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Gambling Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Commissioners,

WELL-INFORMED FAIR PLAY

Very well done - the 'draft report' is a credit to those involved in preparing it.

My special interest is in horse racing and my comments reflect that. One hope is that the Commission will favourably consider the suggestion that the racing industry be given special attention in the final report. The reason being that betting on racing captures a broad spectrum of the consumer protection issues requiring public policy attention, especially the need for better design of the basic gambling product; appropriately stringent probity controls and mandatory, broad ranging disclosure requirements. In addition the over supply of racing product well illustrates the way community taxes are diverted to sectional interests, in this case, the racing industry generally and especially rural race clubs.

My second major theme is that the community should be very sceptical of the acceptability to state governments of any suggestion that they sacrifice gambling tax revenues in the interests of consumer protection. The evidence is clearly to the contrary -- and they are unlikely to see any similarities between your draft report and a trip to Damascus.

In the circumstances I believe there would be widespread support for a recommendation that the Commonwealth government take prominent responsibility for promoting consumer protection in respect of gambling. The judgment and commitment of the Commonwealth government to 'fair-play' is less likely to be compromised by concerns for revenue raising. The Commonwealth government could speak with moral authority, quite apart from any more formal influence it could bring through legislation governing communications and broadcasting, including the competitive broadcast by the ABC of high-quality, 'complying' racing product supplemented by uncrowded, professional commentary.

The following brief comments, on issues raised in the draft report, mainly support the judgments of the Commission.

- The focus on (properly) informed consent is an appropriate touchstone for public policy approaches to protect consumers of gambling products. Unless state governments generally quickly embrace a clear, firm and credible commitment to adopt the spirit of the Commission's policy proposals, more emphasis could perhaps be given in the final report to the potential role which the Commonwealth government could play in the pursuit of 'informed, fair-play'.
- While the definition of "problem gamblers" may be contentious, I feel it would help the promotion of 'responsible gambling' if there were a simple, objective focal point for caution -- say, the loss, gambling, of 10% or more of weekly income.
- Among the possible options for assisting problem gamblers, it may be possible to devise a secure-card arrangement for electronic gaming machines which would permit selected customers to play low-bet machines on a "no cost, win only" basis. Collectable 'winnings' could be restricted to some 5% of the net addition to the credit on the card at the end of a playing session. A facility like this for problem gamblers would demonstrate fairly clearly that there is no prospect of winning over long haul "Nicorette patches" for problem gamblers.

- With reference to the scope to use 'skill' in gambling activities, I would be happier if the report were to recognise the prevalence of inappropriately asymmetrical information -- insider trading -- in racing gambling, and the importance of product design, probity controls and appropriate prior disclosure to reduce its incidence.
- In terms of potential benefits to the Australian economy I would not discount the export potential of high-quality racing product -- demonstrably good governance of the racing industry would, however, be a necessary precondition to the development of valuable national asset.
- The Internet means freedom and competition. Depending on how well gambling is administered and fairly taxed in Australia, relative to other 'national' venues, Australia stands to win or lose. One might hope that the same competitive discipline will apply to state governments -- I bet Victoria would like to pick up the 'free-rider' taxes being collected in other states on the strength of the good governance of black-type horse racing in Victoria.
- On the matter of "earmarking", one hopes that the appropriate access of problem gamblers to suitable treatment is not dependent on the vagaries of an acceptable degree of 'marking' (additionally taxing) those who do gamble. Bear in mind that it is the general community that benefits most from gambling taxes and if any one is to be marked for helping to pick up the pieces of problems it would be difficult to go beyond the general to the particular.
- The reservations expressed about the community 'benefit' from the 'non-commercial' operation of **large** mutual organisations could be made considerably more pointed without risk of offending commonsense. The keen contest for 'honorary' seats on the boards of large 'mutuals' is ample testimony to the reality of both valued rewards and opportunities for inappropriate management forbearance. Mutual organisations that, on a consolidated, related-entity basis, have grown above a relatively low minimum size should be brought within the general rubric of regulatory and taxation policies applicable to commercial organisations -- the quicker, the better. For an example of how this can be good for the organisation and its customers, consider the credit union industry.

Finally, in respect of the last chapter, I would like to affirm my belief that there is a prominent role for the Commonwealth government to play, in association with the states, to ensure committed regulatory processes and institutions governing gambling. The horse racing industry would be a noble steed to head the charge into this fray. A quite simple process of a small Commonwealth agency monitoring and public reporting on what happens, coupled with discussion and political pressure, could be an effective catalyst for exemplary reforms.

Yours sincerely,

Peter Mair