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EXECUTIVE SUMMARY

- ◆ Gambling activities have a long history in Australia and take many and diverse forms. Providers of gambling range from casinos, through clubs and racecourses to charitable bingo and raffles. Recent public attention to gambling can be attributed to concern about problem gambling combined with a shift in consumer behaviour and expenditure patterns which, while marginal, has some highly visible effects.

All gambling operators should devote some resources to mitigate problem gambling

- ◆ About one half of Australians gamble regularly. Although the average adult spend on gambling is \$740 the median may be well below this. There is no “typical” gambler.
- ◆ The gambling industry provides the expected economic benefits to both customers and providers although consumer satisfaction has so far been inadequately measured. The shift in spending towards gambling is part of the continuing rearrangement of national expenditure patterns.

Government intervention to modify consumer behaviour should be a last resort

- ◆ The industry generates very significant funds for public purposes through taxation and direct community spending. It is also a large employer - about 16,500 jobs in NSW alone. Star City supplies many ancillary services of entertainment and tourism and provides significant direct and indirect assistance to the local community in Pymont.
- ◆ The social impacts of the gambling industry tend to be identified with problem gambling. Studies suggest that severe problems affect around 1 per cent of gamblers. The extent and incidence of the impacts have not been accurately identified. Measures for identifying problem gamblers are only partly effective and preventative programs, out casinos, are few and limited. Potential legal exposure for the industry are increasing. There is no conclusive evidence that certain forms of gambling are more addictive than others. A range of private and government treatment services are available.

More systematic research would assist in measuring problem gambling impacts.

Other sectors of the industry should contribute to mitigate gambling problems in the same degree as Star City.



Executive Summary cont....

- ◆ Impacts of casinos on local communities appear to have been overstated. The level of crime associated with casinos is also exaggerated in the media. Casinos are now mainly public companies with specific regulation and extensive camera surveillance which ensures fewer criminal activities than in almost any other business.

- ◆ Regulatory structures for the gambling industry are uneven and inconsistent. The allocation and supervision of gaming rights bears little relation to logic or need. There is a gross misallocation of government resources devoted to regulating and supervising the casino industry.

A more centralised supervision regime (at State level) with more consistency at State and Federal level should be installed.

A cap on poker machine numbers should be imposed

General law may be a substitute for gaming law in some areas

- ◆ Taxation regimes on gambling are typically unreasonably onerous and uneven within and between States. They also incorporate perverse disincentives.

While hypothecation of gaming taxes is not supported, where hypothecation does occur it should be devoted to mitigating the adverse side effects of gambling.

- ◆ New technologies such as Internet will inevitably revolutionise the delivery and distribution of gambling.

These developments will involve new risks and pose commensurate challenges to governments to maintain current controls on potential adverse social impacts.

- ◆ State budgets now rely very heavily on gambling taxes. It is unlikely that a substitute source of revenue can be found.

- ◆ Statistical coverage of the industry is patchy and intermittent. Better data and a broader research effort would be useful for the purposes of better understanding and policy formulation.



The Nature and Definition of Gambling and the Range of Activities Incorporated within this Definition

Gambling has been part of the Australian culture since the earliest days of colonisation. Taxes were imposed on bookmakers as far back as the 1890's when racing was the dominant form of gambling. The next major development was the introduction of lotteries in 1931 which were designed to help raise funds for the State's hospital system. The principal "internationally famous" Australian architectural achievement, the Sydney Opera House, was paid for by lotteries. After widespread public debate, poker machines were finally legalised in 1956 and eight years later the first TAB operations began, offering easy access to betting across Australia. Today it is possible to place a bet, not only in clubs, hotels and shopping centres but from the comfort of home via the telephone or Internet.

Nor, in this respect, does Australia differ much from other countries. Gambling has an ancient and almost universal history and, in one dimension, can be regarded as a subset of all voluntary human risk taking activities, both financial and real, where the outcome may be guessed at, but cannot be known with certainty. Thus we speak of people who gamble with their careers, their possessions and their lives as a matter of choice. Even in its financial dimension gambling could therefore apply to buying shares, purchasing a house or investing funds in any scheme with a degree of risk.

The Collins dictionary defines gambling more narrowly as "playing games of chance to win money". In other words, it involves outlaying money in the hope of securing a higher return through luck, skill or a combination of both. At the same time the definition includes "playing games" which implies a voluntary and recreational element.

While it is generally accepted that the Productivity Commission Inquiry has been established to look at the "traditional forms" of gambling such as racing, lotteries, casino games and poker machines we should regard it as only part of a spectrum or matrix of risk taking and recreational human activity.

The NSW Treasury lists its sources of gaming revenue as poker machines, lotteries and lotto, racing, casino games, Keno and FootyTAB. However, within these general groupings there are a myriad of different games of chance.

For instance, the NSW Lotteries offers instant scratch tickets, traditional lotteries, Lotto and Powerball, Oz Lotto and Soccer Pools. Many lottery products are available through newsagents as well as lottery agencies.



Casinos, like Star City, provide a range of tables games including Blackjack, Baccarat, Roulette, Two-up, Caribbean Stud Poker, Big Wheel, Mini Baccarat, Pai Gow, Sic Bo, Let it Ride and Craps as well as slot machines. Star City also has its own TAB outlet and it is anticipated that Keno will be provided towards the end of 1998.

The “racing” industry covers greyhounds and harness racing as well as thoroughbred racing. Wagers can be made through the TAB or, at fixed odds, with bookmakers. Telephone betting accounts are also available.

Hotels operate various “card” machines in addition to traditional poker machines. Clubs derive revenue, not just from traditional slot machines, but from electronic casino-type games and horse racing simulators. Hotels and clubs have their own TAB operations known as PubTAB and ClubTAB and clubs also offer Keno.

Every State and the major territories now have at least one casino as well as poker machines, lotteries and racing. The extent of these facilities varies in different States.

Private sports betting agencies have been set up in some States and attract considerable telephone gaming from around Australia. The TAB has recently introduced sports betting in a bid to gain a share of this market and it operates a separate FootyTAB betting service on Rugby League games. Internet gambling operations are being established in Australia and overseas.

There are, of course, numerous other gaming activities like Bingo and raffles which are usually associated with non-profit groups such as churches which generate considerable revenue. The size and purpose of the surplus generated in these games may differ from commercial gambling but the transaction with the player is the same in nature.

While legal casinos have helped to eliminate many illegal table game operations, there are undoubtedly many other gambling activities undertaken in the community. This includes card games and SP bookmaking operations.

In summary, there are gaming operations which appeal to nearly every walk of life ... from charity and church fund-raising activities through to professional horse racing punters, “high roller” casino players and Internet. The providers of gambling are almost as diverse as the gamblers themselves. In most cases, however, their risks are more of a business nature.



This inquiry was set up by the Federal Treasurer in response to the “level of community concern over the increasing incidence of gambling”. Star City accepts there has been a greater spotlight on gaming in recent years with the establishment of casinos in Victoria and New South Wales and the spread of poker machines into hotels and States like South Australia where they were previously banned.

While there is undoubtedly some public concern about gaming, this should not be over-stated. For instance, the overwhelming majority of submissions to the current NSW Gaming Inquiry were from welfare and counselling groups. Only a handful of submissions were made by individual members of the public.

In this period, casinos in particular have attracted more attention than their impact justifies. They have been the “lightning rod” for the problems of the industry by virtue of their individual prominence and their relative transparency to the public gaze.

Without wishing to diminish the importance of the subject, the following factors partly explain the increased concern:

- The growth in expenditure on gambling in the early 1990’s - all such intersectoral shifts in production and consumption attract the attention of commentators, economists and the producers of threatened substitutes.
- The establishment of casinos which are large and high profile enterprises whose core business is gambling (unlike clubs, hotels and even racing).
- The rapid growth in poker machine numbers in several States which will continue for some time.
- The much greater availability of funds for problem gambling research and services which has focussed attention on the potential negatives of gambling.

In short, we have been in a period of change in spending patterns and behaviour which in aggregate terms is marginal but in absolute terms is highly visible.

Clearly there is a need for regulation in the gaming industry to prevent abuse, especially by minors, just as there is in the liquor industry.

However, it is important to keep the impact of gaming activities in perspective. The overwhelming majority of people who spend money on gaming and wagering see it as an enjoyable recreational activity. They choose to spend their discretionary dollar on gaming rather than other forms of entertainment. They do not suffer gambling problems or any other ill-effects. For some in society, gambling is still a moral issue. For the majority of the population it is not. It is judged to be an industry, like many others, requiring specific regulation to minimise potentially harmful side effects.



All gaming operators need to recognise that a small proportion of people, probably around 1 per cent, are at risk of developing gambling problems and they must put measures in place to assist them. At present, many gambling operators do not devote significant (or any) resources to this.



The Participation Profile of Gambling

It is estimated that around 73 per cent of Australians bet at least once a year. A sample study by the Australian Institute for Gambling Research late last year found that about 38 per cent of people gamble weekly, 15 per cent monthly and 20 per cent less often.

The study, funded by the Casino Community Benefit Fund in NSW, found that 27 per cent of men and 26 per cent of women do not gamble at all.

The majority of people play lotto, lotteries or gaming machines. Racing is patronised by 15 per cent of men but only 6 per cent of women. Official figures indicate that the average Australian adult spends about \$740 a year on gambling. Nearly half of this amount is spent on poker machines followed by casino games, horse racing, lotto and lottery tickets and scratch lotteries. It should be noted that the median expenditure on gambling would be significantly lower than the mean. This is a result of the transactions of a small cohort of high stakes gamblers whose play increases the mean figure while the bulk of gamblers would spend much less than \$740 a year. Comparison of data from Star City's records suggests that the difference could be very significant. This would be important when we look at the proportion of the population of various income levels who can be regarded as at risk.

Star City conducts its own regular research programs to determine a profile of its customer base.

The latest study indicates that;

- ◆ 60 per cent of customers are male and 40 per cent female.
- ◆ 39 per cent are broadly from Asian backgrounds and 61 per cent non-Asian.
- ◆ 71 per cent like to visit Star City with a friend and 29 per cent visit alone.
- ◆ 44 per cent are aged under 35, 21 per cent are aged 35-44 while 35 per cent are aged over 45.
- ◆ Mature singles and older couples are the most likely groups to visit the casino young singles and young family members are least likely.

There is no "typical" gambler although there may be a preponderance of type in certain forms of gambling which may relate to preference, cost and availability.

Star City is a 24 hour operation and numbers fluctuate throughout the day increasing throughout the afternoon and peaking around midnight. There is also a weekly pattern with the greatest activity tending to be on Fridays and Saturdays.



Regular visitors to Star City are most likely to play table games (67 per cent) while 48 per cent play the slot machines. Star City attracts around 20,000 people a day. However, this figure can be as high as 50,000 on Saturdays and Sunday. About one in 5 people who visit Star City do not gamble at all but simply eat at a restaurant, purchase from the shops in the retail arcade or watch others play. Thousands of others visit the complex to see a show in the 2000 seat Lyric Theatre or 1000 seat Showroom.

This pattern of demand supports the conclusion that the casino is seen principally as providing a leisure activity and visitors are simply opting to spend their entertainment dollar on gaming and for associated products.



The Economic Impacts of the Gambling Industries

The economic impacts of gambling industries have been questioned on several grounds:

- Does the industry provide economic benefits of itself?
- Does it do no more than cannibalise other industries such as retail?
- Are its economic benefits offset by negative impacts such as related social costs?

The first and second questions are answered in this section including under the detailed headings below and the third question is addressed in ensuing sections.

The question whether the industry provides economic benefits is answered most fundamentally by an examination of its prime activities and transactions. Individuals voluntarily attend or communicate with places where gambling is provided for the purpose of gambling - probably millions per day. There are about 8 million visits to Star City alone every year. Individuals also voluntarily pay to engage in gambling. There is the possibility that they ultimately will not pay, that is they will win, but that is not assured at the time they make their spending decision. What they pay for is the risk, the “buzz”, the chance of a large prize, the experience or simply passing the time in a place and among company which they enjoy. The price elasticity of gambling is subject to some debate but it is clear that those who engage in gambling put its value to them at least at the level of the price they pay and many would pay more if the price were higher suggesting the existence of a considerable consumer surplus.

The economic benefit is established simply by the behaviour of consumers expressing their preference for this form of activity and being prepared to pay for it despite the tight regulations surrounding it and the heavy taxation imposed on it. How they describe, define or value that benefit is an individual matter and largely irrelevant in this context although worthy of further research. Gamblers do place an economic value on their activities.

Similarly, the question whether the industry “produces” anything answers itself. It produces an experience for which consumers are prepared to pay just as they pay for an experience at a football match, the theatre, an art gallery, Australia’s Wonderland, bungy jumping or a whole range of private and government services which do not have a tangible, manufactured product. Producing that experience requires the usual input of skilled labour and specialised capital equipment.



What the gambling consumer pays and what he or she spends are different matters. The payment is the consumer's net gambling loss over time. But the spend over time may be ten times that amount as the individual plays through wins and losses to get to the theoretical "house margin", or loss probability. This distinction is important in discussing the economic benefit to the consumer as the extent of the play or the length of the experience supplies a large part of the consumer/economic benefit. The gross spend is an indicator of likely satisfaction. This can vary from experience to experience so the gambler cannot predict the gross spend at any specific time. The gross spend is also a measure production - of the service provided by the supplier. If the player takes part in a game with a low "house margin" such as baccarat, he or she will, over a long run of plays turn over each dollar many times before it is fully lost and the house will have provided commensurate services.

It is a fallacy to suggest that expectation of gain drives most gamblers. That is to patronise their knowledge, experience and intelligence. If the financial incentive were the prime motive, all casino gamblers would bet on black or red roulette, once only, to maximise their profit (or minimise the chance of loss). That they divide their money into smaller wagers suggests that their benefit from play is rooted in the experience of play - just as it is in other physical or intellectual sports. Primarily, the game is the thing.

This side of the gambling equation would repay further research. Unfortunately, the way in which gambling research policy has been formulated has tended to funnel resources into examination of negative impacts rather than a broader analysis of the economy and sociology of the industry.

On the second question, whether the gambling industry simply cannibalises other industries, two major flaws are evident:

- National and local economies are not zero sum or static - they are dynamic from day to day. The total economic "pie" grows bigger almost continuously, providing room to accommodate greater production and consumer choice in all industries though some will inevitably prosper and others fail
- The data does not strongly support the substitution theory. In the US, communities where casinos have opened have generally prospered and damage to individual sectors has usually occurred where the regulations have prescribed services to be provided by casinos. In Sydney, the feared impact of Star City on local competitors has been negligible.



More fundamentally, even if substitution does occur there should be no surprise or serious concern. Aggregate spending patterns of Australians are the sum of millions of free choices made daily. This freedom of economic choice is integral to all our other freedoms. Government intervention almost inevitably leads to economic and consumer losses. In the course of time, industries will come and go, and some threatened industries fight back and survive. Thus the television and video cassette recorder partly supplanted the cinema and theatre until a new accommodation was found.

In the following paragraphs the more detailed impacts are discussed.

Taxes

Australians spend about \$10 billion a year on all forms of gaming and wagering. This generates around \$3.6 billion a year in State revenue. These funds are used to provide essential government services including roads, schools, hospitals, police and transport.

In NSW, the State Government collects about \$1.4 billion or 10 per cent of its revenue from gaming operations each year. Clearly, there would be a massive hole in the State's finances without these taxes.

The Sydney casino project has generated more than \$650 million in taxes, licence fees and other payments for the State Government since it was launched three years ago. In the current year alone, it is anticipated that Star City will pay around \$100 million in taxes and \$10 million to the Casino Community Benefit Fund. In fact, Star City has contributed a total of \$22 million to the Fund since the casino opened three years ago. These funds are used for problem gambling research and assistance programs and a range of community projects.

Employment

The Australian Institute for Gambling Research estimates that about 16,500 full-time jobs have been created in the gaming and wagering industries in NSW alone. This figure swells to 23,000 when the indirect jobs created in manufacturing and administration are included.



Star City currently employs around 4000 people, making it one of the biggest job providers in NSW. The majority of these positions have been secured by young people entering the hospitality industry for the first time. They cover a range of professions including dealers, slot attendants, security staff, chefs, cashiers, waiters, hotel staff, room attendants and theatre employees. These are diverse and, in the majority of cases, transferable skills. The average age of Star City employees is just 27. Importantly, Star City provides a career path for its employees. Although the company has only been operating for three years, many staff have already progressed quickly through the ranks to senior positions.

Entertainment

Besides the entertainment offered by gambling, casinos like Star City have provided new entertainment venues for local residents as well as creating more employment for singers, dancers and performers. One of the main features of Star City is the 2000 seat Lyric Theatre which is widely acknowledged by the entertainment industry as the best in Australia. It has enabled local theatregoers to enjoy world class productions which were previously lured interstate because there was no theatre in Sydney capable of staging them. Star City also features a 1000 seat Showroom theatre similar to many Las Vegas venues. Again, this style of theatre was sadly lacking in Sydney until the casino complex was completed. It is unlikely that such a theatre simply would have been provided for the people of Sydney unless it was part of the casino project.

Tourism

Research indicates that up to 29 per cent of people visiting Star City are tourists. Nine percent are overseas visitors, 10 per cent are from interstate and 10 per cent from regional NSW. So it is clear that casinos play a key role in tourism operations throughout Australia. In fact, the Australian Casino Association estimates that around one million overseas tourists visit Australian casinos each year. Star City, in its first year of operation, was acknowledged as *Best Tourist Development Project* in the 1998 NSW Awards for Excellence in Tourism.

Many tourism companies include Star City as part of their tours, especially at night, given the shortage of all-night venues in Sydney. Major tourism bodies, including Tourism New South Wales and the Tourism Task Force welcome Star City as a major new attraction for the State.

Indeed, Tourism New South Wales said in its submission to the NSW Gaming Inquiry;

"Star City adds a substantial contribution to the range and variety of attractions on offer to visitors to Sydney. The casino complex has assisted in bolstering Sydney's image as an exciting international city with a multiplicity of things to see and do."



Star City research indicates that many people in regional areas intend visiting the casino when they travel to Sydney. Again, this confirms that Star City is a new tourist attraction which will encourage NSW residents to holiday in their own State rather than travelling elsewhere.

Star City is seeking to work closely with other major leisure and entertainment venues. For instance, the world renowned *Madame Tussaud's Waxworks* has set up a display on the site of the former temporary casino, opposite Star City. A joint marketing program is now in place to encourage tourists to visit both venues as part of the same package deal. Co-operative programs have also been developed with cruise operators and other entertainment venues.

Foreign exchange

The State Government recently introduced a new tax rate on revenue generated by international premium players visiting Star City. The new rate recognises that casinos have to offer incentives and compete for the business of these valuable players. The Government's decision means NSW will be able to attract some of the top casino players from around the world.

It is estimated that the decision will generate up to \$75 million of additional gross foreign revenue for NSW. The Government has been guaranteed an extra \$6 million in gaming taxes under the program.

Retail

There have been suggestions, from time to time, that gaming has impacted on the retail industry. This is discussed in general terms above. A study by Access Economic indicates that gambling, as a proportion of disposable household income, has levelled out after 10 years of growth. Australians currently "spend" in net terms about 3 per cent of their disposable income on gambling. Casino gaming makes up less than half a per cent of disposable income expenditure. Major retailers such as David Jones and Harvey Norman have recently reported a surge in profits which confirms that gaming has little impact on companies which market themselves effectively.

Local

Star City is helping to rejuvenate the local Pyrmont area through direct expenditure on facilities and has attracted more business to local shop owners. Indeed, around 10 per cent of the Star City workforce has moved into the local area, stimulating local business and prompting the creation of extra parkland and recreational facilities. House and property values in the area have risen substantially in the last three years.



The Section 94 contribution which is levied by the Government to be spent in the local area was \$7.8 million and contributed toward street improvements and other local amenities. An Affordable Housing Levy of \$2.4 million was also paid.

Star City is attempting to encourage and facilitate applications from local bodies to the Casino Community benefit Fund to effect further improvements.



The Social Impacts of the Gambling Industries

Until recently, little research had been conducted on the incidence of problem gambling. Anecdotal evidence suggested that around 1 per cent of the adult population have a gambling problem or were at risk of suffering a gambling problem.

Problem gambling - how big is the problem?

The most comprehensive study of problem gambling was funded by the Casino Community Benefit Fund and conducted by the Australian Institute of Gambling Research in late 1997. It found that 1.3 per cent of the adult population is at risk of problem gambling. The study revealed, however, that only 0.45 per cent of gamblers are already regarded as having gambling problems. This is supported by US surveys such as those using the South Oaks Gambling Screen. According to the National Council on Gambling current pathological gamblers were 0.8 per cent to 1.4 per cent of the adult population.

Analysis of the phenomenon is made more difficult by the various behavioural, psychological, medical and sociological explanations for it. At its most basic, the inability to control the gambling impulse is the common characteristic. The underlying causes in individual cases are likely to vary according to personality and personal circumstances and history, making treatment difficult, time consuming and expensive. The experience of our counselling service is that people who develop gambling problems often have associated personal problems.

Outside the pathological, addictive behaviour the definition of what is a gambling problem is even more difficult. Every person would have their own opinion on what constituted a level of gambling that is a "problem". Powerful personal preferences can give rise to expenditure patterns which surprise. Boating, motor car, radio, gardening and other enthusiasts may spend proportions of their income on their interests which others might regard as quite irresponsible but are merely a legitimate and controlled expression of their lifestyles. The transition into a pathological condition is hard to detect and even more difficult to predict and anticipate.

It is crucial, of course, that all gaming operators develop programs to do everything they can to assist people with gambling problems. However, it is equally important that the scope of the issue is put into context. Discussion of problem gambling is plagued by superficial and anecdotal evidence which makes good single day media copy but does not lead to analysis in depth or treatment. Nor is it balanced by a clear picture of gambling behaviour in the broader population. The AIGR's study confirms that nearly everyone who visits a casino, club, hotel, lottery office or racetrack is capable of setting a budget and sticking to it. They have their spending under control. Less than half of one per cent of people actually have severe gambling problems.



What is the cost?

As part of its study, the Australian Institute of Gambling Research estimated that the total cost of problem gambling to the NSW community was in the vicinity of \$50 million. This includes work-related costs (change in jobs, lost days at work etc) of \$28 million, legal costs of \$18 million and personal financial and counselling costs of around \$4 million. How much of this cost can be directly attributed to gambling and how much to the underlying cause has not been measured.

It would be interesting to contrast these costs with comparable studies for other industries. The effects of alcohol and tobacco are the most obvious candidates for comparison but many other activities involve risks and costs which are accepted by the participants and the community.

Impact on others

The expert advice is that when someone develops a gambling problem it can affect 7 to 10 others in some degree. In some instances, this can be through loss of friendship, arguments or failure to return loans. In more serious cases it can involve marriage break-ups, fraud and other crimes. We are unaware of any systematic studies here or overseas indicating an increase in crime due to problem gambling.

Which groups are affected most?

Once again, no formal and systematic studies have been conducted into the groups most likely to develop gambling problems. The advice from counsellors is that people from non-English speaking backgrounds may, proportionally, be at greater risk. But there appears to be no reliable data. Clearly, those with higher levels of disposable income will be able to spend a greater proportion of that income on gambling before there are effects on their spending on essentials.

How effective are the current measures for identifying problem gamblers?

It is difficult to detect gambling problems in any particular group because there are generally no physical signs. Similarly, there are no warning signs that a person may be about to develop a gambling problem. Gamblers are also adept at hiding their problem. They will go to great lengths to lead a seemingly normal life while betting more than they can afford. Again, this makes it difficult for anyone to intervene and provide assistance at an early stage. Among some ethnic communities it is even more difficult to persuade people to seek help because it is a matter of shame for them to develop gambling problems.



Star City's self-exclusion program is effectively also a self-identification program. 410 people are currently self-excluded. This tends to be a measure taken when the problem has become severe. It does not exclude such persons from other forms of gambling.

Measures for identifying problem gamblers would need more detailed and intrusive information gathering across a broad spectrum of customers than currently exists including frequency of gambling (of all types), amounts gambled, financial and personal situation of the individual, effects on family and other relationships, psychological screening and other factors. There appears to be no greater justification for this sort of intrusive activity to be applied to this industry than to others where some negative compulsive behaviour is exhibited by a small minority of users. We need to be sure that the benefits of such intervention would exceed the costs.

How effective are mechanisms such as education and responsible gaming programs which seek to minimise problem gambling?

Star City believes that all gaming operators have a responsibility to develop responsible gaming programs to assist problem gamblers. This should be a condition of licence and apply to everyone from the smallest club or hotel with a couple of poker machines through to the largest casinos and racetracks. At present such industry activity is undertaken mainly by casinos and little by other parts of the industry.

There is little doubt that Star City has in place the most comprehensive problem gambling strategy of any gaming operator in Australia - and possibly the world.

Among the measures taken by Star City are;

- ◆ Including the slogan *Bet With Your Head, Not Over It* in all advertising and promotional material. This includes such items as brochures on rules of the game and casino signage.
- ◆ Printing brochures in 7 languages warning patrons of the symptoms of problem gambling and advising them where they can seek help.
- ◆ Promoting the G-line telephone counselling service throughout the casino; near the cashier counters and Automatic Teller Machines and on the back of toilet doors.
- ◆ Training all front-line staff so they can assist any patron who appears distressed and in need of assistance because of a gambling problem.



- ◆ Arranging for an expert counsellor to come to the casino to provide emergency treatment in the rare event that someone is threatening to harm themselves. In extreme cases the patron is taken to a private hospital at Star City's expense.
- ◆ Automatic Teller Machines are located in the hotel lobby and retail area - away from the main gaming floor. This creates a "cooling off" period for any patron seeking more funds.
- ◆ Patrons can "self exclude" or ban themselves from Star City. Already more than 410 people have taken out self-exclusion orders and risk a \$2200 fine if they return to the gaming area. Star City's policy requires all self-exclusion orders to remain in force for a minimum of six months.
- ◆ Star City has sponsored a series of seminars for ethnic communities on responsible gaming. Seminars have already been held for the Vietnamese, Chinese and Korean communities.

In total, Star City has committed about \$200,000 to these initiatives in addition to the \$22 million allocated to the Community Benefit Fund (including \$8 million so far this year). In addition, Star City is required to contribute 2 per cent of its gross gaming revenue to the Casino Community Benefit Fund. This is an allocation of gross revenue for community purposes unmatched proportionately by other firms or industries. This money is used to fund problem gambling research and assistance programs. It has also been used to fund more than 200 community projects. So far, Star City has contributed more than \$22 million to the Fund and will contribute about \$10 million in 1998. This compares with the US\$600,000 paid annually by Atlantic City casinos to the New Jersey Department of Health to fund compulsive gambling treatment programs. We believe that *all* gaming operators should be required to pay their share of the levy. This would ensure that all sections of the gaming industry contributed to the cost of assisting those who cannot control their gambling.

Problem gambling experts have advised Star City that education is an essential element of any campaign to assist problem gamblers. There has so far been no State-wide program urging people to bet responsibly. It has been left to the individual operators which has led to a huge discrepancy in the range of programs provided.

The experts believe that signage, advising people where they can seek help, and self-exclusion programs should be compulsory in any responsible gaming package.

As well as operations such as St Edmunds Hospital, voluntary groups such as the Wesley Mission and Gamblers Anonymous play a role in treating severe problem gambling cases. They are best able to advise on their own success rate.



Overall, there appears to be little in the way of comprehensive study of the effectiveness of the many and various measures used to combat and treat problem gambling and this includes education and responsible gaming programs. Moreover, there is no assessment at all of whether the available funds match reasonable needs. Partly, this is due to the lack of definition of the “disease”, which individuals actually have it, what constitutes “cure” and what is the rate of recurrence. We believe that public awareness of the whole issue is very high in that part of the population which has access to the news media but that those with the severest symptoms may be the least willing to acknowledge their condition and the most resistant to existing programs of all kinds.

Legal issues

A number of test cases are currently before the courts involving people taking action against gaming operators after sustaining significant losses. These cases pose a significant risk to the gaming industry. Clearly, any operator who acts irresponsibly by illegally providing credit to a patron should be liable to civil action. However, Star City believes that gaming operators who abide by the law should not be held responsible for losses or bankruptcies sustained by players. This could open the door for action by anyone who overspends or over-commits themselves in the purchase of any goods and services. Gaming operators rarely know about the financial affairs of their customers so it is unrealistic to expect them to intervene and prevent people from betting. They *do*, however, have a responsibility to assist those who are known to have a gambling problem.

Star City encourages people with gambling problems to take out self-exclusion orders. Regrettably, some people who ban themselves from the casino attempt to return despite the threat of a \$2200 fine. While Star City’s security and surveillance divisions do all they can to detect these customers (which is more than is possible anywhere else) it is impossible to catch everyone. There are up to 7,500 people on the main gaming floor at any time and some self-excluded patrons disguise themselves when they return. Star City believes legal protection should be given to operators who unknowingly serve customers who have been self-excluded.

Star City is sometimes approached by the families of people with gambling problems asking if they can be excluded. Some commentators have suggested that such a provision be written into the law. At present, it is only possible to issue self-exclusion orders with the consent and signature of the person involved. It would open a Pandora’s box if a player could be excluded by his family or some other relative. Star City would be willing, however, to comply with any court order to exclude a patron where the court deemed it necessary.



What evidence is there that some forms of gambling are more addictive than others?

Star City is not aware of any formal studies in this area. However, the expert advice indicates that poker machines are responsible for the majority of gambling problems. At least 70 per cent of those seeking help from counsellors are poker machine players. In some regions the proportion of poker machine players to other gamblers presenting as problem gamblers is as high as 90 per cent. This may have to do more with the widespread availability of poker machines and the ease of betting given the low minimum bets and the minimal interaction necessary with the operator or other people than any inherent addictive characteristics of the poker machine.

However, it is crucial that all poker machine operators and manufacturers play a part in developing programs to assist those who need help. Star City has less than 2 per cent of the total number of gaming machines in NSW - but it is responsible for picking up the entire cost of the education, research and assistance programs through the Casino Community Benefit Fund. A 1 per cent levy on gaming revenue generated by *all* gaming operators would significantly increase the pool of funds (if required) - and would be a fairer system.

We referred briefly above to the lack of consistent and comprehensive ways to measure the effectiveness of the many services provided. There appear to be significant funds available for research into problem gambling and many studies are in train in universities, government and community and private bodies which may throw light on what are the best services. In the absence of such studies it is difficult to comment on the adequacy of the services provided. Relatively, it seems unlikely that compulsive gambling is a larger problem than other forms of compulsive behaviour such as alcohol and drug addictions nor are its side effects likely to be as serious as in those cases. These sorts of comparisons, properly conducted, would allow better judgement of need and assessment of priorities.

Another question to be answered is what ought to be the balance between public and private provision of services for problem gamblers. A significant private effort is made by some providers such as casinos both directly and through hypothecated taxation and also by welfare organisations (with some government assistance). It is difficult to believe that a full blown government health program substituting for these efforts would be more effective. Treatment of severe cases is very expensive and there seems to be little agreement on the best means of treating individual cases nor on the respective efficacy of learning, coping and abstinence as treatments. Short of radical intervention, governments can and do regulate the gambling industry to provide services directly and to fund independent bodies. As we have indicated, this regulation falls very unevenly on different sectors of the industry.



Services to assist problem gamblers

A range of private and government services are in place to counsel and assist problem gamblers. These range from community based facilities which lack adequate resources to assist patients through to private hospitals with highly specialised staff.

A 1995 study by Keys Young, funded by the Casino Community Benefit Fund, identified 16 major agencies which provide services for problem gamblers and their families. They include bodies such as Gamblers Anonymous, Odyssey House, Royal Prince Alfred Hospital and St Edmunds Private Hospital. The study stressed, however, that there were a large number of private practitioners who offered a range of general counselling services for gambling, alcohol and drugs. Many of the services charge fees and are, therefore, self-funding. Others form part of the State's hospital system and provide assistance at no cost to the patient.

In recent times, the G-Line telephone counselling service has become a crucial part of the State's program to assist those with gambling problems. Funds from the Casino Community Benefit Fund have been used to promote and help run the service. The latest figures indicate that around 500 calls are being made each month to G-Line from NSW. The number of callers seeking assistance has increased significantly since the introduction of gaming machines into hotels.

Benefits and costs for local communities

Star City's experience is that the impact of gaming venues on local communities is generally over-stated. Before Star City was established the local Pymont community had grave fears about having a casino in their neighbourhood. They believed it would result in traffic congestion, street crime, parking problems and other disruptions. None of those fears have been realised. Indeed, Mr Peter McClellan QC, in his three-yearly review of the casino licence, said there had been no significant impact on street crime. Data from NSW Police show Pymont to be a low crime rate area of Sydney especially when compared with "hot spots" in George Street, Kings Cross and Hyde Park.

Measures were also put in place during the planning stage to avoid the traffic and parking problems predicted by residents.

Local businesses have reported a marked increase in patronage since the casino project began. Star City has sparked a rejuvenation of the Pymont area. A number of large companies, such as Foxtel and Channel 10, have moved into the area and the local population will continue to grow with the construction of new apartments. Around 10 per cent of casino staff live in Pymont and surrounding areas and this has also been beneficial to local business.



Star City has become part of the local neighbourhood by joining local business groups and sponsoring sporting and cultural events. Pymont residents also use Star City as their local club and it gives them a choice of restaurants and entertainment that would not otherwise be available. While most of Star City's retail area is related to tourism and confectionery, a 24 hour convenience store has also been provided at the request of local residents.

These measures have led to a situation where the residents now view Star City as a compatible neighbour. The incidence of resident complaints is now very low. While they are unlikely to ever be pleased that the casino was built on the Pymont peninsula, their fears about the possible adverse impacts have been allayed and they can now see the positive aspects of Star City.

This is consistent with experience in the USA. In Atlantic City, when adjusted for the huge increase in visitor numbers in the 1980's, crime rates fell. Other jurisdictions with casinos in the USA have generally had the same experience. Crime rates for a range of tourist destinations in the USA show the casino cities of Las Vegas and Atlantic City generally having lower violent crime rates and lower or comparable property crime rates. The Massachusetts Senate Committee on Post Audit and Oversight concluded in 1994 that "there is no statistical evidence proving that legislation and implementation of gaming in a community will cause an increase in the crime rate in the host municipality or its greater surrounding area. Some communities experience a decrease in incidence of crime and crime rates after implementing legalised gaming".

Among the causes for this would be greater street traffic, better lighting, more surveillance in the area of the casino and a disciplined security operation. Effective regulation is obviously a prerequisite.

Crime

There has been extensive debate whether casinos and other gambling outlets attract or are themselves subject to crime, particularly organised crime. In the case of casinos there is a percentage of petty crime, including theft and cheating at the tables, which will be present in all places with such large customer flows. There is no evidence to suggest that the crime rate is higher than comparable gaming and non-gaming facilities. Nor is there any reason why crime rates should be higher in this industry. Certainly, a casino is the worst place from the point of view of the perpetrator to do such things given the presence of 1000 surveillance cameras and 133 Security Officers. For this reason the detection rate and thus the apparent crime rate, may be higher than for less well supervised locations. There is no indication that petty crime at Star City is a matter of special concern to the police.



There has been media attention to more serious crime such as money laundering, tax evasion and so-called “loan sharking”. Again, a casino is not a good place for such activities. Successive studies, including one by Austrac, have demonstrated that money laundering and tax evasion through a casino is ineffective and therefore very limited. The casino accounting and payment systems are transparent and do not allow for the translation of large sums of money into a different, unrecognisable form. Furthermore, there are much safer and more convenient ways of laundering such large sums of money.

“Loan sharking” of the overtly threatening kind is virtually impossible at Star City as it would be picked up very quickly by staff, surveillance and/or the Casino Surveillance Division inspectors. Lending activity among patrons does take place. This practice is not illegal and occurs all over NSW. We discourage the practice where it appears to be taking the form of a regular business transaction, but it has to be recognised that borrowing among the gambling fraternity is almost as old as gambling itself.

The infiltration of the casino industry by organised crime, is now largely a thing of the past overseas and has never been a feature of the Australian industry. Even in Las Vegas which, in its early days was infiltrated by organised crime is now free of such influences. The myths persist, propagated by cinema and television, like the myths of the Wild West and Australian bush, but the reality has been different for several decades.

The reasons for this are:

- Most casinos are now public companies and subject to all the checks of the securities agencies, shareholders and the media.
- The regulatory controls on operations and on the probity of directors, managers, employees, associates and suppliers and the existence of a large body of regulators makes this one of the most heavily supervised businesses in the private sector.



The Effects of the Regulatory Structures

The current regulatory structures for the gaming industry are totally inconsistent and haphazard. Some sections of the industry are put under intense scrutiny in almost every area of their operations - others operate under minimal scrutiny.

Gaming rights

In NSW, there are 1523 registered clubs which can install an unlimited number of poker machines on their premises. They have favourable taxation arrangements based on the assumption that they operate on a “non-profit” basis. Star City is the State’s only casino. A fee of \$256 million was paid to the State Government for the casino licence which runs for 99 years. Effectively that payment was mainly for table games exclusivity. This licence includes a 12 years exclusivity clause from the opening of the temporary casino in September 1995. In other words, Star City will be the only casino in NSW until the year 2007. Despite paying a significant licence fee, Star City is restricted to a maximum of 200 gaming tables and 1500 machines and yet has the strictest scrutiny of any gaming outlet. The effects of the restrictions on table numbers are perverse in a number of ways.

The limits on tables or gaming spaces (about 1400 in all) results in a shortage at peak times during the day and especially at weekends. The inevitable consequence is queuing, customer frustration and unsatisfied demand, especially at those times of the day and the week when the working population seek to play. The ability to reduce queuing by increasing the price to players is limited by the rules of the games. Minimum bet limits can be increased but this is at the expense of the lower limit players. Another result is that both Star City and its effective partner, the NSW Government fail to collect all the revenue that the existence of the exclusive right can generate.

If the limit on the number of tables was intended to minimise the harm from table game play it is a particularly ineffective way of achieving this end as those most at risk will certainly find a place at the table.

As to poker machines, NSW hotels were given approval to operate up to 15 poker machines each in 1997 and this number was doubled in June 1998. A further 2300 poker machine licences were sold to hoteliers in September 1998. This has resulted in a situation where the brewing giant Foster’s now controls about 5000 gaming machines in NSW - more than three times the number allowed in the State’s only casino and subject to minimal regulation or supervision.

The NSW Lotteries (a State Government authority) has the exclusive rights to operate scratch and draw lotteries. The Department of Gaming and Racing oversees other minor gaming activities such as bingo and promotions.



The Government granted monopoly rights to operate lotteries with NSW Lotteries on the basis that the proceeds were to be used to fund the hospital system. The monopoly has been retained even though the proceeds are now put into general revenue.

The TAB has also been granted a range of exclusive rights including the supervision of State-wide poker machine jackpots, pari-mutuel wagering and fixed odds wagering outside certain areas reserved for bookmakers. The value of these privileges was reflected in the return on privatisation of the TAB in 1998.

Star City paid a significant licence fee for its 12 year exclusive rights to table games in NSW. This generated significant funds for the Government and prevented other gaming outlets from operating casino games.

These exclusivity agreements appear to work well in maximising government returns and prohibiting unauthorised games but less well in maximising commercial returns.

The area which generates most public concern is poker machines where Government policy has changed dramatically, resulting in the allocation of an additional 25,000 machines in the last three years. Experts agree that the majority of people seeking help for gambling problems are poker machine players.

Star City is particularly concerned about a trend by some registered clubs to “store up” poker machines in case a cap is imposed on the number of machines which can operate in NSW. It has been suggested that a 3 year moratorium will be placed on additional poker machines in all gaming venues to allow a “cooling off” period following the surge in machine numbers in recent years. The Penrith Panthers Leagues Club has confirmed that it has purchased 350 machines in advance of any cap on gaming machines - even though it does not currently need them. This is totally against the spirit of any moratorium and will do nothing to promote responsible gaming. It also indicates how valuable slot machines are seen to be by the club industry.

At the time of writing both the NSW Government and the Opposition had publicly denied any intention to impose a cap either on the overall number of machines in the State or specifically clubs.

Other regulations

As with the allocation of gaming rights, there are dramatic differences in the regulatory procedures applying to various gaming operators. There is no doubt that in NSW the casino operator, Star City is much more heavily regulated than any other section of the industry.



The casino licence in NSW was issued only after more than a decade of investigations and wrangling amid fears of infiltration by organised crime. In this sense we were a captive of US history and obsolescent ideas and attitudes. Although NSW had a long history of gaming, it was the last State to approve a legal casino. Not surprisingly, the government of the day went to extreme lengths to ensure its casino could not be tainted by allegations of criminal behaviour. The toughest regulations from around the world were implemented to ensure the integrity of the Sydney casino operations. NSW has adopted a now superseded form of the New Jersey regulatory model which, in turn, was and is more restrictive than that of Nevada.

New Jersey has some 800 regulatory staff for an industry with twenty times the employees of Star City. Nevada does an even bigger job with about 370 regulators.

Although Star City has proved itself to be a well run casino the extraordinary scrutiny remains in place.

Consequently, Star City is the most highly regulated gaming operation in Australia. More than 2000 staff have been required to undergo the strictest probity checks so they can be licensed to work in the casino. These are no ordinary probity checks. Staff are required to produce financial documents dating back five years and be prepared to explain any particular transaction of interest to regulatory authorities. Criminal and credit records are checked and all applicants are palm printed and fingerprinted. Investigations can even be made with international law enforcement agencies like Interpol before a licence is issued. In some cases the licensing process can take up to six months.

Companies which supply large quantities of goods to Star City and their associates are also required to undergo strict probity checks before they can enter into a "controlled contract" to deal with the casino. This applies not only to gaming equipment but contracts for food supplies, printing, consultancies and any other service valued at more than \$200,000. They must undergo this scrutiny even though they may be supplying many other retailers. No such requirement applies to other gaming operators.

Star City has its own independent regulatory body, the Casino Control Authority as well as a division of the Gaming and Racing Department (the Division of Casino Surveillance) to oversee its operations. It also attracts disproportionate attention from State and Federal agencies involved in the detection of crime, money laundering, drug dealing, breach of securities and immigration law. These bodies and a number of consultants comprise nearly 100 people for the casino which generates only 14 per cent of the State's gaming revenue and operates only two per cent of NSW's slot machines. Yet there is no similar, dedicated gaming regulator for the registered clubs which control around 75 per cent of gaming machines or the hotels which operate 23 per cent of machines nor for the TAB, Lotto or Racing.



Indeed, the regulatory system in NSW has resulted in a situation where the registered clubs can install an unlimited number of poker machines in their premises but strict limits are imposed on the casino and hotels. Only a small number of staff in

hotels and clubs must be licensed and there are no checks made on suppliers (other than gaming equipment suppliers) to these industries. Government inspectors operate 24 hours a day at Star City - random inspections are conducted at hotels and clubs reflecting the staff numbers respectively devoted to two tasks.

The NSW casino legislation even requires a very detailed investigation every three years into the conduct of the casino licence. The investigation covers all aspects of compliance by the operator and its employees. The Casino Control Authority must determine whether it is in the public interest for the casino licence to remain in force - and whether it should be held by Star City. No other gaming body is subjected to such an onerous regulation.

How the regulations should be administered

The foregoing section would indicate that we believe that there is gross misallocation of resources devoted to regulation of gambling in NSW. The intense scrutiny accorded to the casino is out of all proportion given the relative scale of the problems it generates, the transparency of its operations and its size relative to the NSW industry as a whole.

Star City supports the establishment of a Gaming Commission in NSW to oversee gaming operations and standardise regulations. Our aim is to put all gaming operators on a level playing field. Star City believes a Gaming Commission should cover the operations of all forms of gaming and wagering including racing. This would eliminate the need for other separate regulatory authorities such as the Casino Control Authority and NSW Lotteries. There has been a debate in NSW on the separation of the policy, judicial and policing functions for gambling, largely based on the US models of regulation. Much of this debate is not relevant to Australia. The policy functions will always rest with the government of the day. The judicial and policing functions may be conducted under a Commission provided their integrity is maintained.

At present, governments of the day are under enormous pressure from gaming operators to approve additional machines and games. No government wants to lose the support of these powerful lobby groups so there has been a tendency for gaming decisions to be based on political considerations rather than on merit. Large organisations representing the hotels and clubs have been much more likely to be successful in their applications to government than individual and smaller operators. This is highlighted by the fact that the number of gaming devices in NSW has risen to 94,000 - around 10 per cent of the world's machines!



A Gaming Commission in NSW would be in a better position to determine the need for extra gaming facilities and to allocate them in the fairest manner, free from immediate political influence.

In terms of the intensity of regulation of gambling there may also be scope for the rules which relate to customer protection to give way to the general consumer protection law which, in Australia, is quite far reaching at Commonwealth and State level.

The scope for harmonising regulations

Star City believes there is scope for some national standards to be introduced to ensure the integrity of gaming operations throughout Australia.

For instance, the NSW Police Commissioner last year ordered the exclusion of about 30 patrons from Star City. No reason was given for their exclusion and some of those on the list had probably never even visited Star City. However, soon after the exclusion orders were imposed, some of those on the list simply took their business to casinos in other States. So a situation existed where people who were suspected but not convicted, of being involved in criminal activity were barred from the Sydney casino but free to visit racetracks, clubs and other gaming venues in NSW or casinos in other States. This is worse than anomalous. It makes a mockery of the laws. We hesitate to suggest national exclusion orders, which would probably be unenforceable outside casinos, but punitive actions ought not to be avoidable simply by moving from State to State.

There is room for more effective mutual recognition in areas such as employee and supplier licensing and in equipment standards.

However, in general terms, individual State authorities are in the best position to make decisions relating to gaming. State bodies have a greater knowledge of the demand for services in their jurisdictions and they can be held more directly accountable for their decisions.

Taxation

The inconsistencies in regulations extend to the taxation arrangements for gaming operators.



The hotel industry has a progressive taxation system ranging from 15 per cent to 40 per cent on its poker machines. Star City has a sliding tax scale on table games revenue starting at 22 per cent and rising as high as 47 per cent. Taxes on clubs are related to profits with small outlets paying no gaming tax at all. A club with a \$1 million profit would pay gaming taxes of only 16 per cent and there is a top marginal rate of 26.25 per cent. In other words, the gaming tax payable depends entirely on whether it is in a hotel, club or casino.

The tax on Lotteries is the highest of all.

There is no doubt that the rate of taxation impacts on patrons. If a higher rate of taxation is imposed the gaming operator will generally have to reduce the return to players on gaming machines or lotteries. Casino operators are in a more difficult position because they cannot adjust the return to the player on table games.

At present, State Governments are unlikely to support any move to tax all forms of gambling in a uniform fashion. Traditionally, they have offered concession rates of taxation to clubs and other non-profit organisations.

Nevertheless, the Australian tax system is a mess with a range of invidious transaction taxes, a poor balance between direct and indirect taxation and an income tax system that is full of holes. Given this, the taxation of gaming might seem the least of our problems. But, there are features of gaming taxation which deserve criticism:

- There is no reason for taxing gambling more highly than other services or forms of recreation. The days when this was regarded as a “sin” tax by more than a small minority are long gone. The taxes distort the allocation of personal spending in an unjustifiable way. Even if the taxes were raised to compensate for harm (which they largely are not) they are out of proportion with the taxation of many other harm creating industries.
- As noted, taxation of different forms of gambling varies enormously and without any consistent justification. Why should a small (club) business be given favoured taxation treatment? Are lotteries more harmful than other forms of gambling? Is a poker machine in a club less harmful than one in a hotel or a casino? Is the casino in Burswood less harmful than that in Melbourne or Sydney? If there are to be separate gaming taxes they should be at a more uniform rate.
- The logic behind progressive gaming taxes such as Star City’s table games tax and Crown’s junkets tax is not apparent. The taxes are business taxes. Progressive taxation with its connotations of equity is appropriate to personal income taxation but is not only out of place in taxation of business but provides an increasing disincentive to business expansion, favouring smaller and potentially less efficient production units.



One issue which is unresolved is the application of any Goods and Services Tax (GST) to this industry. The Federal Government has indicated that GST should be applied to gambling. Given that it cannot be carried forward into final prices there need to be measures to ensure that this heavily taxed industry is not subject to an additional tax on its revenue.

The practice of earmarking gaming profits or hypothecation of taxes for particular services (such as hospitals) is less prevalent in 1998 than it was in previous decades. Initially, the NSW lotteries were set up to raise funds for health services and specific projects like the Sydney Opera House. However, governments now tend to put all gaming taxes into Consolidated Revenue for general use which is a sound and equitable way to promote best choice between competing priorities.

The exception in NSW is the Casino Community Benefit Fund which was set up with a 2 per cent levy on casino gross revenue to provide research and assistance for problem gambling. A proportion of the funds are also earmarked for community projects. In other States, there is a tendency for this money to go into general Treasury revenue. There are sound reasons for this. Pressing social and other priorities will change both in ranking and their demands for resources. Fixing a specific tax or a proportion of revenue to fund a specific expenditure will usually become inappropriate as circumstances change.

Star City accepts that it is up to the government of the day to determine its priorities for spending. Given their existence and their current rates it would be unrealistic to expect gaming taxes to be devoted to particular projects. Even the Casino Community Benefit Fund cannot find sufficient gambling related projects to absorb its revenues. Nevertheless, Star City believes the priority for funds available to the Casino Community Benefit Fund should be responsible gaming programs and providing assistance for people with gambling problems. Only excess funds should be used by the government for community projects or general revenue.

Advertising

NSW regulations prohibit gaming operators from advertising during dedicated children's viewing hours. Star City has no objection to this restriction. Our launch campaign was sensitive in its depiction of casino gambling. There are separate provisions in the Casino Control Act 1992 (NSW) and Regulations with criteria for advertising by the casino. All marketing and promotional campaigns are aimed at people over the age of 18. Minors are barred from the gaming floor and bars throughout the complex. Indeed, anyone leaving a child unattended and at risk at Star City faces exclusion. Parents are not encouraged to bring children to the complex in any advertising or promotional material.



Star City believes the current regulations relating to advertising are sufficient and work effectively. They prevent gambling commercials from being shown in unsuitable times but enable operators to promote their product to their target audience - those over the age of 18.

There appears to be no justification for a special code or for further regulation of gambling advertising. Gambling is an industry much like others. It does more than most, particularly in the casino sector, to encourage responsible use of its products and to warn of the risks of over-use. It should be as free as the producers of other goods and services to promote its facilities.

Disclosure

The current disclosure laws make it extremely difficult to ascertain details of gaming revenues generated in Australia. Publicly listed companies, such as the major casinos, are required to provide detailed accounts of their financial performance to shareholders and the stock exchange.

Governments provide details of gaming revenues in their Budget papers. However, there is no breakdown of the revenues generated by individual outlets. While the list of top hotels and clubs is published, no details are given of their gaming revenue.

Star City would support the introduction of a standard statement of accounts to be submitted by all gaming operators which gave details of their gaming revenue. It would serve to allay community concerns and assist authorities in making decisions on the allocation of its regulatory resources and the licensing of new or expanded gambling facilities.

The effectiveness of regulatory controls in curbing criminal activity

This matter is to some degree discussed above with the conclusion that a number of factors, including regulations, have been extremely effective in curbing criminal activity.

The stereotype image of gaming being linked with organised crime is out of date and totally inaccurate in 1998. The fact is gaming operators, particularly casinos and race clubs, have such tight regulations aimed at preventing activities such as money laundering that they cannot occur to any significant degree.

All transactions over \$10,000 must be reported to the Australian Transaction Reports and Analysis Centre (Austrac). Its job, with other law enforcement agencies, is to counter money laundering, major crime and tax evasion. Star City reports all suspicious transactions to Austrac as well as those involving sums in excess of \$10,000. This means any player trying to "launder" the proceeds of illegal activities would be quickly detected.



All front-line staff and many other individuals involved with Star City must undergo a stringent probity check and be licensed before they can be employed.

Mr Peter McClellan QC, in his review of the Star City licence in 1998, found that most crime issues were exaggerated in the media. He found that there was no significant level of money laundering or criminal activity associated with Star City.



The Implications of New Technologies such as the Internet

Gaming operations in Australia could dramatically change in the coming years as new technological advances take effect. Clearly, these developments have the potential to create an exciting new era in gaming if handled correctly. However, new technology also has the potential to cause major social problems if it is not accompanied by adequate controls.

Star City is already the most technologically advanced gaming operator in Australia. We have introduced a unique player rating system called PitTrak which enables gaming divisions to keep accurate data on the betting patterns of regular players. Patrons simply have their rating cards swiped through a machine when they begin playing to have their betting transactions recorded. This replaces the traditional manual system of writing such information on cards.

Another innovation aimed at helping both players and staff is PitCam. Small cameras are located on each table to record all play. In the event of a dispute the action can be replayed immediately to determine whether a mistake has been made.

Star City also has a sophisticated computer system operating the slot machine network and more than 1000 surveillance cameras monitoring tables and providing perimeter surveillance.

In other words, Star City has utilised some of the most advanced technological developments to improve safety, deter criminal and unsavoury behaviour, ensure the integrity of gaming operations and assist patrons and staff.

There is now a growing potential for new technology to expand the range and accessibility of gambling. Internet gambling is already here. More sophisticated telephone operations, interactive television and other advances are on the way.

While other developments such as Internet gambling have enormous potential they also have inherent dangers. These dangers have already been recognised by the United States Senate which has approved legislation to ban most forms of gambling on the Internet. In Australia, most State governments are taking a low key approach but have been quick to develop guidelines for the introduction of Internet gaming. It appears that most governments are reluctant to approve Internet gaming until adequate controls are in place to minimise the social consequences. But, at the same time, they do not want to miss out on the financial benefits of on-line gaming so they are preparing guidelines and legislation in advance.



The Tasmanian Government has indicated that it wants to proceed with Internet gaming - *but it would be available only to players in other States*. Tasmanian residents would be prohibited from using the service. The Queensland Government announced recently that it would license Internet operators -and take 50 per cent of metered profits. The NSW Government has developed a model for Internet gaming and legislation could be introduced as early as 1999. The ACT Government is keen to secure part of the lucrative market and has indicated that the first licence could be issued this year. The Victorian Government is also well advanced in the preparation of an Internet regulatory model.

While all governments appear to have concerns about the social impact of on-line gaming, they cannot ignore the potential profits. Indeed, the Chicago Crime Commission has calculated that world Internet gaming will be worth about \$35 billion a year by 2000.

Star City believes that Internet gaming in Australia requires adequate controls to prevent abuse. The potential for minors to bet on the Internet is of particular concern. Warnings should also be given to new players to bet sensibly before opening an Internet account. It is likely that technology will be developed which will allay many of these concerns in the year ahead. For instance, it is likely that some computer systems will be able to identify hand or finger prints as a way of accessing Internet gaming. Parents would, therefore, be able to prevent their children gaining access to on-line gaming.

The incidence of problem gambling is also likely to rise unless Internet gaming is properly controlled. At present, Star City offers a comprehensive responsible gaming strategy including advice on where patrons can seek help. It is crucial that any Internet provider be required to offer the same precautions. Many people are reluctant to leave their homes to go to a club or casino to bet alone. Others feel intimidated by the prospect of sitting at a gaming table with other players. There will be a temptation for many of these people to take the option of betting privately at home so the Internet has the potential to open up a vast new gaming market.

If controls can be developed to deal with these issues it is inevitable that Internet gaming will become a reality around the world. Australian governments will have little choice but to approve Internet operations - or lose revenue to other States.

The reality is, of course, that anyone can already set up a gaming operation on the Internet. In this sense, the US legislators have their head in the sand. Indeed, Internet gaming is already being advertised widely within Australia. A company called Golden Palace, based in Antigua operates a service which offers 28 games. These range from traditional casino games like Blackjack and Sic Bo through to simulated scratch lottery games and poker machines. The graphics on the games are very realistic and it is simple to sign up to play and pay.



Star City believes these Internet providers pose a real threat to traditional casinos, particularly those which have paid large licence fees. In NSW, for example, Star City has paid more than \$250 million for the casino licence - yet anyone can set up an Internet service at minimal cost and no licence fee.

Star City believes the Federal Government should work with the States to restrict Internet licences to operators with a proven track record of reliability and integrity. By licensing Internet gaming, governments will continue to collect gaming taxes and maintain control over such operations. Patrons will also be protected from unscrupulous activities. Australian residents are much more likely to bet on the Internet with companies registered and licensed in Australia than with overseas operators.

New technologies such as the Internet will undoubtedly impact on the amount of money spent at traditional gaming venues such as casinos and clubs. Certainly, those players who do not wish to travel to venues - or those with only a short amount of time - will find it more convenient to play on the net. The overall amount of tax generated for governments is likely to rise significantly if Internet gaming is sanctioned and appropriate licensing is in place. If no such controls are put in place then Australian governments will risk suffering significant drops in gaming revenues.



The impact of Gambling on Commonwealth, State and Territory Budgets

It is not an exaggeration to say that most State budgets would collapse without the provision of gaming taxes.

The States collect \$3.6 billion in revenue from gaming operations each year.

In NSW, a total of \$1.4 billion is generated by gaming operations. That is the equivalent of 10.3 per cent of the State's total budget. In fact, the gaming revenue in NSW equates to 20 per cent of the health budget, 20 per cent of the education budget or almost 100 per cent of the police budget.

While these figures are remarkable, most other States rely even more heavily on gaming than NSW. The Victorian Government, for example, collects 12.6 per cent of its total tax revenue from gaming, South Australia collects 12.3 per cent and Queensland 12 per cent.

In other words, every State is heavily dependant on gaming revenue to provide essential government services such as hospitals, schools and roads.

The fact is that, without gaming taxes, no government would be able to fill the void in their finances without imposing a massive impost on taxpayers.

It would be a mistake, however, to measure the budgetary impact of gaming solely on tax revenues. Gaming operators also generate extensive economic benefits through employment, wages and supplies.

The Australian Bureau of Statistics estimated in 1994-95 that 32,060 people were employed in the gambling industries. However, this figure would have risen significantly since then with the opening of Star City and the permanent Crown Casino. In fact, it is now estimated that the Australian casino industry alone employs about 25,000 people.

The Australian Institute for Gambling Research estimates that there are up to 18,000 people directly employed in the gaming industry in NSW and more than 7000 others employed indirectly. This means up to 26,000 full-time equivalent jobs have been created by the State's gaming industry.



Star City, with 4000 employees, is one of the biggest gaming operators. The company has an annual wages bill of more than \$150 million. It is estimated that all Australian casinos pay a total of around \$700 million in wages. Again, this money goes back into the State economies. The Federal Government also receives significant revenue from income tax while local governments receive rates from gaming outlets.



The Adequacy of ABS Statistics Involving Gambling

Most statistics relating to the gaming industry come from State Budget papers and independent studies.

In recent years, there has been a surge in the amount of research being undertaken into gambling issues. Much of this is funded by Community Benefit Levies imposed on casinos and other gaming operators. Consequently, the focus of such inquiries is usually on problem gambling issues.

In NSW, a range of studies have been undertaken to determine the range of counselling services available and the economic effects of gambling. More studies have been commissioned by the Casino Community Benefit Fund trustees. It is therefore anticipated that the availability of information about gaming will continue to improve in the next few years.

State Budgets provide details of gaming tax revenues and spending patterns. These are usually used by authorities to measure trends in gaming.

Star City does not receive regular gambling statistics from the Australian Bureau of Statistics. As such, we are not in a position to comment on the adequacy of their service. However, ABS figures are rarely used by gaming authorities and it could be argued that there is scope to significantly expand the provision of such information.

Star City would value any research into gambling patterns, expenditure and trends. While it is generally acknowledged that interviewees will not always be frank about the amount of money they spend on gambling, such studies could certainly be used as a guide to gaming expenditure.