

Mr Gary Banks  
Chairman  
Gambling Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Mr Banks

Thank you for the opportunity to lodge with you a reply to the Productivity Commission's draft report "Australia's Gambling Industries".

Since its establishment in June 1994, the Authority has had a statutory obligation under section 109(e) of the *Gaming Machine Control Act 1991* to conduct research into the social impacts of gaming. During this time the Authority has published a significant number of research reports regarding the impacts of gaming and is currently undertaking its 1998-99 research program. All research reports and details of the current program have been made available to the Productivity Commission through the three public submissions made. Please note that the Authority lodged three public submissions, dated 11 November 1998, 23 December 1998 and 7 May 1999, not two as recorded in the draft report.

I reject the claim made in the draft report, as it applies to Victoria, that there is a "... dearth of quality information ...", refer page 1.1. This theme is repeated on pages 21.31 and 21.32 of the draft report and specifically refers to Victoria. This is rejected on the grounds that the Auditor General in his report "Victoria's Gaming Industry, An insight into the role of the regulator, Special Report No. 54, March 1998" states that:  
*"... the Report identifies that the Authority has overseen in recent years an extensive range of research into the social impact of gambling. The collective results were an important source of information for the Government in reaching its decision in December 1997 to retain the cap of 27,500 electronic gaming machines until the year 2000 ..."* (page 5, paragraph 1.1.16).

Further, the Productivity Commission has made 45 references to the Authority's research in its draft report. These references, some of which are incorrectly referenced in the draft report, are at Attachment 1. In addition, the questionnaire developed for the "National Gambling Survey" has much in common with the Authority's ongoing survey series of community gambling patterns and perceptions which commenced in 1992.

The only discussion in the Productivity Commission's draft report that disputes the findings of research commissioned by the Authority is on pages 5.19 to 5.23 and pages 9.25 to 9.27. The discussion relates to the interpretation of the findings of the research report "The Impact of the Expansion in Gaming on the Retail Sector", March 1997, conducted by the National Institute for Industry and Economic Research and Spiller Gibbins Swan Pty Ltd. A reply to the claims made in the draft report is provided at Attachment 2.

Factual errors which have been identified in the draft report are detailed at Attachment 3.

Further, in response to the comments made by Mr Adrian Evans, Springvale Legal Service, at the public hearings held in Melbourne, I refer you to the Authority's submission dated 23 December 1998 which details both the role of the Authority and procedure for the public release of its research.

In concluding, I draw your attention to the overall finding of the Authority's research report "Summary of Findings 1996-97 Research Program, December 1997" conducted by Arthur Andersen:

*"... (Victoria) has experienced significant and measurable net economic benefits from increased gaming opportunities. At the same time adverse social impacts associated with gaming have been observed ..."* (page 1, paragraph 1.3).

This finding is consistent with the overall findings of the Productivity Commission.

Yours sincerely

**SUE WINNEKE**  
**Chairman**

## ATTACHMENT 1

### REPORT REFERENCES TO AUTHORITY'S RESEARCH

Page Reference	Report Reference	Subject
XXIV	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Motivations for gambling in Victoria, 1998
XXVI	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Definition of problem gambling.
3.11	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Motivations for gambling in Victoria, 1998.
3.12	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	The majority of gaming machine gamblers combine gambling with other social activities.
4.13	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	Gambling engages people for a host of reasons.
5.3	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Motivations for gambling in Victoria, 1998
5.4	Impact of Gaming Venues on Inner City Municipalities, University of Melbourne, Deakin University and the National Institute of Economic and Industry Research December 1997.	Gamblers satisfaction derived from their gambling experiences.
5.5	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Gamblers satisfaction derived from their gambling experiences.
5.5	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Gamblers satisfaction derived from their gambling experiences.

<b>Page Reference</b>	<b>Report Reference</b>	<b>Subject</b>
5.19	The Impact of the Expansion of Gaming on the Victorian Retail Sector, National Institute of Economic and Industry Research and Spiller Gibbins Swan Pty Ltd, March 1997.	The proposition that increases in consumer spending on gambling have been derived largely from savings.
5.20	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Source of gambling funds.
5.20	Impact of Gaming Venues on Inner City Municipalities, University of Melbourne, Deakin University and the National Institute of Economic and Industry Research, December 1997.	What gamblers would do with the money and time that they spend on gaming machine gambling if they could not use it on gaming machines.
5.22	The Impact of the Expansion of Gaming on the Victorian Retail Sector, National Institute of Economic and Industry Research and Spiller Gibbins Swan Pty Ltd, March 1997.	Reference to modelling studies.
6.3	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Definition of problem gambling.
6.6	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Discussion re: what is the appropriate model for the identification of a problem gambler?
6.8	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Support for a wider definition for problem gamblers.
6.32	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Weights for people with different SOGS scores.
6.38	Project Brief, Problem Gambler Measurement Instrument, Victorian Casino and Gaming Authority, August 1998.	The development of an alternative screen to identify problem gamblers.

<b>Page Reference</b>	<b>Report Reference</b>	<b>Subject</b>
6.39	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Incidence of gambling problems.
6.43	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	Prevalence estimates of problem gambling.
6.43	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Prevalence estimates of problem gambling.
8.8	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	Prevalence estimates of problem gambling.
8.8	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Prevalence estimates of problem gambling.
9.17	Impact of Gaming Venues on Inner City Municipalities, University of Melbourne, Deakin University and the National Institute of Economic and Industry Research, December 1997.	Changes in the nature and provision of entertainment.
9.17	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Changes in the nature and provision of entertainment.
9.17	Impact of Electronic Gaming Machines on Small Rural Communities, Hames Sharley Victoria, December 1997.	Changes in the nature and provision of entertainment.
9.19	Impact of Gaming Venues on Inner City Municipalities, University of Melbourne, Deakin University and the National Institute of Economic and Industry Research, December 1997.	Perceptions of the net benefits of gambling.
9.20	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	The inconsistency in perceptions about gambling.

<b>Page Reference</b>	<b>Report Reference</b>	<b>Subject</b>
9.25 to 9.27	The Impact of the Expansion of Gaming on the Victorian Retail Sector, National Institute of Economic and Industry Research and Spiller Gibbins Swan Pty Ltd, March 1997.	Discussion regarding gambling expenditure and savings.
9.30	The Effect of Gambling on Employment in Victoria, National Institute of Economic and Industry Research, March 1997.	Trends in Victorian racing gambling expenditure and racing employment.
9.34	Summary of Findings 1996-97 Research Program, Arthur Andersen, December 1997.	The identification of groups vulnerable to the adverse effects of gaming.
9.41 to 9.43	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Impacts on country communities.
9.41 to 9.43	Impact of Electronic Gaming Machines on Small Rural Communities, Hames Sharley Victoria, December 1997.	Impacts on country communities.
9.46 to 9.47	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Summary of findings.
9.46 to 9.47	Impact of Electronic Gaming Machines on Small Rural Communities, Hames Sharley Victoria, December 1997.	Summary of findings.
14.20	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	Problem gambler behaviour patterns.
15.21 to 15.22	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Community gambling patterns and perception survey series which has been conducted in 1992, 1994, 1995, 1996, 1997 and 1998.
15.45	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Venue environments.
17.8	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Internet gambling users.

<b>Page Reference</b>	<b>Report Reference</b>	<b>Subject</b>
17.22	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Motivations for gambling on traditional gambling forms.
F.1	Fifth Community Gambling Patterns Survey Combined with Second Positive and Negative Perceptions of Gambling Survey, Market Solutions and Mark Dickerson, December 1997.	Conduct of survey with South Oaks Gambling Screen.
F.1	Sixth Survey of Community Gambling Patterns and Perceptions, Roy Morgan Research, April 1999.	Conduct of survey with South Oaks Gambling Screen.
G.4	Definition and Incidence of Problem Gambling, Including the Socio-Economic Distribution of Gamblers, Australian Institute for Gambling Research, August 1997.	Identification of problem gamblers.
I.5 to I.7	Victorian Casino and Gaming Authority Baseline Database ( <a href="http://www.gambling.vcga.vic.gov.au">www.gambling.vcga.vic.gov.au</a> )	Details of gaming venues.
L.1	Social and Economic Effects of Electronic Gaming Machines on Non-Metropolitan Communities, Deakin University and the University of Melbourne, December 1997.	Help services for problem gamblers.

**REPLY BY NIEIR TO THE PRODUCTIVITY COMMISSION  
DRAFT REPORT DISPUTING FINDINGS ON RESEARCH**

**Report:** “The Impact of the Expansion in Gaming on the Retail Sector”,  
March 1997

**Conducted by:** National Institute for Industry and Economic Research (NIEIR)  
and Spiller Gibbins Swan Pty Ltd

**Comments on pages 5.19 to 5.21 of the Productivity Commission Draft Report**

None of the discussion on pages 5.19 to 5.21 of the Productivity Commission draft report is inconsistent with the NIEIR report. However, the discussion is misleading because it confuses short run issues with long run issues.

The NIEIR report explicitly focussed on the short run, that is, the period to June 1996. The Productivity Commission draft report is silent on the difference between short and long run effects. It is the view of NIEIR that very few would contest that, in the longer run once households had fully adjusted to the new gambling products, a significant proportion of expenditures would come out of savings.

Further, NIEIR believes that the Productivity Commission draft report misses the fundamental point of its report. That is, not that all gambling expenditures came out of savings.

It could well have been that a substantial proportion of gambling expenditures did in fact come out of savings, even to June 1996. The fundamental point of the NIEIR report was that gambling activity encouraged increases in other forms of expenditures (restaurants, transport, clothing, other entertainment). That is, they encouraged households to shift their entertainment activities from the home to commercial sites. It was this effect which had the major impact on savings.

This, of course, leaves open what the long run effect on savings will be. NIEIR’s view was that the longer run savings effect would approach the 50 per cent mark. The Productivity Commission draft report results are not inconsistent with this. The National Gambling Survey, conducted by Roy Morgan as part of the Productivity Commission inquiry, found that 15 per cent of electronic gaming machine expenditure support came from savings (refer page 5.20), this excludes the complementary expenditure effects. Once these are taken into account the savings reduction effect is likely to be significantly higher.

**Comments on page 5.23 of the Productivity Commission Draft Report**

NIEIR’s results are not based on the assumption that expenditure on gambling was all new spending. This conclusion was based on an analysis of the data to June 1996.

In any case, net positive results would still have been obtained even if savings assumptions proposed by the Productivity Commission had been adopted.

### **Comments on page 9.26 of the Productivity Commission Draft Report**

NIEIR explicitly argued in the report that the 100 per cent savings run down case to June 1996 cannot be generalised to a long run outcome. It therefore explicitly agrees with the Productivity Commission's conclusion.

The arguments against the long run benefits of savings reductions is a general one, which NIEIR has indicated it would also endorse. However, NIEIR further advised that there is a major positive aspect of a gaming induced reduction in household savings which would reduce the long run costs compared to other household expenditure increases which reduce household savings. This comes from the higher proportion of gaming expenditures which directly flow into government revenue. This allows a significant part of the reduction in household savings to be offset by increases in government savings which reduces the long run economy-wide costs.

**LIST OF ERRORS/OMISSIONS IN THE PRODUCTIVITY  
COMMISSION DRAFT REPORT**

<b>Page:</b>	<b>Error or omission:</b>
12.42 (Table 12.8)	Table 12.8 lists exclusivity arrangements of lotteries. For Victoria it wrongly states Tattersall's has an exclusive licence until June 2002. Tattersall's has an exclusive licence until 2004.
21.5 (Box 21.2)	Box 21.2 lists the main legislation governing gambling. However, for Victoria it omits two Acts. It should include the <i>Gaming No.2 Act 1997</i> and the <i>Interactive Gaming (Player Protection) Act 1999</i> .