



**SUBMISSION TO THE
PRODUCTIVITY COMMISSION
DRAFT REPORT HEARINGS**

28 September 1999

SUBMISSION HIGHLIGHTS

Gambling is entertainment

- 11.6 million Australians, or 82% of the adult population, choose the products or services provided by the gaming industry as an enjoyable form of entertainment and recreation.
- TABCORP allocates its products to areas of demand. This demand is spread widely across the entire socio-economic spectrum. It is insulting to TABCORP and to customers to suggest that lower socio-economic regions are specifically targeted.
- The great majority of TABCORP's customers perceive gaming as entertainment. An AMR Quantum survey demonstrates that 85% of customers – even those who lost money - enjoyed their visit to a gaming venue, in stark contrast to assertions in the report.

The gambling industry makes a significant contribution to the economy

- 156,000 people are employed in businesses offering gambling products, generating revenue in excess of \$11 billion in 1997/98.
- The economic benefits generated by the industry stay within Australia. Less than 1.1% of the \$10.0 billion generated in 1996/97 found its way off shore. This compares extremely favourably with many other leisure industries, for example cinema with 23.8% of funds flowing offshore.

The Report's findings on problem gambling are overstated, inaccurate and lack perspective

- Australia has 2.4% of the world's regulated gaming machines, not 21%, and probably less than 1% of all gaming machines in the world.
- The instrument used to identify problem gamblers is subjective and unreliable; therefore the estimate that 2.3% of gamblers are problem gamblers is an overstatement.
- Increased accessibility to gaming machines does not lead to an increase in bankruptcies, divorce or crime. Only 1% of bankruptcies are directly attributable to gambling compared to 29% - unemployment, 18% - use of credit and 11% - business failure.
- Accessibility is not a key driver of problem gambling. Canadian studies show that increased accessibility does not result in a higher proportion of gamblers with a gambling problem.
- 98%+ of those consumers who participate in some form of gambling as a recreational pastime of choice do not have a problem with gambling.

- It is ridiculous to suggest that all gamblers are potential problem gamblers.
- Compared to the enormous benefits generated, the cost of problem gambling to society is negligible. US studies indicate that in the US the combined cost of smoking is 14 times that of gambling, motor vehicle accidents - 14 times greater, alcohol abuse - 33 times greater and drug abuse - 22 times greater.
- Australians have a right to exercise their freedom of choice in relation to their entertainment style and spend.

Consumer protection measures should be focussed on identifying and assisting problem gamblers not destroying the enjoyment of the product for the vast majority of customers and putting in jeopardy a major Australian industry.

- Victoria is already a leader in problem gambling counselling services and industry-led responsible gaming programs.
- In late 1996, the Victorian industry developed Australia's first gambling industry Accord and Codes of Practice. Other industry and company initiatives currently include:
 - Responsible gaming training programs
 - Self-exclusion programs
 - ICRP (Independent Complaints Resolution Process)
- In Victoria, problem gambling services include:
 - G-Line, a 24-hour gambling hotline coordinated and administered by the Department of Human Services;
 - BreakEven - a face-to-face problem gambling counselling service.
- TABCORP supports, in principle, some of the further consumer protection measures discussed in the draft Report, such as:
 - Entrenching in law current self-exclusion programs, if this can be achieved without undue burden on gaming venues and law enforcement agencies;
 - Warning signs against the risks of compulsive gambling;
 - Prominent displays of gambling support services (already in operation);
 - Prohibiting promotion of gambling in a false or misleading manner, (which is also enshrined in law under the Trade Practices Act).

1.0 INTRODUCTORY COMMENTS

Gambling has been part of Australian life since colonisation. The industry has grown substantially in recent times with liberalisation of gaming and casino legislation. During this period, Australia's economy has been amongst the strongest of industrialised nations.

TABCORP has reviewed the Productivity Commission's ("Commission") Draft Report (the "Report") and is pleased that it identifies some of the value and benefits delivered by the industry, including:

- gambling is a valuable form of entertainment enjoyed by 11.6 million Australians;
- 5.7 million Australians choose this form of entertainment at least once per week;
- recognition that the gambling industry provides opportunities for social interaction and recreation in an accessible and safe environment;
- the industry makes a significant economic contribution to the Australian community – net benefit \$5.2 billion per annum.

However, we are concerned that the Report is:

- damaging to the industry;
- insulting to the industry's customers, implying that they are not able to make rational decisions on how to spend their money; and
- does not provide a thorough examination of all terms of reference.

TABCORP believes that the Report lacks balance, and we seek to address the following issues:

- a. the economic and social benefits, while alluded to, are not duly recognised;
- b. the Report contains a number of inaccuracies and biased interpretations which need to be rectified in the final draft of the Report, most notably
 - the claim that 2.3% of adult Australians are problem gamblers is overstated and not reliable, and
 - Australia has approximately 2.4% of the world's regulated gaming machines, **not 21%** as stated in the Report;
- c. the bulk of the Report is dedicated to the issue of problem gambling, ignoring the 98%+ of Australians who participate in gambling without problems; and
- d. the Report's recommendations on problem gambling should focus on identifying and assisting problem gamblers, rather than undermining the appeal of the product for recreational gamblers.

2.0 A BALANCED INDUSTRY PERSPECTIVE

2.1 Social benefits

The industry provides a highly valued entertainment option for the majority of Australians for a wide variety of reasons.

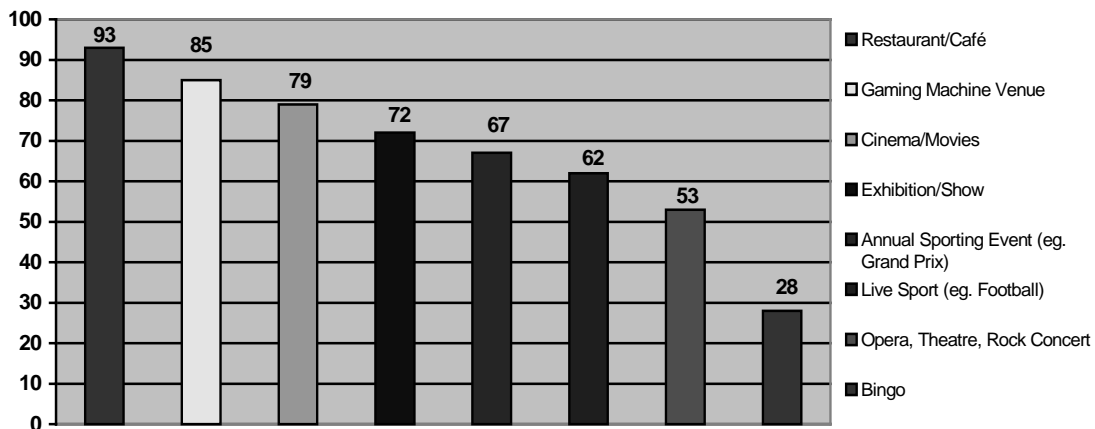
Gaming machines, in particular, are the subject of significant scrutiny and criticism in the Report, which fails to adequately acknowledge that gaming machines are the preferred form of entertainment for a large percentage of Australians.

Exit surveys of gaming machine patrons recently conducted by AMR Quantum Harris on behalf of TABCORP revealed that:

An overwhelming majority of customers - 85% - enjoyed their visit.

Figure 1

Customers Enjoyment of Entertainment Options* (% of responses either very enjoyable or enjoyable)

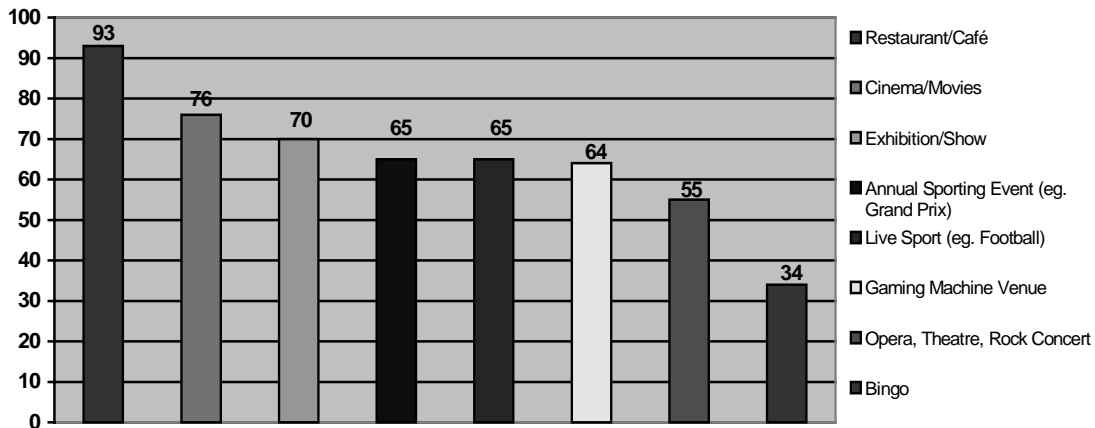


* Question asked: "How would you rate your overall enjoyment of your visit to this venue today?" Responses ranged from 'very enjoyable' to 'not enjoyable at all'. Respondents were also asked to rate their level of enjoyment from other entertainment options.

In addition, the survey confirmed that gaming machine players consider that gaming venues provide comparable value for money to other entertainment options.

Figure 2

**Customers Perception of Value for Money
of Entertainment Options***
(% of responses either very good value or quite good value)



* Question asked: "How would you rate the value for money you felt from today's visit?"
Responses ranged from 'very good value' to 'not good value at all'.
Respondents were also asked to rate the value for money of other entertainment options.

The survey clearly demonstrates that gaming machine players consider visiting a gaming venue to be an enjoyable entertainment experience and good value for money.

Furthermore, it contradicts the unsubstantiated assertion in the Report that 'when gambling is over, the chance disappears and there may be little to look back on as a pleasant or enjoyable way of passing time in exchange for the inevitable cost involved' (Sec. 5.5).

2.2 Economic benefits

The gambling industry not only provides valuable entertainment experience for 11.6 million Australians, but is also one of the country's most significant industries from an economic standpoint.

As at 30 June 1998:

- 7,072 businesses
- 156,000 employees (36,000 in businesses where predominant activity is gambling; 120,000 in pubs and clubs where gambling is a secondary activity)
- \$3.72 billion was paid in State and Territory taxes and levies for the year.

A substantial proportion of these employment benefits are enjoyed by communities in regional areas. There is no evidence to support the view that these jobs could be replaced by other entertainment and hospitality industries.

The vast majority of the economic benefits generated by the industry are retained within the economy, unlike other industries.

This is illustrated by a comparison between the gambling and cinema distribution industries.

Figure 3

**1996/97 GAMBLING AND CINEMA INDUSTRIES
CONTRASTED**

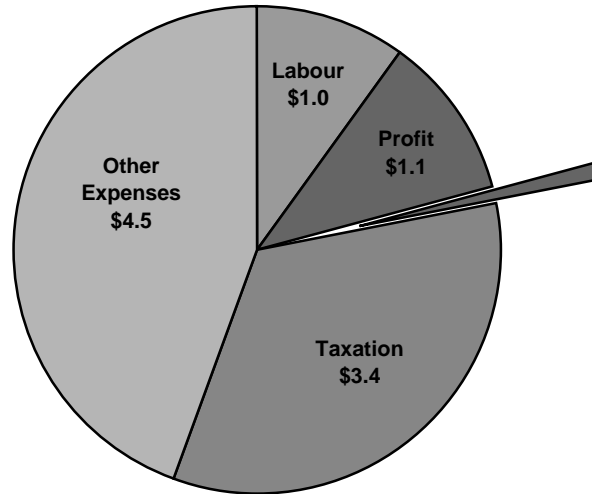
	Gambling Industry	Cinema Distribution Industry
Industry Revenue	\$10,089 million	\$832 million
Employment	156,000	7,739
Taxation	\$3,400 million	\$43 million
Funds Flowing Offshore (\$)	\$110 million	\$198 million
Funds Flowing Offshore (%)	1.5%	23.75%

Source: - Aristocrat Productivity Commission Submission, Centre for International Economics 1999.
- Australian Film Commission, "Get the Picture", December 1998.

Figure 3 Cont'd

GAMBLING INDUSTRY (1996/97) \$10 Billion

Employment: 36,000 (in businesses where gambling is predominant activity)
120,000 (clubs/hotels where gambling is a secondary activity)*



Funds flowing offshore:

**10% of profit = \$110 million
(1.1% of total industry revenue)**

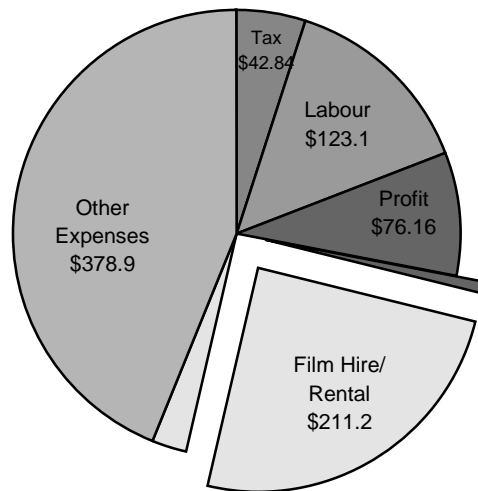
Assumption: Average international shareholding 10%

Source: Australian Gambling Industries; Productivity Commission Draft Report 7/99. Aristocrat Submission Productivity Commission. Centre for International Economics 1999. TABCORP analysis.

* Note: the labour figure of \$1.0 billion relates only to the 36,000 employed directly in gambling activities, not the 120,000 otherwise employed in gambling venues.

CINEMA DISTRIBUTION INDUSTRY (1996/97) \$832 Million

Employment: 7,739



Funds flowing offshore

90% International Film Content = \$190.1 million

10% profit = \$7.6 million

Total \$197.7 million (23.75% of total industry revenue)

Assumption: Average international shareholding 10%

Source: "GET THE PICTURE", Australian Film Commission, 5th Edition 12/98. TABCORP analysis.

3.0 PROBLEM GAMBLING

While TABCORP in no way attempts to underplay the seriousness of the issue of “problem gambling”, and in fact applauds and supports initiatives aimed at assisting problem gamblers, the fact is that **98%+ of Australians** who participate in gambling activity as an enjoyable recreational pastime of choice **do not have a problem**.

TABCORP believes that:

- Estimates of 2.3% of the adult population with gambling problems are not reliable;
- Problem gambling is a small social issue when compared with abuse levels and costs of other products;
- Initiatives are required to identify and assist problem gamblers, not destroy the products which provide enjoyment to 11.6 million Australians.

3.1 Overstatement of the incidence of problem gambling

The Report overstates problem gambling. The South Oaks Gambling Survey is subjective and consequently, produces inaccurate results.

For example, many of the questions used in SOGS, such as ‘Have you ever gambled more than you intended?’, ‘Have you felt guilty about gambling?’ or ‘Have you hidden the amount that you’ve gambled?’, would likely, if applied to other forms of expenditure (such as clothing, restaurants or cars) suggest that some individuals have a ‘problem’ with overuse of these products. Yet as a society, we do not believe we need to interfere with those expenditure choices.

However, leaving aside the issue of whether SOGS is an appropriate instrument to measure the incidence of problem gambling, as the Report acknowledges, use of SOGS 5+ is an extremely conservative measure, easily producing ‘false positives’:

The Report also acknowledges that the Dickerson method overcomes much of the bias associated with the SOGS 5+, yet this method is overlooked.

Using the Dickerson method, the National Gambling Survey estimated the incidence of problem gambling among Australian adults at 0.97% of the population, a significantly lower figure than that used in the Report.

Notwithstanding the measure used, research clearly indicates a very small percentage of gamblers suffer from problem gambling.

3.2 A balanced perspective

Even if the suggested incidence of problem gambling of 2.3% is accepted (which it is not), it is similar or less than abuse levels of other products, many of which are more harmful to individuals and costly to society.

Australia is a sophisticated and complex society, and we are collectively required to tolerate a range of activities, products and lifestyle options which individuals are free to choose.

There are many products and activities, such as alcohol, credit cards and motor vehicles which, if used responsibly and in moderation, enrich and benefit our lives. The same activities and products are also subject to abuse and may result in some social, personal and economic cost.

Potential abuse of products is characteristic of a free and democratic society which values and respects principles of freedom of choice. As a society, we accept some level of abuse as the cost of these freedoms.

In this regard, the Report accepts that 11.6 million Australians choose to participate in the industry and, that 98%+ of those who do participate, do so with no negative impacts.

The relative significance of problem gambling when compared with other abuse is highlighted in the table below. The table demonstrates that the numerous products abused in society result in differing costs and negative impacts, for example, the cost of drug abuse is more than 20 times that of problem gambling.

Figure 4

Economic Impacts of Major Health Problems

Type of Problem	Annual Cost (\$US Billions)
Problem Gambling	\$5
Drug Abuse	\$110
Alcohol Abuse	\$166
Motor Vehicle Accidents	\$71
Smoking	\$72

Source: *Gambling Impact and Behaviour Study, National Opinion Research Centre - University of Chicago, 1 April 1999*

Whilst the above table displays US data, it is considered a good proxy for Australia, given the similarities of the incidence of problem gambling and other product abuse, as outlined below:

Figure 5

Comparison of Adult Pathological and Problem Gambling with Alcohol and Drug Dependence

Country	Pathological / Problem Gambling	Alcohol Dependence	Drug Dependence	Source
United States	0.9%	7.2%	2.8%	'National Gambling Impact Study' – NORC, University of Chicago June 1999
Australia	0.97%*	6.5%**	2.2%	'Australia's Gambling Industries' Draft Report, Productivity Commission July 1999 '1998 National Drug Strategy' Australian Institute of Health & Welfare, August 1999

* Dickerson Method

** includes both harmful use of alcohol, and alcohol dependence

The above tables provide some context for considering the relative magnitude of problem gambling in our community. Furthermore, it is important to bear in mind that, for example, most drugs have permanent known health risks at virtually any level of consumption, whereas gambling causes no harm to 98%+ of participants.

It is essential to ensure that public funds are allocated according to the extent of the problem, and that public policy is appropriate to the issue. The draft Report does not adequately consider the relative magnitude of problem gambling.

4.0 OTHER INACCURACIES AND INCONSISTENCIES IN THE REPORT

4.1 Access to gaming machines

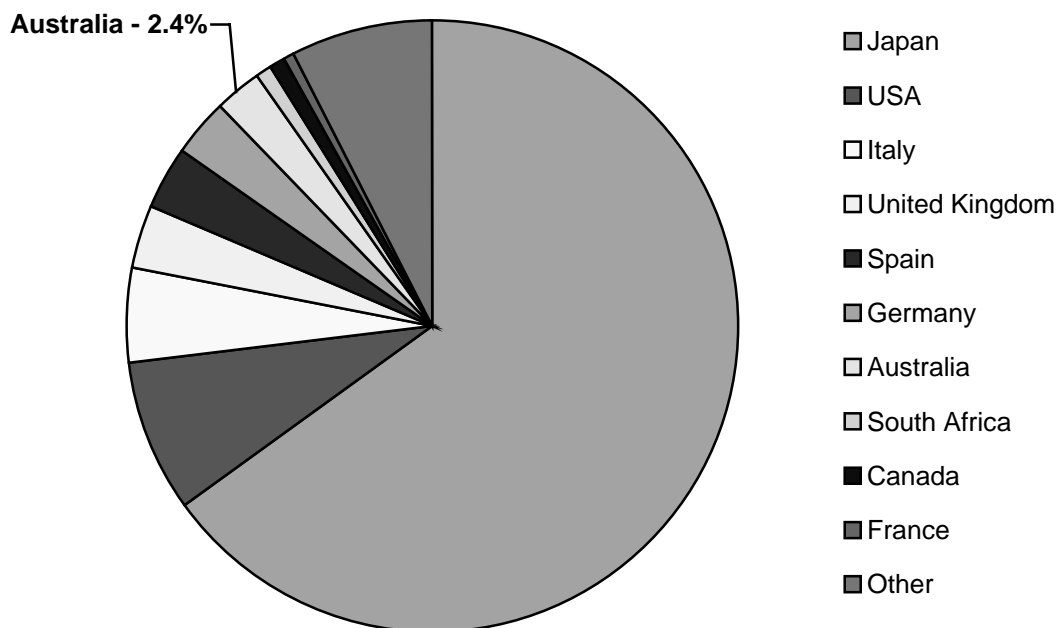
Australia has approximately 2.4% of the world's regulated gaming machines, not 21%.

The report's figure is entirely inaccurate - a wild misrepresentation of the facts. In fact, 2.4% is conservative, as countries such as Greece, Taiwan, Korea, and China are known to have hundreds of thousands if not millions of unregulated and/or illegal gaming machines.

See Figure 6.0 for comparative table on gaming machine numbers.

Figure 6

LEGAL GAMING MACHINES INSTALLED WORLD-WIDE



Source: "GAMING MACHINES AROUND THE WORLD", Taylor Nelson Sofres, for the Australian Gaming Machine Manufacturers Association, September 1999

Greater access to gaming machines does not increase the proportion of gamblers who become problem gamblers, nor does gambling lead to greater incidence of divorce, bankruptcies or crime.

These points are illustrated by a comparison between Western Australia (which has no gaming machines outside the Burswood casino) and Victoria, which has nearly 30,000 gaming machines distributed throughout the state:

	Vic	WA
Gaming Machines per '000 adults	8.4	1.2
SOGS 5+	2.0	1.8
Divorces per '000 adults	2.6	2.9
Personal insolvencies per '000 adults	1.5	2.0
Personal crime (% of pop'n 15+)	4.0	5.7
Household crime (%of households)	7.0	14.0

Source : *Productivity Commission, Australia's Gambling Industries, July 1999*
Insolvency Trustee Service Australia
Australian Bureau of Statistics, cat.3101.0 Australian Demographic Statistics, 31 March 1999
Australian Bureau of Statistics, cat 4509.0 Crime & Safety, April 1998
TABCORP Analysis

Despite substantially more gaming machines per thousand adults in Victoria, the prevalence of problem gambling is only marginally higher, whilst the prevalence of divorce, bankruptcies and crime is much lower.

The following table illustrates that gambling is not a major cause of bankruptcy.

CAUSES OF BANKRUPTCY

CAUSE	% OF BANKRUPTCIES
Unemployment	29
Excessive Use of Credit	18
Business Failure	11
Low Income	10
Illness or Disability	8
Marital Reasons	8
Motor Vehicle Accident	5
Gambling	1
Other	10

Source: *Insolvency and Trustee Service Australia – Profiles of Debtors*

Overseas research further illustrates that increased access to gaming does not increase the proportion of gamblers with problems, indicating that the Report's somewhat hysterical claim that 'every gambler is a potential problem gambler' is totally unfounded.

The University of Windsor located in Ontario, Canada, recently completed the world's first large-scale 'before and after' study of the impact of the introduction of a large gambling venue (Casino Windsor) into the community. The study found that although there was a large increase in the percentage of people in the community who gamble, there has not been a statistically significant increase in the level of problem and pathological gambling among those who gamble.

Survey responses before the casino opened indicated that 66% of the adult population had gambled at some point in their lives; four years later, 82% reported that they had gambled. However, there was no statistically significant difference in the numbers of problem and pathological gamblers since the casino opening.¹

As in any industry, commercial imperatives dictate that TABCORP provide the product where it is convenient to the customer.

The allocation of gaming machines is determined by: the identification of unmet consumer demand within a particular geographic area; the number, proximity and quality of competing entertainment businesses; and the availability of existing licensed premises to convert to gaming venues.

Gaming machines are spread across a wide geographic area in Victoria.

It has been alleged by contributors to the Report that the two Victorian operators, TABCORP and Tattersall's, target areas which have the lowest average incomes in the state to locate the bulk of their gaming machines.

This is a misrepresentation. In addition, it is underpinned by sentiments which are both elitist and paternalistic:

- by suggesting that people on lower incomes are unable to make choices as to whether they use gambling products, and that gaming machines are "irresistible" – (while providing no evidence to support that implication);
- by presuming that people on lower to average incomes can't make good decisions about how they should or should not be spending their money; and
- by implied criticism from those who may prefer opera, theatre and expensive restaurants about the entertainment preferences of others.

¹ Problem Gambling Research Group, Dr. G. Ron Frisch, University of Windsor, 1999

It is a fact that product choices across many industries - including clothing, food, housing, motor vehicles, holidays, and entertainment - are influenced by socio-economic circumstances; this is a normal marketplace phenomenon, not cause for concern. Gaming machines are *as a general rule* likelier to be a preferred leisure product in lower to middle income areas, however gaming venues are popular in most of geographic areas and are therefore widely distributed throughout the state.

It should be noted that the highest performing hotel and club venues in TABCORP's network are both in Caulfield, a middle to upper income area.

4.2 Internet

The Report discusses limiting accessibility to gambling opportunities, but on the other hand, accepts new technologies, such as the Internet, which will make gambling more open.

This is contradictory. It is well known that the Internet is virtually impossible, at this stage, to manage or control.

TABCORP research and experience on customer motivations demonstrates that participants at gaming venues are attracted by the full range of entertainment options at a venue – eg the opportunity to socialise, have a meal and a drink. Gambling from the home on the Internet would more likely to appeal to people seeking solely a gambling opportunity, rather than an entertainment experience.

5.0 CONSUMER PROTECTION MEASURES

TABCORP believes any consumer protection measures should be aimed at identifying and assisting problem gamblers. It is essential that problem gambling support services are available to those who require them, and that the industry promotes those services as part of the delivery of responsible gaming.

Victoria is a leader in problem gambling counselling services and industry-led responsible gaming programs.

In late 1996, the industry developed Australia's first gambling industry Accord and Codes of Practice. Other industry and company initiatives currently include:

- Responsible gaming training programs
- Self-exclusion programs
- ICRP (Independent Complaints Resolution Process)

In Victoria, problem gambling services include:

- G-Line, a 24-hour gambling hotline coordinated and administered by the Department of Human Services;
- BreakEven – a face-to-face problem gambling counselling service.

Information brochures produced by these agencies are displayed prominently in venues.

These services are supported by the Community Support Fund, which has dedicated about \$60 million since it was introduced in 1992 to the research of problem gambling and funding of problem gambling counselling services.

Community Support Fund

The Community Support Fund was established by the Victorian Government to direct some of the revenue from gaming machines to programs and projects that will benefit the community. The projects include valuable initiatives that benefit youth, the arts, families in crisis, sport and recreation, tourism, general community and problem gambling. The Fund is allocated across metropolitan, state, regional and local areas.

The total benefits allocated through the Fund from inception until June 30 1999 was \$490,370,843.

Among the community initiatives which have benefited from the Fund are:

	\$m
Families in Crisis projects	17.3
Youth Affairs projects	18.5
Turning the Tide Drug Initiatives	99.8
Life saving into the 21 st Century	6.0

Furthermore, the dual operator system in Victoria ensures a high level of probity among all participants in the gambling industry, and facilitates consistency in responsible gaming programs, control and monitoring of adherence to the Codes of Practice.

TABCORP supports, in principle, some of the further consumer protection measures discussed in the draft Report, such as:

- Entrenching in law current self-exclusion programs, if this can be achieved without undue burden on gaming venues and law enforcement agencies;
- Warning signs against the risks of compulsive gambling;
- Prominent displays of gambling support services (already in operation);
- Prohibiting promotion of gambling in a false or misleading manner, (which is also enshrined in law under the Trade Practices Act).

TABCORP would welcome the opportunity to participate in discussions on how to implement these initiatives.

Consumer protection measures should seek to identify and assist problem gamblers, not destroy the products' appeal for recreational gamblers, who account for 98%+ of all gamblers.

Many of the recommendations demonstrate a lack of understanding of the motivations of customers for entertainment and enjoyment, and therefore the nature of the product. Rather than addressing the issue of problem gamblers per se, the proposed measures would undermine the appeal of the product, thereby interfering with the enjoyment of recreational gaming machine players.

Furthermore, these measures would be more likely to discourage recreational players than problem gamblers, who would presumably go to great lengths to satisfy their compulsion.

The report's recommendations, if implemented, will result in less enjoyment of the product for recreational players, negatively impact the industry, reduced economic benefit for Australia, and will not assist problem gamblers.

Examples of Report recommendations we believe would be detrimental to customers and the industry include:

- Longer times between button pushes

Customers have the flexibility to determine game speed by taking as long as they like between button pushes. To set an arbitrary maximum game speed diminishes the enjoyment of the product for those consumers who enjoy a faster game.

- Curtailing the use of bill acceptors

Bill acceptors are a widely used and accepted form of payment where cash is required. As use of credit is not permissible, removing bill acceptors removes a convenient form of product participation.

- No linked jackpots

Banning linked jackpots removes a product appealing to a market segment attracted by the chance of a large win, similar to quadrellas, lotteries and raffles. There is no evidence to suggest that in-venue jackpots appeal to problem gamblers more than recreational gamblers. In fact, Tattersall's has 50 per cent of the Victorian gaming machine network but, until very recently has had no in-venue linked jackpot system.

TABCORP's research reveals that wide area jackpot participants are predominantly infrequent and occasional players who, by the Productivity Commission's own definition, are clearly not problem gamblers.

To suggest that banning linked jackpots will assist problem gamblers is naïve and unfounded.

- Restrictions on access to ATMs

ATMs provide freedom and convenience to customers, and have become essential to all cash-related business transactions. Access to ATMs in Victorian gaming venues is already restricted; ie TABCORP's policy is that cash cannot be dispensed from credit card accounts, and the machines must be placed outside gaming rooms. Further restrictions on ATM access are not warranted.

- Limits on rate of spend

All products have different price points to cater to different market demands. Restricting the rate of spend to an arbitrarily low level will disenfranchise the customer who seeks the chance of a large win or who has limited time.

Gaming machines currently offer a wide variety of choices with respect to rate of spend to allow customers the flexibility to spend at a rate with which suits their needs.

- Pre commitment strategies

The implementation of an effective pre commitment strategy on spend or duration of play is technically and commercially impractical, not to mention patronising to the consumer.

It would require the use of smart card technology, a central data base containing customer accounts and consumer identification cards akin to the "Australia Card" concept which was resoundingly rejected by the Australian public due to privacy concerns. Thus, it is extremely unlikely that this proposal would be acceptable to consumers at large.

A less sophisticated EGM based system would have inherent deficiencies, such as problem gamblers changing machine or venue once the pre-committed limit was reached, akin to a spendthrift having numerous different credit cards.