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Dear Mr Banks

**PRODUCTIVITY COMMISSION INQUIRY INTO AUSTRALIA'S GAMBLING INDUSTRIES**

Please find attached the South Australian Government's submission to the Inquiry into Australia's Gambling Industries.

I wish to take this opportunity to raise one additional issue. Much of the attention on the Productivity Commission draft report when it was released focussed on the Commission's calculations of the prevalence of problem gamblers. The presentation of the data in relation to problem gambling (refer: Summary, Table 3) provides a specific difficulty for South Australia.

Despite the existence of the footnote relating to the possibility of a sampling error and two other measures of problem gambling showing South Australia to be below the national average, much focus was placed on the percentage of 'Severe problem' gamblers in South Australia as being the highest of all States and well above the national average. Given the qualifications, this above average result, which attracted a significant amount of attention, is being mis-interpreted as a true representation of the prevalence of problem gambling in the State. The South Australian Government therefore suggests that if the Commission has not been able to provide a more robust estimate for this factor, the anomalous result be removed from the table in the final report.

Yours sincerely

  
JOHN OLSEN  
Premier

28/10/99



**SA GOVERNMENT RESPONSE  
TO THE  
PRODUCTIVITY COMMISSION  
DRAFT REPORT INTO AUSTRALIA'S  
GAMBLING INDUSTRIES  
OCTOBER 1999**

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## **1. Introduction**

- 1.1. The Productivity Commission's draft Report constitutes a thorough and useful assemblage of information, analysis and discussion on gambling in Australia.
- 1.2. Section 2 of this submission outlines the South Australian Government's view that gambling is a matter of social policy. Section 3 weighs the benefits and costs of the current exclusivity arrangements contained in South Australian gambling legislation and puts the view that the benefits of these restrictions are greater than the costs. Section 4 provides comments regarding gambling taxation and the 'price' of gambling.

## **2. Gambling is a Matter of Social Policy**

- 2.1. The authority of the Parliament of South Australia is fundamental to the consideration of regulation of gambling in the State of South Australia.

While there is considerable scope for gambling both nationally and within the State, it is accepted that the general legislative arrangements are not designed to be pro-competitive. The arrangements do not seek to achieve the emergence of a free market in gambling services where the level of, types of and participants in gambling activity are determined by normal commercial forces.

Historically, South Australia has prohibited all gambling and only through specific legislative exception has provided for the introduction of well regulated forms of gambling. The objective of the first gambling legislation, the Lottery and Gaming Act 1936 was to protect consumers from the harm caused by widespread unregulated gambling at that time. This foundation continues to underpin gambling activity in South Australia with parts 5 and 6 of the Lottery and Gaming Act 1936 continuing to provide that participation in gaming and wagering is illegal unless otherwise authorised or licensed.

Gambling in South Australia has been characterised by slow liberalisation by successive State Governments to minimise the harm caused by gambling. In 1966, a Parliamentary Act was passed to create the Lotteries Commission and South Australia was the last mainland State to introduce its own lottery. The South Australian Totalisator Agency Board (TAB) was established around the same time, under the Lottery and Gaming Act Amendment Act No. 2 1966. Community and Parliamentary concern over the potential effects of liberalising gambling and the resultant desire to maintain strict controls on these services meant that both the Lotteries Commission and TAB were established under Government ownership.

Sixteen years later, the Casino Bill 1982 (which became the Casino Act 1983) was introduced to Parliament following three previous attempts to establish a legal casino in South Australia. The three attempts reflected concern over the need to protect consumers and minimise any adverse effects that may be experienced by South Australians as a result of the establishment of a Casino. During the debate on the subsequently enacted (1982) Casino Bill, an amendment was proposed to allow more

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than one casino licence but this was defeated, again reflecting Parliaments concern over the proliferation of gambling.

The re-occurring focus of Governments on harm minimisation when introducing new gambling legislation was also apparent in the most recent liberalisation of gambling in South Australia - gaming machines in licensed clubs and hotels in 1994. The introduction of gaming machines followed vigorous and lengthy debate within the community and the Parliament, reflecting the diversity of views within the community. The Gaming Machines Act (1992) was passed by the narrowest of margins on a conscience vote.

The issue of competition was not the focus of consideration in the slow and careful liberalisation of gambling in South Australia. Gambling by its very nature may have adverse effects on consumers and warrants focus on the need for harm minimisation in an effort to protect consumers. The Government and community focus on harm minimisation is still very much apparent. This point was illustrated in the Productivity Commission's report (Table 14.1) which shows a majority of South Australians wanting a decrease in the number of gaming machines.

Consistent with these views the South Australian Parliament has determined that for principally social reasons it does not want to open up the State to the creation of an unrestricted gambling industry. This stance encompasses (but is not restricted to) conventional economic analysis that where there are negative externalities flowing from an activity such as with gambling, an unrestricted competitive market is unlikely to produce the best social and economic outcomes. As a result, some form of Government intervention in the market would produce better results for the economy and community.

Across the world, gambling is an issue of social conscience for legislatures as well as the wider community. In South Australia there is strong community concern regarding the social impact of gambling. The objective of most gambling legislation is to allay community concern, while also securing the positive economic benefits associated with gambling as a legitimate form of entertainment.

The South Australian public has not demanded freer markets in this area. To the contrary, it has demanded strong supervision and control to ensure probity, consumer protection, to prevent the involvement of criminals, a contribution to the development of tourism in the State and in some instances to specifically reduce the supply of gambling.

This level of concern in the South Australian community regarding gambling is evidenced in the recent election of a 'No-Pokies' Member of Parliament. Gambling matters are a significant on-going issue for Parliament with the Hon Nick Xenophon's Gaming Industry Regulation Bill currently under consideration. Members will again be required to exercise their conscience in addressing the wide-ranging social policies under consideration.

The Social Development Committee of State Parliament also undertook a Gambling Inquiry to which the Government has recently responded. A copy of that response is included with this submission.

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These issues show the concern of both the community and Parliament with regard to the impacts of gambling and the struggle of Parliament in achieving the right balance of consumer protection and consumer sovereignty.

This focus on the social issues surrounding gambling is not inconsistent with the Competition Principles Agreement signed by all jurisdictions. Under the Competition Principles Agreement Clause 1(3) provides that certain matters, where relevant may be taken into account as part of a review, these matters include:

*(e) social welfare and equity considerations, including community service obligations;  
and*

*(h) the interests of consumers generally or of a class of consumers;*

It is the social welfare of consumers in general and more specifically for problem gamblers that is the principal concern of the community and the Parliament in addressing gambling policy issues before it.

The South Australian Government is committed to protecting the interests of consumers through gambling policy and the current approach to regulation. One of the policy objectives of all gambling legislation is to protect consumers by guaranteeing integrity, probity and safety of legal gambling activities, consumer protection and preventing crime and unfair contests. It is the Government's view that these objectives are best achieved in a gambling industry controlled by certain restrictions, such as those currently enforced in South Australia.

The South Australian Government does not believe that gambling regulation is primarily a competition policy issue. It is also of the view that restrictions on gambling licences in South Australia do not result in significant diminution of competition in the gambling/entertainment market, a matter explored in the following section.

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### **3. Restrictions on Competition in Gambling Market**

#### **3.1 Introduction**

This matter is considered in Chapter 13 of the Productivity Commission Draft Report.

Clause 5 of the Competition Principles Agreement states that the guiding principle when reviewing legislation is that it should not restrict competition unless it can be demonstrated that:

- (a) *the benefits of the restriction to the community as a whole outweigh the costs; and*
- (b) *the objectives of the legislation can only be achieved by restricting competition.*

This approach in determining the relative benefits and costs of restricting competition through exclusivity arrangements is adopted in this Section.

There are three major areas of exclusivity provided in the South Australian gambling industry. The Casino Act 1997 provides that there be only one Casino licence issued. This provides exclusivity to the holder of that licence to provide Casino gaming services but it is noteworthy that the significant proliferation of gaming machines in hotels and clubs means that the effective exclusivity only extends to the provision of table games.

The Racing Act only provides for the operation of one Totalisator Agency Board (TAB) and the State Lotteries Act only provides for one Lotteries Commission.

#### **3.2 Benefits**

##### **(i) Social**

The social factors surrounding the regulation of gambling and hence the current exclusivity arrangements were comprehensively discussed in section 2 of this submission and will not be repeated here.

As shown in the Productivity Commission's report (Table 14.1) a majority of South Australians want a decrease in the number of gaming machines. While the basis for this view may well be concern about the level of player loss in general, and problem gamblers in particular, rather than the number of machines per se, there would appear to be a clear social preference for, at a minimum, the continuation of the current restrictions on gambling.

This expressed desire indicates that the community gets a social benefit from the restrictions on the further expansion of gambling facilities in general and access to gaming machines in particular.

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(ii) *Harm Minimisation*

Chapter 13 of the Productivity Commission report assesses the extent to which exclusivity arrangements and restrictions on venues offering gambling services advance community welfare. It concluded:

“while exclusivity arrangements disadvantage consumers as a group, it may be that limiting gambling opportunities in this way provides a degree of protection to problem gamblers by limiting the gambling opportunities they face ..... The effect of exclusivity rights on the accessibility of casino gambling is apparent.”

The South Australian Government recognises the need to help problem gamblers, and welcomes the Productivity Commission's confirmation that exclusivity and its associated restrictions on gambling venues can offer problem gamblers a degree of protection by limiting their opportunities to gamble.

Table 6.15 in the Productivity Commission's report compares the problem gambling prevalence and harm incidence rates by gambling mode and frequency of playing. Of the four main forms of gambling the table provides that Lotteries products result in the least 'harm' with 'harm' progressively increasing with racing, gaming machine and casino table game products.

This ranking of the relative harm caused by each mode of gambling is reflected in the restrictions placed on the availability of each form of gambling to members of the public in South Australia. This is consistent with an objective of harm minimisation.

Lotteries and scratch tickets are considered to be the least harmful mode of gambling and are therefore the most accessible to consumers. Consumers can buy Lotteries Commission products through the substantial state-wide distribution network principally in newsagents.

Consistent with the Productivity Commission ranking the location of TAB outlets are more closely regulated than outlets selling Lotteries Commission products. Each TAB premises must be approved by the Minister under the Racing Act taking into consideration, among other things, its proximity to places of worship, schools and other educational institutions.

Gaming machines, consistent with this ranking, are only accessible to consumers through clubs, hotels and the Casino. Restricting gaming machines to licensed premises is an attempt to reflect the potential level of harm and social problems caused by gaming machines by placing them in an environment which can be more tightly controlled and regulated.

The Productivity Commission has identified table games as having the highest ratios of problem gambling for weekly players. Table 6.15 shows that weekly table game players have by far the highest prevalence of problem gambling



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under either SOGS or the HARM incidence measure, with almost 40 per cent having a SOGS score of 5 or more.

The achievement of harm minimisation for table games therefore requires greater regulatory control and restriction than applies to the broad range of gambling activities. This is consistent with exclusivity (ie restricted access) for table games at the Casino. The restriction of the broader provision of this most problem oriented form of gambling therefore creates a benefit through harm minimisation. This is accepted by the Commission which states that restrictions on access do have an impact on table games and thus assists in reducing the costs of problem gambling in the area where they are potentially the greatest.

Interactive gambling is not included in the Commission's rankings but has been suggested as a source of significant potential harm by a number of people. There is on-going debate about the most appropriate approach to minimising potential harm from this source. It is impossible to effectively prohibit access to interactive gambling and we acknowledge the merits of the approach proposed by the Productivity Commission with an emphasis on consumer protection (harm minimisation) rather than prohibited or restricted access.

More broadly on harm minimisation issues the Productivity Commission does suggest that there could be some economies of scale associated with establishing harm minimisation programs. There also may be some benefit associated with an ability to enforce self-exclusion orders with a single provider.

The Productivity Commission sees the key mechanism for harm minimisation programs through the principle of "informed consent". Some of the specific suggestions and issues raised by the Productivity Commission have already been addressed in South Australian legislation (eg ATM's must not be in gaming areas and gaming machines are banned from shopping centres). Others are contained within industry codes of practice which appear to be operating well in the present gambling legislation environment. These provisions are however not sufficiently robust for informed consent to be the sole factor in achieving harm minimisation objectives.

(iii) *Probity*

With regard to the Casino, table games provide a significant opportunity for fraud and require intensive monitoring, which could be provided at least cost and highest standard in a single location. The Commission recognises that there are some cost minimisation benefits associated with exclusive arrangements in regard to probity checks on games and staff, but considers that a better approach is to establish appropriate probity procedures for the mode of gambling and venue type and charge the licensee accordingly. This has the benefit of ensuring that probity becomes part of the cost structure of the industry and is reflected in operating arrangements and future decision making.

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The Productivity Commission considers that the casino industry in Australia is unlikely to have significant problems associated with money laundering due to the role of the Australian Transaction Reports and Analysis Centre (AUSTRAC). AUSTRAC is the Commonwealth's anti-money-laundering agency that collects financial transaction information from industries that deal in large amounts of cash, including casinos.

The provision of a single licence ensures probity of the highest standard at the lowest cost. Exclusivity enables much more stringent and effective probity checking than if South Australia had several Casinos to monitor. High probity standards minimise the potential for fraud, money laundering or other criminal activity and therefore reduce the incentives for organised crime to be associated with the casino. A single casino permits greater presence of casino inspectorate staff. Strong probity has been a specific focus of Parliament since the original debate on the introduction of the Casino.

Section 4 of the Competition Principles Agreement requires that:

“Before a party introduces competition to a sector traditionally supplied by a public monopoly, it will remove from the public monopoly any responsibilities for industry regulation.”

Currently the TAB and Lotteries Commission are self-regulated through the Minister for Government Enterprises. If they are to be privatised it is the intent of the Government that the regulatory functions would be vested with a separate regulatory body.

(iv) *Regional Development*

The Productivity Commission assumes that regional development is a zero sum game where development in one region comes at the expense of another region and considers that the net effects Australia wide must necessarily be small. For this reason, the Productivity Commission does not consider that regional development provides a sound rationale for exclusivity.

However, although it may be a zero sum game nationally, there may be some benefits from a regional perspective if South Australia can preserve a stake in the national tourism market. The Productivity Commission does recognise that in a region with under utilised resources, such as high unemployment, a tourism/casino development could provide additional benefits to the economy. Attracting a major developer may also require an incentive structure that would enable them to offset their establishment costs and may therefore require an exclusivity period.

The Adelaide Casino was established as part of a major development of underdeveloped railyard space in the CBD. The Casino was and remains an important rationale for the Convention Centre/5 Star Hyatt Hotel/ Casino precinct. The aim was to attempt to add to the capital development and

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tourism infrastructure of the State by establishing a high quality hotel/convention centre/casino complex. This rationale was one of the reasons for adopting a single, large casino.

In the case of an exclusive licence for the Adelaide Casino in the event of it being sold, the single licence will assist in attracting new investors into South Australia to retain and develop the important tourism complex on North Terrace. The Casino provides an important quality attraction in Adelaide for tourists as part of an overall holiday/travel experience. The Casino is also an important component of the River Torrens redevelopment project.

The Productivity Commission report recognises that there is a case for the regional exclusivity for casinos, as this can provide a boost to business activity and employment in the region concerned.

(v) *Revenue Generation*

The Productivity Commission report states that provision of exclusive arrangements provides economic rents to the owners of the licence, as the owner will be able to charge higher prices or provide less service than would be achieved in a competitive environment. The report points to the prices received from the sale of casino licences and the substantial ongoing licence fees as examples of the minimum expected financial benefits to be gained by the owner from the exclusive licence.

Further, the Productivity Commission recognises that governments have captured much, if not all, of the expected financial benefits associated with the monopoly licence through the sale processes or through licence fees. Therefore, the monopoly arrangement could effectively be characterised as a mechanism for collecting tax revenue.

To the extent that they maintain monopoly power, State governments can maximise economic benefits to the State by segmenting the gambling market and optimising the net benefits from each market. The gambling industry provides the Government with a good source of a least cost revenue collection method for State Government.

In the case of exclusive licences for gambling assets a single licence will ensure that the Government will receive the largest possible return from sale.

With specific reference to the planned sale of the Adelaide Casino, in order to maximise sale proceeds, the granting of an exclusive licence is critical. The Casino is currently owned by Funds SA as an asset of the Government funded superannuation scheme. The greater the benefits arising from the sale the lower the required contribution of Government with respect to superannuation and as such the greater the level of resources available for the provision of Government services.

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All other jurisdictions have sold Casino licences with valuable exclusivity periods and South Australia should not be disadvantaged as a result of the later timing of the Casino sale.

Governments do derive substantial revenue through taxation of gambling, but this enables the Government to distribute monies back to the community and contribute additional funding to public services. The revenue raised through gambling has allowed the South Australian Government to contribute monies to help the problem gamblers in the State as well as contributing towards wider community needs and services.

For the SA TAB, 55% of the distributable surplus is paid to the racing industry, with the balance (45%) paid into the Hospitals Fund. A small amount is also paid into the Recreation and Sport Fund. Revenues from the Lotteries Commission are paid into the Hospitals Fund, except the net proceeds from 'The Pools' which are distributed to the Recreation and Sport Fund. Of gaming machine tax revenue \$25 million per annum is distributed to the community through the following funds in accordance with the Gaming Machines Act (1992):

**Community Development Fund**

This Fund receives \$19.5 million per annum for spending on health, education and other community development needs.

**Sport and Recreation Fund**

This Fund receives \$2.5 million per annum which is available to sporting or recreation organisations that have been adversely affected by the introduction of machines. Organisations with gaming machines are excluded. Funding is provided in accordance with the directions of the Minister for Recreation, Sport and Racing.

**Charitable and Social Welfare Fund**

This Fund receives \$3 million per annum to provide financial assistance for charitable or social welfare organisations dealing with problem gamblers and their families as well as to provide grants to charities within specified guidelines. Funding is provided in accordance with the directions of a board established by the Minister for Human Services.

**3.3 Costs**

The theoretical economic costs of monopolies are well documented. These costs include exploitation, and therefore, higher prices, the frequent exercise of monopoly purchasing power on suppliers and reduced incentives for innovation.

The Productivity Commission report concludes that exclusivity arrangements disadvantage consumers as a group and that "services and facilities, convenience to

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players and the range of differently-priced games on offer could be expected to be less favourable than under more competitive supply arrangements”.

(i) *Reduced Access to Gambling Facilities*

The link between exclusivity and accessibility varies between modes of gambling. Exclusivity does not reduce accessibility in regard to the TAB and Lotteries as access is generally through agents who are widely dispersed throughout the State. With regard to the Casino, exclusivity has no significant effect on access to gaming machines since they are widely available in hotels and clubs. The only restriction on access arising from exclusivity arrangements relates to table games access which is restricted to the Casino.

The question arises as to what 'cost' is associated with this restriction on access.

The Adelaide Casino is situated in the CBD in Adelaide. Over 70% of the State's population reside in the Adelaide metropolitan area. Given the size of Adelaide the Casino is in the vicinity of the large majority of South Australians. This implies that access to table games at the Adelaide Casino is only significantly limited for those living outside of the Adelaide metropolitan area.

Table games and other gambling opportunities are also increasingly available over the Internet making access for those wishing to utilise table games much easier than ever before. Gamblers no longer even have to leave home to access table games.

The Productivity Commission does not fully recognise the extent of available substitutes both within the gambling industry itself and in the broader entertainment industry. The gambling industry of South Australia has to compete in national and regional markets with many alternative gambling and entertainment options for consumers.

As noted previously the Commission's survey revealed that a majority of South Australians want a decrease in the number of gaming machines in the State. This would indicate that even if restrictions on accessibility limit 'consumer choice' in South Australia, further restrictions on the number of gaming machines and by implication gambling more generally may in fact be the choice of the vast majority of consumers.

The Government believes the costs of restricted access to table games are more theoretical than real in that there are numerous suppliers of gaming machine and other gambling opportunities and the community displays no real desire for table gaming to be more widely available in suburban venues.

The impact on consumers of exclusivity provisions for the Casino has not been quantified by the Commission. Given the widespread availability of other

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gambling opportunities in the State the cost to consumers of exclusivity for the Casino would be trivial.

### Gaming Machine Venue Types

With respect to gaming machines, the current restrictions on venue types in South Australia reflect community views and social issues arising from the adverse effects of gambling. The Productivity Commission expressed concern over the policy of gaming machines being generally restricted to premises that have certain types of liquor licences and whether linking alcohol and gambling licensing is good policy. The Productivity Commission suggested that a broader venue based risk assessment approach might be preferable. The policy of restricting the playing of gaming machines to adults results in the need to limit this mode of gambling to licensed premises. If a broader venue base were to be considered this may, as recognised in the draft report, result in more outlets with gaming machines (ie greater accessibility). A balance must be drawn between the greater access and harm minimisation. It is clear that the use of gaming machines have resulted in social problems for a portion of the community and this necessitates careful, considered accessibility arrangements, such as those currently in place.

The Parliament of South Australia recently re-affirmed its view for restricting the access to gaming machines on harm minimisation grounds when it amended the Gaming Machines Act to preclude the further introduction of gaming machines into hotels located at shopping centres. Parliament considered this to be an inappropriate combination of services and that gaming machines should be restricted to licensed premises away from shopping areas.

Comments in the Productivity Commission draft report on comparisons between the gambling environments provided by clubs and hotels are not relevant to South Australia. This is due to the fact that clubs and hotels are subject to consistent regulatory arrangements including a cap of 40 gaming machines per venue.

### (ii) *Increased Price of Gambling*

The Commission links the restriction on consumer choice arising from exclusivity provisions to increased prices. We are not convinced that such restrictions have any effect on prices, especially in the absence of any supporting argument from the Productivity Commission.

The absence of any impact on the price of gambling is considered feasible for two reasons:

1. Controls on price; and
2. Competition constraints on price and consumer choice.

Controls on price: Gambling providers do not have complete freedom to adjust prices. Independent regulation of the rules of casino games and of minimum

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payout ratios on gaming machines restricts the ability of an operator to extract excessive monopoly profits.

For the Casino the 'price' of table games are fixed by the rules of the game as approved by the Gaming Supervisory Authority and are not subject to variation. For gaming machines a minimum payout ratio of 85% is applied.

For the TAB and the Lotteries Commission legislation or regulation controls the 'price' of gambling. The 'price' is also influenced by the need for common rates that results from the pooling arrangements for these entities with other States.

These factors prevent an operator from extracting monopoly profits.

Competition constraints on price and consumer choice: The Productivity Commission report states that exclusivity disadvantages consumers by raising prices and restricting choice. This argument may carry some weight if each mode of gambling is considered in isolation. However, if the broader picture of the whole gambling industry is considered consumers have a much greater choice.

Price exploitation by gambling providers assumes limited competition which is not the case for gambling providers. Exclusivities apply within each narrow mode of gambling but these gambling providers compete with a range of gambling service providers (including each other) as well as more broadly in the entertainment industry.

Consumers can choose between many different types of gaming and wagering in various venues. In economic terms, there are significant cross-elasticities between the different gambling markets. These competitive forces were evidenced at the introduction of gaming machines which clearly had an adverse impact on the revenues of other gambling activities.

The rapid growth of gambling and communications technology in Australia has also led to substantial competition between different types of gambling and operations based in different states. The TAB competes for its telephone betting with both bookmakers and interstate TABs. Interactive gambling via the Internet is further globalising gambling opportunities allowing competition for the gambler's dollar regardless of location, pushing up payout rates (lowering prices) and lowering tax rates. The ability to segment the individual gambling markets domestically is now seen to be increasingly limited.

Further, the gambling industry is merely part of a much wider and constantly expanding entertainment industry, offering consumers even more choices in venues varying from their own home, movie theatres, restaurants to huge sports stadiums, available at a large range of prices.

The inability to adjust prices and the competitive forces under which gambling providers operate indicate that the exclusivities provided do not allow monopoly pricing of gambling services.

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### 3.4 Benefits Outweigh the Costs

The current debate in South Australia over gambling reiterates that gambling is a matter of social policy rather than competition policy and that exclusivity restrictions are consistent with community interests and needs.

As quoted in the Productivity Commission report a majority of South Australians want a decrease in the number of gaming machines. This implies that there is minimal consumer surplus in the South Australian gambling industry and therefore limited cost to consumer choice. The community wants to limit consumer choice in the gambling industry. Adherence with this community desire would in itself provide a benefit to the community.

Competition policy requires that the relative benefits and costs associated with the provision of exclusivities in the gambling industry be weighed against each other. It is necessary to consider two categories of gambling.

(i) **Casino (Table games)**

Benefits:

- Harm minimisation
- Revenue generation
- Probity
- Regional development

Costs:

- Restricted access to casino table games

The greatest benefits associated with exclusivity to table games at the Casino relate to harm minimisation and revenue generation. Harm minimisation is achieved through restricting access to table games as the type of gambling with the highest rate of associated problem gambling. The exclusivity also ensures the greatest revenue result for the State to assist in the provision of government services.

In addition to these benefits the exclusivity provides benefits associated with probity, and regional development.

The cost of exclusivity at the casino relates to restrictions on access. As outlined above this is not considered significant since table games are easily accessible to the vast majority of South Australians and there are a range of other options including the Internet where table games can be accessed.

In the Commission's view, supply restrictions can only be justified if they reduce the social costs of problem gambling by more than the adverse impact on recreational consumers. This is true with regard to Casino gambling.



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**(ii) TAB and Lotteries**

**Benefits:**

- Revenue generation

**Costs:**

- Potential increased price of gambling (likely to be minor)

The benefit of revenue generation stems from the TAB and Lotteries exclusivity arrangements.

There does not appear to be any significant cost associated with the current arrangements. TAB and Lotteries Commission products are widely accessible throughout the State and the potential for monopoly pricing is removed by Government controls on 'price' through legislation and regulation and pooling arrangements with other providers. They are also subject to significant competition in the gambling and entertainment market.

The benefit therefore outweighs any costs of the current exclusivity arrangements.

Conclusion

In conclusion, even leaving aside the clear social benefits from, and community preference for, retaining restrictions on gambling, the economic benefits such as harm minimisation, revenue generation, probity and regional development clearly outweigh any costs of exclusivity on the range of gambling products.

**3.5 Alternative Approaches**

The Competition Principles Agreement requires the consideration of "alternative means for achieving the same result including non-legislative approaches". The alternative methods we considered for achieving the will of the community and Parliament for restrictions on the supply of gambling are as follows:

- (i) **Alternative:** Self-regulation and placing the major responsibility on the venue operators. This would involve a statutory requirement or voluntary code, for a duty of care on the part of gambling providers.

**Discussion:** Even if the major responsibility was placed on the venue operator, a mechanism would still be required to check that the venue operators were fulfilling their obligations.

A voluntary code of practice already exists in South Australia and it appears to be working well. However, this voluntary code of practice is not sufficiently robust to combat the existence of problem gambling without the additional restrictions currently applied to the gambling industry as a whole.

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Monitoring, regulation and probity checks can be carried out more efficiently on a single or limited number of entities in a restricted industry.

It is also not clear that such a model would increase consumer welfare through lower prices (see discussion above).

- (ii) With particular reference to the Casino Act 1997, the objective of the legislation was to contribute towards the establishment of a major landmark tourism development in Adelaide with the setting up of a Casino complex.

**Alternative:** A system of unrestricted licence numbers (aside from probity and land use controls) and explicit taxes on non-preferred venues and subsidies for preferred venues to reflect tourism or other objectives.

**Discussion:** Such a system seems unduly complicated. The community's preference will remain that of restricting Casino numbers by the (equally transparent) means of licensed exception from general legal prohibitions on gambling.

If Parliament so decided, it could confer on the Executive Government the responsibility for determining how many gambling licences would be issued. However, that is not likely to occur. The elected representatives and their constituencies hold strong views on this issue and it is unrealistic to expect that they would give *carte blanche* to any Government. In any event and apart from that reality, it is most desirable for legislation to specify the number of licences available in the interests of accountability and to ensure the highest levels of probity in Government dealings with existing and potential gambling operators.

### 3.6 Conclusion

As outlined above it is the clear belief of the South Australian Government that gambling is a matter of social policy which is best considered by the Parliament from time to time. Parliament then typically considers these matters as conscience votes of Members reflecting the broader community views.

This is not inconsistent with the Competition Principles Agreement since that Agreement specifically provides for social factors as relevant to its provisions.

Notwithstanding the prevalence of social issues surrounding gambling and the will of the community to restrict gambling services it nevertheless can be demonstrated that the current exclusivity arrangements for various gambling operators in this State provide benefits that outweigh any costs associated with the restriction.

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#### **4. Taxation Policy and the 'Price' of Gambling**

##### **4.1 Introduction**

The Commission has not found a strong, or unambiguous, case for significant reductions in gambling taxes. The Commission also considers that:

- *the evidence of low responsiveness to price changes (while not definitive) should caution against assuming that simply because gambling taxes are high, there would be large efficiency gains (via recreational gamblers) from reducing them; and*
- *the likely variation in responsiveness to price changes among different forms of gambling should caution against assuming that a move towards uniformity would significantly improve resource allocation or improve welfare.*

The South Australian Government welcomes the Commission's findings.

##### **4.2 The 'price' of gambling and efficiency costs of gambling taxes**

An efficiency analysis of taxation is essentially an analysis of the extent to which the supply and consumption of individuals goods and services varies from that supply pattern that would hypothetically exist in the absence of taxation<sup>+</sup>; and of the valuation placed on the loss of consumer satisfaction that results, or the relative loss of consumer satisfaction arising from one pattern of supply/taxation as against another.

The Commission is right to take a cautious approach to this subject having regard to:

- (1) the practical limitations of the pure theory of taxation;
- (2) the difficulty in satisfactorily specifying a 'price' and 'quantity' in respect of gambling;
- (3) a problematic relationship between tax rates and return to player ratios; and
- (4) a lack of relationship between return to player ratios and gambling expenditure.

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<sup>+</sup> Assuming no market failure or alternatively third party effects (externalities) are fully reflected in relative prices or otherwise regulated.

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Taking each of these points in turn:

(1) *Optimal tax theory*

The theoretical findings of the optimal taxation literature are extraordinarily difficult to operationalise particularly having regard to 'second best' issues when all economic 'commodities' (traded and untraded) are not, and could not, all be taxed and taxed uniformly.

- It is possible that communities can 'identify' a pattern of taxation that approaches consistency with an efficient allocation of resources as the practical outcome of democratic processes given the problematic nature of identification and valuation of 'externalities' as an input into the identification of an optimal tax structure anyway.
- In any event tax rates recently legislated by Parliament must be given some standing, as with other regulatory provisions (c.f Section - gambling is a matter of social policy).

(2) *'Price' and 'Quantity' of gambling*

The Commission appears to assume that 'price' is simply equivalent to the inverse of the return to player. This may be correct but the rationale behind this assumption does not appear to be explored.

The 'price' that is perceived by a gambler is not clear. One interpretation is that the 'price' for a gambler would be the expected return from each gamble as measured by expectation of success. That is, a gambler would sum up the probabilities of winning different returns from a bet, with the net compilation of these expectations the expected loss/gain (ie 'price') of the gamble. With perfect information about a game this would lead the gambler to the conclusion that the price of a gamble is equivalent to the legislated or preset chance of winning (ie the inverse of the return to player).

A lack of perfect information therefore may make the 'price' of gambling different for each player. In particular, the expectation of winning is likely to reduce the perceived price - particularly for problem gamblers. Gamblers may also incorrectly expect the price to change as they expect the chances of winning to be greater after a period of no winning bets.

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The difficulty in defining the 'price' and 'quantity' of gambling is also apparent in that the Australian Bureau of Statistics does not include gambling in the consumer price index. Similarly the ABS does not use a gambling specific deflator for gambling expenditure in the national accounts. Rather it uses as a deflator the CPI 'All groups excluding medical and hospital'. The ABS Australian national accounts, concepts, sources and methods publication (ABS cat. 5216.0) states that:

"This is not an attempt to measure the quantum of gambling as such, but rather to estimate the purchasing power, over other consumer goods and services, of net gambling expenditure on gambling."  
(p.100).

The 'quantity' of gambling is a similarly nebulous concept. The proposition that 'quantity' can be considered as each dollar 'gamble' or the purchase of an opportunity to win (ie the purchase of risk) is difficult to reconcile with the fact that gamblers can choose various intensities with which to gamble. Is a gaming machine player who plays at a higher number of credits per line purchasing a greater 'quantity' or paying a higher 'price'?

Although the Commission has used the concept of consumer surplus to identify and value the order of magnitude benefit obtained by non problem gamblers from recreational gambling as compared with prohibition, the concept of price and quantity for gambling are not sufficiently specified to permit conclusions based on consumer surplus analysis or equivalent general equilibrium analysis (c.f. ECONTECH estimate of \$477m-\$735m welfare gain from reducing gambling taxes to 10 per cent) as to appropriate tax rates, and the Commission has appropriately refrained from so doing.

(3) *Effect of tax on 'return to player'*

It is not clear that the 'price' of gambling in the form of return to player is affected by changes in tax rates as assumed by the Commission.

In South Australia, tax rates applying to gaming machines increased in each of 1996-97 and 1997-98 with no increase in the price of gambling over the same period (in fact slight reductions occurred). This is inconsistent with the Commission's assumption that increases in tax would increase the 'price' of gambling. Details are shown in the following table:

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<b>South Australia</b>	<b>1995-96</b>	<b>1996-97</b>	<b>1997-98</b>	<b>1998-99</b>
Turnover (\$m)	2,622	3,024	3,292	3,724
Player loss (\$m)	319	364	395	442
Tax (\$m)	110	134	161	191
Return to Player	87.8%	88.0%	88.0%	88.1%
Ave. Tax rate	34.5%	36.9%	40.7%	43.2%
Price per dollar 'gamble'	12.2c	12.0c	12.0c	11.9c

Source: SA Office of Liquor and Gaming Commissioner.

A table showing comparative 'price' and the level of taxation across jurisdictions with respect to gaming machines is also informative and counter to the proposition regarding the relationship between tax and price.

<b>1997-98</b>	<b>NSW</b>	<b>VIC</b>	<b>QLD*</b>	<b>SA</b>	<b>TAS</b>	<b>ACT</b>	<b>NT</b>
Turnover (\$m)	30,540	18,098	4,058	3,292	207	1,249	232
Player loss (\$m)	2,989	1,711	601	395	24	127	20
Tax (\$m)	690	707	180	161	10	28	10
<u>Return to Player</u>	90.2%	90.5%	85.2%	88.0%	88.4%	89.8%	91.4%
Ave. Tax rate	23%	41%	30%	41%	42%	22%	50%
Price per dollar 'gamble'	10c	9c	15c	11c	11c	10c	9c

# Queensland previously had a fixed return to player rate of 85%. This fixed percentage has recently been removed.

Source: Australian Gambling Statistics, Tasmanian Gaming Commission.

In the case of gaming machines an adjustment to 'price' resulting from an increase in the tax rate would require a reduction in the return to player ratio applied by that venue. Typically jurisdictions have minimum return to player ratios at a rate of 85% but in practice gaming machine operators in South Australia are installing machines with higher payout ratios. The relative infancy of gaming machine operations in South Australia may help explain this - payout ratios were initially informed by the legislated minimum but the economic rent generated for early entrants to the market was sufficiently large to allow competition to force lower prices even in the face of increasing capture of part of the rents through a higher level of taxation.

More generally, a lack of gambling price responsiveness to taxation adjustments may be explained by the 'stickiness' of gambling prices resulting from Government regulation (eg Commission on TAB bets) or the inherent rules of the game (eg roulette). A change in taxation levels might merely affect the distribution of the gross profit (player loss) between the government (by way of tax) and the gambling operator for costs and profit. Under this proposition an increase in tax might not affect prices greatly - rather it would act to redistribute profit from operators to the Government as additional tax revenue.

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One of the Commission's preliminary conclusions that increases in gambling tax will not assist problem gambling may still be appropriate. However, this may be attributed to the possibility that the 'price' of gambling might be largely unaffected by the level of tax as well as inelasticity of demand for problem gamblers.

The Commission may also wish to consider the potential significant interaction between tax and regulated minimum payout ratios. Where regulated minimum payout ratios act to constrain the market 'price' of gambling then increases in tax rates may lead to pressure on gambling operators and thus reductions in the supply of gambling services. This effect however comes as a result of the interaction of taxation and regulated minimum ratios, not purely as a result of taxation policy.

#### Tax Rate Calculations

Note that in comparing tax rates the Commission typically assumes all revenue received by Government from gambling assets to be tax revenue. In jurisdictions with government owned gambling assets the government often receives the full distributable surplus of the gambling assets. This would at least notionally consist of gambling tax and profit stream that would accrue to the owner - in this case the Government.

The use of the total revenue distribution leads to the calculation of somewhat misleading very high rates of tax on gambling assets in some jurisdictions as compared to others where the profit stream has been sold for a lump sum payment.

We caution the Commission in comparing tax rates and government revenues both between jurisdictions and between varying types of assets where government ownership structures exist.

#### (4) *Return to player ratios and level of gaming expenditure*

It is noted that some consideration has been given to the slope of the demand curve in the Commission's analysis of consumer surplus but that little attention appears to have been given to the shape of the curve ie that slope may vary over the length of the curve.

It is also noted that demand elasticities reported, and those used by the Commission straddle a figure of -1, ie unit elasticity.

If total gambling expenditure were not significantly related to price (ie if the demand curve exhibited close to unit elasticity) and no change in player loss would be expected to occur as a result of a lower rate of tax, most communities are unlikely to find it compelling that government revenue should be forgone so that the somewhat indeterminately defined 'quantity' of gambles can be increased to its 'economically optimal' level and that room can be made for more gambling operations in the community.

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#### **4.3 Conclusion**

The South Australian Government is satisfied that gambling tax rates in South Australia are set appropriately:

Gambling tax rates established in State legislation will be reduced prior to 1 July 2000, but only to the extent of offsetting the introduction of a GST.

- This is a provision of the InterGovernmental Agreement so that as required by the Commonwealth Government, the introduction of a GST does not cause an increase in the overall rate of gambling tax.



## GOVERNMENT RESPONSE TO THE RECOMMENDATIONS OF THE SOCIAL DEVELOPMENT COMMITTEE GAMBLING INQUIRY REPORT

### 1. Regulations and Legislation

- 1.1 *The Committee believes that no one Minister should be solely responsible for all areas associated with gambling activities and, in particular, to avoid potential conflict of interest, the Treasurer's commitment should involve the receipt of revenue only. The Committee believes that there should be coordination, via a Cabinet sub-committee, between all Ministers with portfolio involvement in gambling activities, to ensure that there is a proper balance between revenue raising functions, licensing and community welfare responsibilities.*

At present there is no one Minister solely responsible for all areas associated with gambling as a number of Ministers have responsibilities associated with gambling related matters. The Treasurer is responsible for taxation policy and the collection of revenue. The Treasurer is also responsible for the regulation of gaming machines, the Casino and small lotteries. The Minister for Government Enterprises is responsible for the Lotteries Commission and the TAB. The Minister for Racing is responsible for the regulation of bookmakers. The Minister for Human Services is responsible for Gamblers' Rehabilitation Fund and the associated provision of counselling services.

The Government accepts the need for co-ordinated responses from Ministers but does not agree with the view that there is not currently a proper balance between revenue raising functions, licensing and community welfare responsibilities in the current structure for managing all areas associated with gambling activities.

Whole of Government coordination on gambling issues is provided by Cabinet consideration of matters as they arise. Present arrangements including Ministerial responsibilities, are considered effective.

- 1.2 *A Code of Advertising Practice, appropriate to each gambling code, be presented to the Attorney General and tabled in Parliament no later than first sitting day 1999.*

The South Australian Hotel and Club industries in conjunction with Centacare and the Liquor and Gaming Commissioner have already implemented a Gaming Machine Advertising and Promotion Voluntary Code of Practice which already restricts advertising and promotion of gambling on gaming machines in hotels and clubs.

The Adelaide Casino does not have a corresponding code but its advertising and promotion is scrutinised by the Lotteries Commission, the Liquor and Gaming Commissioner and, where appropriate, the Gaming Supervisory Authority.

SA Lotteries, along with all other Australian lotteries jurisdictions, complies with the Advertising Code of Ethics as defined in the Australian Lotteries Code of Practice. SA TAB advertising complies with relevant advertising industry standards.

Consistent with the principle of industry self-regulation, the Government will require the new operator of the Casino and any new operators of the TAB and Lotteries Commission (if the Government decides to sell the TAB and the Lotteries Commission) to prepare and then comply with a voluntary Code of Practice for Advertising and Promotion. After a period of two years the Government will review the effectiveness of the voluntary Code of Practice model before considering mandatory models.

- 1.3 *A ceiling of 11 000 gaming machines be imposed, with the cap to be reviewed biennially with the long term aim of reducing the number of gaming machines in South Australia to less than 10 000.*

The matter of a cap on the number of gaming machines in South Australia has recently been considered and rejected by Parliament as part of the *Gaming Machines (Freeze on Gaming Machines) Amendment Bill 1998* introduced by the Hon Nick Xenophon on 4 November 1998. This matter was a conscience vote of Members. It will continue to be a matter for a conscience vote of Members.

- 1.4 *The statutory limit of 40 gaming machines per venue, excluding the Casino, be retained. However the Committee is opposed to the establishment of "pokie parlours" or the like, which are devoid of facilities for meals, relaxation areas etc. and recommends that these venues not be granted gaming-machine licenses.*

The Gaming Machines Act 1992 already contains provision under Section 16 that no more than 40 gaming machines can be held under a gaming machine licence. The Government is not aware of any planned legislative amendment to have the limit of 40 gaming machines operating per venue increased. In any event, consideration of this matter would be a conscience vote of Members of Parliament.

The Gaming Machines Act 1992 also contains provisions under Section 15 that prohibit the grant of a gaming machine licence to venues that would be devoid of facilities for meals and relaxation areas. Section 15(4)(e) of the Gaming Machines Act provides that the Commissioner cannot grant a licence unless satisfied "that the size of the proposed gaming operations on the premises would not be such that they would predominate over the undertaking ordinarily carried out on the premises" and section 15(4)(f) stipulates "that the conduct of the proposed gaming operations on the premises would not detract unduly from the character of the premises, the nature of the undertaking carried out on

the premises or the enjoyment of persons ordinarily using the premises (apart for the purpose of gaming)."

There is no gaming machine licence in South Australia held in respect of premises that do not provide the full range of hotel and club facilities.

*1.5 All gambling codes should contribute to the Gamblers' Rehabilitation Fund.*

The Government acknowledges the principle that problem gambling does not stem solely from gaming machines and is sympathetic to the view that increased resources should be provided to the Gamblers' Rehabilitation Fund. The Government will consider the level of increased funding in the preparation of the 2000-01 Budget.

The GRF is currently using accumulated funds to meet its expenditure requirements in 1999-2000 and these funds will be fully expended in 2000-01. Whilst the GRF Evaluation report concluded the current level of funding was adequate to meet current demand for services, it also noted that additional funding could be sought from other gambling codes to meet increased future demand for community education, prevention and treatment services. It should be noted that all available profits from TAB and Lotteries Commission are returned to the Hospitals Fund already and, in the case of the Casino, to the Consolidated Account, the Housing Improvement Fund and FundsSA. Amounts received into the Budget are fully allocated in the annual budget process to public services. Therefore any increased allocation to the GRF will have to be funded in the usual way by reducing spending in other public services or by raising increased taxation revenue.

*1.6 Local Government be notified, and have the right to be heard by, the Liquor and Gaming Commissioner, before any decision is made to grant a gaming licence in its area, or to expand the number of gaming machines.*

Under section 29 of the Gaming Machines Act applications for the grant of a gaming machine licence must be advertised. Applications for an increase in the approved number of machines may be advertised at the discretion of the Commissioner.

Where an application has been advertised any person, including the relevant Council, may object to the application. This mirrors a similar provision in the then Liquor Licensing Act 1985.

However, the Liquor Licensing Act 1997 recognises the key role of local councils and now provides that an applicant must "at least 28 days before the date fixed for hearing the application give written notice to the council for the area in which the licensed premises are, or are to be, situated."

A council then has the right to intervene in proceedings before a licensing authority "for the purpose of introducing evidence, or making representations,

on any question before the authority." A council may also object to the application.

The Government supports a similar provision in relation to the Gaming Machines Act but only in relation to applications that are advertised, and provided that the discretion to advertise an application for an increase in numbers under an existing licence is retained.

Many applications for an increase in the approved number of machines are for a few machines in an existing approved gaming area. These applications do not warrant the cost or the delay of advertising. However, if the application is for a significant increase that will change the character of the venue a direction to advertise will be made.

## 2. General

2.1 *All gambling venues be required to display in a prominent position, appropriate and relevant information on how to contact gambling and rehabilitation and counselling services.*

This is already required for gaming machines. It is a condition imposed by the Liquor and Gaming Commissioner on all gaming machine licences that:

"the licensee must display in at least one prominent position within each designated gaming area:-

- rules ancillary to gaming conducted on the licensed premises in a form approved by the Commissioner;
- a notice in the form approved by the Commissioner advising patrons of the provisions of section 59(2) of the Act (the barring provisions);
- a notice in the form approved by the Commissioner advising patrons of the name and address of at least three organisations that are able to provide assistance if a patron is experiencing a problem with gambling."

Mechanisms will be put in place to require other significant gambling venues such as the Casino and TAB outlets to display such information and relevant Ministers will determine the appropriate arrangements.

## 3. Public Awareness

3.1 *A community education program, focussing on the potential risks associated with excessive gambling and the likely repercussions it may have for family, friends, the workplace and the community, be initiated.*

Community education is already taking place in relation to gaming machines under the provisions of the Gamblers' Rehabilitation Fund. While there has not been a great emphasis on preventive strategies in the early stages of developing a system of services to provide direct assistance to problem

gamblers and their families, some work has been done. Individual agencies funded under the Gamblers' Rehabilitation Fund also provide some community education about risks as well as providing information about access to services.

A number of community education initiatives have been under development under the Gamblers' Rehabilitation Fund, including a statewide campaign and some other campaigns targeted at particular areas and high risk populations.

- 3.2 *An education campaign involving all gambling codes be instigated to inform users of these codes of the counselling services that are available to them.*

This is already occurring in relation to gaming machines including the recently commenced campaign to advertise the 24-hour telephone counselling service. Contact details for counselling services are available in the telephone White Pages under 'Gamblers Rehab. Services'.

- 3.3 *School-based education programs and media campaigns be directed towards young people to inform them of the risks associated with excessive gambling.*

A school-based program in relation to gaming machines is one of the package of initiatives referred to in the response to recommendation 3.1 (above) that is under consideration by the Department of Human Services. In addition, the Department of Education, Training and Employment offers a range of curricula to school students in the areas of Mathematics, Health and Physical Education, that assists students to learn about the risks associated with excessive gambling.

Experience has shown that learning is more effective when it is incorporated into students' day to day curriculum over a number of years.

#### 4. **Satellite, Internet and Interactive Home Gambling**

- 4.1 *The preference of the Committee would be to see interactive home gambling banned and it recommends that the national task force investigate the technical feasibility of achieving this. However, should this be impossible, the Committee recommends that: [4.2-4.5]*

As the Committee is aware a State and Territory Gaming Ministers' working party has developed a draft national regulatory model "a Draft Regulatory Control Model for new forms of Interactive Home Gambling."

This model was predicated on the position that the enforcement of a legislative ban would not be possible. It also took account of advice from the Commonwealth Government which at that time indicated it would not interfere with Internet commerce by blocking gambling products.

Since the national model was developed the CSIRO has been commissioned to test whether Internet content can be effectively blocked using technology. The CSIRO reported to the National Office for the Information Economy in June 1998 and concluded that content blocking implemented purely by technological means would be ineffective on the grounds that "any technology-based solution can be worked around - purely as a result of the sheer pace of technology change on the Internet".

It is acknowledged that just as it is not possible to enforce a ban on Internet gambling product there are limitations of the regulatory approach. It is not possible to regulate, licence or ban overseas providers of interactive gambling product. The strength of the draft regulatory model is that it accepts the limitations of Government in this area and provides consumers with a licensed alternative which has met the necessary requirements to ensure the integrity of the game.

Since the release of the national model the Federal Treasurer has referred Australia's gambling industries to the Productivity Commission for inquiry and the provision of an information report within twelve months. The scope of the inquiry is broad and includes at clause 3(f) "the implications of new technologies (such as the Internet), including the effect on traditional government controls on the gambling industries." The Productivity Commission has recently released its draft report which supports a managed liberalisation approach to Internet gambling with strict regulatory controls to ensure integrity and consumer protection.

A Select Committee of the South Australian Legislative Council on Internet and Interactive Home Gambling by Other Means of Telecommunication was established on 10 March 1999. Further, this matter is currently before Parliament in the form of the Hon Nick Xenophon's Gambling Industry Regulation Bill 1999.

The Government has given in principle agreement to the national regulatory model and has approved the drafting of appropriate legislation. The Government will, however, continue to monitor all initiatives in this area, including proposals to prohibit such activities.

- 4.2 *The national task force continue to work closely with State and Territory governments to investigate methods of regulating gaming on the Internet and interactive home gambling.*
- 4.3 *The national task force on Internet and interactive home gambling comprise legal, financial, regulatory and gaming industry expertise.*
- 4.4 *The national task force on Internet and interactive home gambling provide assistance to State regulators in enforcing legislation and ensuring that the model that is adopted is adhered to by all participants.*

- 4.5 *The national task force on Internet and interactive home gambling establish links with international regulatory bodies*

The South Australian Government through a variety of forums, including Gaming and Racing Ministers meetings, Gaming CEO meetings and interactive gambling working groups will continue to work closely with other States and Territories on this issue. It will also continue to monitor new developments in Australia and overseas.

## 5. Gaming Machines

- 5.1 *Gaming machines with linked jackpots remain illegal within South Australia*

The Gaming Machines Act 1992 (s53) expressly prohibits linked jackpots. Future consideration of this matter would be a conscience vote of Members of Parliament.

- 5.2 *A moratorium be placed on all gaming machines with a capacity to accept denominations of money notes.*

There are currently no gaming machines with bill acceptors operating in South Australia. The issue of bank notes in gaming machines will be considered during debate on the Hon Nick Xenophon's Gambling Industry Regulation Bill 1999 currently before Parliament. Consideration of this matter would be a conscience vote of Members of Parliament.

- 5.3 *Research be carried out on the feasibility of implementing a time lapse between a major payout and resumption of play on that machine.*

The South Australian Gaming Machine Technical Standard, developed and approved by the Liquor and Gaming Commissioner already requires that any substantial win (\$1,000 or more) must cause the gaming machine to 'lock up'. The player must call an attendant who must clear the substantial win before the machine can be played further.

South Australia currently leads the way through the mandated, substantial win requirement and has had this facility in place since the commencement of gaming. No other State or Territory mandates a delay after win.

## 6. Training and Counselling

- 6.1 *All government-funded counselling services continue to be monitored and evaluated with an aim to meeting the social and financial needs of problem gamblers and their families. In addition services need to receive adequate funding to fulfil these obligations.*

Regular evaluation of counselling services already occurs. The Evaluation Report into the Gamblers' Rehabilitation Fund has recently been completed. It indicated that funded services are meeting intended aims and that the level of funding is adequate for the purposes it was allocated, including financial and therapeutic counselling and family support services. While the Fund is primarily to assist people with gaming machine problems, gamblers from other codes also receive assistance.

- 6.2 *All staff employed in the gambling industry be informed about counselling and rehabilitation services available for people who might have a problem with gambling.*

Training for gaming machine industry participants currently covers this issue. However, the training is not a statutory requirement for approval as a gaming machine manager or employee. To mandate such training would impose an unreasonable burden on the industry and would have resource implications for the Office of the Liquor and Gaming Commissioner because of the need to audit to ensure compliance.

The Government will extend awareness of available counselling services to all gambling industry staff; responsible Ministers will ensure that information about access to counselling services is available to the Lotteries Commission, TAB, Casino and the racing industry through RIDA to enable them to distribute to staff involved in the provision of gambling services as appropriate.

- 6.3 *Counselling and support services be developed for families of problem gamblers and others affected by problem gamblers.*

Families of problem gamblers receive support services under the provisions of the Gamblers' Rehabilitation Fund. The recent Evaluation Report on the operation of the Fund indicates that approximately one quarter of funds allocated for direct services are used for these purposes.

## 7. Research

- 7.1 *An independent economic-impact study on gambling be conducted to clarify and assess anecdotal evidence relating to the effects that gambling in general, and gaming machines in particular, are having on the retailing and, in particular, small business*

The Government does not accept that a further economic impact study of the impact of gambling on other sectors of the economy is necessary at this time.

The Productivity Commission is undertaking a wide ranging review of Australia's gambling industries, and has specific terms of reference to investigate issues associated with the economic impact of gambling. One of



the terms of reference issued to the Productivity Commission is to examine and report on:

“the economic impacts of the gambling industries, including industry size, growth, employment, organisation and interrelationships with other industries such as tourism, leisure, other entertainment and retailing”.

The Productivity Commission has released its draft report. The Commission will now undertake further consultation before a final report is released in November.

There would seem little value in the South Australian Government commissioning a separate inquiry which would duplicate to a significant extent the current work of the Productivity Commission in this area.

7.2 *Research on gambling conducted in Australia be co-ordinated and collated to avoid unnecessary duplication and to assist in facilitating other research programs, in particular those relating specifically to South Australian conditions.*

Gaming Ministers established a working party chaired by South Australia “to advise on the containment and combating of problem gambling behaviour in the community.” The Ministers further agreed that the working party would:

- co-ordinate the exchange of information on gambling research and research issues and to act as a forum to discuss such matters;
- give advice on gambling research-related matters to the Gaming Chief Executive Officer’s forum; and
- maximise the benefits to administrators through unified action on research matters.

This working party was not successful in its attempts to co-ordinate research with each State and Territory commissioning its own research projects. However, the working party did establish a data base of all known gambling research and studies. South Australia also developed a mechanism for maintaining this data base but as with most exercises of this type success is dependent on contributions from other sources.

South Australia is currently looking at whether this information can be provided on the Internet and for each State or Territory to then assume responsibility for updating it in relation to research conducted in that jurisdiction.

Support will be given to the continued development of the data base.