers and their families.

Submissions have come from a wide range of interests: about 18 per cent have come from government agencies (including local government), 19 per cent from gambling providers, 29 per cent from welfare and community organisations and 21 per cent from individuals.

Copies of public submissions were placed on the inquiry's website, which has seen a high level of usage.

Public hearings

During November and December 1988, first round public hearings were held in all capital cities, to allow interested parties to discuss their submissions with the Commissioners. The hearings were advertised in the main newspaper in each location, by circular, and on the inquiry website. A supplementary public hearing was held on 30 March 1999 to consider key industry submissions deferred from the earlier scheduled hearings.

About 65 submissions were presented at the initial public hearings, and some 120 people took part in the discussions with Commissioners.

Following the release of the draft report on 19 July 1999, a further round of public hearings was held in Canberra, Melbourne, Sydney, Hobart and Brisbane to take submissions on the draft report. Fifty-six submissions were presented, and 86 people took part. Between July and November, some 120 submissions were received in response to the draft report.

Roundtables

The Commission held six formal roundtables, with the intent of tapping the expertise of well-informed people in particular areas to supplement its own research resources (box 1.1). Further details are provided in appendix A.

Box 1.1 Roundtable discussions

In addition to a variety of group meetings and consultations, six roundtables were initiated by the Commission:

- an initial roundtable of key people with a close interest in the issues, including from academia, industry and counselling services, to help the Commission identify questions for its Issues Paper;
- consultation with experts on survey methodology and data interpretation, to better inform the Commission's thinking about the nature and type of surveys which needed to be undertaken;
- two roundtables on the impact of gambling on regional areas, held in Goulburn and Port Augusta;
- a crime and gambling roundtable, held in conjunction with the Australian Institute of Criminology; and
- a roundtable discussion on assessing the incidence and costs of problem gambling.

More details, including names of all attendees, are provided in appendix A.

The information challenge

Lack of good information has been a problem, and an issue for this inquiry. It became apparent early on that some of the gaps could only be overcome by the Commission undertaking one or more surveys itself.

Three surveys were undertaken during the first half of 1999 (box 1.2). The methodology and results are discussed in detail in part C.

Box 1.2 **The Commission's gambling surveys**

Three surveys were undertaken:

- a *National Gambling Survey* of some 10 600 persons, looking at gambling preferences and spending, attitudes and impacts;
- a *Survey of Clients of Counselling Agencies* covering some 400 gamblers attend a counselling agency, to see who they are, examine the problems they face and the means they use to address the problem; and
- a *Survey of Counselling Services*, asking about their funding, caseload, methods of approach and outcomes.

In addition, the Commission had access to many other surveys — including, in many cases, unit record data — together with data provided by participants from their own activities. The Commission is grateful for the assistance it received.

However, there were several areas where the Commission was not able to contribute significantly. These include:

- the incidence and effects of gambling within ethnic communities. Some submissions on this matter were made to the inquiry, and are reflected in the discussion. And the Commission had discussions with principal researchers in that field, and was favourably impressed with the methodological approaches being undertaken (for example, interviewers from the same ethnic group were being used to undertake surveys to minimise misinterpretation of responses). But in the time allowed, the Commission has not been able to add significantly to this information base; and
- gambling in indigenous communities is another area where the Commission has not been able to advance currently available knowledge (appendix E).

Both of these areas are listed in chapter 23 in a discussion of matters for future gambling research.

Extension of the inquiry

The need to design and conduct the three national surveys listed in box 1.2, and the extensive public interest in the inquiry (requiring extra time for submissions and supplementary public hearings), led the Commission to seek additional time for the inquiry. The Assistant Treasurer agreed to extend the reporting date for the final report by three months, to 26 November 1999.

Response to the draft report

On 19 July 1999, the Commission released a draft of its report. This was widely disseminated — about 2300 copies of the full report, and about 800 of a shorter version comprising the Summary and Findings only, were made available to interested persons and organisations without charge. The report was also able to be read and downloaded from the Commission's website, which received a high level of usage.

The Commission's draft report evoked considerable media and public attention. As was inevitable for an independent inquiry into a controversial topic, there were a variety of responses, including from those who thought the draft report was too generous to industry, or gave insufficient attention to the ethics of gambling, or was too heavily focused on problem gambling.

Constructive criticism was received from umbrella organisations which account for the bulk of the spending on gambling (that is, lotteries, clubs and hotels). However, particular segments of the industry expressed strong concern at the report's focus on the social impacts of gambling, arguing that an opportunity to 'demystify' the industry had been lost. A selection of responses is given in box 1.3.

The Commission has given careful consideration to all of these views in preparing its final report. In response, it has made significant changes to many areas, such as in respect of the industry's importance in the economy, the social costs of divorce, the emotional costs of problem gambling to families and partners, and an analysis of the proportion of world gaming machines accounted for by Australia. In other areas, the Commission has attempted to make the discussion clearer, and new material has been added. Indeed, most chapters and appendices have been changed to a greater or lesser degree, and consequently, the report has increased in size by some 400 pages!

The Commission thanks all participants for their contributions.

Box 1.3 **Some reactions to the draft report**

The Queensland Government said that it broadly supported the views of the draft report regarding the benefits and costs of gambling. Those findings and analyses:

... broadly concur with those of the Queensland Government. The Draft Report has been a very useful resource to the Queensland Government and will support some of the recommendations of the Queensland Gaming Review (sub. D275, p. 3).

Representatives of local government, particularly from Victoria, saw the inquiry as an opportunity to publicly discuss the impact of gambling on their communities. And many interests from the counselling and welfare sectors saw it as providing firmer evidence on the nature and extent of the social costs of gambling. For example, the Interchurch Gambling Task Force said:

We were very, very impressed by your report that you've already issued and it told us far, far more than we thought it was going to ... We thought we knew an awful lot about it until we read that and discovered there was so much more we should be taking into consideration (transcript, p. 1122).

Similarly, Break Even Victoria said it acknowledged:

... the breadth and depth and the process of the inquiry which has been very thorough ... the thorny issues are well researched, such as the use of what kind of assessment tool, and why is it or is it not applicable in Australia ... The important thing is that focus has been not just on the money side of things but on what is problem gambling and ... how may it impact on people (transcript, p. 1099).

The response from the gambling industry was mixed. Aristocrat, while critical of aspects of the report, observed that:

The Commission's draft report has contributed to a better understanding of Australia's gambling industries and promoted discussion of policy options for consumer protection. At the same time the report has identified the need for continued research and consultation (sub. D266, p. 5).

Some lottery providers, and the national representatives of clubs and hotels (sectors which account for the bulk of gambling spending), made helpful suggestions and constructive criticisms. But others, while agreeing with parts of the draft report, were highly critical.

For example, the Australian Hotels Association (NSW) said the Commission exceeded its terms of reference by including policy analysis and what amounted to recommendations, and said the report reflected a 'jaundiced narrow-minded dismissal of a pleasure that most Australians enjoy' (sub. D208, p. iii). The AHA (NSW) said that the draft report employs:

... comments, assertions and statistics to reach conclusions that are not consistent with the truth about the industry and its contribution to the Australian economy ... the Commission's survey is fundamentally flawed, its assumptions are wrong and its expression of the numbers and survey results is political rather than statistical (sub. D208, pp. i, ii).

(continued)

Box 1.3 (continued)

ACIL, representing Tabcorp, Star City Casino, Tattersall's, TAB Ltd, Crown and Jupiters, was equally scathing:

... the Draft looks as if it wishes to portray the industry in the worst possible light ... the statistical analysis of access and risks ... is fraudulent ... [there are] serious factual errors in sensitive areas ... the PC's surveys are fundamentally flawed ... there is a lack of balance in the Draft Report (sub. D233, pp. 1, 2, 3, 5, 7, 9).

The Australian Casino Association referred to the 'considerable media and public attention' which 'has been largely unfavourable to the gambling industries':

While there are some positive aspects to the Draft Report, these have been overshadowed by negative impressions, arguments and quantitative material ... the Draft Report is not balanced, contains a number of incorrect 'facts' (some significant); is based on surveys which have serious faults; in effect presents policy recommendations (which were not part of the terms of reference) and then does not test the benefits and costs of these policy options (sub. D234, p. 1).

The Australian Gaming Machine Manufacturers Association, while endorsing some of the draft report's findings, criticised the Commission for 'unsupported claims' and its 'incorrect analytical approach'. It also:

...[took] exception to the Commission's view that "problem gambling" — in all its dimensions — is a public or community health issue similar to that of alcohol (sub. D257, p. 20).

In contrast, the Australian Medical Association said the draft report provided an:

... excellent overview of the beneficial and detrimental impacts that gambling has on Australian society ... The Draft Report's critical assessment of the anecdotal and empirical evidence surrounding such issues as the association between problem gambling and accessibility and the association between problem gambling and psychological disorders is extremely comprehensive. It presents evidence related to problem gambling in a fair and seemingly unbiased manner (sub. D204, p. 1).

And Prof Jan McMillen of the Australian Institute for Gambling Research said the draft report:

... provides the most comprehensive and detailed information on Australian gambling yet produced ... [it] effectively identifies the complexity and dynamic nature of Australia's gambling industries, the policy framework and their impacts. The Commission is to be commended especially for its attempt to relate the economic benefits to analysis of social costs ...

My principal concern is that the Commission's Inquiry will be portrayed by critics as an event staged to pander to a vocal minority. But the process of consultation and research undertaken by the Commission has been thorough, balanced and transparent ... the Commission has enabled the Australian community to voice its views on the extent and nature of contemporary gambling ... It would be irresponsible for industry and state governments to ignore these findings (sub. D216, p. 1).

1.3 Scope of the inquiry

Defining gambling

Gambling has been formally defined as ‘staking money on uncertain events driven by chance’. As some participants observed, this can encompass many activities, including the more speculative areas of commodity and financial markets. Nevertheless, gambling retains the distinguishing feature that, over time, for gamblers as a group, their gambling will inevitably cost them money — it is more like consumption than investment.

The Commission has focused predominantly on what are generally accepted to be the principal gambling forms — gaming, wagering and lottery products. The gambling ‘industries’ accordingly encompass those organisations that provide these services — including casinos, clubs, hotels, TABs, sports betting enterprises and lottery organisations.

- ‘Minor’ gambling activities (such as art unions and bingo) have been taken into account only where most relevant, as has informal and illegal gambling.
- The inquiry has also recognised, but not looked in any detail at, activities related to gambling such as poker machine or other manufacturing, horse breeding and racing, or other sports that are the object of wagering activities.

A changing industry

The growth of gambling reflects the liberalisation of previously illegal activities. While many forms of gambling have been around since the earliest days of European settlement, others — most importantly electronic gaming machines — are a relatively recent development in nearly all jurisdictions.

The uneven process of liberalisation has influenced the shape and direction of the industry. And it is reflected in the nature of the regulatory (and taxation) arrangements which have accompanied this growth.

The industry continues to change. New technologies such as the internet are emerging. Lotteries are becoming more regular, and changing character in the process. New gaming machines are continually being developed in response to the market (and, indeed, Australia’s manufacturers have become world leaders in gaming machine innovation and design). And sports betting is becoming more popular.

In such an environment, the Commission has sought to make its analysis and findings relevant to today while also taking account of future developments.

Many economic and social aspects to consider

The economic and social consequences of the increase in gambling types and opportunities are complex, difficult to measure, and subtle.

Generally, impacts which are seen as ‘social’ are often described, but not valued, while benefits which are seen as ‘economic’ are estimated but not examined qualitatively. In such circumstances, it is easy for social impacts to be given insufficient attention in analysis and in policy development.

The Commission’s report does not draw this artificial distinction, nor does it treat social impacts as less important, simply because they are harder to quantify. Economic analysis is about measuring the value of things for people, whether they have prices or not. Crime, relationship breakdown and emotional impacts have an economic dimension, even though they do not have obvious price tags. And there are techniques to investigate (and to some extent, measure) these impacts, notwithstanding their limitations. The Commission considers it better to make even rough estimates rather than none — which could be taken to imply that there are no costs associated with these impacts.

The report devotes more chapters to the costs than the benefits, as they have a particular policy importance. Without them, the gambling industry would be just like most other recreation and entertainment industries, and would seemingly require no different a set of policy, regulatory or taxation measures. But the social dimension, and in particular, problem gambling, makes the industry different. It is an area of clear policy relevance, and one where there have been significant information deficiencies.

To this end, the Commission invested considerable effort in examining methodological questions about, for example, how clinicians make a judgment about who is a problem gambler and how social statisticians estimate the prevalence of problem gambling in the general population. In so doing, it drew on the advice of a number of leading practitioners in these fields. All of this helped inform the Commission’s analysis and, in particular, the design of its surveys, for which the Commission is grateful.

In addition to providing information and analysis on the economic and social impacts of the gambling industries and the effectiveness of current regulatory frameworks, the Commission has explored a variety of measures for reducing the

social costs associated with problem gambling. Some are reasonably straightforward, and could be implemented on the basis of existing evidence as to their likely effectiveness and costs. But others would require further evaluation and possible trials before implementation. It is beyond the scope of this inquiry to undertake that more detailed work. However, it forms part of the wider research agenda proposed in chapter 23.

1.4 How to read this report

The issues surrounding gambling are complex. They have required detailed analysis of a wide range of issues — and the report reflects this. It covers much material which is controversial, difficult to interpret and often incomplete.

The overview at the front of the report attempts to go beyond just drawing out the main themes, to provide a summary of the report.

The report itself (contained in volumes 1 and 2) has been prepared in four parts, each of which can be read separately:

- part A contains information on the conduct of the inquiry, and a guide to the report;
- part B contains background information on the industry, its size and importance and its growth and changing character;
- part C analyses (and where possible, evaluates) the social and economic consequences of increased gambling in Australia; and
- part D covers a range of policy issues, including regulation, taxation and consumer protection.

Parts C and D include ‘framework’ chapters (chapters 4 and 12) which provide a guide and a framework for looking at the issues covered in that part of the report.

In addition, each chapter begins with a box of key messages, providing a guide to the key matters covered.

Volume 3 contains supporting material in 22 appendixes.