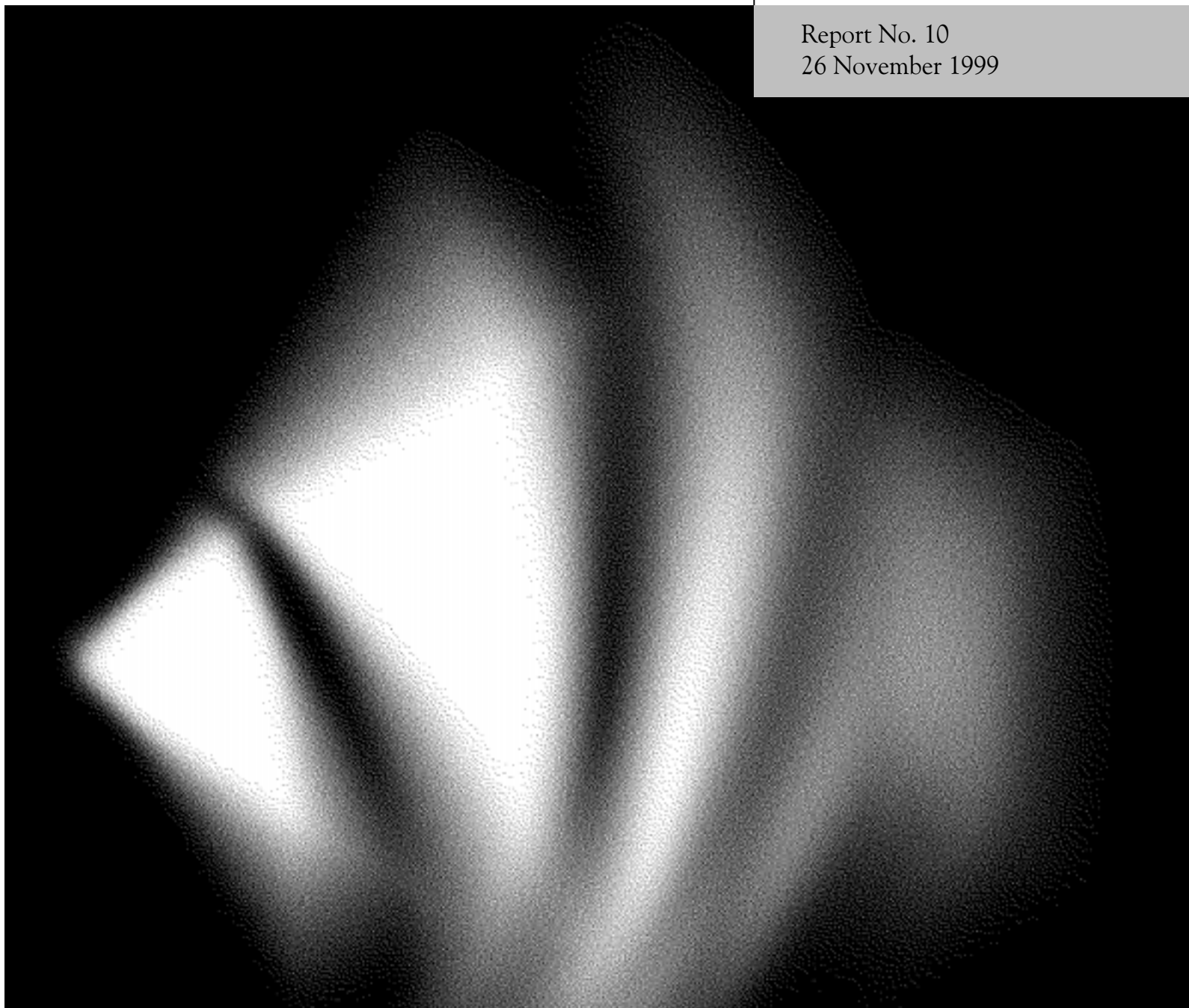




# Australia's Gambling Industries

Inquiry Report  
*Volume 1: Report (Parts A-C)*

Report No. 10  
26 November 1999



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***The Productivity Commission***

The Productivity Commission, an independent Commonwealth agency, is the Government's principal review and advisory body on microeconomic policy and regulation. It conducts public inquiries and research into a broad range of economic and social issues affecting the welfare of Australians.

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Information on the Productivity Commission, its publications and its current work program can be found on the World Wide Web at [www.pc.gov.au](http://www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244.

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**PRODUCTIVITY  
COMMISSION**

26 November 1999

The Honourable Peter Costello MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's report on *Australia's Gambling Industries*.

Yours sincerely

Gary Banks  
Chairman

Robert Fitzgerald AM  
Associate Commissioner

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# Acknowledgments

In conducting its inquiry, the Commission has benefited greatly from the participation of a wide range of people and organisations. The Commission is grateful to all those who provided written submissions or gave freely of their time to discuss issues in various forums.

Commissioners would also like to express their gratitude for the efforts and commitment of their inquiry team, in what has proven to be a major and challenging research exercise.



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# Glossary

<b>DSM-IV</b>	The Diagnostic and Statistical Manual of Mental Disorders, fourth edition, of the American Psychiatric Association (DSM-IV) contains a set of questions that is used to determine whether a person is a problem gambler (see also SOGS). Questions include whether they are preoccupied with gambling, need to gamble more each time in order to get the desired excitement or use gambling as an escape.
<b>EGM</b>	Electronic gaming machines (see gaming machines).
<b>Expenditure</b>	The net amount lost by gamblers (the amount staked by gamblers less their winnings).
<b>Gambling</b>	Staking money on uncertain events driven by chance. The major forms of gambling are wagering (racing and sports) and gaming (casinos, gaming machines, keno and lotteries).
<b>Gaming</b>	All legal forms of gambling other than wagering — including lotteries, gaming machines, casino table games and keno.
<b>Gaming machines</b>	Machines used for gaming purposes (sometimes referred to as poker machines or ‘pokies’). Come in two main types: where the player makes no strategic decisions after starting the game, and where the player can make strategic decisions (for example, drawcard machines).
<b>Gross profit</b>	Used in Australia to denote the return to the gambling operator — total wagering less prizes. Also known as gross winnings. Conversely, this the same as the amount lost by gamblers (expenditure).

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<b>Gross revenue</b>	Used in the United States to denote the return to the gambling operator — total wagering less prizes. Also known as adjusted gross receipts, adjusted gross proceeds, gross wager, net (casino) win, win, gross gaming revenue, or hold. In Australia, the equivalent term is gross profit (or conversely, gambler expenditure or losses).
<b>Handle</b>	Used in the Australian casino gaming industry to describe the value of money exchanged for gaming chips.
<b>Incidence (of problem gambling)</b>	The number of new cases of problem gambling developed over a fixed period. A measure of flow, rather than stock (compare with prevalence).
<b>Keno</b>	A game where a player bets that chosen numbers will match any of the 20 numbers randomly selected from a group of 80 numbers via a computer system or ball drawn device. It is an electronic form of bingo, and is typically played in clubs, casinos and hotels.
<b>Linked jackpots and accelerators</b>	Linked jackpots refer to gaming machines that are linked together and pay out a jackpot at some point in a spending interval, such as paying out \$1000 between \$20 000 and \$30 000. Accelerators are non-linked machines that pay out a jackpot over a similar spending interval. Thus, although wins on other types of gaming machines bear no relation to the amount gambled, specific wins on linked jackpot and accelerator machines relate specifically to the amount gambled.
<b>Lotteries</b>	Come in various forms, including lotto, pools and instant lotteries (or ‘scratchies’). Lotto is played by choosing numbers in anticipation that those numbers will be amongst the winning numbers selected randomly.
<b>Minor gaming</b>	The collective term given to art unions, raffles, lucky envelopes and the like.

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<b>Mutuality principle</b>	The mutuality principle is that one cannot make a profit from selling to oneself, and an amount received from oneself is not income — and therefore not subject to tax. The concept has been extended to defined groups of people who contribute to a common fund, controlled by the group for common (not individual) benefit.
<b>Odds</b>	The average chances of winning. In racing, the odds are also an indication of the return to a gambler.
<b>Outlay</b>	The amount of money staked or bet by gamblers (see turnover).
<b>Pathological gamblers</b>	Used in the United States (for what is seen as a psychiatric condition) for those who score 5 or more using the DSM-IV criteria or SOGS. A DSM-IV score of 5 does not have simple equivalence to a SOGS score of 5, but tends to identify the same groups of gamblers.
<b>Payout ratio</b>	The average return to a player from a given turnover.
<b>Pools</b>	A numbers game of chance where the winning numbers are based on the results of the United Kingdom or Australian soccer matches.
<b>Prevalence (of problem gambling)</b>	The total number of problem gamblers in a population. A measure of stock, rather than flow (compare with incidence). The Commission has used the South Oaks Gambling Screen, self-assessment questions and other indications by gamblers of harm to try to estimate the prevalence.
<b>Problem gambling</b>	Problem gambling is a continuum — some people have moderate problems and others have severe problems. The Commission has used various thresholds and approaches to measure this group, depending on the purpose of the analysis (see chapter 6 for more details).
<b>Recreational gamblers</b>	All non-problem gamblers.
<b>Regular gamblers</b>	Those gamblers who engage in some form of gambling, on average, once a week (other than those who are solely regular lottery or lotto players).

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<b>Severe problem gamblers</b>	Used by the Commission to indicate problem gamblers as identified by Dickerson's approach to prevalence (chapter 6).
<b>SOGS</b>	The South Oaks Gambling Screen (SOGS) is a particular set of questions that is used to determine whether a person is a problem gambler (see also DSM-IV). Questions include whether they chase losses, have problems controlling their gambling, gamble more than intended or feel guilty about gambling.
<b>Turnover</b>	The cumulative amount of money staked or wagered by gamblers, including recycled winnings.
<b>Wagering</b>	Legal gambling on racing and sports.

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# Terms of reference

I, Peter Costello, Treasurer, under Parts 2 and 3 of the Productivity Commission Act 1998, hereby refer Australia's gambling industries for inquiry and the provision of an information report within twelve months of receiving this reference. The Commission is to hold hearings for the purpose of the inquiry.

## **Background**

2. There is a need for a better understanding of the performance of the gambling industries and their economic and social impacts across Australia, including their impact on the retail, tourism and entertainment industries and on Commonwealth and State/Territory Budgets. Little is known about the social impacts of the rapid growth in gambling.

## **Scope of Inquiry**

3. In particular, the Commission should examine and report on:
- (a) the nature and definition of gambling and the range of activities incorporated within this definition;
  - (b) the participation profile of gambling;
  - (c) the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries such as tourism, leisure, other entertainment and retailing;
  - (d) the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it, the redistributive effects of gambling and the effects of gambling on community development and the provision of other services;
  - (e) the effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements – governing the gambling industries, including the implications of differing approaches for industry development and consumers;
  - (f) the implications of new technologies (such as the internet), including the effect on traditional government controls on the gambling industries;
  - (g) the impact of gambling on Commonwealth, State and Territory Budgets; and
  - (h) the adequacy of ABS statistics involving gambling.
4. The Commission should take account of any recent relevant studies undertaken or under way and have regard to the economic, social, and regional development objectives of governments.

PETER COSTELLO

[Reference received on 26 August 1998]