

**A SUBMISSION
TO**

**THE PRODUCTIVITY COMMISSION INQUIRY
INTO AUSTRALIA'S GAMBLING INDUSTRIES**

FROM

LOGAN CITY COUNCIL

NOVEMBER 1998



Preamble

Logan City Council welcomed this inquiry and resolved to make a submission that would outline some of the issues and concerns Council has related to the impact of the expansion of gambling industries in our own locality.

These issues relate primarily to the economic and social impacts of gambling rather than commenting on local government's actual and potential roles and responsibilities related to the regulation of gambling.

The submission begins with an overview of the Logan community including some of the pertinent social and economic characteristics of the City. The submission then moves to address the Terms of Reference for the Inquiry, responding selectively to questions raised in the Issues Paper released by the Commission.

To this point in time, Council itself has not undertaken any comprehensive research on the impact of gambling within the City, and in particular, on the impacts that may have occurred since the introduction of gaming machines in Queensland in 1992. However, in Council's ongoing liaison with gaming venues, small business owners and community welfare organisations, we have become aware that concerns about both the social and economic impact have been growing.

Council's submission does make reference to anecdotal comments from community organisations about social impacts of which they are aware. Less information is available about the economic impacts. Attachment 1 includes three anecdotal statements from members of the Logan Community. Council suspects that there has been an impact resulting from changes in the way the community is directing its discretionary income. However, these links are generally hard to substantiate because of the complex mix of factors involved. Many of the comments made in the submission suggest directions for further investigation of the issues at both the local and broader level, rather than making definitive statements at this time.

Background Information on the City of Logan

Logan City is located in the fast growth corridor of South East Queensland. To the north it is bounded by Brisbane City and to the south by Gold Coast City and Beaudesert Shire. Redlands lies to the east and Ipswich City to the west. Logan City experienced rapid population growth in a period that stretched from the sixties until the mid nineties. In the latter part of the nineties, with land becoming more scarce, growth has slowed somewhat but remains significant. The estimated population of the City as at the 30th June 1996 was 162,828 persons, which represented an average annual growth rate of 2.3% in the five years from 1991. Within this figure, some areas of the City continued to develop rapidly growing by as much as an average 7.8% per annum. This level of growth impacts on the timely provision of adequate social supports and infrastructure for new residents.

Logan City has many of the characteristics associated with "urban fringe" developments. In the sixties and seventies, Logan City developed around large scale public housing development in the central area of the City. Initially there were few services to meet the needs of the residents

in these estates. Although considerable infrastructure is now in place, services continue to struggle to meet demand from a very high need population.

In the nineties, as a consequence of its affordable housing, Logan has attracted many migrants, a significant number of whom are refugee or humanitarian entrants with few resources upon arrival. Many struggle to find employment and are often also dealing with the physical and mental effects of torture and trauma.

The City also has a large Aboriginal and Torres Strait Islander community that makes up just over 2% of the population.

High levels of unemployment are also experienced in Logan, particularly amongst young people. (10.7% for Logan generally and 31.2% for full time unemployment of young people).

In fringe areas of the City, families have been attracted to new estates by affordable house and land packages. High mortgages and young families mean that many of these households are vulnerable to any sudden changes in their circumstances such as rising interest rates or the loss of employment. Budgets are tight with little money available for discretionary spending.

Access to public transport has been a critical issue in many of these newer areas. It impacts on residents' ability to access employment, community support services and recreation opportunities. It particularly impacts on young people who are too young to drive or who don't have access to a car, limiting their options.

Generally the City has a young age profile, with around 70,000 persons (44%) aged 24 or younger in 1996.

The nature and definition of gambling, Logan City

In Section 2 of the Issues Paper, the Commission raises questions about how gambling should be defined. The Commission has suggested that gambling is usually a form of entertainment as well as *staking money on uncertain events driven by chance*. The Issues Paper further points out that another defining issue is that as a group, gamblers necessarily lose money as a result of the activity, because the total "prize" is equal to the accumulated stakes of punters, less taxes to government and profits and costs for operators. (page 8)

Council accepts the Commission's definition of gambling as a reasonable approach, although the extent to which gambling may be presented as a form of entertainment may vary. For example, some TAB offices are purely for transactions and do not include the types of entertainment facilities that are provided with other forms of gambling. In cases where TAB offices are located in clubs, hotels and taverns, the entertainment link is obvious. Indeed, community service providers dealing with persons with problems with the extent of their gambling, have commented on the fact that many clients now refer to their gambling as their "entertainment" rather than using terms traditionally associated with gambling.

Some service providers have expressed concerns about the strong link between gaming and licensed venues in Queensland, with alcohol sometimes playing a part in weakening individual clients' resolve to limit their gambling.

Others are concerned that the promotion of clubs as entertainment venues for the whole family contributes to young people's exposure to gambling as an enjoyable and acceptable activity and subsequently they may be unprepared for the potential difficulties they may encounter.

The findings of a 1996 thesis on *Modelling Adolescent Gambling* (Maddern, R 1996) were supportive of this concern. Maddern found that there were seven significant predictors of youth gambling: supervision; attitude; encouragement; access; sex; country of birth; and intent. The same study found that the parents and peers are the main pathways to gambling for young people by providing knowledge and encouragement directly to the young person.

Within the City of Logan, the main gambling establishments are clubs, hotels and taverns with gaming machines. Additionally, most of the eight TAB offices are located in these kinds of venues.

The Queensland Office of Gaming Regulation (QOGR) publishes annual data on gaming machines in an area it describes as Logan. This area is based on postcodes and does not cover the same area as the City of Logan. The QOGR area defined as Logan takes in the northern parts of the City of Gold Coast and the Shire of Beaudesert. Even though they do not correspond with the area of the City of Logan, the figures provide a guide. The figures for the 1997 calendar year were:

Logan Clubs				Logan Hotels			
Turnover (\$000)	Sites	GM's	ADT	Turnover (\$000)	Sites	GM's	ADT
204,970,000	20	974	619	54,440,000	15	283	572

Source: Office of Gaming Regulation

NB: Logan area is wider than Local Government Area.

Notes:

- Turnover is the metered amount of money played in gaming machines, rounded to the nearest \$1 000.
- Sites is the average monthly number of sites.
- GM's is the average monthly number of gaming machines.
- ADT is the average daily turnover per gaming machine for the gaming machines in this area.

Other figures for 1997 produced by the QOGR show that in the area it defines as Logan, gaming machine turnover per adult (people over 18) was \$1,689.00. There were 83 gaming machines per every 10,000 adults.

Logan City Council's own research into the changes in the number of gaming machines in the area of the City from their introduction in 1992 to 1997 reflects the huge increase in the availability of machines. From 74 machines in 1992, the number in the City itself stood at 881 in 1997. In Logan and the immediate area that forms the statistical unit called Logan, the number was 1,257. This growth rate is of concern as gaming research in Australia has shown a clear link between the accessibility of machines and the number of persons participating.

It is difficult from the QOGR and Council figures to draw any conclusions about the level of participation by Logan residents in machine gaming. Variables include the number of persons visiting Logan and accessing venues and conversely, the number of Logan residents gambling elsewhere.

There is no casino in the City, but due to its location between Brisbane and the Gold Coast, Logan residents have relatively easy access to the casinos in both those cities. These casinos are the two largest in Queensland, in terms of the number of tables and gaming machines.

The City also does not have any racecourses, but like the casinos, residents access these facilities in adjoining local government areas.

Lottery products are provided by newsagencies in the City. Gambling activities such as bingo and raffles are run by non-profit organisations to raise funds directly for their activities. For example the Logan West Community Centre is partially supported by a Bingo game as is the Logan City Information Centre.

The participation profile of gambling

The Commission has asked for information that may help to clarify who participates in gambling.

The research that has been done by agencies such as the Australian Institute for Gambling Research has indicated that over ninety percent of the population engage in some form of gambling and that in Queensland, around 50% of the population - across ages, sex, occupation and income - on gaming machines. The research further shows that the people most likely to gamble are people with no family responsibilities - young singles and retirees - although gambling is by no means limited to these groups.

The perception of the local Break Even (BE) Counsellor interviewed for this submission was that people are particularly vulnerable to developing a problem with gambling at times of transition - retirement, loss of work and the breakdown of a marriage. These people may be struggling to adapt or come to terms with the changes in their lives and may have plenty of time on their hands. They also may have received a significant financial benefit, such as a lump sum superannuation payment or compensation package. These benefits can be quickly lost through a circle of losing and then playing again to try and win it back.

Shift workers are over-represented amongst BE clients in Logan. They go to the "club" because it is cool in the heat of the day, when they can't sleep, and because of the social contact it represents when family and friends are working and not available.

The social aspect of clubs is thought (backed by some research) to also be an important part of their attraction to women. For women who might otherwise be quite isolated, the clubs and casinos represent a safe place they can go on their own. Often transport is provided and many clubs offer other enticements such as cheap meals and child minding services. One older client described it to the BE Counsellor as a place she could be "in company" rather than sitting alone at home watching television. The large scale participation of women in machine gaming as opposed to other forms of gaming, has been one of the features of their introduction.

A general view expressed by some service providers is that people from a low socio-economic background are more vulnerable because gambling may be perceived as their only chance to improve their situation. This hope is nurtured by advertising that portrays normal people having the "big win", whether it be Scratchies, Keno, Gold Lotto or gaming machines.

Another perception about the participation profile in Logan City by the BE Counsellor was that she saw more young persons than other BE services. This may reflect the area's young profile

or the high unemployment rate in this age group, or may have some other significance. This is an example of an issue that requires further investigation at the local level.

As a City with high numbers of people from non-English speaking cultures and high numbers of Aboriginal and Torres Strait Islander persons, it is of concern to us that there is a paucity of information about the nature and extent of gambling in these communities. Currently these areas are being researched by McMillen et al and the findings will be particularly pertinent to Logan. A worker in a multicultural support agency indicated that, based on feedback from community representatives, the extent of gambling is a concern for at least a number of the local communities. An example was supplied of a person who had lost their three houses and had been reduced to living with relatives and depending on the state for assistance. Within another community, a representative said that they were aware of a number of people from torture/trauma backgrounds who used gaming as an escape mechanism.

Economic Impacts of the gambling industries (including industry size, growth, employment, organisation and interrelationships with other industries such as tourism, leisure, other entertainment and retailing

The Commission has asked for suggestions on how the economic impact of the gambling industries can be assessed.

From the Australian Gambling Statistics compiled annually by the Tasmanian Gaming Commission we know that Queensland's per capita expenditure on gambling rose from \$221.36 in 1990/91 to \$635.00 in 1996/97. In the 12 months between 1995/96 and 1996/97, per capita expenditure in Queensland rose by 8.6%. (McMillen) Growth was greatest for casinos and gaming machines. They had a growth rate for the same period of closer to 25%. (Casino-based gaming machines are counted in with total casino revenue and not reflected separately). The latest data (1997) on the amount spent on each type of gambling activity in Queensland is outlined below.

\$ Expenditure per capita in Queensland

Type	Amount (\$)
Racing	113
Gaming Machines	207
Casino	176
Tattslotto/Lotto	61
Instant Lotto	34
Other	44
Total	635

The key question for research into the economic impact of gaming on individuals and communities is where does this \$635.00 per capita come from. What would it have been spent on if not gambling?

A survey conducted in Queensland in 1994 as part of a report on the social and economic impact of the introduction of gaming machines found that around 25% of Queensland households using gaming machines funded their expenditure from other household costs (eg food, clothing), 16% from deceiving (lying, fraud etc.) and 19% from funds set aside for other discretionary entertainment. An analysis of the 1988/89 ABS Household Expenditure completed for the same study, found that 57% of the total additional gambling expenditure together with induced (related) expenditure on items such as meals and alcohol, was funded

by reductions in other expenditure. (DFSAIA 1994:55-56) Over the past ten years, gambling as a proportion of people's expenditure has virtually doubled from 1.6% to 3%. (McMillen)

The Queensland Government's policy of restricting gaming machines to casinos, clubs and hotels has meant that for the City of Logan, the main economic link of gaming machines is with the local clubs and hotels that provide entertainment services. Unlike other Queensland cities with high numbers of tourists (Gold Coast, Brisbane, Townsville and Cairns), it is likely that these premises are primarily servicing the local market. In 1997, the Queensland Office of Gaming Regulation reported that the gaming machine turnover per adult over 18 years in the population of the area they define as Logan was \$1,689.00 per person. This compares with a turnover per adult of \$3,508.00 in Mt Isa at one extreme and \$488.00 per person in the Brisbane West outer region. The total turnover for the Logan Region in 1997 was \$259,410,000 up from \$188,690,000 in 1996. In 1996 there were 35 sites with 971 gaming machines and an average daily turnover of \$532.00 per machine. In 1997, there were 35 sites with 1,267 machines and an average daily turnover of \$609.00 per machine. The Logan area had just over 6% of all gaming machines in Queensland (21,042) as at the 30 June 1997.

Clubs and hotels in Logan listed within the facilities with the top ten largest machine gaming turnovers in the State respectively were the Greenbank and Districts RSL Services Club, the Springwood Hotel and Fitzzy's Hotel and Convention Centre. The Rochedale Rovers, Logan and District Services Club, Logan City Bowls Club and the Greenbank and Districts Services Club all operated 50 or more gaming machines as at the 30 June 1997. (Queensland Machine Gaming Commission, Annual Report 1996/97).

In May 1997, the 1991 Queensland Gaming Machine Act was amended to allow - amongst other reforms - the expansion in the number of gaming machines able to be operated on a particular site over a period of four years. By 1 July 2001, clubs will be able to have up to 300 machines and hotels up to 45. Given the relationship known to exist between access and increased patronage, there are potentially serious impacts for the Logan economy if there is an increasing proportion of household incomes directed to gambling.

Money spent on gaming in Logan leaves the community in the form of taxes collected by government and profits for the owners of products like Lotto. It is estimated that around 12% of the Queensland Government's revenue comes from gambling. Apart from license and machine rental fees (being phased out), the government collects various and taxes from the industry. In the 1997 amendments to the Gaming Machine Act in Queensland, some have been eliminated (Sport and Recreation and Charities and Rehabilitation). The gaming machine tax payable to the Community Benefit Fund has been retained and set at 8.5% for venues with a turnover of more than \$500,000.00 (Queensland Machine Gaming Commission, Annual Report 1996/97). For clubs, the taxes paid on the first \$66,666 of turnover per month has been reduced from 4% to 2% and the taxes and for hotels reduced from 10% to 7.5%.

Information about the amount of money collected from gaming venues in taxes and is not readily available. This makes it difficult to make any informed comment on the flow of money in and out of the community. Money collected in taxes and comes back in two major forms, greater spending by government on a range of services and facilities, and through the Gaming Machine Community Benefit Fund. Since the Community Benefit funds inception until October 1998, community organisations in Logan have received grants totalling \$2,353,056. The flow from general government revenue in terms of improved services and facilities for Logan City residents is much harder to calculate. A criticism of the current system of taxes and this lack of a direct relationship between outgoings and returns for the local community.

While one of the Queensland Government's objectives in introducing gaming machines was to encourage the growth of tourism by the improvement of club facilities and entertainment, it is unlikely this has been a major factor in Logan.

However, it is possible that the introduction of gaming machines to clubs in particular has strengthened their significance as a part of the leisure and entertainment industry in Logan. Whether this is at the expense of other entertainment venues in the City is not clear. It is possible that the Queensland Government's approach has meant that entertainment expenditure of Logan residents that was previously made outside the City is now made at premises within the City. If this is the case, it is possible that the State's policy has meant that some of the economic and employment benefits of gaming machines have been captured locally rather than being transferred to other localities.

The Council has no evidence to indicate what has been the economic and employment impact of gaming machines on the local economy. Similarly, it is unclear if there is any economic impact on the local economy related to the development of the major casinos in Brisbane and Gold Coast Cities. Unfortunately there were no prior studies of residents' spending patterns on leisure and gambling so there is no benchmark for analysis. However, it might still be possible to monitor changes related to increasing numbers of gaming machines and this could provide ongoing information for impact assessments as part of the regulatory processes.

It is possible that any negative economic spill-overs from gambling may have a spatial dimension. In terms of assessing the economic impact of these types of gambling activity, future research should look at the spatial dimension as well as the sectoral impact.

Social impacts of the gambling industries

The incidence of gambling abuse

The Commission has asked a number of questions about the nature of problem gambling.

Early research into problem gambling in Australia utilised American definitions that had been developed in the Psychiatric and Psychological fields. These classified gambling as a medical disorder, and focused on the problem being with the person. The South Oaks Gambling Screen (SOGS) developed by Lesieur and Blume in 1987, became an internationally recognised screen for pathological gambling. Taking into account that Australia has a different cultural background to that of the United States - one in which gambling has long been an acceptable past time - Australian researchers have struggled to find a more appropriate way of looking at the problem. Most recently, McMillen has argued for a Public Health approach to problem gambling recognising that the problems experienced by individuals have their genesis at least partly in gaming policy and the nature of the industry. Based on the early definitions of "pathological gambling" it was accepted that 1.16% of the population were likely to be problem gamblers. Changes to the definition have meant that the generally accepted figure amongst Australian researchers (McMillen, Buchinsky) is around 0.5%. However, the public health model recognises that there is a whole continuum of levels of difficulty that people experience short of "pathological gambling".

Research conducted by McMillen has indicated that there is a range of social dimensions to gambling. She has identified these as:

- entertainment, social interaction;
- cultural values and cultural norms;
- community life;
- environmental aspects and venue design; and
- community benefit.

These social dimensions can inform a public health approach to problem gambling as a series of interfaces where intervention of some kind can occur. Irresponsible gambling impacts not only on the individual but also on their family and community. McMillen has suggested that some of the measures used by governments to reduce both individual and social harm that have been developed in other public health strategies such as safe driving campaigns could be applied to gambling. The aim becomes “responsible gambling” rather than the elimination of gambling. Queensland has recently established a Responsible Gaming Advisory Committee which will be considering strategies that promote the concept of responsible gambling.

Research has indicated that a crucial interface for effective intervention in problem gambling occurs at the machine/player interface. Ways of making sure that players take a break as legislated recently in the Netherlands and similar ideas need to be researched for their application in Australia. Other strategies and policies need to be implemented to address some of the additional concerns raised by service providers in our brief consultation. These concerns included:

- availability of cash outlets (ATM's) at gaming venues;
- the design of venues in such a way as to disguise the passing of time;
- the use of enticements such as free coffee at the machines; and
- the lack of enforcement of current safeguards and regulations in some venues. (eg children in gaming areas; ineffective strategies for dealing with persons who wish to evoke self exclusion.)

New South Wales recently passed legislation and has produced a policy document (31.5.98) on the subject of Responsible Gambling. The policy takes a preventative and holistic approach and is dependent on self regulation. The four key principles in the policy are:

1. Compliance and effectiveness
2. Consumer Protection
3. Harm minimisation and practical strategies
4. Accountability, evaluation and review (what is working)

Other states have confronted the issue as one of “patron care”. In Tasmania, Anglicare produced a booklet on *Patron Care Policies and Programs for the Tasmanian Gambling Industry*. Published in 1997, the booklet addresses issues including patron care practices and strategies, training of staff, and industry codes of practice concerning responsible gaming education and advertising. These activities accord with the range of strategies that local service providers are identifying as necessary to develop an effective response to the whole continuum of gambling problems in Logan.

Cost and nature of welfare support services of government and non-government necessary to address it

The Commission has asked about the extent and effectiveness of existing services to address problem gambling. Comment in this section has been based on a literature review and brief discussions with a range of service providers who have regular contact with problem gamblers.

Queensland was the first government to set up Break Even services in 1993 and commissioned the first social impact study which provided valuable information on the immediate impact (first two years) of the introduction of gaming machines. Unfortunately the recommendations emanating from that report were not necessarily implemented. Break Even services continue to struggle for resources which in Logan's case means that the one counsellor can not see people as often as is therapeutically indicated. This is a consequence of a decision not to have a waiting list which in turn is a recognition of the fact that the people seeking Break Even's assistance are generally in crisis. Apart from Break Even services, we are aware that there is a whole range of community agencies that are seeing the impact of problem gambling in their work with clients. This particularly applies to agencies that work with people in crisis such as persons needing emergency relief and supported accommodation.

The Queensland Council of Social Services (QCOSS) organised a workshop on 22 October 1998 as part of an ongoing research project being conducted by Professor Jan McMillen. Services participating in the workshop included Financial Counselling, Emergency Relief and Supported Accommodation Services. Although these services find that people don't identify themselves as having a gambling problem, it is increasingly a factor in their work. A Logan provider of supported accommodation for families estimated that problems with the amount they spend on gambling is an issue for around 50% of the families they are involved with. They had particularly noticed an upsurge in the previous fifteen months (to October 1998) but were unable to attribute this to any specific cause. This was a recurring theme. Service providers often suspect links between the expansion of gaming and an upsurge in problems with gambling however demonstrating these links with hard data is extremely difficult. Gambling is often part of a complex mix of problems and issues for these clients. The studies that have been done indicate that gambling contributes to some of these other problems. Lisieur and other researchers have demonstrated the impact of problem gambling on marriage and family relationships, and people's employment and productivity. (eg. Lisieur 1984 & 1988). Further work needs to be directed to developing methodologies for testing these links.

At the service delivery level there is a need for additional funds for a range of services that can form an integrated network of services that can respond to problem gambling at a number of levels. These services include community development agencies and activities as well as services that work directly with individuals and families. For example, the development of alternative social venues and supports for isolated women could be one possible response to an upsurge in gaming by isolated women in a particular community.

Linked to the previous section, service providers identified irresponsible gaming practices by venues as a complicating factor in their work with clients having problems. Several workers knew clients who had written "dud" cheques, but had not been pursued by venues for payment until they stopped visiting the club. By this time they had incurred a significant debt. Others spoke of clients who had sought self-exclusion as provided for by the gaming regulations but been embarrassed through a lack of sensitive protocols for handling this situation.

It was acknowledged that some managers and staff of venues were extremely effective in intervening sensitively with persons they believed were having a problem, and in taking this role they become an important part of the local support and intervention network. This level of co-operation or an integrated approach by both venues and community services at the local level needs to be fostered and resourced.

Community Services identified the need for an ongoing community education program for all ages and sectors of the community. The move to incorporate information on gambling in the secondary school curriculum in Queensland was welcomed, however it was argued that the campaign should target all age groups and be ongoing. For example, one Break Even service reported that their youngest client was 18 and their oldest 80. Campaigns should include information about the ways in which gambling activities operate, the realistic chances of winning, and strategies people can adopt to help manage their gambling.

A newly emerging problem for community services is clients in debt to what can best be described as "loan sharks". The growth of lenders who are willing to loan people money at very high interest rates is thought to be on the rise. In Queensland this is thought to reflect a lack of regulation related to who can set themselves up as financiers.

Re-distributional effects of gambling

The Commission's Issues Paper suggests that gambling taxation is regressive in that it disproportionately impacts on low income people and it is concentrated heavily on certain groups of consumers. Since re-distribution is a major policy objective of governments, it is considered legitimate for governments to regulate the industry to mitigate its regressive nature.

At a local level, a major concern is the amount of money that is going out of the community through: taxes on gambling profits; the profits themselves where the product is commercially owned; and through people going outside of the local community to spend their gaming dollars. For example, a concern was expressed at the time of the introduction of gaming machines in clubs and hotels about their impact on other forms of gambling traditionally run to support local charities. These activities have continued however, a 1995 report on the Impact of the Introduction of Machine Gaming in Queensland on Minor and Major Bingo, identified that in the wake of the introduction of gaming machines:

- Most Major Bingo operators suffered an immediate downturn in attendance and receipts although that downturn appeared to have steadied by 1995; and
- Minor Bingo experienced a significant downturn and this decline was continuing in 1995.

McGregor-Lowndes, McDonald & Dwyer 1995, QUT Program on Non profit Corporations, Working Paper No. 52: 15-16

Whilst many local agencies have received significant grants from the Gaming Machine Community Benefit Fund, the lack of a direct relationship between the amount leaving the community in the form of the Community Benefit Tax and the amount coming back in grants raises questions about "community benefit". This applies particularly to an area like Logan where there are significant pockets of social disadvantage and high community service needs. As noted in the previous section, there is also no transparent mechanism that shows the

amount of other taxes on gaming that flow to the state in relation to the benefits in the form of funding that comes back for broader services such as hospitals.

This has been a change from when most forms of gambling eg. golden casket were state run and there was a direct link with funding of community services.

Re-distribution can also occur at the individual level. An example given was of the self-funded retiree who becomes dependent on the state for support after losing their money in gaming.

Effects of gambling on community development and provision of other services

The Commission has asked for comment about the impact of gambling on local communities and the provision of services. The issues in relation to the funding of community support services have already been raised.

The Council is not aware of any studies of the impact of gambling activities on community development in Logan City specifically, although there has been some research conducted at a broader level. This research has indicated that there are some positive outcomes for the community in terms of quality entertainment venues, job creation and support of the host clubs. Many local clubs also give direct support and assistance to community services that is in addition to the mandatory contribution to the Gaming Machine Community Benefit Fund. Recognising that self-interest and community benefit sometimes coincide, there are obviously some advantages that accrue to the host community. However, research indicates that there is also a risk of considerable negative impact.

Professor Robert Goodman, Executive Director of the US Gambling Research Institute and author of *The Luck Business*, an assessment of the gambling industry in the USA, has given examples of the negative economic and social impacts of unregulated development of casinos in US cities like Atlantic City.

Whilst the regulatory frameworks adopted by the Australian States may have prevented a similar experience from occurring in Australia to this point in time, the US experience demonstrates that the gambling industry does have negative impacts on the fabric of communities unless regulation is used to prevent those negative impacts from occurring.

The Council's general view is that governments have a vital role to play in using their regulatory powers to ensure that economic activity does not impose spill-over effects on public goods. The fabric of communities is a public good, that is, everyone benefits from a strong sense of community life. Like any industry, gambling should not operate in a way that damages the fabric of communities. This means that a small group should not obtain significant benefits while costs are diffused across the whole community.

Governments have an obligation to prevent this from happening. The most important way this can be done is by undertaking transparent assessments of the impact of new developments before they are given approval. Impact assessments provide a means of identifying negative spill-over effects and assessing whether it is feasible to mitigate these effects, eg. through the provision of other services.

In order to enable governments to properly assess the impact of new gambling developments on the community, further work needs to occur to develop cost-effective methodologies that will enable governments to incorporate impact assessment in the regulatory process.

Information is a key element of impact assessment, and the Australian Bureau of Statistics can play a vital role through the statistics it collects, not only on the gambling industry but the socio-economic information it collects for more general use. The design of a simplified survey to measure changes in household expenditure relative to the amount committed to gambling that could be utilised at the local level would be useful.

Effects of the regulatory structures (including implications of differing approaches for industry development and consumers)

The Commission has raised a number of questions about the effectiveness of the regulatory framework for the gambling industry.

As noted in the previous section, the regulatory framework for the gambling industry is very important, because it provides a means by which government can ensure that the industry is not “free-riding” on the rest of the economy or on the public by imposing negative spill-over effects.

It is not clear how effective the regulatory framework has been in achieving this objective, but there are some general observations that can be made.

Current regulation in Queensland appears to have been designed to achieve a mix of objectives that may have detracted from its main role.

State Governments have used regulation to protect their own gambling revenue base. The Queensland Government, in a 1996 discussion paper on the Review of Queensland Gaming Machine Regulatory Arrangements, acknowledged that one of the reasons for the introduction of gaming machines in Queensland was to generate extra revenue for the State (1996, page1).

The location of the QOGR in the Treasury Department raises questions about whether the primary objective of gaming machine regulation is to regulate the impact of the industry on the community, or to provide revenue for the State.

In the face of all the evidence in recent years that single industry regulators are vulnerable to capture from the very industries they regulate, this arrangement creates risks that the regulators will act first to protect the State’s revenue base, particularly if it does not threaten the industry. It raises questions about whether the public is at risk of its legitimate interests being overlooked. McMillen was raising issues about the conflict of interest apparent in the access of commercial interests to the policy-making process as early as 1991. (McMillen, J 1991:9)

Regulation has also been put forward as a means of protecting consumers from exploitation.

The Commission needs to consider whether the existing single industry regulatory framework adequately protects consumers, or whether consumer protection would be best addressed through generic regulatory arrangements. It is unclear what role the Commonwealth Trade Practices Act 1974 and the Australian Competition and Consumer Commission play in applying general consumer protection to consumers of gambling services.

At the very least, it could be argued that regulation of the gambling industry should be a part of the State agency that has responsibility for consumer protection, rather than form part of an agency with a primary objective of increasing State revenue.

This is not to suggest there has been regulatory failure to date, only to indicate that the existing arrangements mean there are significant risks that regulatory failure could occur.

High levels of transparency are also seen as essential to ensure the public interest is protected in government's relationship with the gambling industry.

In a recent editorial, the Australian Financial Review (23 October 1998) drew attention to the dangers in its comments on the relationship between the Victorian Government and Melbourne's Crown Casino:

Crown has been granted a casino monopoly, a market restriction where State power protects a single operator from competition in return for a share of the monopoly profits. Having granted this monopoly, the Government should then have no further interest in whether those who have won the licence make money. Its role is not to protect Crown's commercial interests.

While not suggesting that the Victorian Government has in any way failed in its public duty, this draws attention to the need for transparency in casino regulation in particular.

While granting monopoly rights to operate casinos is a way of protecting the community from unrestricted expansion of the casino industry, there needs to be transparency in the government-business relationship.

States may use legislation (in the form of Agreement Acts) to confer monopoly rights on casino operators.

This type of anti-competitive legislation should be included in the review of anti-competitive legislation required of all governments under the Competition Principles Agreement adopted by the Council of Australian Governments in April 1995. For example one commentator has noted that:

Ironically some policies intended to protect the public interest (such as restrictions of casinos to regional monopolies) in effect consolidate the power of corporations even further by granting them exclusive rights over a particular market.

(McMillen, J 1991:8)

While the use of legislation to grant, for example, monopoly casino rights may be justified and in the public interest, legislation of this kind should be subjected to transparent review so that the risks of benefits being concentrated on a small group and costs being imposed on the public as a whole are minimised.

It is possible that the public can end up carrying costs in order to confer benefits on casino operators. When the Treasury Casino was being constructed in Brisbane, its location on State land enabled the State to exempt it from local government rates until after it commenced operating. The private sector would not normally have received such a benefit - under normal circumstances rates would have to be paid upon the private sector entity being granted tenure over the land.

The granting of benefits of this kind can occur without public comment because, while the benefits are concentrated on the casino owner, the costs can be diffused across a city's ratepayers so that it is not obvious to ratepayers that they are carrying this cost.

Implications of the new technologies (such as Internet) including the effects of traditional government controls

The Commission has asked for comment about the impact of new technologies on future directions for the gambling industry.

Queensland is the only state to have legislated to allow internet and interactive gaming (cable TV) however, it is too early to assess the full impact of this move.

Service providers have expressed particular concern about the access of young people to this kind of gambling (VCOSS has recently completed a report) and this will need to be monitored carefully together with its impact within the broader community.

Impact of gambling on Commonwealth and State budgets

The terms of reference for the inquiry include the impact of the gambling industry on Commonwealth and State budgets. The Commission has raised questions about how the gambling industry should be taxed.

Given the significance of gambling revenue to State budgets, there are risks that this revenue imperative will distort the way in which the gambling industry is regulated. It reinforces the importance of the Commonwealth and the States working together to ensure there is an appropriate division of revenue powers.

Adequacy of ABS statistics involving gambling

The Commission has asked for comment on the role of the ABS in collecting data on the gambling industry.

The collection of information on the gambling industry is essential if governments are to use their regulatory frameworks to adequately assess the impact of proposed new developments of the economy and on the community. The ABS has an important role to play in ensuring that adequate statistics are collected to provide governments with the information they need.

In Summary

As noted in the preamble to this submission, Logan City Council has been motivated to respond to this Inquiry by the concerns being expressed by the local community about the economic and social impact of the expansion of gambling in the City. In Logan City which doesn't have a casino, this has primarily taken the form of an increase in the number of gaming machines located in clubs and hotels. Whilst the expansion of these facilities, funded through gaming machine profits, has conferred certain benefits on their host communities such as more jobs and improved entertainment opportunities, Council is also aware that there appears to have been some negative consequences although these have not been comprehensively documented.

Some of the key issues raised by the submission include:

- the ongoing need for effective regulation to ensure that community benefit is maximised and the social harm occasioned by irresponsible gambling is minimised eg provision for impact assessments;
- the need for greater transparency and more direct links to be established between the money flowing out of the community in the form of taxes and levies to the State and the returns to the local community;
- The consistent and strong anecdotal evidence that the increase in gambling causes severe hardship particularly on low socio-economic communities requires the need for ongoing research and assessment at the local level that monitors changes in the expenditure patterns of households relative to the amount they are committing to gambling;
- the need for increased funding for an improved and integrated local response to persons with gambling problems; and
- the need for broad strategies to promote responsible gambling and that include ongoing community education programs and sensitive intervention at the gambler/machine interface in the light of the link between easy access to gambling and the increased expenditure on gambling.

Logan City Council looks forward to the Commission's response to the issues raised in this submission.

ATTACHMENT 1

Observations of Councillor Graham Able, Deputy Mayor of Logan .

"We hear that gaming machines are more addictive than other forms of gambling. This is thought to be due to the immediate returns available. You don't have to wait for a pay out as you do with the horse races for instance.

"Also the machines in the clubs in Logan start at \$1 Slot machines and most now take notes from \$5.00 to \$100.00. So people are gambling for much higher stakes than they were before.. The take 5 cent, 10 cent and 20 cent coins still operate, but not in Logan. It was harder to lose money on those machines. Less damage was done over a longer time period.

I note that Las Vegas , which is known as the gambling capital of the world, the gaming machines are all coin machines only. No machines take notes as they do in Australia."

Retailers Association of Queensland (RAQ) Executive Director, Patrick McKendry on the subject of the impact of gambling on he retail sector:-

"Since the introduction of gaming machines in Queensland, there has been a significant shift in spending away from the retail sector".

"The significant portion of disposable income which consumers are spending on gaming can be linked to the downturn in sales in some sectors of the retail industry".

"A study conducted by the Victorian Gaming Authority showed that although food and beverage sales increased in hotels and clubs, other sectors of the industry such as grocery, restaurants and apparel suffered a decline in sales".

Albert & Logan News - 4 September 1998

Logan Chamber of Commerce President Angelo Efsthatis said the chamber supported the Council's stance against gambling.

"There is no doubt that poker machines have soaked up the consumer dollar", Mr Efsthatis said.

"There is also the social issues involved : a lot of people's lives have been destroyed because of these habits".

Cr Collins said it was a sad fact that the areas with the highest poker machine turnovers were those with high welfare dependency.

"In three years a local gambling service Break Even, run by Relationships Australia, has gone from one part-time one day a week counsellor, to full-time, five days a week with waiting lists.