

SUBMISSION

on the

DRAFT REPORT OF THE PRODUCTIVITY COMMISSION

entitled

AUSTRALIA'S GAMBLING INDUSTRIES

to the

PRODUCTIVITY COMMISSION

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1. Introductory Comments

We are grateful for the forwarded copy of the Draft Report and the opportunity to comment on its contents. As mentioned in our original submission (1), the Festival of Light (SA) has a long standing interest in public policy trends with regard gambling. Throughout our almost three decades of existence, our membership has repeatedly identified liberalisation of gambling laws as a “core concern”, thereby explaining our ongoing desire to contribute to public debate on this issue.

We appreciate the thoroughness with which the Draft Report documents the explosive growth of the gambling sector in Australia over the last decade. Although we think the Draft Report is seriously limited in certain areas, overall the Productivity Commission has conscientiously addressed the Terms of Reference delivered by the Treasurer. Consequently the Draft Report will serve as a useful resource for those interested in the economic aspects of the current gambling epidemic. Given our organisation’s focus, we are impressed by the rigour with which it documents - in some cases for the first time - serious adverse effects of gambling on numerous aspects of Australian life. Nonetheless, we have serious reservations about some of the conclusions and policy recommendations contained in the Report, and maintain that they do not sufficiently redress the negative societal aspects of gambling that the Draft Report elsewhere documents. We identify a number of these limitations in the remainder of our submission, suggesting recommendations for rectifying these problems during the preparation of the Final Report.

Ethical shortcomings of gambling

Perhaps our basic concern is that by focussing heavily on the quantitative aspects of the economics of gambling in Australia, the Draft Report immunises the debate against the substantial social and ethical concerns that traditionally shaped public policy in this area. While such ethical questions are occasionally mentioned in passing, they do not receive the weight they deserve - and consequently various moral issues raised by the gambling epidemic are subsumed by mountains of statistics. We are not the only ones concerned about such imbalance in the Draft Report - in a recent article in *The Weekend Australian*, Anne Manne wrote that the approach of Draft Report reminded her of a cost-benefit analysis of a nuclear holocaust she once read: the benefits included the decline of population relative to resources, and a major boon to the funeral industry! (2)

This lopsided emphasis of the Draft Report is evident at the outset. For example, on page XVI of the Summary (and Section 1.3 of Part A of the main body), considerable care is taken to define the term *gambling*, in a commendable effort to clarify the relevant issues for all who read the document. Given the title of the Report and the recurring conjunction of the terms *gambling* and *industry*, we

regret that a similar effort to define the term *industry* was not made at this point. One leading dictionary provides the following as its first definition of the term industry:

the aggregate of manufacturing or technically productive enterprises in a particular field, often named after its principal product. (3)

On such a definition, it is unclear to us how the meaning of the word can be sufficiently stretched to describe the sector of the economy represented by gambling organisations. It is not long ago that the term *gambling racket* was widely accepted, although it has fallen out of usage in a day in which blunt speaking is avoided. Perhaps the meaning of *industry* has changed, but the onus is surely on the Draft Report to demonstrate that this is in fact the case. Otherwise, by misusing an ethically-neutral word to denote an activity about which many harbour serious ethical concerns, the Productivity Commission perpetuates a lamentable deterioration in the standards of public discourse. This may be unintended, but the end result is a warping of the resulting analysis, and a premature legitimisation of gambling activities. Since the Productivity Commission surveys revealed that around 70 % of Australians have reservations about the recent proliferation of gambling in this country, we believe our concerns over the obscuring of the ethical parameters of the debate would resonate with a significant proportion of the Australian people. Consequently, consideration of the serious moral objections to gambling should be taken into account during the revision of the document prior to the release of the Final Report.

<p>RECOMMENDATION 1: The Final Report should do greater do justice to - and exhibit better understanding of - widely-held concerns over the ethical shortcomings of gambling. Throughout history, good ethics are associated with good productivity - and the reverse.</p>

Inconsistent policy goals

One unfortunate consequence of the lopsided concentration on the quantitative economic aspects of gambling - to the exclusion of its moral dimensions - soon becomes evident, namely that the Draft Report commits public policy to pursuing, simultaneously, two mutually exclusive agendas. On the one hand, a politically-correct, ultra-libertarian tendency to uphold the rights of individuals to engage in forms of pleasure-seeking behaviour irrespective of their known destructive consequences is consistently upheld. On the other, a desire to establish a comprehensive social “safety net” that protects individuals and society from the adverse consequences of such destructive behaviour is simultaneously evident, in the form of “minimising the harm” inflicted by problem gamblers. Although his comments were made in a US context, the irrationality of such

schizophrenic 1990s approaches to public policy was recently highlighted by Berkeley Law Professor, PE Johnson:

...We are arriving at an absurd condition that might be called libertarian socialism. Everyone has a right to live exactly as he or she pleases, but if something goes wrong, some abstraction called "society" is to blame and must pay the bill for damages... Everyone must be free to make risky choices, and everyone must be protected from unpleasant consequences by social insurance that is provided by government, which is to say by nobody. In consequence there is a "moral deficit" of huge and growing proportions. (4).

Sadly, the recommendations of the Draft Report concerning harmonisation and "optimisation" of gambling activities in Australia reflect a similar schizophrenia relating to policy goals. By recommending policies that aim almost exclusively at such economic goals as ensuring tax equity for different forms of gambling, or for equalising tax burdens across gambling in different venues, or for ensuring probity for the gambling "industry", without tackling the moral problems underlying the gambling epidemic, we maintain that any policy changes will create more long-term social problems than they solve.

<p>RECOMMENDATION 2: The Final Report should avoid committing regulatory agencies to pursuing mutually-exclusive policy goals relating to gambling.</p>
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Gambling's corrosive impact on productivity

In keeping with the Term of Reference (d), the Draft Report competently identifies a number of social problems that afflict the problem gambler, such as family disintegration, criminal behaviour, psychiatric disorders, etc. However we regret that the Draft Report did not investigate other subtle yet pervasive adverse social consequences of gambling. In particular, the corrosive effect of the gambling mindset on public attitudes to wealth creation and financial prudence was completely overlooked. Since such concerns typically feature strongly in traditional anti-gambling arguments, we are dismayed that the Draft Report did not address this fundamental issue. This oversight was particularly baffling given that a major reason for the Productivity Commission's existence is to ensure that Government policy initiatives facilitate Australian competitiveness in the global marketplace. One thing is clear: if a significant number of young Australians are encouraged to believe that the way to get ahead is to gamble, then the productivity and work ethic of the nation will suffer.

Almost 150 years ago, in his *The History of Tasmania*, historian John West offered a grim prediction of the adverse social consequences that would result if gambling and other vices became popular in the Australian colonies;

If they [the colonial populace] grasp at wealth to the neglect of their social and political duties, if they tolerate systematic debauchery, gambling and sharpening... then they will become unfit for liberty; base and sensual, they will be loathed and despised... (5)

This quotation may seem excessively gloomy, but the prediction of a loss of *liberty* as an adverse consequence of the acceptance of gambling is profound, and as such this concern usually featured strongly in traditional anti-gambling arguments. This objection to gambling focuses on the mindset of the gambler - out of a concern that the gambling mentality corrodes the initiative, inventiveness, diligence and thrift that are requisite for economic success in a free society.

In conventional wisdom, the causes of the economic under-performance of individuals and societies are often traced to external factors, such as the availability of educational opportunities or the levels of infrastructure in a given community. However respected economists such as PT Bauer of the London School of Economics have persuasively argued that deep-seated negative attitudes to wealth creation - and hostility to the notion that in a free society resources are distributed primarily on the basis of merit and effort - also play a major role in maintaining cycles of poverty (6).

Along similar lines, after decades of study of the causes of economic backwardness in certain areas of the USA, sociologist Edward Banfield identified several attitudinal problems associated with unproductive lifestyles, most important of which was a paralysing “present-orientation”. Speaking of such individuals, Banfield noted the following:

If he has any awareness of a future, it is of something fixed, fated, beyond his control: things happen to him, he does not make them happen. Impulse governs his behaviour, either because he cannot discipline himself to sacrifice a present for a future satisfaction or because he has no sense of the future. He is therefore radically improvident... (7)

Seen in this context, traditional anti-gambling arguments should command greater respect, due to their insight that gambling cultivates improvident habits of mind that closely resemble those associated with economic backwardness. Either implicitly or explicitly, the gambler ascribes to the pernicious belief that his or her future financial success is largely beyond their control - the outcome of chance events that are as indeterminate as the roll of a dice. The “gambling industry” is apparently aware that this slave mentality is crucial to its own success, and blatantly feeds this mindset in its advertising campaigns. This is especially evident in the deplorable *I Want to be Free* TV advertisements aired in South Australia to promote the SA Lotteries Commission. One depicts a bored young train commuter, captive to the drudgery of a daily work routine, squeezed for seat space by a neighbouring overweight traveller. She dozes off and dreams

of embarking on a luxurious overseas holiday - travelling in the first-class cabin of an aircraft, dressed in fine clothing, and waited on by an attentive steward - all of which is clearly the product not of diligence, hard work or savings, but the chance winning of a lottery.

Since such fantasies deliberately appeal to the baser elements of human nature, we contend that they promote a steady corrosion of character, promoting a slavish mentality that shuns individual responsibility for one's economic future. Given our origins as a penal settlement, could it be that the high participation in gambling in Australia is a less than attractive residue of our convict past? Whether or not this is the case, by fostering the idea that one's economic future is subject to the whims of chance rather than prudent foresight, the gambling mindset undermines the entrepreneurial qualities that are absolutely necessary for long-term economic health. A similar concern over the impact of gambling was voiced in 1994 by the US media veteran Walter Cronkite, who concluded that gambling produces "*the collapse of America's work ethic in the sybaritic philosophy that you can get something for nothing*" (8).

Instead of engaging this realistic viewpoint, the Draft Report is held captive by a short-sighted libertarian philosophy, which naively assumes that greater happiness will automatically follow if the freedom of the majority to engage in transient pleasure-seeking gambling activities is ensured, irrespective of any longer-term negative impacts. Such is the gist of the flimsy argument on pages XXIV-V of the Summary Section of the Draft Report, which asserts that the intangible pleasures experienced by the gambler should be valued more highly than any "production-side" gains that may or may not result from gambling - estimates of which are evidently imprecise and subject to huge error margins. Similarly, in Chapter 10, the alleged "entertainment value" of gambling is allowed to override its direct and indirect negative impacts on numerous aspects of community life.

Although this blind commitment to unfettered consumer sovereignty seems to undergird the Draft Report, this is a highly contentious stance, in that it confers on consumer satisfaction an almost sacred, unassailable status. Surely it is valid to ask why gambling deserves this privileged status, since other forms of behaviour that bring pleasure to certain individuals are often severely circumscribed by law. The owner of a Porsche or Ferrari may gain "entertainment" through an invigorating sense of risk by travelling at high speeds on suburban roads. Yet, in the interests of public safety and communal well being, his or her doing so is forbidden by law, with considerable resources devoted to policing of such laws (We further explore the similarities between automobile regulation and use of EGMs in Appendix A). The same is true of persons who derive pleasure from tobacco. In recent times various State legislatures have passed increasingly restrictive laws that limit - and increasingly preclude - the enjoyment to be gained by such consumers. What of the legal restrictions placed on chemical company executives that effectively limit

any “enjoyment” they might gain in the pursuit of high profits through the use of cheap but environmentally-damaging manufacturing processes?

Such a list could go on, but it suffices to illustrate that governments can and do limit consumer choices when they involve behaviour with a known negative impact on other segments of society. Given that the Draft Report documents numerous negative social impacts of gambling, why does it “pull its punches” by shirking the one policy that its own data suggests will have the greatest potential for reducing such harm - namely a dramatic reduction in the availability and access to those gambling facilities with demonstrated destructive potential, namely poker machines (EGMs)? If the Productivity Commission is genuinely interested in reducing societal damage by gambling, it should recommend steps that progressively reduce the opportunities for incurring such damage - namely a progressive “downsizing” of the gambling “industry” rather than simply enhancement of “disaster management” programs.

As a step in this direction, we suggest that the Productivity Commission should attempt to estimate the likely corrosive influence of the gambling epidemic on entrepreneurial activity in Australia. For example, it may be fruitful to investigate the effect of the recent gambling epidemic on small business start-ups and success rates; private savings/investments; or the growth and consolidation of existing small to medium-sized businesses. We are not economists, but it seems highly probable to us that the current diversion of greater than \$11 billion into gambling will be accompanied by “cannibalising” effects on such economic indicators. We maintain that the Final Report would be more useful if it addressed some of these issues.

<p>RECOMMENDATION 3: The Final Report should give attention to the corrosive influence of the gambling mentality on the entrepreneurial spirit, by recommending strategies for assessing this impact on the viability of the business sector in Australia.</p>

Effective strategies to counter the gambling mindset

Our concerns over gambling’s proclivity to degrade attitudes toward wealth-creation and financial independence are heightened by the Commission’s findings concerning the rising popularity of gambling among young Australians (ie. those in the 18-24 age bracket, Chapter 3, Part A). In light of other cultural and economic forces (eg. easy credit) currently fostering a consumption-oriented lifestyle among young Australians, gambling’s cultivation of a mindset that seeks immediate gratification of desires will have a disproportionately negative impact on the financial prospects of this cohort. In a recent article highlighting the danger of consumerism among the young, *Too Few Saving Graces*, finance writer Glenda Price summed up the attitudes of too many in today’s youth culture: *Slow is old. Planning is out. Have-nots are losers... But while we’re busy keeping up*

with the Joneses and collecting credit card slips, the credit bubble is stretching to bursting point. (9).

Since powerful cultural forces are producing this lamentable state of affairs, the recent Government-sanctioned expansion of gambling has the effect of throwing petrol on a fire. Accordingly, we suggest that the long-term health of the Australian economy would be better served if agencies such as the Productivity Commission devoted more time to developing workable policies that help young people avoid the perils of consumerism - and rather less time to upholding the “rights” of counterproductive gambling rackets. Population demographers predict that the coming decades of the 21st century will see a dramatic expansion in the number of over-65s in Australia, greatly increasing the demand on an already ailing health system and other support services. Given these challenges, improving the financial planning capacities of today’s youth is emerging as an issue that demands serious political attention. A rampant gambling culture that is driven by immediate gratification only worsens this situation - irrespective of any short term tax revenue gains that may initially result from gambling liberalisation.

RECOMMENDATION 4: The Final Report should suggest workable strategies - including the progressive phasing out of the most addictive forms of gambling such as electronic gaming machines and Internet gambling, and a ban on gambling advertising - that will curtail the growing incidence of problem gambling in Australia and the growing “gambling mindset” among young Australians.

Gambling’s negative impact on small rural communities

Given the difficulties afflicting the South Australian economy in the past decade, as an SA-based community organisation the Festival of Light is acutely sensitive to the devastating effect of gambling on local communities already ravaged by unemployment due to economic restructuring in our State. We appreciate that through its two “Regional Roundtables” (in Port Augusta and Goulburn) the Commission did attempt to determine whether gambling liberalisation has disproportionately effected rural communities. However, little systematic effort was made to address this issue as it pertains to smaller rural towns with fewer resources than the abovementioned regional centres, where the negative effects of gambling might be particularly pronounced.

This legitimacy of such concern was underscored in a 1996 study by researchers from Flinder’s University, who examined the impact of the introduction of EGMs

in Peterborough, a small town in the Mid-North of South Australia. Like many small towns in our state, Peterborough faces a downhill struggle with the rural crisis - although its problems were further exacerbated by the loss of its former functions as a regional railway junction. Accordingly, ABS statistics from 1991 revealed that Peterborough is home to an ageing population, exhibiting low levels of wealth and high levels of poverty and unemployment. The Flinders researchers thus concluded that Peterborough's "*long term viability as a functioning economic unit may be considered marginal.*" (10)

In August 1996, these researchers conducted an in-depth qualitative analysis of the impact of the introduction of EGMs in Peterborough (just 2 years after poker machines were legalised in SA). The study findings indicate that the poor economic prospects for Peterborough were made much gloomier by the arrival of the EGMs. Particularly worrying was the finding that the pokies tore at the town's straining social fabric by dramatically decreasing the revenue of charitable groups in the town - a vital component of any town's "coping mechanism" during the rural downturn. The conclusion of the researchers in this regard is particularly informative:

In summary, it can be claimed that the costs and benefits of poker machines in Peterborough have not been meted out in a balanced fashion. There is little in the way of employment and multiplier effects, entertainment values and cheap meals are not valued enormously by the town's people, and no-one was aware of any major jackpot wins. In contrast, most people knew of someone with a gambling problem, small businesses have experienced declines in turnover, clubs and charities are in difficulty due to fundraising declines and the demand for welfare services has increased. It would appear that given the socioeconomic circumstances of the town, the arrival of the poker machines has brought with it new problems and exacerbated old ones, but has brought little in the way of benefits. Poker machines are now contributing to the declining socioeconomic fortunes of the town (10).

Citing studies from towns in the USA, the authors conclude that the widespread belief that poker machines increase the flow of expenditure to remote regions only holds true in places such as Las Vegas, where alternative gambling opportunities are limited. In contrast, the prevalence of EGMs in adjoining States and areas ensures that the majority of income from gambling in SA towns such as Peterborough will be derived from local sources - thereby worsening the economic plight of such towns. In the longer term, it seems safe to predict that the destructive impact of EGMs in such towns as Peterborough will increase the demand on welfare from State and Federal coffers. Since this would have a likely "white ant" effect on any prior revenue gains from taxes on gambling, the alleged benefits of the gambling epidemic are increasingly looking highly questionable. It seems likely that there are hundreds - if not thousands - of Peterboroughs across Australia.

According to recent State Government data, the “take” from EGMs in Peterborough during June 1999 were among the lowest of any machines in South Australia (11). Thus incomes from metropolitan machines during the same period were typically 4-6-fold higher than those in Peterborough, while those in comparably-sized country towns were 2-3-fold higher (eg. Androssan, Kadina, Tumby Bay, etc, Ref. 11). One of two conclusions can be drawn from these findings, both of which are disturbing. First, the gambling-catalysed economic dislocation in country towns in which expenditure on EGMs is 2 or 3 times that in Peterborough could be correspondingly more severe by the same magnitude. Or, alternatively, it could be that the economic climate in Peterborough has deteriorated in the almost 3 years since the Flinders study was conducted, an outcome that was actually predicted by the researchers in light of the negative effect of the EGMs on the struggling town’s economy. In the absence of historical data on gambling expenditure in Peterborough, the latter possibility is hard to evaluate. Nonetheless, it is safe to conclude that the “take” per EGM is not a reliable predictor of the economic impact of gambling at the local level, at least in regional communities already ravaged by the rural downturn. We wish that the plight of small communities such as Peterborough had been taken more seriously by the authors of the Draft Report.

<p>RECOMMENDATION 5: The Final Report should give greater attention to measures that will eliminate the negative impact of gambling on small rural communities already afflicted by the rural crisis.</p>
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‘Black hole’ in Draft Report’s cost-benefit analysis & disparity with US findings

At the outset, the Draft Report wisely affirms the sound principle that good public policy should be supported by reliable and detailed information concerning the economic and social costs of gambling (XV, *Summary section*). We recognise that given the wide opportunities for gambling across Australia, collection of such data is not a trivial task. Consequently any data collected by the Productivity Commission or other regulatory agencies could be subject to considerable uncertainty. Nonetheless, we suggest that the value of the Draft Report might have been improved if the methodological approaches used in collecting the “costs” data had been better validated or at least made more transparent.

In particular, we are concerned by the huge disparity in the estimates of the costs:tax revenue ratio suggested by the Productivity Commission data compared to estimates of the same ratio suggested by comparable studies in the United States. According to official estimates of the Committee on Small Business of the

US House [1994] as well as the Florida Governor's Office, the socioeconomic costs to the taxpayer of government-sanctioned gambling amount to \$3 in increased crime and social costs for every \$1 in new tax revenue to governments (original references given by Kindt in Ref. 8. We propose that these estimates should be included in the information presented in Box 10.2 of the Draft Report). Yet, using the data presented in the Draft Report, in Australia the socioeconomic costs amount to just 29 cents for every \$1 dollar raised in tax revenue (calculation based on total tax revenue in 1997-98 of \$3.833 billion (Table 5.14) and the estimated costs of \$1.1 billion [Box 10.1]).

If the US ratio of costs:tax revenue is accepted, the actual socioeconomic costs of gambling in Australia, given a tax revenue of \$3.83 billion, would amount to \$11.5 billion - a whopping \$10.4 billion greater than the costs estimate supplied by the Productivity Commission (ie. \$1.1 billion). If the Productivity Commission data is accurate, the socioeconomic costs of gambling in Australia are just one-tenth of the corresponding costs in the United States, standardised according to tax revenues. This disparity seems particularly spurious. We wonder why such pronounced differences should exist between the two countries given that there are so many similarities between them in other social and economic terms. This matter should be addressed in the Final Report.

As it stands, the low cost estimates provided by the Commission strongly skew the subsequent cost:benefit analysis. If the US ratio is employed, the costs (\$11.5 billion) would annihilate the estimated benefits from all forms of gambling (\$5.35 to \$6.30 billion according to Table 5.6), converting the "benefit" into a massive overall deficit to the Australian economy (ie. between \$5 and \$6 billion per annum). This finding concurs with the recent reanalysis of the Draft Report data by Prof Blandy and Dr Hawke of the University of South Australia (12). By varying the demand elasticities between problem and non-problem gamblers, these authors find that the probability that the net benefits of gambling could be negative is about 95 per cent (12). Obviously, this "black hole" deserves serious attention.

One area in which this issue is very relevant pertains to the data concerning the private and social costs of problem gambling (Table 10.1 in Chapter 10). In particular, both the upper- and lower-end estimates of the nationwide magnitude of gambling-related bankruptcy seem remarkably low (1.5 and 12.8 million, respectively). For example, an Adelaide-based counsellor who is involved in providing recovery services to problem gamblers recently indicated to us that the business losses of one particular bankrupt client under his care amounted to \$1.5 million in 1999 alone (13). If losses of this magnitude are occurring in Adelaide, one wonders about their corresponding impact in major financial centres in which EGMs are widely available (eg. Sydney and Melbourne). In light of this, the accuracy of the estimates in Table 10.1 must be open to serious question. The Appendix to the Draft Report identifies a probable source of error contributing to underestimates of gambling's impact on

bankruptcy - namely the likelihood that this contribution is often obscured due to fear of prosecution under bankruptcy law (Volume 2: Appendices, J.10). As far as we are concerned, this is a deplorable situation, and the Productivity Commission should investigate possibilities for obtaining more reliable estimates that are not subject to the same confounder influences as the data provided by the Inspector General in Bankruptcy.

RECOMMENDATION 6: The Final Report should explain the disparity between the estimated costs associated with gambling in Australia and the USA and also suggest strategies for improving the accuracy of estimates of the impact of gambling on the incidence of bankruptcy.

CONCLUSION

Gambling in Australia is a loss-loss situation. It impacts negatively on Australia's productivity as well as destroying marriages, families and even lives. We therefore urge the Productivity Commission to direct its efforts in the Final Report to drafting workable legislative and other changes to phase out the most addictive forms of gambling and to eliminate the most harmful aspects of other forms of gambling.

CITED REFERENCES

1. Posted on Productivity Commission Website.
2. *The Weekend Australian*, July 31, 1999, p. 24.
3. The Random House College Dictionary, Revised Edition, (1984), p. 680.
4. *Reason in the Balance* (1995) InterVarsity Press, Illinois, p. 148
5. Cited in: *Australian Christian Life from 1788: An Introduction and Anthology* (1988) I H Murray. Banner of Truth Trust, London.
6. *Reality and Rhetoric: Studies in the Economics of Development*, (1984) Harvard University Press, 1984, Cambridge, MA, USA. In particular, Bauer identifies one of the seven cardinal sins - envy - as a critical contributor to economic underdevelopment; "Envy and resentment are soul-destroying sentiments liable to corrode people afflicted by them." (*ibid*, p. 84) Bauer also directs such criticisms equally at people in positions of leadership in more advanced societies: "Articulate clergymen and many academics have traditionally shared an attitude of suspicion and hostility towards people actively involved in the process of wealth creation." (*ditto*) In our opinion, envy is also an important contributor to the popularity of gambling.
7. *The Unheavenly City Revisited*, (1974) Boston: Little, Brown and Co., p. 61.
8. Walter Cronkite, "The Dice are Loaded," Discovery Channel Transcript, Cited by J.W. Kindt in "Follow the Money: Gambling, Ethics, and Subpoenas" *The Annals of the American Academy of Political and Social Science*, **556**, p. 85-97.

9. *The Weekend Australian*, July 10-11 (1999) p. 37
10. Marshall, DC (1998), Missing the Jackpot? The proliferation of gambling in Australia and its effect on local communities. *Aust. Geographical Studies*, Vol 36, p. 237
11. *The Advertiser*, Saturday September 4, 1999, p. 12.
12. Further Submission to Productivity Commission by Professor Richard Blandy and Dr Anne Hawke, School of International Business, University of South Australia, 13/09/99.
13. *Personal Communication*, Mr Vin Glenn, Adelaide Central Mission, 30/8/99.

APPENDIX A

SUGGESTED SIMILARITIES BETWEEN REGULATION OF AUTOMOBILE USE AND ELECTRONIC GAMING*

In its Key Findings (p. xiii), the Commission said:

Policy approaches for the gambling industries therefore need to be directed at reducing the costs of problem gambling — through harm minimisation and prevention measures — while retaining as much of the benefit to recreational gamblers as possible.

We are more or less in agreement with this policy approach, at least as a provisional approach to curtailing access to EGMs.

In our view, a useful analogy for policy purposes is automotive transport. Cars generate enormous net benefits for the communities that have them. But, at the same time, cars impose very large costs on particular individuals and groups as a result of accidents and the threat of accidents, noise, atmospheric pollution, and so on. As a result, communities have severely regulated the use of cars to minimise and prevent the harm they can do, without taking away the benefits of car use by the community. The methods used to bring about this combination of outcomes are instructive for the purpose of thinking about harm minimisation and prevention from gambling.

- Motor vehicles must be roadworthy and registered.
- Drivers must be licensed as competent to drive.
- Young people are normally not permitted to drive below a certain age.
- Elaborate road rules governing the use of automobiles have been developed.
- Speed limits are imposed related to surrounding circumstances.
- Elaborate systems for detecting and penalising speeding and other infringements of the road rules are imposed.
- Traffic lights, median strips, speed humps, spoon drains and similar devices are routinely used to regulate traffic flow and reduce speeding.
- “Drink-driving” restrictions are enforced by police surveillance and the random testing of motorists.
- Costly design standards are imposed on manufacturers to make cars safer, including the compulsory installation of airbags and seat belts, intrusion and roll bars, fuel cutoff devices, etc.
- The wearing of seat belts is compulsory at all times, including for children.
- And so on.

This extensive regulation and interference with the freedom of motorists to act in their own interest governs an activity that is undoubtedly highly beneficial in the life of the community.

It is obvious that gambling does not provide benefits to the community on anything like the same scale as cars do, while the costs to particular individuals and groups from gambling can be very high indeed.

If gambling were regulated like automotive transport:

- The odds of gamblers losing at particular games would be registered and controlled.
- Persons identified as problem gamblers would be prohibited from gambling. Venues permitting prohibited gamblers to gamble would forfeit their licence to offer gambling activities.
- Young people would be prohibited from gambling. Venues permitting under-age gamblers to gamble would forfeit their licence to offer gambling activities.
- The time it takes on average to lose an initial stake of \$10, say, would be prominently advertised at every gambling activity and on every licensed poker machine.
- Winnings on poker machines would have to be recouped from the “house” before they could be “reinvested” in further play. The option to play “double or quits” with a poker machine win would be prohibited.
- The maximum value of coins that could be invested in a poker machine before play begins would be restricted to \$10.
- Poker machine betting would be restricted to a maximum of three lines at a time and ten cents a line.
- Credit card betting in any form of gambling would be prohibited. Venues permitting credit card betting would forfeit their licence to offer gambling activities. Gambling losses financed with credit card debt would be not recoverable at law.
- All poker machines would be required to shout “loser” every time a player loses three or more spins in a row.
- The sounds that poker machines can make, and the lights that they can use, would be regulated to reduce their appeal to problem gamblers.
- And so on.

These rules and regulations would not outlaw gambling, but would reduce the opportunities for problem gamblers to harm themselves from gambling and increase the penalties on gambling venues that encourage problem gamblers to harm themselves.

We would ask the Commission in its Final Report to consider the analogy of the regulation of automobiles in recommending a regulatory environment for the gambling industry that will minimise and prevent harm to vulnerable members of the community.

* Prepared with the assistance of Prof. R Blandy, Dr A Hawke and Mr N. Xenophon, MLC.