

**SUBMISSION OF JOHN ANTHONY McDERMOTT
TO THE ENQUIRY INTO THE AUSTRALIAN GAMBLING INDUSTRIES
BY THE PRODUCTIVITY COMMISSION**

The views expressed in this submission are my personal views and do not represent any other organisation to which I may belong or with whom I have contact. My interest in the inquiry is both personal as a consumer and professional, as the director of an agency that auspices the Break Even Service in Queensland. I am a representative on the Qld State Government's Responsible Gambling Advisory Board.

I'm very pleased that the Government has initiated this inquiry and I applaud the courage of a public inquiry on a matter as controversial as gaming. The graphs on the issues paper regarding the real expenditure of gambling must give cause for concern particularly the 100% increase in the real expenditure in the last decade. That by any calculation is a seismic increase in gambling activity, the full effects of which are not yet evident within the Australian society. I personally contend that it is a reflection and a symptom of the structural changes which have taken place in Australia during the course of the last decade. In broad terms I would claim that the increase in gambling activity reflects and is a reaction to the changes in philosophy of governments which over the past decade has turned to economic rationalism as their source of inspiration.

The tenets of economic rationalism include such matters as deregulation, the establishment of level playing fields, market driven economies etc, etc. The progressive cut backs in grants from the Commonwealth Governments of both political persuasions over the last decade has forced the state and territory governments to seek alternative sources of income.

Gambling is clearly the preferred method of raising revenue for state and territory governments at the current time. Gaming has all the irresistible ingredients for governments to justify their plunder. Gaming is legal, but definitely not respectable. It is wide spread and crosses all social barriers. Even before the seismic shift it was a proven revenue raiser for governments through the TAB's and the various state and territory Lotteries. Along with smoking and drinking, governments can convince themselves that by imposing higher and higher taxes on these activities, they are discouraging people from participating. Governments can be seen to be taking the high moral ground at the same time that they are pocketing the proceeds.

In gaming in particular, it is a win/win situation for the Federal, State and Territory governments, as well, of course for the industry itself. For the community, it is becoming increasingly clear that it is a social, moral, economic and cultural disaster. The chilling reality for me is that governments, who are there to govern, and to lead the people are in fact are ones who are most addicted to gambling, and it is my belief that they must take responsibility for what is happening and reclaim the true moral ground.

Governing in a free society is no easy matter but looking back over the history of gaming in Australia, up until say the last 10 - 15 years, there is a clear pattern of balance. Australia was always known as a nation of gamblers, it is part of the national character. Governments recognised this and took responsibility for it by what I can only describe as a thoughtful and carefully regulated tolerance. I would even go so far as to say that what existed was in fact a contract between governments and the people. In the process of embracing the tenets of economic rationalism, that contract has now clearly been broken. Governments have moved from regulated tolerance of gaming to a position of encouragement and promotion of gaming by the provision of more and more outlets.

It is interesting to note in this context that the original intention of governments when they established TAB's was in fact to provide additional protection for their citizens. That protection was required because of the widespread exploitation and corruption within the SP bookie systems that rendered gamblers vulnerable to the predatory practices of these illegal operations. One only has to look at the move to the privatisation of TAB's to illustrate how far governments have shifted in their perception of their responsibilities. Of course I'm aware that governments, when they moved to TAB's, received income but I think from my reading of the history there was also that clear sense of having to take responsibility and to regulate an unregulated system on behalf of our citizens.

It is a tragedy that there has not been any sustained research done in the realm of gaming within Australia. The bits and pieces that have been done seem to suggest a number of indicators:

Firstly there is a significant number of, what may be termed problem gamblers. The estimates vary between 1 to 3% of the population.

It is also generally agreed that these problem gamblers directly affect between at least 8 & 10 other people, family, friends, work colleagues or employers.

There seems to be increasing evidence that the most vulnerable within our society, ie those people who are reliant on pensions and benefits are increasingly using their disposable income for the purpose of gaming.

A very significant change that has happened since the introduction of gaming machines is that the proportion of women engaged in gaming has increased dramatically. Prior to the introduction of gaming machines, gambling was very largely a male preoccupation.

The establishment of services for problem gamblers across Australia is increasingly giving us direct anecdotal evidence of the destructive effects of problem gambling on the individual, on their families, on their work centres and of course on the community.

Beyond that, is the inescapable fact that the taking out of 5½ billion dollars over the past ten years must be having a negative effect on the economy because of this massive change in spending activities.

Again research is lacking but anecdotal evidence points to a number of significant changes. Small businesses particularly in rural and remote regions are claiming that their income has fallen since the introduction of poker machines. Restaurants and cafes are in a less competitive situation now because of the rise of the popularity of the clubs and the capacity for the clubs to provide food as well as the entertainment of gaming and so on. Hotels too are feeling the strain because of the competitive advantage that clubs have over the pubs and hotels in respect of gaming regulations.

One telling factor that could certainly bear some research is that taxi drivers are complaining that their revenues have decreased since the introduction of poker machines. There seems to be increasing agreement with the belief that people have dramatically changed their spending patterns. Taxis aren't used as frequently now for such things as shopping expeditions; taxis are less in demand for people who are going out to restaurants for meals; and generally taxis have generally been reclassified from ordinary to luxury expenditure.

A particular concern that I have in Queensland, is what I would term the distortion of the government's social priorities; in terms of using the proceeds from the gaming machines in particular. In Queensland the government makes the distinction between clubs and hotels, in both cases the government takes a proportion of the profits of these respective establishments. The revenue raised from clubs which runs at approximately 90 million dollars a year, is used for grants for sporting establishments and for improving sporting facilities throughout the state. On the other hand, the proportion of money raised from the hotels, somewhere in the region of 22 million dollars, is used for the provision of services of a welfare nature.

To explain what I mean by the word distortion, I can report that in the 1997 budget bids that were submitted from the North Queensland region, requests for revenue for Disability Services totalled some 8 million dollars. I feel I need to emphasise that disability services of course, are only a part of the provision of welfare services in this region. I would personally believe that none of those submissions were wildly extravagant, based on personal involvement with the disabilities services network but also in the knowledge that disabilities within Queensland are grossly under-funded vis-à-vis the rest of Australia. Within Queensland, North Queensland is the most disadvantaged region in respect of the provision of disability services to any other region in Queensland.

Of the 8 million dollars that was requested, the region received approximately 280 thousand dollars worth of grants for disability services. The same budget however produced 7 million dollars for the upgrading of the Townsville Entertainment Centre in the form of the provision of 700 additional seats. Those 700 seats were originally supposed to have been supplied when the Entertainment Centre was originally built. My contention is, that governments are supposedly there to put people first. People and families of people with disabilities are a very high need group within the community. I would have thought that in any reasonable society would consider that the needs of people with disabilities would take precedence over the need for providing additional seats to a centre which is essentially a profit making enterprise.

Recommendation

My contention is that the gaming industry is basically out of control; deregulation and the necessity for state and territory governments to find alternative sources of raising revenue has led to the explosion in provision of gaming outlets.

This explosion is fuelled by the prevailing attitudes and practices of market driven enterprises within the gaming industry. Regulations, such as they exist across the state and territory, are haphazard, inconsistent and conducive to chaos. As things are currently set up, we as a society can only expect things to get worse in this area. It is my contention that the gaming industry requires governance.

Governance can only come from the Federal Government within the Australian political system.

The federal government takes the lead in establishing a uniform set of regulations that should and must be negotiated between it and the state and territory governments.

Regulations should apply uniformly across the Commonwealth of Australia and strictly enforced.

There be an immediate moratorium on the provision of additional gambling outlets.

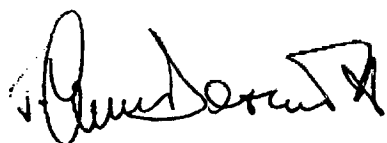
There be an all government approach on to examining the implications of the new technologies and their potential for providing further gambling activities.

All Governments provide funding to establish a national research project to examine all the aspects of gaming and the impacts on the Australian community in terms of economic, social and cultural factors.

The Federal Government does not itself, seek to raise revenue from gaming.

The Federal Government, in negotiation with the State & Territory Governments, finds an equitable formula in terms of capital grants to prevent further expansion of gaming activities.

Submitted for your consideration.



John Anthony McDermott