

**INTERIM BRIEFING PAPER TO THE PRODUCTIVITY  
COMMISSION**

**INTERCHURCH GAMBLING TASKFORCE**

**RESPONSE TO THE DRAFT REPORT ON AUSTRALIA'S  
GAMBLING INDUSTRIES**

INTRODUCTION

This submission is intended as an interim paper to highlight and briefly explain issues arising out of the draft report on Australia's gambling industries which the Interchurch Gambling Taskforce wishes to comment upon. A more detailed submission will follow in the near future, which will discuss in more depth and accuracy the issues raised here.

The Interchurch Gambling Taskforce wishes to congratulate the Productivity Commission on the substantial research and findings which are contained in the draft report. It is a very timely and much needed work, and it is encouraging to observe many of the beliefs and understandings of the Taskforce being supported and explained with the extensive qualitative and quantitative research contained in the report.

Following an examination of the content and findings of this report, the Interchurch Gambling Taskforce wishes to comment upon the following areas of concern:

1. Overall approaches to gambling in terms of culture, society, and community.
2. Issues surrounding EGM and EGM placement.
3. Problem gambling.
4. Economics of gambling.
5. Internet gambling.
6. Issues for the future of gambling and gambling control.

1. Overall approaches to gambling in terms of culture, society, and community.

It is disturbing to note the extremely high degree to which gambling has grown and expanded in Australia in the past few years, to the extent where Australia is now the greatest gambling nation in the world. This fact is reflected in the high degree of community concern over the spread of and problems associated with gambling.

The combination of the high profitability of the gambling industry in Australia, the overall saturation in most areas of Australia of gambling opportunities (especially EGMs, the most profitable of the gambling forms), the significant growth of problem gambling and its appearance in new populations, the overall community disapproval to gambling, and the relatively young nature of the gambling industry means that it is imperative that measures be taken to further regulate and control the gambling industry, both in terms of harm minimisation for gamblers, but also in terms of the general pervasiveness of gambling in society (ie. access, opportunities, promotion, and the gambling culture).

When we observe the continued expansion of the industry and the continued call from the industry for lower degrees of regulation, lower taxes, and an increase in their ability to promote and expand themselves, we find this hard to reconcile with the majority disapproval of gambling in society overall. Clearly, the audience for gambling products does exist, but the demand for expansion is not being driven by the audience, but by the industry itself. Where in most products, supply follows demand, in the case of gambling products it is more often the case that supply of the product leads to the demand for it, through issues such as promotion, accessibility, and the addictive nature of the product. Much of the demand for gambling products also appears to be initiated and sustained through misperceptions in the community regarding the true nature of gambling. Subsequently, it can be concluded that stricter controls on gambling products, and subsequently lower degrees of accessibility to the audience, will not be likely to result in a large demand remaining unmet. Further controls and a restriction in access and opportunities is also something that the community is going to be unlikely to protest against, and in the large majority of cases, will welcome.

With the relative 'newness' of gambling to Australia and some states (ie. Victoria) in particular, it is also prudent to maintain controls and restrict further growth of the industry until the full impacts of gambling on the community can be established and have surfaced in their entirety. It is possible that the apparent demand for gambling may fade in the near future, as has been experienced in other countries, which could result in significant investment being made by venues and clubs based on gambling revenue, which will be unsustainable. It is also too early to determine what full impact gambling will have on community norms and ethics, which may have significant effects on social cohesion. Until it can be observed and determined how large and significant these effects will be, it is unwise the nation's interest to permit or encourage further expansion of the gambling industry.

## 2. Issues surrounding EGMs and EGM placement.

As mentioned previously, EGMs provide the greatest concern and pose the greatest danger in terms of gambling abuse and problem gambling. Their high profitability, easy access, and the misperceptions surrounding machines mean that their ability to withdraw large amounts of money from a significant proportion of the population cannot be ignored and must have policy and regulatory implications.

The discussion surrounding improving of the machines and the venue environment to avoid problem gambling behaviours developing and continuing is fully supported by the Taskforce, and has been raised previously. However, there are broader policy implications which we believe it to be necessary to discuss and clarify further.

### i) Cap issues

While it is accepted that a statewide cap on EGMs is by no means an effective tool in effectively controlling problem gambling and gambling abuse, it is better to examine and consider other types of cap and other tools for control before suggesting the lifting of a statewide cap. Again, the call for the increase in the cap has been initiated and argued primarily by the industry and gambling venues, and while it has been accepted by those concerned with problem gambling that it is not a particularly effective tool, no group would argue for its removal. Rather, it is wiser to combine the use of a statewide cap with the other forms of cap suggested in the report:

- Regional caps – to avoid over-saturation of poorer communities with EGMs (which will occur with or without a statewide cap)
- Venue caps – to avoid the construction of ‘super-venues’ as has been observed in NSW, and its subsequent consequences in terms of lower duty of care, mutuality, and a corruption in the aims of clubs in particular.
- Price caps – to limit the impact of problem gambling on the financial wellbeing of gamblers.

The issue of the duopoly of EGM providers in Victoria is also an issue here. While being a far from perfect model with significant negative consequences, especially for smaller venues, and a decrease in competition, it is far more preferable to attempt to further regulate and improve this system than to either discard it or introduce more providers and greater competition. Increased competition in this particular arena often results in lower consumer protection and increased gambling abuse and problems as EGMs spread into more venues and become harder to regulate and monitor, as has been observed in South Australia, and is why many groups in S.A. have warned Victoria not to follow their lead.

## ii) Clubs

The position of clubs is a difficult one in all states. With the increased promotion and spread of gambling as a form of entertainment through the community, the pressure on clubs to grab hold of this important revenue source is hard to resist. However, as was noted in the report, part of the reason behind the spread of gambling has been the lack of other entertainment and social opportunities in the community. With the continued spread of gambling in clubs these opportunities are being further eroded as more clubs begin to observe EGMs as their main source of revenue, and begin to focus on the gambling activities of the club. Subsequently, it becomes difficult to support preferential treatment for clubs that wish to take up gambling. In Victoria in particular, clubs have been the most effected by the duopoly's demands for turnover and gambling prioritisation, at the sacrifice of other club activities.

Therefore, as an alternative to encouraging the small-scale spread of EGMs into all clubs, it is important to encourage clubs to promote and further their other activities without resorting to gambling and its subsequent effects on club life and culture. This is also supported as gambling revenue is by no means a steady source of revenue in the long-term, and the more clubs that can survive without resorting to this, the better they will be in the long run, and the better it will be for the community. There is a pressing need for other entertainment, social and leisure options in Australian society, and the present challenges facing clubs today provides an opportunity to meet these needs in a healthier, less problematic, and more sustainable way.

## 3. Problem Gambling

The analysis of problem gambling in the draft report is substantial, extensive and well researched. In the light of the findings of the report, the Taskforce wishes to highlight the following issues:

- The balance that should be required between harm minimisation and the need to discourage gambling activities in the first place. This can equally be seen as the balance between focusing on early and late intervention.
- The relevant role of caps in controlling problem gambling, and their place in overall policy. While caps may not have significant impacts on existing problem gamblers, there is still a role for the tool of the cap, and eliminating it will not assist in the problem gambling situation.
- The duration of gambling problems and how, since gambling is still relatively young, we most likely have not observed the full impact and duration of problem gambling, and cannot as yet accurately determine the impact and costs this is having on Australian society.

- The primary role that misconceptions play in the development and continuation of gambling abuse and problem gambling, how these have been supported by many gambling providers, and how these provide the opportunity to reduce problem gambling through clear and simple education and information.

#### 4. Economics of gambling

The concerns of the Taskforce relating to economic analysis of gambling and its benefits and costs to the Australian people revolves around issues surrounding whether gambling can be treated just like any other product, and subsequently whether the normal economic principles work to describe and quantify this situation. In this, there are the following issues:

- The many factors at work contributing to the robust demand for gambling despite changes in price, which means that it cannot be assumed that consumers place a high value on their ability to gamble.
- The validity of the concept that a change in price (odds) significantly alters expenditure, especially in the light of gambling misperceptions and the poor understanding of what odds mean amongst most gamblers.
- The impacts of gambling on business, given that gambling is not a substitute entertainment form, but a different type of product altogether.

#### 5. Internet gambling

The potential for negative consequences that the Internet poses in terms of gambling cannot be ignored, dismissed or minimised. The possibilities in terms of expanding the gambling audience, increasing accessibility, reducing accountability, and exacerbating existing and emerging situations of problem gambling mean that this is an arena which must be treated with utmost caution, and where promoting free trade and competition in cyberspace could result in severe and widespread negative consequences. This explains the decision by the United States to prohibit the licensing of Internet gambling.

The Taskforce wishes to clarify the potential effects and inherent difficulties in the introduction of Internet gambling. In this, there are a number of aspects:

- The exponential increase in accessibility that this will result in, and the resultant effects of this.
- The potential effect on children who will be free to practice gambling behaviours (with or without collecting winnings), to observe gambling in the home, and the expansion of the intergenerational effects on children that gambling is already having.

Also, the difficulty in preventing minors from using Internet gambling sites needs to be clarified and further examined, as it is not as simple as often believed.

- The potential explosion in problem gambling cases: This is due primarily to the fact that most problem gamblers are of a young age, and it is this younger population which are most internet literate and will take to the technology fastest.

#### 6. Issues for the future of gambling and gambling control

- Advertising – the role it has played in reinforcing misconceptions surrounding gambling and the need for relevant and effective anti-gambling advertising to disarm these misconceptions.
- Non-gambling community centres and social opportunities – the requirement in any policy framework to establish effective programs which provide opportunities to gamblers and non-gamblers alike which will replace the needs which presently lead many people to gambling venues. (ie. entertainment, socialisation, etc.)
- Non-alcohol venues – the potential that these hold for better gambling practices, but the threat of opening floodgates of new venues in all areas, and subsequently, the regulatory framework which must surround any introduction of such venues.
- Redirection of gambling revenue – both in terms of redirecting government revenue to those municipalities most effected by gambling and losing the most wealth from their communities, as well as increased flows of revenue in health promotion advertising and marketing, treatment, early intervention, and promotion of alternatives.