

**PRODUCTIVITY  
COMMISSION**

**Inquiry Into Australia's Gambling Industries**

**SUBMISSION**

**OF**

**THE WESTERN AUSTRALIAN  
ACCREDITED NEWSAGENTS  
ASSOCIATION (INC.)**



**NEWSAGENT**

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INQUIRY INTO AUSTRALIA'S GAMBLING INDUSTRY

Introduction

Our submission to this inquiry will focus on a critical aspect of the overall gambling issue – namely the possible economic and social impact that widespread availability of Electronic Gaming Machines within Western Australia will have, once the present exclusive State arrangement with Burswood Casino expires in the year 2000. With our newsagents financial interests being paramount amongst many industry matters, we have the deepest concern as to the threat that EGM's could pose to the long-established and financially intertwined relationship that currently exists between WA Newsagents and the Lotteries Commission of WA.

Broadly, we propose a maintenance of the "status quo" in WA based on the following raft:-

1. Burswood Casino to continue as the only location for strictly controlled EGM's.
2. No Electronic Gaming Machines outside of Burswood whatsoever.
3. The Lotteries Commission of WA to be upheld as the "acceptable" form of soft gambling with both social and charitable benefits.

We will be referring to information contained in two reports:-

- a) The Independent Gaming Corporation's own commissioned report on "the potential additional gaming taxation revenues and likely economic impacts from the possible introduction of electronic ("EGM's") gaming machines in Western Australia". This was conducted by Chartered Accountants and Business Advisers – Coopers and Lybrand and is dated 3<sup>rd</sup> November 1997.

A Western Australian Council of Social Service's discussion paper entitled "The Cost of Pokies" completed in May 1997. It is... "an overview of the Adverse Social and Economic Impacts of Poker Machines".

The Independent Gaming Corporation represents mainly hoteliers and other associated groups and is actively lobbying for the widespread availability of Electronic Gaming Machines. Recent additional support has come from Westar Football, the Bowling Clubs Association and conditionally, the Returned Services League (WA). The IGC is a formidable body with an alleged initial budget of some \$300,000 available to fight this one issue.

#### Lotteries Commission Agencies and Newsagents

The fundamental financial interest of newsagents is encapsulated in Section 7 page 18 of the Issues Paper, "How important are gambling related sales to the operation of small businesses such as newsagents and TAB outlets?" In relation to newsagents – the answer is "crucial".

It is estimated that retail newsagents in Western Australia provide between three to four thousand jobs for proprietors, full time and part-time employees. Newsagencies, like all small retailers provide local employment to the community and are very much part of that community.

Newsagencies are essentially family owned businesses with both husband and wife involved in the day to day operation. Invariably the business represents a substantial investment and one which is often considered as superannuation for the proprietors.

It should be a reasonable expectation on the part of newsagents to be confident that their investment in the newsagency is safe without intervention from government through the "moving of the goalposts".

Up to 70% of gross turnover in a newsagency can be comprised of Lotteries Commission product sales. Some sixty seven percent of WA's 600 newsagents have a Lotteries presence within their businesses. The financial benefit goes considerably beyond commissions derived purely from Lotteries products.

Substantial cash flow is generated, floor traffic created (the "draw-card effect") and the opportunity is provided for add-on sales, drawn from within traditional newsagency product lines and services. These are essential business ingredients common to all newsagents.

An excellent working relationship has evolved over 20 years between newsagents and the Lotteries Commission – the former's ability to provide quality personal service and specialist product knowledge has made a significant contribution to the latter's success. The Lotteries Commission of WA achieved \$403.5 million in sales in the year ended 30<sup>th</sup> June 1998 – a world class performance.

Why threaten this relationship, which has widespread community acceptance and acknowledgement, for the sake of poker machines?

Newsagents, whilst having to be concerned about their own future financial viability, are also mindful of the social responsibilities inherent in a Lotteries agency. Their clientele are "regular" customers often addressed on a first name basis. Their general well-being is very much the concern of newsagents – the latter's future profitability depends upon this.

The IGC/Coopers and Lybrand report identifies just over 1500 potential sites for EGM's in WA (point 5.1.2.1 refers). Point 5.1.5 identifies the main motivation for the WA State Government to consider taxation revenue benefits from EGM's.

Net Gambling Revenues (NGR) in 1997 dollar terms are projected to generate between \$297 and \$480 million from which the State Government would derive between \$110 and \$178 million in taxes. This is an obvious temptation when State budgets and Commonwealth funding sources to date have generated acrimony and uncertainty still surrounds the actual introduction, final form and handing on of revenue raised by a GST.

Point 5.3 of the report identifies the West Australian Government's Revenue from gambling – year ended 30<sup>th</sup> June 1996 – as \$229.27 million of which \$119.78 million (52.24%) is contributed by the Lotteries Commission.

Some 94% of the Commission's income is actually returned to the community in the form of winnings and charitable donations, all regulated under the Lotteries Commission Act. In the year ended 30<sup>th</sup> June 1998 over \$60 million was directed to WA hospitals alone, who now depend on this funding.

Any loss of earnings to alternate forms of gambling would threaten the Commission's ability to maintain such a level of community support. Would this be compensated by an appropriate proportion of EGM revenue being directed to Lotteries Commission beneficiaries? We think not.

Point 5.3 concludes that a likely impact of between 5 and 15% would occur against Lotteries product sales should EGM's be permitted. Once again the South Australian model is quoted. It should be pointed out that when EGM's were introduced to Victoria, the initial impact was closer to 30%.

Earlier in Point 5.3 the report quotes without citing empirical sources "As evidenced in other states, the introduction of new gaming opportunities has led to an overall increase in expenditures, rather than the substitution of one gaming activity by another".

When related to the figures provided for all types of gambling (Lotteries EGM's Casino Racing and Other) this would at first appear to be true. However, isolating the Lotteries Commission, actual gambling tax revenues dropped by \$5.4 million between 1993 and 1996, with a further budgeted fall of \$0.8 million for 1996/97.

Essentially, any potential dollar held by any one person can only be spent once.

Any rival means of gambling, particularly one that is accumulating unacceptable social consequences by market place experience, has to be regarded as a threat to the extensive, established and accepted benefits provided by the Lotteries Commission WA. Those newsagents with such agencies will literally be the first to suffer any redirection of the soft gambling dollar.

Seventy five per cent of West Australians play Lotto games and of that, 45% play every week. This is a very strong indicator of widespread community support. Unfortunately, when looked at in terms of market penetration, it is easy to see why the IGC is casting a covetous eye over this performance.

It is surely easier to convert an existing "gambler" rather than obtain a new one...

### Electronic Gaming Machines

It is perhaps ironic that the Productivity Commission's own Issues Paper reveals in Section 2 page 7 that 49% of Australia's \$10 billion spending on gambling is received through EGM's. The fact that the total gambling expenditure represents the annual net losses of gamblers is both startling and disturbing.

As WA is currently the only state without EGM's – a situation that is currently being reviewed by the Court Government – it can be seen just how critical this issue has become for our Association and the potential impact on newsagency businesses should poker machines be permitted in the future.

Gambling, as far as our members are concerned, has become a one-issue debate. Whilst in no way decrying the other methods of gambling, including Burswood Casino Games, Racing, Lottery Products and Bingo/Charity Raffles, each at least has its own controls. Any negative social impact caused by these other forms of gambling is already known and is being managed.

WAANA has therefore actively supported the WA based Coalition Against Pokies, primarily for industry reasons but by no means to the exclusion of the negative social effects that EGM's have created.

Generally, evidence has begun to mount in both Victoria and South Australia to indicate the true impact of "pokies". Certain politicians have publicly stated their beliefs that permitting them was a mistake! CAP is not anti-gambling per se. It is strictly concerned with EGM's and particularly the insidious "addiction" that their design and method of operation reinforce on those who play them.

CAP has a number of concerned organisations represented within their ranks including the Western Australian Council of Social Service (Inc.) and the Anglican Social Responsibilities Commission as prominent social contributors.

Apart from WAANA, business interests are represented by the Liquor Stores Association and the WA Council of Retail Associations.

The Cost of Pokies/WACOSS Discussion Paper identifies three levels of social impact for Poker Machines (page 2). These are:-

1. The physical and psychological impact upon the individual problem gambler.
2. The social and economic effect upon the individual gambler and those people associated with the gambler.
3. The impact upon both private and public sectors of the community.

Page one of the paper identifies a problem gambler as:-

*“Problem gambling denotes anyone along the continuum who has a problem with gambling. The person may be of any sex or age and from any economic or cultural background”.*

Page two of the paper entitled Nature of the Beast cites numerous references that attest to the insidious nature of EGM's. Words used to describe them include:-

- a) Hypnotic
- b) Repetitive
- c) Continuous and
- d) Uninterrupted



Private and Public Sector impact is discussed on page 4 of the paper. Two particular fundings are worthy of note:-

1. "Shops and small businesses in the vicinity of clubs and hotels with gaming machines are reporting a loss of income since the introduction of poker machines". (SACOSS, 1996:3)
2. "Victoria shares similar concerns about the impact of poker machines on small rural towns. One such report states that in Victoria's town of Maryborough (population 8,000) there are 109 machines which consume \$142,000 per day. This is an average of \$52 million per annum or \$17.75 per person per day". (The Weekly Times, 1<sup>st</sup> January 1997).

A third partial quote is also justified.

"A financial counsellor in the north-western suburbs of Melbourne identified a significant increase in the percentage of clients stating gambling as a contributing factor in their debt management issues."

Mr Joe Goerke of Breakeven/Centrecare advised a recent meeting of CAP that the actual number of cases alluded to in this quote has been estimated as being one third.

In short, problem gamblers impose additional financial burdens on welfare organizations, government agencies and charities.

Significantly, Antonia Hendrick, Research Office and author of the paper specifically states at Point 3.1 page 4.

*“Increased spending on poker machines (EGM's overall) results in significant amounts of money being redirected from the retail sector to the gaming industry”.*

The author highlights increasing concern on pages 4 and 5 of the report, that an increasing proportion of problem gamblers are women.

The paper concludes that there is a need for the West Australian community as a whole to be consulted about poker machines and have input into further discussion based on empirical evidence.

The latter should be amassed and carefully studied before following other states down the EGM path.

Appendix A page 9 shows the ACT as the earliest recorded state with EGM's in 1976. Excepting NSW all other states' experience with this method of gambling has been since 1991 - fairly recent when compared to other established methods of gambling.

There is sufficient evidence to suggest that WA should not consider EGM's without extensive, independent research and community consultation.

### Conclusion

The timing of the Productivity Commission's Inquiry and the current WA state deliberations regarding Electronic Gaming Machines, despite the breadth of the former and specific focus of the latter, requires that from the WAANA viewpoint on behalf of newsagents, both are addressed as one essential issue.

Even anecdotal evidence provides ample warning of the potentially devastating social and economic effects of EGM's should they be introduced to WA.

From the WA perspective, seeing as we do not have these devices as yet, it would appear that the most effective form of action would be to focus all available resources and means toward fending off the threat in the first place.

The Productivity Commission's Inquiry into Australia's Gambling Industries is timely and deserves the fullest support.

- a) It has provided a means by which the effects of gambling on small business – including WA newsagents – may be highlighted and considered.
- b) It will hopefully bring the wider gambling issue centre-stage, for all Australians to seriously question the direction in which state governments appear to be proceeding, by having a greater dependence on their revenue base being from gambling revenue.
- c) It may give cause for all Australians to consider the wider economic and social ramifications of gambling.

We thank the Productivity Commission for the opportunity to forward this submission.