

Submission to the Productivity Commission
from the Interchurch Gambling Taskforce.

Response to the Gambling Industry's Submission - ACIL Consulting.

This submission has been written following the publication of the report written by ACIL Consulting for the gambling industry. Due to the nature of the report being written several months after the first Melbourne hearing, this report has had the ability to examine all other submissions, and directly attempt to refute arguments contained in submissions with opposing viewpoints. Subsequently, the Interchurch Gambling Taskforce has felt it appropriate to respond to this with a follow-up submission discussing and analysing many of the points made in the industry's submission.

OVERALL

Before discussing specific points of the report in detail, it is worthwhile to make some overall observations regarding content and presentation of the information and arguments contained in the report.

- This report is quite obviously and understandably biased in favour of the gambling industry and its continued existence and expansion. Subsequently, all research, data, and gambling theory have been analysed and presented in the light of this bias. Submissions with opposing arguments have been attacked and, in some instances, taken out of context to support the industry's arguments and beliefs. However, these opposing ideas have not been examined closely to discuss their relative merits or failings, but have simply been stated as theoretically flawed or based on poor evidence, and left at that. Little contradicting evidence has been provided to support these claims.
- Many arguments and hypotheses within the report are unsupported by relevant or recent research or data, and in many instances contain significant anecdotal evidence, as well as the 'casual empiricism and folklore' which the report has accused other groups of.
- There exist somewhat tenuous links between cause and effect around issues of problem gambling, gambling behaviour, and economic benefit, as well as between the gambling situation and the situation with other products which have fundamental differences and cannot be reasonably compared.
- Statistics regarding the Australian situation and those of individual States have been mixed in certain instances to support certain points which, under careful analysis of the data and its origins, are not as persuasive.

- The report continually pushes entry controls and taxation levels as severe limits on the industry, with its main hypothesis being that increased competition is best for the community in all ways. In this, it cites National Competition Policy, but provides little evidence to support the concept that increased competition in the gambling industry would be better for the community. It simply states it as an accepted principle in all circumstances. This is far from the truth, as in the document *Towards a National Strategy for Environmental Health in Australia*, there is reference to an assessment of 'public interest' of applying NCP, stating "the Competition Principles Agreement provides for examination of the overall interest of the community, competition and desirable economic and social outcomes. It allows governments to assess the net benefit of different ways of achieving particular social objectives...In this respect, anything deemed to be of value to the community could be judged to be in the public interest' (September, 1998).

The points above however are quite understandable when we realise that this is an industry with an \$80 billion dollar turnover at stake. It is in their best interests to protect this and seek to further expand it in the future, as is the case with all businesses. However, it would be misleading to accept that what is in the best interests of the industry is also in the best interests of society.

Despite the claims made by this report, the Interchurch Gambling Taskforce and other bodies with similar viewpoints have very little to gain from opposing the continued widespread expansion of gambling. The aim has only been that of seeking to employ further measures to control problem gambling, keep the industry accountable, and to provide real support to all communities. That, we believe, is what is in the best interests of society.

DATA AND EVIDENCE

Upon analysis of the industry's submission, the following points regarding the data and evidence used in the support of arguments can be made.

- *Employment and tourism* (pg. 19) - An increase in employment and a boost to tourism is stated as a direct result of gambling being legalised and the promotion of the gambling industry. No figures or statistics are given to support this directly, and later evidence to support this is not as clear as claimed. On pg. 26, we see the comment that business involved in gambling employed significantly more people. However, this is not compared with figures discussing the size of venues that have been granted EGM licences, as it may appear that gambling providers tend to favour larger venues. That has been the Victorian experience, where many smaller venues have found EGMs being removed and given to larger venues which have a greater ability to promote and draw larger crowds. Therefore, higher levels of employment is not necessarily linked to gambling, and definitely not to the extent that is claimed. Further evidence for increased employment due to gambling is given on pg 27 with table 6. As a direct statistic of overall employment it is correct, however there is no discussion of the level of part time jobs which form that figure, nor the skill level of those positions, or the rate of turnover among staff. These figures would all be required if the nature of the employment increase created by gambling was to be accurately determined.

With regard to tourism, we see on pg 37 with chart 11 a presentation of room occupancy rates, with a steady incline throughout the period of the introduction of gambling. However, this increase can be noted even before the introduction of the casino, which indicates reasons other than the casino, such as an improved economy or better promotion as a tourist venue overall.

- *Income and gambling expenditure* (pg. 42) - The report clearly states that in outright terms "households with higher earnings spend much larger amounts, in absolute dollar terms, than lower income households." The industry concedes that in relative terms, lower income households spend a greater proportion of their income on gambling than those on higher incomes. However, the same is true in absolute dollar terms, despite the statements made here. If we examine EGMs alone, which form the largest proportion of gambling expenditure, and which the report has already stated are more favoured by those with higher incomes, we find the following:

<u>Income</u>	<u>Yearly expenditure on EGMs</u>
\$10 000	\$750
\$20 000	\$180
\$60 000	\$18

These figures are drawn from VCGA survey data (1997), which also accepts that individuals under-report gambling expenditure by around 100%. Therefore, it is observed that those earning \$10 000 may spend up to \$1500 per year on EGMs alone. This is almost 42 times, **in absolute dollar terms**, what those on a \$60 000 income spend.

- *Reliability of data* (pg 45-48) - On page 46 we observe an anomaly between chart 12 and table 13. Table 13 determines EGMs as forming a maximum of 27% gambling expenditure, yet chart 12 sees this as forming 50%. It is here that we observe the problems that occur when different data sources are mixed to attempt to prove certain points. The data sources used in this same section are from different dates and different states. The data in table 13 and others is also quite old (1993/4), especially considering that this is before EGMs had fully expanded in Victoria. The ABS data is also acknowledged as itself being defective, and yet it is still being used as evidence. This therefore casts the arguments that are being made here into question.

- *Household expenditure on gambling* (pg 54) - The percentage of total household disposable income spent on gambling is given as 3%. However, when we acknowledge that only 73% of Australians bet at all, and only about 50% bet regularly, we find that the figure should be at least 4.1%, and could be up to 6% and beyond.
- *Self exclusion* (pg 104) - Self exclusion is quoted as being an effective means of preventing problem gambling and gambling abuse. No evidence is provided to support this statement, without even a basic description of numbers of people involved, which is readily available.
- *Contrary evidence* (pg 108) - Evidence to support the concept that crime and gambling are not linked are drawn from a U.S. study. Despite the difficulty of using overseas research and applying it to a local situation, this research was drawn not from an independent source, but from a report that was written for the gambling industry in the U.S. This would understandable be somewhat biased towards the gambling industry, just as the report that we are dealing with here is as well. Therefore, this evidence cannot be conclusive.

UNDERSTANDING OF THEORY AND PRACTICE

There are a number of points which can be drawn from this report regarding the industry's understanding of the theory and practice surrounding gambling behaviour. Some of these have been drawn from poor evidence or statistical problems as outlined previously, but others are more due to a narrow or skewed conceptual framework of the issues. We shall examine each of these areas in detail.

- *Benefits vs costs* (pg 2) - "an individual will only engage in any activity to the extent that the benefits of doing so outweigh any costs involved". In gambling one of the fundamental basics is that the benefits of the activity always have the potential to outweigh the costs (as one win can make up for all your losses), but this potential is rarely realised. Even when it is realised, the next cycle of gambling behaviour begins, as that one win reinforces the notion that the benefits will outweigh the costs (as wins are always more memorable than losses).
- *Government intervention* - This is one of the major emphases of this report. It's basis is found on pg 145, where the industry links intervention by the government to an economic cost on the community. Therefore theoretically, the more a government intervenes in gambling, the more an individual will have to pay and/or the lower the odds of winning each game will be. However, little evidence supports this claim as gambling is not like other products - It is not just a simple matter of cost to the consumer, as there is no fixed price, and the potential for a win blinds gamblers to the outlay required. There are two elements to government intervention: regulation and taxation.

Regulation: According to this report, regulation of the gambling industry is not only unnecessary, but is an unreasonable restriction which prevents fair and efficient competition in the marketplace. However, that only works under the assumption that gambling is a commodity that can be exchanged in the marketplace without social

costs. We know this to be different to the truth that has been displayed in practice. On page 82, we find that the industry defends this by stating that the key to ensuring that suppliers display a caring attitude is competition. No evidence is given to support this, and is hard to understand when care would usually result in reduced profit, as a venue operator would have to discourage or prevent people from gambling excessively. At present, government interventions do nothing to prevent operators from acting in the best interests of their patrons, yet we still see an increasing proportion of problem gambling and financial crises in the population due to the continued spread of gambling opportunities. Current forms of care, such as the handing out of brochures explaining the odds of games (pg 81) are very weak in that a display of pure odds is often unclear and does little to discourage irrational gambling beliefs, and such ideas as the displaying of odds on machines or games themselves is stated as being technically difficult, which is often untrue.¹ The industry also states that excessive regulation could lead to a promotion of underground activity (pg 79-80). This has no foundation in Australia, as there was no flourishing underground EGM industry before their legalisation, and their only support comes from the AHA, who share the same beliefs.

Taxation: The second issue that is discussed is the high level of taxation placed on this industry. Its foundation is determined as being due to a shrinking overall tax base rather than over-reliance (pg. 139). However, the reason is not so important as it still results in a governing body whose social outlook is obscured by the need for revenue. Tax is also continued observed throughout the report as a burden on consumers², and most specifically on poor people. This places the effects of regulation on society, as the blame at the feet of the government. This however is difficult to understand. If

¹The industry itself knows how much a machines costs per hour and could easily display that, which would often be far more useful than a detailed and confusing description of odds.

²Taxation is continually discussed as being a burden on consumers, not on the industry. However, while the industry is apparently highly aware and vocal about the issue of taxation, consumers tend to hardly be aware of the issue of gambling taxation and appear to be even less concerned about it. This again is due to the concept that there is no fixed price for gambling, and that taxation of gambling does not directly effect consumers to anywhere near the degree of the gambling activity itself. Quite clearly, it is the industry itself which has the most to gain from reducing taxation levels on gambling.

taxation were removed it is difficult to see how that would benefit poorer gamblers or consumers in general. Lower prices or better odds would not benefit all in the long run as gambling by nature must return less than it takes and will always encourage the sort of behaviour that results in problem gambling. It is also difficult to justify the industry's concern over the welfare of its patrons due to taxation when you acknowledge the profits being made by the gambling industry, such as Tattersalls recently reported \$130 million. The use of gambling taxes is also drawn into question, especially in regards to the Community Support Fund (pg 103), where it is argued that only a small percentage of funds have gone to gambling research or services, which indicates a lack of need in the community. This ignores the significant problems in the allocation procedures that have been experienced in the CSF, and have been discussed in other reports in detail. (See City of Maribyrnong's submission)

However, in terms of government intervention, the Interchurch Gambling Taskforce can agree to some degree that government intervention in the market can be undesirable, as we observe how the government has overstepped itself in supporting gambling and promoting it as a means of economic recovery. This does not mean that we support the call for reducing gambling taxes, but rather that the management and regulation of gambling should be attributed to a body more independent of the influence of gambling revenue.

- *Gambling's contribution to social well being* - On page 7 we observe the assumption that gambling has the potential to improve social well being. At this point, no evidence of fair argument is posed for this assumption, apart from gambling's pure entertainment value, which it may be a bit ambitious to call social well being. There are however other benefits that are outlined. The contribution to the study of risk analysis is cited (pg 10) as a major benefit, but how this has contributed to social well being is again somewhat ambiguous. The idea of gambling addiction is also written off as itself not necessarily being a bad issue (pg 95) with the concept of the 'happy addict'. as someone who enters into an addiction with no doubts or regrets and being

fully informed. However, promotion and advertising lure many into a situation which is quite different from the 'everybody wins' situation which is shown. Also, an individual's ability to enter a situation carefully or rationally is often made more difficult in many gambling instances by the presence of alcohol and other problems, such as poverty, unemployment, depression, boredom, etc.

- *Gambling as a proportion of household spending* - There is an assumption which underlies this concept that gambling is identical with any other commodity, and is therefore subject to the same market principles in all ways. In their own words "the \$10 billion spent on gambling each year is no less valid than \$10 billion of expenditure on any other consumables" (pg 43). If we examine this socially, we observe that other consumables like food and clothing are somewhat more necessary to life than gambling is, and will very rarely result in compulsive or addictive behaviours which could destroy a family financially and emotionally. There is also the statement that the recent shift in spending towards gambling is a 'correction' (pg 39) from when it was illegal. This therefore seems to say that the previous spending of money on food, clothes and savings, was simply due to an excess of cash since people weren't allowed to gamble. This is a difficult concept to accept, especially among poorer populations. The evidence that gambling is being funded primarily out of household savings (pg 39, table 10) does not mean that its social impacts are minimised. A decline in savings is going to have longer term effects on the community, and in many poorer communities, savings never existed to begin with.
- *Regressive taxation* - With the discussion of the presence and effects of what is called regressive taxation (pg 59) the apparent concern for poorer communities suffering because of this is somewhat misleading. It has led the industry to want to deal with the issue, but instead of approaching the regressiveness of the taxation, their solution has been to simply reduce the level of taxation applied to gambling. This would be unlikely to reduce the gambling expenditure in these communities by any significant amount, and would definitely not reduce their expenditure relative to wealthier

communities. Therefore, the effect of regressive taxation would be replaced with 'regressive contribution to industry profits.' As has been discussed previously, taxation does not appear to have the direct effect on gamblers that this report indicates, and it is the skewing of gambling expenditure to poorer communities, through industry focusing and concentrating on these areas, that is the root of the problem.

- *The issue of problem gambling* - The concept of problem gambling is one which this report is reluctant to validate. It is continually referred to as 'so-called problem gambling' and due to the differing and subjective definitions, is written off. However, since problem gambling is experienced by individuals in different ways, it is not unreasonable that the definitions are subjective. This does not reduce the importance of the issue, and all welfare organisations accept problem gambling as a prominent issue in social welfare. The industry has attempted to narrow the definition of the problem to that of a physical, pathological illness, which forms only a part of the problem gambling issue. It also acts as a much wider social and community problem, with a much higher incidence.

The report also refers and draws on theories of problem gambling which have little foundation, and present little evidence to support this. The concept of problem gambling diminishing as gambling opportunities are expanded due to the 'novelty wearing off' (pg 78-79) has no supporting evidence. Indeed, access and visibility of gambling opportunities are prominent issues in the development of problem gambling, as it attracts more people to it more often, when they would otherwise not consider gambling as a part of their daily activities. The further concept that the indications of problem gambling would occur in individuals whether there was gambling or not (pg 80) is also without supporting evidence, and does not attempt to explain the increased presentation of people citing gambling as a key factor in their present difficulties. This argument also attempts to draw support from the concept that "barring problem gamblers from gambling could cause them to substitute some other risky activity which is more expensive and more damaging." (pg 98). This is

also without foundation, and has not been observed to any degree, but continues to attempt to paint gambling almost as a victim of individuals' personal problems.

In terms of problem gambling services, the report suggests that "consumers of casino services are paying for support facilities and for research into, so-called problem gambling on behalf of everybody else." (pg 127) and uses this to argue against gambling taxes. However, considering that it is only those consumers of casino and gambling services who will ever need the problem gambling services and research, it would appear a more equitable and fair approach to funding than expecting the entire community to fund such support.

- *Crime* - There is a suggestion that gambling has reduced the crime rate (pg 111), but the understanding of crime presented is very narrow, with their own definition of criminal effect being 'criminals who gamble' (pg 144) which ignores the more widespread issue of gambling related crime by individuals seeking to fund their gambling activities. When crime is examined it is only that which is closely related to a casino or venue itself and its vicinity, and how the venues increased security, lighting, etc. has reduced that incidence. This is quite reasonable, but ignores the much wider issue of gambling related crime, which consists primarily of theft in the family or workplace, and often goes unreported, especially in ethnic communities. Gambling related crime is also attempted to be written off by suggesting that it is used as an excuse by criminals attempting to gain a softer sentence. Evidence provided to support this is purely anecdotal and with no cited source.
- *Advertising* - This issue is also very narrowly defined, which turns a blind eye to the broader effects of advertising. The report states that the industry is happy not to aim advertising at children since they can't gamble, so therefore regulations are unnecessary. (pg 152) While it is true that children cannot gamble, they will all be able to in the future, and advertising still plays an important aspect in shaping their beliefs and attitudes, and advertising can encourage this culture of gambling to be

developed in children. On a separate issue, the report fails to mention the advertising effects of industry sponsorship of activities children are involved in, especially with sport. Such a linking between a sporting activity and a gambling venue or industry promotes the concept of being a 'winner', whether that be on the sport field or at a casino. The report also states the "advertising conveys information relating to the quality of products....such as odds offered". There has rarely, if ever, been an observed case of an advertisement from the industry which has contained a statement of odds. However, the IGTF would fully support this concept if gambling advertising was to continue.

- *Internet Gambling* - The issue of internet and interactive gambling are difficult issues for regulatory bodies on two fronts: Firstly, the new forms of gambling themselves have inherent difficulties in regulation and control, and secondly, the pressure of their introduction and their subsequent effects on present gambling forms is being used to attempt to force reform and relax regulation and taxation on existing gambling forms (pg 159). This report promotes the possibilities of Internet gambling, but in doing so, demands the need for reduced regulation and taxation so that existing venues can compete against a more accessible and economically efficient form of gambling. Internet gambling and physical gambling must be considered on their own merits and disadvantages, and the threat of introduction should not be used as a catalyst for reform before all social consequences are fully examined.

Internet gambling however, has significant social issues that cannot be ignored. The key aspect to this is accessibility, as virtually all people will have access to a large number of gambling opportunities virtually all the time. The potential this has in encouraging problem gambling and developing a widespread culture of gambling is enormous. While the argument is made that self-exclusion works perfectly on the Internet (pg 186), which is true for an individual site, there would potentially be hundreds of sites available, all just as accessible to an individual. And while it is true that children may be unable to gamble on these sites (pg 186), they are still able to get

to these sites and are open to continued exposure on what is already a widely used tool in education. Combined with this is the issue that parent's gambling will be readily observed by children in a family context as it will be right there in the home. This can result in dangerous cultural shifts surrounding gambling and could lead to significant long term effects in problem gambling. Positive aspects which have been cited as combating this, such as gambling providers advertising links with charitable organisations (pg 164), mean nothing and are present solely to make a provider look somewhat better.