

VLGA



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SUBMISSION BY  
VICTORIAN LOCAL GOVERNANCE ASSOCIATION (VLGA) TO  
THE PRODUCTIVITY COMMISSION INQUIRY INTO  
***AUSTRALIA'S GAMBLING INDUSTRIES***  
23 NOVEMBER 1998

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## ***VLGA (Victorian Local Governance Association):***

The *VLGA* was formed in August 1994 to *advance the interests of local communities through effective and consultative Local Government.*

Since its formation the *VLGA* has worked to monitor the municipal restructure process undertaken in Victoria. The *VLGA* has a clear objective of making the restructure work effectively in the interests of local communities and of ensuring that the emerging local governments have the capacity to provide quality independent and democratic local governance to their communities.

Since the restructure, there has been a demonstrable need for a progressive and vibrant body to support the newly forming democratic local governments and to support local communities to determine their own destinies. The *VLGA* is playing a strong role in enhancing and redefining this sphere of government.

The *VLGA* has become a *movement* for citizenship and democracy, providing opportunities for input and participation for elected representatives and members of the community. Effective and independent local government is central to a strong democracy.

In addition to its 24 local government members, the *VLGA* has more than one hundred community group members and several hundred individual members.

## **Local Government Submissions to Productivity Commission:**

The *VLGA* has been working with its member local governments to assess the impact of the spread of electronic gaming machines (EGMs) in Victoria. Members have identified the Productivity Commission Inquiry into Australia's Gambling Industries as a rare opportunity to communicate the impact of gambling upon their communities.

### **Co-ordinating Role for *VLGA***

The *VLGA* has convened meetings of the local governments wishing to make direct presentations to the Inquiry in an effort to co-ordinate the messages that local governments wish to leave with the Productivity Commission.

The three local government members making verbal submissions to the Productivity Commission on Monday 23<sup>rd</sup> November are all municipalities with excessively high levels of EGMs and venues per head of population. As highlighted in their submissions, the municipalities are amongst Victoria's most disadvantaged in terms

of income and all three have very high levels of recent settlers, many arriving from traumatic events in their home countries.

### ***Gambling away our Communities Conference***

Earlier this year the *VLGA*, in conjunction with the Victorian Interchurch Gambling Task Force, hosted a national community conference on gambling, *Gambling Away Our Communities*. The conference attracted keynote speaker Professor Ronald Goodman, author of *The Luck Business* and advisor to US President Bill Clinton. A key message to emerge from this conference was that communities and local governments need to work together to bring the spread of gambling under control. Allies in this task would be difficult to locate because, according to Goodman, governments quickly became the worst addicts of the industry.

### **State Government Addiction to Gambling**

In Victoria it is clear that the State Government is heavily addicted, with around 14% of its revenue now emanating from the gambling industry. The addiction is shown by the government's need to prop up the industry whenever it shows sign of flagging. It is also shown most disturbingly when the State Government enters into gambling tax reduction wars with other states in a futile bid to secure the elusive *high roller*. Similarly, the State Government's opposition to addiction prevention programs and to hard impact advertising campaigns warning people of the risks and consequences of gambling must be seen in this context.

The Victorian State Government has been criticised by the Auditor General for returning less than 5% of the proceeds of gambling to research and amelioration activities. The *VLGA* is most concerned that in Victoria the decisions about use of the funds rest with the Premier. There is no community, no local government and certainly no independent voice involved in decisions about distribution of gambling proceeds through the Community Support Fund.

### **Local Government Concern Over the Spread of Gambling:**

The rapid and inequitable spread of EGMs in Victoria has caused considerable concern amongst the State's newly forming democratic local governments.

After the March 1996 local government elections councillors began taking office throughout Victoria. In many of the more vulnerable municipalities, the new councillors were almost immediately greeted with stories of the social and economic impact of gambling upon their communities.

## **Community Pressure on Councillors**

Communities have placed strong pressure upon their new local governments to respond to social and economic problems.

Agencies dealing with gamblers who have not kept their involvement in gambling under control have been asking for assistance. Relatives and family members of heavy gamblers have called for local government intervention. Representatives of trader organisations in areas with high levels of EGMs have claimed that their businesses are being severely effected by the loss of discretionary income to EGMs. Church and other faith leaders have called for community based public debate on the extent of the spread of gambling.

## **Vulnerable Communities Bear the Brunt**

Early analysis of this spread of gambling showed alarming growth patterns. The heavy take-up of EGMs was occurring in almost direct inverse proportion to the wealth of a community. The in-depth work of the Maribyrnong City Council shows that this connection is unfortunately most accurate.

The inequitable location of EGMs is most disturbing to those municipalities which lose enormous sums of money to commercial operators and the State Government. The three local governments involved in this submission, the Cities of Maribyrnong, Greater Dandenong and Moreland, between them watch helplessly as \$150 million annually leaves their communities through EGMs.

The study into the *money trail* by the City of Greater Dandenong shows that very little of this money finds its way back into the communities that make the greatest contribution.

## **Accessibility of EGMs**

The term *convenience gambling* is sometimes applied to EGMs because it depicts the ease of access to gambling by those often unable to resist. One member of the Maribyrnong community who was desperately attempting to control her involvement in gambling said to the Council: "I can't walk down to the milk bar without passing a venue."

The *VLGA* rejects the term *convenience gambling* on the grounds that it implies a service is being laid at the door of willing consumers, however it does highlight effectively the nature of the huge change in behaviour that has swept the Victorian community. The change has seen the proportion of household expenditure in Victoria devoted to gambling grow by over 250% in four years.

Victorian Casino and Gaming Authority (VCGA) research has shown that the growth in gambling in Victoria has been funded by a rundown of household savings. Traders in all three municipalities have complained to their Councils that their trade has been effected by the loss of discretionary income.

## **Local Government Attempts to Manage Gambling:**

### **Local Governments Lack Powers to Assist Communities**

Councillors in the three municipalities represented have quickly realised that they have little capacity to manage the spread and impact of gambling through their communities. Planning powers have been reduced to the point where in Victoria a milk bar proprietor must apply for a planning permit to install another amusement machine but a hotel owner can fill twenty five percent of the premises' floor space with EGMs without requiring a planning permit.

Councils have found that even on the rare occasion that a permit is required they are not able to determine that the application is inappropriate on social or economic grounds. Section 60B of the Victorian Planning and Environment Act must be amended to direct Councils to consider social and economic impacts.

Several local governments have responded to the community pressure by developing strategies, sometimes known as *Responsible Gambling Strategies*. Moreland City Council was one of the first local governments to develop such a strategy and will outline the key elements of it in its presentation to the Commission.

However, it is fair to say that the strategies being adopted are little more than *holding operations*. Local governments are able to provide support and education but their capacity to stem the tide has been reduced by a series of legislative changes. The submission from Maribyrnong outlines the raft of legislation which has opened the way for the spread of EGMs.

All local governments involved in these submissions report the totally inadequate funding and support provided to *Gambling Support and Financial Counselling Services* in their municipalities. All three communities have high proportions of new settlers who receive little or no specialist support in spite of extremely high needs.

### **Regulation and Gambling**

The *VLGA* notes that there is plenty of precedent for regulation in the gambling industries. In fact, in an age of deregulation, the gambling industry in Victoria continues to be subject to high levels of regulation. Regulations impose caps on the

numbers of machines, maintain relativities between rural and urban areas and identify areas where EGMs are not welcome.

Regulation has been used to create an artificial market and to protect the profitability of particular interests. The *VLGA* argues that this readiness to regulate must be now used to the communities' advantage.

Regulation needs to establish controls over the industries at local and national levels. Local communities need to be able to identify and respond to their own needs in social and economic terms. The controls should also regulate gambling nationally to put an end to the wasteful interstate competition which threatens to spiral out of control. The controls should serve to end an informal and privatised and highly regressive taxation scheme that has evolved as part of the growth of the gambling industries. Further, it is necessary to regulate to ensure that funds benefit the communities that contribute.

The *VLGA* urges the Productivity Commission to recommend measures for national regulation of the gambling industries. Communities will suffer while state governments are allowed to irresponsibly compete for gambling dollars.

Regulation must also be used judiciously to put local governments and communities back in control of the spread of gambling. If local governments are to be able to support and protect the interests of their communities, it is of paramount importance that they have regulatory powers restored to them.

## **Conclusions and Recommendations:**

These recommendations aim to establish a new direction for the gambling industries in Australia rather than develop a specific blueprint for action.

The *VLGA* submission is based on the belief that the gambling industries in Australia should be finely tuned to ensure that they are productive, sustainable and equitable. The *VLGA* is prepared to acknowledge the legitimate place of the gambling industries in the leisure landscape of the country, but many difficult decisions will need to be taken to redirect the industries into a more community friendly form.

The *VLGA*, on behalf of its member Councils and communities, calls for local and national controls over the gambling industry to be urgently re-imposed.

If local governments are to be able to support and protect the interests of their communities, it is of paramount importance that they have regulatory powers restored to them. These controls should include:

- control over the number of machines and venues (a local cap); and
- control over the operation of gambling venues (such as the *Responsible Gambling Charter* developed by Moreland City Council).

Regulation must also control the proceeds of gambling which are currently being channeled into private pockets and major public projects. Two key principles need to be established:

- acceptable percentages of gambling takes must be directed into support programs for gamblers and their families; and
- gambling revenue should be returned by formula to the same communities that make the contribution.

The decisions over disbursement of funds through the community support fund should not remain the preserve of the Premier. In particular, local government representation on the CSF is most important to ensure probity and equity.

The paltry 5% return of proceeds to research and amelioration must be addressed. The *VLGA* would propose that a national figure of 10% would partially serve to address problems, restore some equity and reduce state governments' dependence upon gambling.

The *VLGA* is proud of the work done by the three member local governments and will continue to work alongside all of Victoria's Councils to achieve a higher level of community management over gambling industries.

Councillor Mike Hill  
Secretary.  
23 November 1998.

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## ***Community Control of Gambling Urged***

**The Productivity Commission's Inquiry into Australia's Gambling Industries will hear today that local governments and their communities are demanding more control over the spread of electronic gambling machines (EGMs).**

**In addition to calling for more local control, local governments are calling for Federal Government management of a rampant industry that has made captives out of gambling dependent state governments.**

The VLGA is co-ordinating submissions from three local governments most heavily effected by the growth of the gambling industries. The Cities of Maribyrnong, Greater Dandenong and Moreland between them watch helplessly as \$150 million annually leaves their communities through EGMs. VLGA Secretary, Councillor Mike Hill called this the *inverse Robin Hood syndrome*, whereby the poor are robbed to pay the rich. "Low income and vulnerable struggling communities are being massively fleeced and the booty is being redistributed into the hands of more affluent communities," he said.

The VLGA is also calling for national regulation of the gambling industry. "We have reached the point where state governments have become hopelessly addicted to gambling, with up to 14% of their revenue flowing from this source in Victoria. This addiction has left states incapable of managing the industry. Their captivity to the gambling industry leads them to offer *incentives* to that industry in the form of tax breaks not available to any other industry sector. States are competing against one another. The Federal Government must intervene. At present we have an informal taxation system that is regressive and out of control."

Councillor Hill said that the submissions also call for planning powers to be returned to local governments to enable them to protect their communities. The notion of allowing the industry to sort itself out or to reach its natural level had proven to be a form of exploitation. Some communities have borne all the brunt of this approach and their local governments have been powerless to provide relief. Local governments are now calling for municipality caps, upper limits to be determined by local communities according to the needs of those communities.

The VLGA submissions provide a compelling picture of a predatory industry, of vulnerable communities and people being *ripped off*, of the growth of a new privatised form of taxation and of local governments powerless to protect their communities. "It is clearly now the responsibility of local and federal governments to combine to restore some control," said Councillor Hill.

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