



Australian Government
Productivity Commission

Gambling

Productivity Commission
Inquiry Report
Volume 1

No. 50, 26 February 2010

© COMMONWEALTH OF AUSTRALIA 2010

ISSN 1447-1329

ISBN 978-1-74037-305-0

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, the work may be reproduced in whole or in part for study or training purposes, subject to the inclusion of an acknowledgment of the source. Reproduction for commercial use or sale requires prior written permission from the Commonwealth. Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, 3-5 National Circuit, Canberra ACT 2600 or posted at www.ag.gov.au/cca.

This publication is available in hard copy or PDF format from the Productivity Commission website at www.pc.gov.au. If you require part or all of this publication in a different format, please contact Media and Publications (see below).

Publications Inquiries:

Media and Publications
Productivity Commission
Locked Bag 2 Collins Street East
Melbourne VIC 8003

Tel: (03) 9653 2244
Fax: (03) 9653 2303
Email: maps@pc.gov.au

General Inquiries:

Tel: (03) 9653 2100 or (02) 6240 3200

An appropriate citation for this paper is:

Productivity Commission 2010, *Gambling*, Report no. 50, Canberra.

The Productivity Commission

The Productivity Commission is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long term interest of the Australian community.

The Commission's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

Further information on the Productivity Commission can be obtained from the Commission's website (www.pc.gov.au) or by contacting Media and Publications on (03) 9653 2244 or email: maps@pc.gov.au



Australian Government
Productivity Commission

Canberra Office

Level 2, 15 Moore Street
Canberra City ACT 2600
GPO Box 1428
Canberra City ACT 2600

Telephone 02 6240 3200
Facsimile 02 6240 3399

Melbourne Office

Telephone 03 9653 2100
www.pc.gov.au

26 February 2010

Senator the Honourable Nick Sherry
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Assistant Treasurer

In accordance with Section 11 of the *Productivity Commission Act 1998*, we have pleasure in submitting to you the Commission's final report into Gambling

Yours sincerely

Gary Banks AO
Chairman

Robert Fitzgerald AM
Commissioner

Louise Sylvan
Commissioner

Terms of reference

Australia's Gambling Industries

Productivity Commission Act 1998

I, CHRIS BOWEN, Assistant Treasurer and Minister for Competition Policy and Consumer Affairs, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998* hereby request that the Productivity Commission undertake an inquiry into Australia's gambling industries and report within 12 months of the date of receipt of this reference. The Commission is to hold hearings for the purpose of this inquiry.

The Productivity Commission could provide an update of the 1999 Productivity Commission report (1-8) and provide some additional research into the impacts of harm minimisation measures (9-10):

1. the nature and definition of gambling and the range of activities incorporated within this definition;
2. the participation profile of gambling, including problem gamblers and those at risk of problem gambling;
3. 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;
4. the social impacts of the gambling industries, the incidence of gambling abuse, the cost and nature of welfare support services of government and non-government organisations necessary to address it;
5. the contribution of gambling revenue on community development activity and employment;
6. the effects of the regulatory structures – including licensing arrangements, entry and advertising restrictions, application of the mutuality principle and differing taxation arrangements – governing the gambling industries, including the implications of differing approaches for industry development and consumers;
7. the implications of new technologies (such as the internet), including the effect on traditional government controls on the gambling industries;
8. the impact of gambling on Commonwealth, State and Territory Budgets;

Assessment of Harm Minimisation Measures since 1999

9. the impact that the introduction of harm minimisation measures at gambling venues has had on the prevalence of problem gambling and on those at risk; and
10. evaluate the effectiveness and success of these harm minimisation measures used by the State and Territory Governments.

The Commission is to provide both a draft and a final report. The Government will consider the Commission's recommendations, and its response will be announced as soon as possible after the receipt of the Commission's report.

CHRIS BOWEN

[received 24 November 2008]

Contents

The Commission's report is in two volumes. **This volume 1 contains the Overview, Recommendations and findings and chapters 1 to 14.** Volume 2 contains chapters 15 to 19 and the appendices. Below is the table of contents for both volumes.

Volume 1	
Letter of transmittal	III
Terms of reference	IV
Abbreviations	XIII
Key points	2
Overview	5
Recommendations and findings	47
1 Introduction	1.1
1.1 What has the Commission been asked to do?	1.1
1.2 Inquiry processes	1.6
1.3 How is this report organised?	1.7
2 A snapshot of the gambling industry	2.1
2.1 Introduction	2.2
2.2 The state of the Australian gambling industry	2.2
2.3 EGMs in clubs and hotels	2.17
2.4 The casino industry	2.29
2.5 The wagering industry	2.37
3 The policy framework	3.1
3.1 Governments and gambling	3.1
3.2 Steps to good policy	3.2
3.3 Rationales for gambling policy	3.4

3.4	Different frameworks inform policy	3.11
3.5	Evidence-based policy in gambling	3.22
4	A broad perspective on gambling problems	4.1
4.1	Measurement should be policy-relevant and relate to vulnerabilities and harm	4.2
4.2	Identifying vulnerabilities	4.9
4.3	Identifying those who are harmed	4.19
4.4	Risks by venue type	4.30
5	The prevalence of ‘problem’ gambling	5.1
5.1	“What is ‘the’ number?” — measuring problem gambling	5.4
5.2	A true ‘case’ is hard to find	5.6
5.3	‘False positives and negatives’: how accurate are the surveys?	5.9
5.4	The headline indicator: identifying ‘problem’ gamblers	5.16
5.5	Exposure and problems	5.20
5.6	Comparison of gambling problems with other public health concerns	5.30
5.7	How much do problem gamblers spend (lose)?	5.30
5.8	Has problem gambling prevalence declined?	5.36
6	The benefits of gambling and some implications	6.1
6.1	The benefits to consumers of gambling	6.2
6.2	What are the perceptions of social benefits to communities?	6.4
6.3	Empirical evidence about community impacts	6.8
6.4	Volunteering	6.13
6.5	In-kind contributions	6.16
6.6	Cash contributions	6.21
6.7	Clubs with greater dependence on gambling serve different market segments	6.25
6.8	Employment and business benefits	6.26
6.9	The bottom line on the benefits of gambling	6.30
6.10	The size of the ‘prize’ from more effective harm minimisation	6.32

7	Counselling and treatment support services	7.1
7.1	Reaching the target population	7.2
7.2	Effectiveness of treatment and support	7.28
7.3	Counsellors' qualifications and service standards	7.35
7.4	Funding of gambling help services	7.40
7.5	Building a better evidence base	7.44
8	In-venue information and gambling advertising	8.1
8.1	Warning messages	8.2
8.2	Advertising	8.26
9	School-based gambling education	9.1
9.1	Existing approach to school-based gambling education	9.1
9.2	Youth and gambling	9.5
9.3	Evidence on the effectiveness of school-based gambling education programs	9.8
9.4	Lessons from other school-based education programs?	9.12
9.5	Drawing together the evidence	9.15
10	Pre-commitment strategies	10.1
10.1	Why should player choice and control be a policy issue?	10.2
10.2	Self-exclusion	10.6
10.3	More flexible pre-commitment arrangements	10.16
10.4	What limits or other options might be available for players?	10.20
10.5	How could partial pre-commitment work?	10.21
10.6	How could full pre-commitment work?	10.23
10.7	The details of the scheme and its implementation are critical	10.37
10.8	Auxiliary functions of a pre-commitment system	10.41
10.9	In conclusion	10.44
11	Game features and machine design	11.1
11.1	Introduction	11.2
11.2	The intensity of play	11.3

11.3	Note acceptors and cash input limits	11.30
11.4	A novel proposal for safer play: an ‘airbag’ EGM?	11.39
11.5	Other features	11.44
12	Venue activities	12.1
12.1	Introduction	12.2
12.2	Voluntary harm minimisation measures by venues	12.2
12.3	Strengthening incentives for venues to implement harm minimisation measures	12.13
12.4	Staff training in harm minimisation	12.34
12.5	Problematic player behaviour identification and intervention	12.37
12.6	Inducements to gamble	12.45
12.7	‘Reality checks’	12.47
12.8	Exposure of children to gambling activity	12.50
13	Access to cash and credit	13.1
13.1	Introduction	13.1
13.2	Restrictions on ATMs/EFTPOS facilities	13.3
13.3	Using credit for gambling	13.37
13.4	Payment of gaming machine prizes as cash	13.42
13.5	Cheque cashing	13.49
14	Accessibility of gaming machines	14.1
14.1	Introduction	14.2
14.2	The link between accessibility and gambling harms	14.3
14.3	Restricting the accessibility of gaming machines	14.7

15	Online gaming and the Interactive Gambling Act	15.1
15.1	Background	15.4
15.2	What harms are associated with online gaming and how do they compare to other gambling?	15.7
15.3	Has the prohibition ‘worked’?	15.15
15.4	Policy alternatives	15.20
15.5	Weighing up the regulatory options	15.28
16	Developments in the racing and wagering industries	16.1
16.1	The legacy of traditional funding arrangements	16.2
16.2	Principles of a good funding model	16.29
16.3	A national funding model for racing and wagering in Australia	16.31
16.4	Other aspects of a national model	16.48
17	Regulatory processes and institutions	17.1
17.1	Introduction	17.1
17.2	What does best practice look like?	17.2
17.3	Governance structures still need work	17.5
17.4	Improving regulatory processes	17.12
17.5	National regulation and jurisdictional consistency	17.26
18	Gambling policy research and evaluation	18.1
18.1	Introduction	18.2
18.2	Improving gambling data: collection, national consistency and access	18.4
18.3	Improving national gambling research	18.12
18.4	Improving policy evaluation and review	18.26
18.5	A forward agenda for gambling research	18.32
19	Implementation issues and transitions	19.1
19.1	Implementation issues vary across measures	19.2
19.2	Changes to EGMs: influences on implementation	19.4

19.3 Changes to EGMs: an implementation path	19.8
19.4 A leadership role for the Australian Government	19.28
Appendices	
A Consultations	A.1
B The expenditure share of people experiencing problems	B.1
C Pre-commitment systems	C.1
D Scoring in the Canadian Problem Gambling Index	D.1
E Self-exclusion programs and exclusion on welfare grounds	E.1
F Survey of clients of counselling agencies 2009	F.1
G Access to cash and credit: evidence	G.1
H Australian litigation on gambling	H.1
I The link between accessibility and gambling harms	I.1
J Counselling services	J.1
K Advertising	K.1
References	R.1

Abbreviations

ACCC	Australian Competition and Consumer Commission
ACMA	Australian Communications and Media Authority
AGC	Australasian Gaming Council
CPGI	Canadian Problem Gambling Index
DSM IV	Diagnostic and Statistical Manual of Mental Disorders (4 th edition)
eCOGRA	E-Commerce and Online Gaming Regulation and Assurance
EFTPOS	Electronic Funds Transfer at Point of Sale
EGM	Electronic gaming machine (a ‘poker’ machine)
FaHCSIA	Australian Government Department of Families, Housing, Community Services and Indigenous Affairs
GMNS	Australian/New Zealand Gaming Machine National Standard
GTA	Gaming Technologies Association
IGA	Interactive Gambling Act
IPART	Independent Pricing and Regulatory Tribunal
NOIE	National Office for the Information Economy
PC	Productivity Commission
SEIFA	Social Economic Index for Advantage
SOGS	South Oaks Gambling Screen
TAB	Totalisator Agency Board
VLT	Video Lottery Terminal

OVERVIEW

Key points

- The rapid growth following liberalisation of gambling in the 1990s has given way to more 'mature' industry growth.
 - Total recorded expenditure (losses) in Australia reached just over \$19 billion in 2008-09, or an average of \$1500 per adult who gambled.
- Gambling is an enjoyable pursuit for many Australians. As much as possible, policy should aim to preserve the benefits, while targeting measures at gamblers facing significant risks or harm.
- While precision is impossible, various state surveys suggest that the number of Australians categorised as 'problem gamblers' ranges around 115 000, with people categorised as at 'moderate risk' ranging around 280 000.
- It is common to report prevalence as a proportion of the adult population, but this can be misleading for policy purposes, given that most people do not gamble regularly or on gambling forms that present significant difficulties.
- The risks of problem gambling are low for people who only play lotteries and scratchies, but rise steeply with the frequency of gambling on table games, wagering and, especially, gaming machines.
- Most policy interest centres on people playing regularly on the 'pokies'. Around 600 000 Australians (4 per cent of the adult population) play at least weekly.
 - While survey results vary, around 15 per cent of these regular players (95 000) are 'problem gamblers'. And their share of total spending on machines is estimated to range around 40 per cent.
- The significant social cost of problem gambling — estimated to be at least \$4.7 billion a year — means that even policy measures with modest efficacy in reducing harm will often be worthwhile.
- Over the last decade, state and territory governments have put in place an array of regulations and other measures intended to reduce harm to gamblers.
 - Some have been helpful, but some have had little effect, and some have imposed unnecessary burdens on the industry.
- A more coherent and effective policy approach is needed, with targeted policies that can effectively address the high rate of problems experienced by those playing gaming machines regularly.
- Recreational gamblers typically play at low intensity. But if machines are played at high intensity, it is easy to lose \$1500 or more in an hour.
 - The amount of cash that players can feed into machines at any one time should be limited to \$20 (currently up to \$10 000).
 - There are strong grounds to lower the bet limit to around \$1 per 'button push', instead of the current \$5–10. Accounting for adjustment costs and technology, this can be fully implemented within six years.

Key points continued

- Shutdown periods for gaming in hotels and clubs are too brief and mostly occur at the wrong times. They should commence earlier and be of longer duration.
- There should be a progressive move over the next six years to full 'pre-commitment' systems that allow players to set binding limits on their losses.
 - Under a full system, there would be 'safe' default settings, with players able to choose other limits (including no limit).
 - In the interim, a partial system with non-binding limits would still yield benefits, and provide lessons for implementing full pre-commitment.
- Better warnings and other information in venues would help. But school-based information programs could be having perverse effects and should not be extended without review.
- Relocating ATMs away from gaming floors and imposing a \$250 daily cash withdrawal limit in gaming venues would help some gamblers. But the net benefits of removing ATMs entirely from venues are uncertain.
- Effective harm minimisation measures for gaming machines will inevitably reduce industry revenue, since problem gamblers lose so much. However, this would not occur overnight and the reductions may be offset by other market developments.
- Problem gambling counselling services have worked well overall. But there is a need for enhanced training and better service coordination.
- Online gaming by Australians appears to have grown rapidly despite the illegality of domestic supply. Gamblers seeking the benefits it offers are exposed to additional risks and harms from offshore sites that could be avoided under carefully regulated domestic provision.
 - Liberalising the domestic supply of online poker card games, accompanied by appropriate harm minimisation measures, would test whether managed liberalisation should be extended to all online gaming forms.
- Recently enacted race fields legislation has been the main way jurisdictions have addressed the dual reform challenges of preventing free-riding by wagering operators and facilitating a competitively neutral wagering industry.
 - Should the race fields legislation be unsuccessful in either respect over the next three years, a national funding model should be established, based on federal legislation and with an independent price-setting body.
- The arguments for retaining the exclusive right by the TABs to provide off-course retail wagering products are not compelling.
- Governments have improved their policy-making and regulations with respect to gambling, but significant governance flaws remain in most jurisdictions, including insufficient transparency, regulatory independence and coordination.
 - There is a particular need to improve arrangements for national research.

Overview

Gambling was substantially liberalised in most Australian states and territories in the 1990s. Subsequent years saw not only a surge in gambling expenditure and industry growth, but also adverse impacts on many Australians and their families. The consequent backlash within the community led to the first independent national public inquiry by the Productivity Commission in 1999.

Since then, there have been significant changes in the gambling industry and its regulatory environment, with a greater policy focus on community awareness and harm prevention and minimisation. Notwithstanding this, community and political concerns remain evident. There have also been developments within parts of the industry, which have a more national character than before. The Council of Australian Governments accordingly asked the Commission to conduct a follow-up review, with a focus on problem gambling and the scope to consider other aspects of the industry.

Consistent with this, the Commission has not sought to replicate the coverage and depth of its earlier research, but rather to concentrate on providing evidence-based advice to governments about policies that would improve outcomes for gamblers and the community as a whole. A key challenge is to identify policies most likely to be effective in reducing the harms associated with gambling, while preserving most of the benefits. This is a complex task for public policy. The coverage and design of regulation require particular care to ensure that the benefits exceed the costs, and that account is taken of what is often imperfect evidence.

Gambling is a sizeable industry

Gambling is a common recreational pursuit and an enjoyable one for many. Around 70 per cent of Australians participated in some form of gambling in the last year.

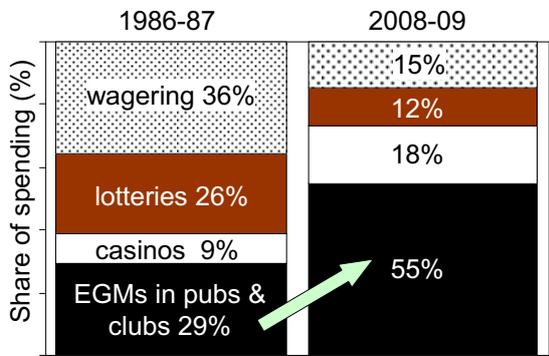
Gambling takes many forms, including Lotto and ‘scratchies’ (the most popular in terms of participation rates, though comprising a relatively small share of spending), electronic gaming machines (EGMs — the ‘pokies’), table games (like roulette and blackjack), wagering and the nascent, but rapidly growing, online gaming.

Gambling is a large industry in its own right (box 1). It is also important for the hospitality industry, given its role as an attractor of customers and revenue.

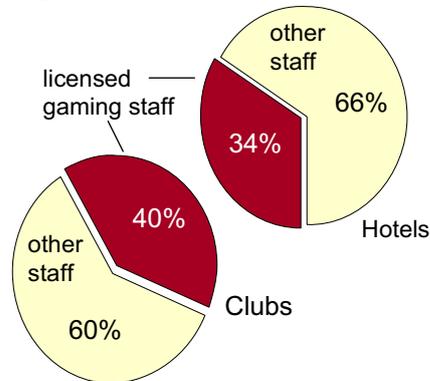
Box 1 Some key facts about the industry

- Total Australian gambling revenue in 2008-09 was just over \$19 billion and the share of household consumption was 3.1 per cent.
- Reliable figures for employment in clubs and hotels are dated. Employment in hotels with gambling was around 65 000 people in 2005, while in clubs with gambling, employment was around 60 000. Industry estimates suggest it would now be around 30 per cent higher. In 2009, around 20 000 people were employed in casinos.
- 5700 pubs and clubs provided gaming in 2008-09. There were also 4500 TAB outlets, 4700 lottery outlets and 13 casinos. The industry structure has changed, with the gaming machine and casino share of spending rising from 40 per cent in 1986-87 to 75 per cent in 2006-07.
- Hotels derived 28 per cent of their revenue from gambling, clubs 61 per cent and casinos 78 per cent.
 - The share for big clubs often exceeds 80 per cent. The 12 biggest clubs in NSW had gaming machine revenue of \$580 million in 2007.
- There were 198 300 electronic gaming machines (EGMs) in Australia in 2009, with 97 065 machines in NSW alone, and only 1750 in Western Australia
 - Annual revenue per EGM was around \$59 700 in 2008-09 with average revenue per venue around \$2.1 million.
 - Annual gaming machine losses per EGM player averaged around \$3700 in NSW; \$3100 in Victoria and \$1800 in Queensland.
- State tax revenue from gambling was \$5 billion in 2008-09 (or 10 per cent of all state tax revenue), with Victoria having the highest tax dependence (13 per cent), and Western Australia the lowest (4 per cent).

The ascendancy of gaming machines



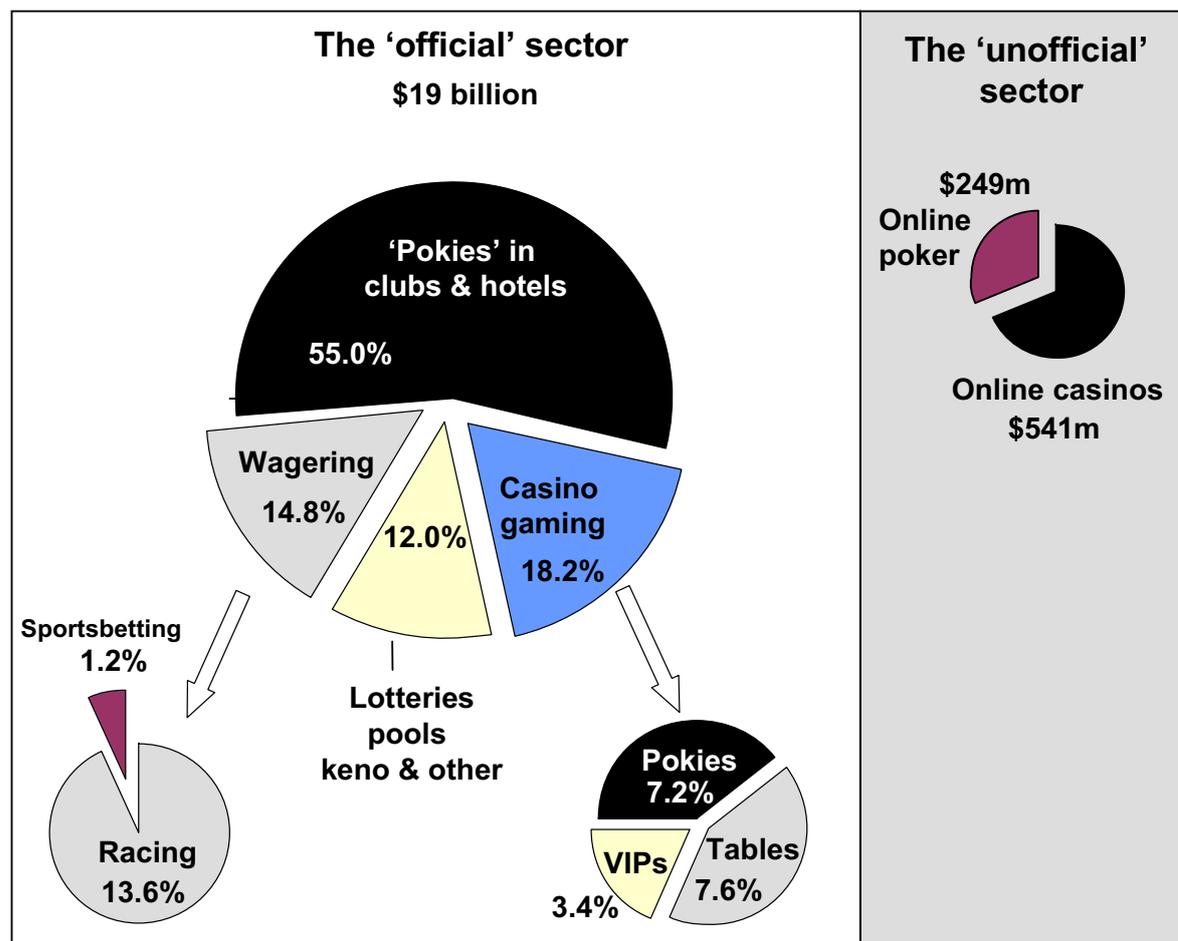
Licensed gaming staff make up a significant share of employment



Gambling is a major employer. That said, it is often hard to determine the staff time and numbers involved in gambling compared with ancillary services (meals, drinks, security, administrative and other services). Nevertheless, just on the gaming side, there were more than 50 000 licensed gaming staff in casinos, clubs and ‘pubs’ in 2005 and this number has probably grown since. Single casinos, like Crown and Burswood, are the largest single site employers in their respective states.

Expenditure can be more accurately estimated, given that it is the base for state and territory taxes. Player expenditure was just over \$19 billion in 2008-09, about the same as alcohol sales (figure 1). That represents around 3 per cent of total final household consumption expenditure, and more than \$1500 for each adult who has gambled in the last year.

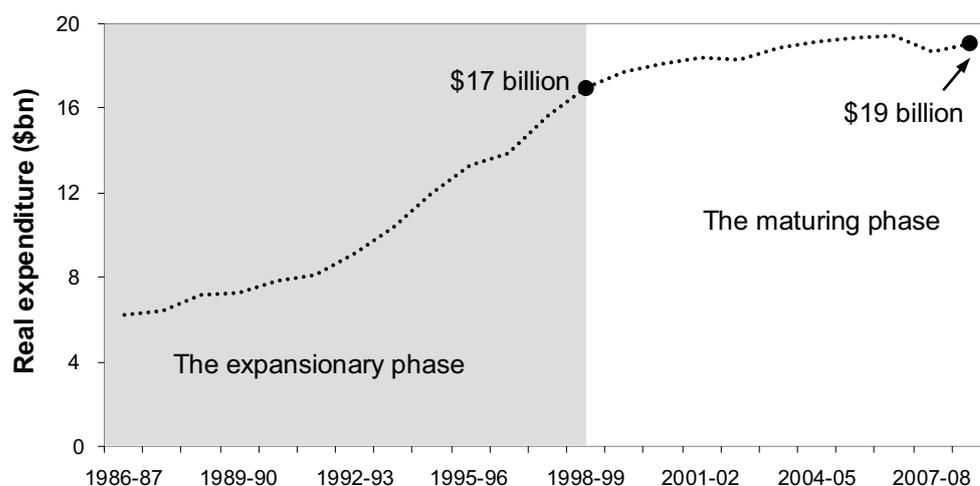
Figure 1 **A multifaceted industry**



EGMs are the dominant source of gambling revenue (figure 1). This is despite the fact that most Australians do not play them at all. (Specifically, 70–75 per cent of adults surveyed indicated that they do not use them in any given year).

The spectacular growth of gambling throughout the 1990s — associated with the sudden liberalisation of gaming machines — has gone, and there is reduced participation across the industry as a whole. Gambling is now a ‘mature’ industry, growing at a rate similar to most other industries (figure 2). The regulatory environment, notably bans on smoking inside venues, has also affected the industry’s growth in recent years.

Figure 2 A ‘maturing’ industry



The aggregate picture masks some important developments:

- A shrinking interest in gambling by some Australians has been partly offset by an intensifying interest by others. Real spending per EGM gambler has grown strongly. For example, in Victoria, average annual spending on gaming machines by those who play them has risen in real terms from around \$1750 per person in 1999 to nearly \$3100 in 2008 (and in NSW from \$2645 to \$3700).
- Casinos increasingly face strong competition in attracting globally footloose ‘high-rollers’ as Asian competitors develop new and expensive facilities.
- Sports wagering has been growing rapidly.
- Online gaming, though invisible in official records, appears to have grown rapidly, and spending could amount to around \$800 million in the most recent year.

Technologies are evolving too. Gambling is already one of the most sophisticated service industries in Australia, deploying (increasingly) advanced information technologies, complex systems for probity checking, and advanced technological developments in gaming machines and online services (underpinned by large R&D budgets). The gaming machine of 2010 differs greatly from that of the early 1990s (and especially the earlier era). There are more features, more networked games,

new graphics, and many more playing styles — as well as significantly increased potential for losses in a given period of play.

The gaming technologies of the future will be substantially different again. New protocols and network systems will provide improved ways of delivering effective harm minimisation, while avoiding many of the costly software and hardware upgrades imposed on venues under current arrangements. And, as gaming converges with the online environment, there is the prospect of new and better gambling experiences for consumers.

Gambling remains an important source of profits and taxes for venues and governments respectively, and this shapes the incentives of both.

- Accounting for changes to GST arrangements, state dependence on gambling revenue has not trended down to any great extent. Gambling taxes still amount to around 10 per cent of state and territory own tax revenue.
- Not surprisingly, as a group, casinos are the most dependent on gambling. However, despite their broader functions in the community, clubs offering gambling also derive the majority of their revenue from gaming machines. Several large community clubs are actually more dependent on gambling than casinos. Hotels offering gaming have roughly half the dependence on gambling revenue as clubs. Many venues have been diversifying their activities to reduce their dependence on gambling revenue.

A unique aspect of the gaming industry (compared with other parts of the entertainment and hospitality industry) is its role in supporting the community, especially sporting activities. All gaming suppliers make community contributions, though many see the Australian club movement as particularly important in this role. As mutual organisations, clubs pay no income tax on mutual income and often are subject to concessional tax rates and higher quotas on gaming machines. For example, NSW clubs with gaming revenue of between one and five million dollars pay 25 per cent tax on this revenue to the government, whereas a hotel with the same revenue would be taxed at 35 per cent. The quid pro quo for this preferential treatment is their role as a source of local community funding and their provision of secure and accessible facilities.

The social contributions by clubs are highly valued by many. However, it also needs to be acknowledged that:

- these contributions tend to be narrowly focused on sports activities and on subsidised benefits for club members. The value of contributions to the broader community is a small share of the value of the tax concessions. Comparisons across jurisdictions with differing levels of club dependence on gaming revenue

suggest that clubs with gambling do not stimulate volunteering or community participation in sport, as is sometimes claimed. Decisions about the allocation of gaming machine surpluses sometimes lack appropriate governance and transparency arrangements

- the lower taxes and other concessions that fund clubs' contributions mean less revenue for governments (or higher taxes for taxpayers). Governments have the capacity to allocate funds to roads, rail, healthcare and many other spending areas through the usual budgetary process, and to be politically accountable for their decisions. The concessions also have the potential to distort investment more generally in the economy.

Against that backdrop, the large tax concessions on gaming revenue enjoyed by clubs in some jurisdictions (notably New South Wales) cannot be justified on the basis of realised community benefits. There are strong grounds for these concessions to be significantly reduced, though this would require phased implementation to facilitate adjustment by clubs.

Many also regard the substantial employment in the industry (box 1) as an additional significant community benefit. However, the presence of jobs in an industry does not mean that those jobs are additional in a net sense, since most if not all the people concerned would have been employed in other industries were the gambling industries smaller. As one industry grows, others contract (an observation made by competing entertainment providers at the time gambling was liberalised). The people employed by the gambling industry have skills that are highly valued in the service sector as a whole, and they primarily work in large population centres where there are many other employment options. As a result, the longer-term employment effects of the gambling industry are likely to be negligible (a finding supported by analysis commissioned by the industry itself). Nevertheless, rapid shocks to any major employing industry can place pressure on unemployment in the short term, which provides one argument for staged policy transitions.

Like most other industries, the real benefits of the gambling industry depend on the extent to which consumers enjoy its products. That value amounts to many billions of dollars — and a major challenge for policy is to avoid putting it at risk through poorly targeted regulatory measures.

Gambling is enjoyable for most, but harms some people

The majority of people gamble with enjoyment and without harm, and many gambling forms are benign. As the Australasian Gaming Council puts it, gambling can be just part of a 'cheerful night out'. The most popular form of gambling,

lotteries, poses no substantive risks, and this applies to many other types of gambling, such as bingo. Other than ensuring that these games are conducted honestly (and are appropriately taxed), governments have a limited role in regulating these gambling forms.

The potential for significant harm from some types of gambling is what distinguishes it from most other enjoyable recreational activities — and underlines the community’s ambivalence towards it. (One large-scale survey found that three-quarters of Australian adults thought that gambling did more harm than good for the community — a view unlikely to apply to most other legal recreational pursuits.)

Harms associated with gambling are experienced by many people and to different degrees. Yet for some — so-called ‘problem gamblers’ — those harms are more intense and damaging to themselves, their families and other related parties.

How many people have severe problems?

While precision is impossible, estimates of the number of problem gamblers in Australia lie in a range around 115 000. (These estimates are based on the widely used Canadian Problem Gambling Index — a set of structured questions about adults’ gambling behaviours that indicate the prevalence and severity of gambling problems — box 2.) The numbers of people who have ever experienced problems with their gambling — so called ‘lifetime’ prevalence — are considerably higher than annual prevalence estimates.

It is also estimated that the number of gamblers at ‘moderate risk’ range around 280 000. People at moderate risk are also relevant for public policy — just as in relation to alcohol use or obesity — in that they still experience harm and some may progress to more serious problems.

Adult prevalence rates can be misleading

It is commonplace to represent prevalence estimates as shares of the *adult* population, but these figures can be highly misleading.

Currently adult prevalence rates are 0.7 per cent and 1.7 per cent of the adult population for problem and moderate risk gambling respectively. That looks small — and indeed some segments of the industry have suggested that consequently the social policy significance of such problems is also small. However, to put these figures in context, only around 0.15 per cent of the population are admitted to hospital each year for traffic accidents and around 0.2 per cent of the population are

estimated to have used heroin in the preceding year. Small population prevalence rates do not mean small problems for society.

Box 2 Measuring problem gambling

Despite the different methods for measuring problem gambling, it generally involves identifying people experiencing a cluster of significant harms: health problems, financial distress, difficulties controlling gambling and psychological impacts. All recent Australian prevalence surveys have employed the Canadian Problem Gambling Index (CPGI), which has been clinically validated for use in general population prevalence surveys.

The CPGI assesses the risks based on the frequency and breadth of the problems gamblers experience. The screen asks people to rate the frequency of nine behaviours/attitudes over the last year of gambling, with the options on any question being never, sometimes, most of the time or almost always. The questions are:

1. Have you bet more than you could really afford to lose?
2. Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?
3. When you gambled, did you go back another day to try to win back the money you lost?
4. Have you borrowed money or sold anything to get money to gamble?
5. Have you felt that you might have a problem with gambling?
6. Has gambling caused you any health problems, including stress or anxiety?
7. Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?
8. Has your gambling caused any financial problems for you or your household?
9. Have you felt guilty about the way you gamble or what happens when you gamble?

Scoring Instructions for the CPGI

Score the following for each response: never = 0, sometimes = 1, most of the time = 2, almost always = 3. Total your score. The higher your score the greater the risk that your gambling is a problem: Zero score (no risk); 1 to 2 (low risk); 3 to 7 (moderate risk) and 8+ (problem gambler). The overwhelming number of gamblers score zero on this scale.

Risks should be assessed for people who are exposed to risky gambling forms

From a public policy perspective, it is also important to assess the degree to which the harms people experience are associated with gambling behaviours (such as playing frequency and duration) and environmental risk factors (such as venue conduct and the gambling form). This helps determine the appropriate target for regulation. Accordingly, assessments should be focused on:

-
- the specific products that are most related to harm, rather than the broad and safer class into which these products fall (for instance, accidents in ultralight aircraft rather than aircraft generally). Considering the risks of problem gambling associated with the consumption of all forms of gambling, including benign forms like lotteries, conceals the elevated risks associated with particular gambling forms
 - those who regularly engage in a risky activity or use a risky product, and not for the broad group of people who never or only occasionally use them (for example, the health risks for people who often eat unhealthy foods, rather those who infrequently do so).

Reflecting this, most gambling policy interest needs to centre on people playing *regularly* on *riskier* forms of gambling. For these people, the risks and problems loom large.

A focus on electronic gaming machines — where most harms arise

In particular, the risks associated with playing gaming machines are higher than other gambling forms.

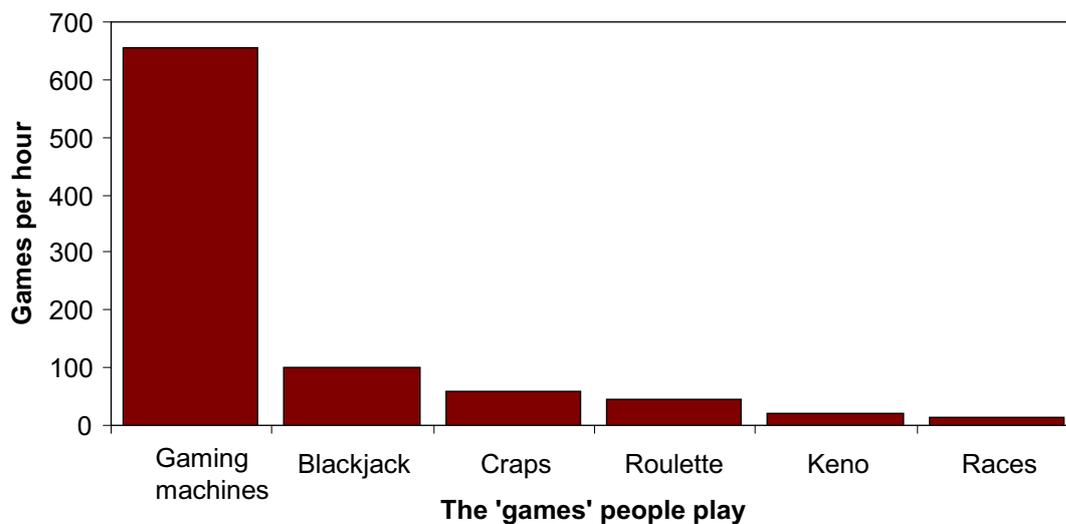
- They account for the biggest single slice of overall gambling expenditure in Australia — 62 per cent of the total, compared with 15 per cent for wagering and 7 per cent for table games (figure 1). They are probably also one of the most important sources of enjoyment for gamblers.
- The risks of problem gambling increase significantly with the frequency of playing EGMs. The Commission estimates that among those who play weekly or more on gaming machines, around 15 per cent are problem gamblers with an additional 15 per cent at ‘moderate risk’.
- They account for around 75–80 per cent of ‘problem gamblers’ and are found to pose significant problems for consumers in general.
- They are widely accessible throughout the community in all jurisdictions except Western Australia (which has fewer problem gamblers as a result).
- Regular gaming machine players (those playing at least once a week) are estimated to spend on average around \$7000–8000 per annum, a sizeable share of household incomes, and a key source of harm to some.
- There are vulnerabilities, extending beyond problem gamblers, arising from widespread misunderstandings about how gaming machines actually work. For instance, the evidence shows that many people believe they can recover losses by continuing to play (‘chasing losses’), and that machines run ‘hot’ or ‘cold’ (with over 50 per cent of gaming machine players believing this). The

consequence of these faulty cognitions is that people make expenditure decisions based on significant underestimation of the price they are paying for the good. People often have faulty beliefs, but most of these beliefs do not have the adverse consequences that can arise here.

- Prices of playing gaming machines are poorly disclosed, while the fact that receipts are not issued accentuates the tendency for gamblers to underestimate their spending. (When the Australian Bureau of Statistics asked people to estimate their gaming machine losses, they found the losses added to around 3 per cent of the real total.)
- The conditioning effects of random and intermittent payouts, combined with the capacity for rapid repetition of games — some hundreds per hour — can encourage sustained gambling (figure 3).

Consequently, state and territory harm minimisation policies have focused on this form of gambling, as has this report.

Figure 3 The speed of play varies greatly^a



^a These relate to routine playing styles, but people can play faster or slower.

Are the problems easing?

Although it is not possible to be definitive, it is likely that problem gambling prevalence rates have fallen among the adult population over the past decade — a positive outcome for Australians. However, that reduction is a misleading indication of the current risks from gambling, because it ignores the waning popularity of gambling and the need for policy to focus on risks for regular players of less safe gambling forms (box 3).

Box 3 **Is prevalence falling?**

In Australia, the two most common methods for measuring problem gambling have been the CPGI (described in box 2) and the South Oaks Gambling Screen (SOGS) — which was used in the Commission’s 1999 national prevalence survey.

While they have some overlapping questions, the two methods use different thresholds for defining ‘problem gambling’, so that the SOGS usually identifies a higher prevalence rate than the CPGI. This makes it difficult to determine trends in prevalence rates over time since the SOGS was the dominant instrument in the late 1990s and the CPGI in the 2000s. That difficulty is compounded by the fact that:

- no national survey has been undertaken since that of the Commission in 1999, with the current evidence drawn from sporadic state and territory surveys conducted at varying times
- problem gambling is a phenomenon that many people try to conceal
- it is hard to precisely measure the prevalence of relatively uncommon conditions
- estimates will fluctuate from year to year because of sampling error.

That said, the Queensland Government has conducted four surveys using the CPGI over the seven years from 2001, and these suggest a systematic decline in adult prevalence rates in that state. Results for other jurisdictions are more equivocal, though some results also point to reductions in adult prevalence rates. The likely reduction in problem gambling among the adult population is a positive outcome.

Falling prevalence rates may reflect several factors:

- natural adaptation after the sudden exposure of all adults to riskier (and for many, novel) forms of gambling in the 1990s. Subsequently, many people who developed problems resolved them and rates of EGM playing have fallen
- while there may be questions about the effectiveness of many government policies, significant effort has still been devoted to addressing some of the harms — and some of those effects should show up in the numbers.

Above all, the falling adult prevalence results are consistent with the fact that exposure to the most risky form of gambling, EGMs, has also been declining. A smaller proportion of people are playing regularly. (Indeed, the coincidence of falling adult prevalence rates and reduced exposure to EGMs provides additional supporting evidence of the causal links between EGM playing and harm.)

Among those exposed, the story is different. There is no evidence that the share of EGM spending accounted for by problem gamblers has fallen. In the most reliable series of surveys, there has not been any significant decline in problem gambling rates among those most exposed to risks (weekly players of gaming machines).

The evidence is consistent with the view that regular EGM playing continues to pose serious risks of harm — which is relevant to regulation of that gambling form. Reduced adult prevalence rates is a misleading indicator of *these* risks, in the same way that the lower prevalence of lung cancer in the population does not attest to safer cigarettes, but to reduced smoking.

There is no evidence that the share of total spending accounted for by problem gamblers has decreased. In addition, the most reliable series of surveys show no significant reduction in problem gambling rates among regular gaming machine

players. These are the major indicators relevant to regulation or other policies relating to gaming machines.

The still considerable scale of the problems, explains why governments generally accept that the problems remain of an order that warrant continued policy attention.

Assessing the harms

The harms from problem gambling include suicide, depression, relationship breakdown, lowered work productivity, job loss, bankruptcy and crime. For example, a 2008 survey found that gambling was the most common motivation for fraud and that the average loss was \$1.1 million per incident. Moreover, the rough counts of people directly affected ignores the ‘ripple effects’ of problem gambling. For each problem gambler, several others are affected — including family members, friends, employers and colleagues. A recent Tasmanian survey found that 50 per cent of people said they personally knew someone who was experiencing serious problems with gambling and around 13 per cent of people identified at least one family member with a serious problem.

While it is hard to quantify some aspects of these harms, such as suicide, the evidence suggests costs equivalent to many thousands of dollars per person affected. When these costs are accumulated across people with significant problems, they amount to some \$4.7 billion annually using conservative estimates.

The major contributor to harm is the large financial losses experienced by problem gamblers.

Problem gamblers are big spenders

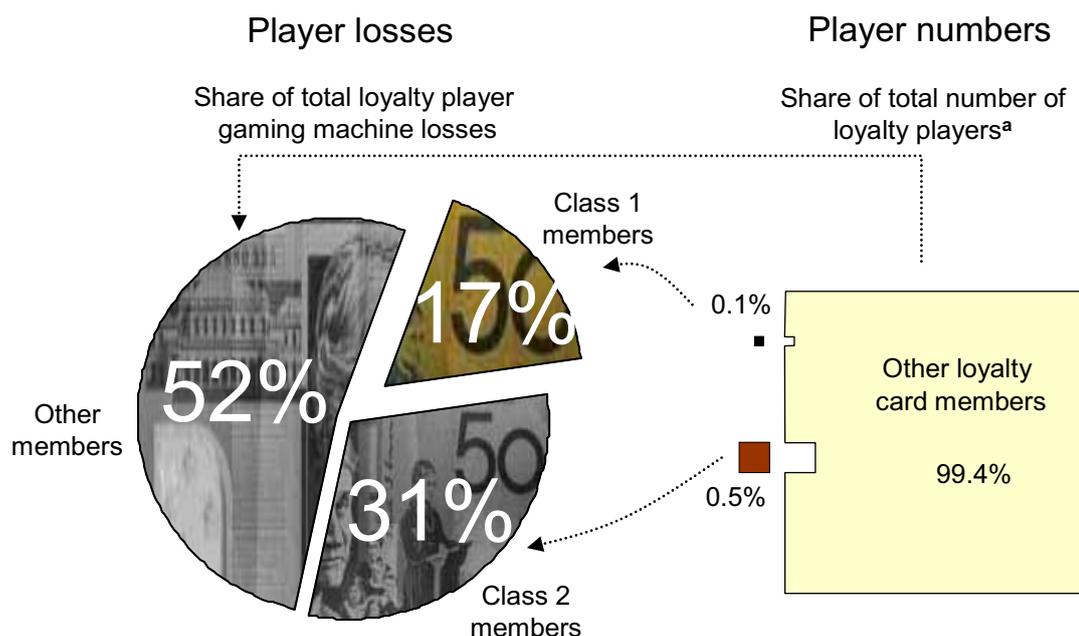
Problem gamblers figure disproportionately in total gaming machine spending. As they play many sessions per year, for longer sessions and at greater intensities than do recreational players, problem gamblers lose large amounts of money. (Data on the spending of loyalty members from a large Australian club shows how significant a few EGM gamblers can be to total spending. While some of these will not be problem gamblers, the strong association between high levels of spending and problem gambling, supports that many are likely to be — figure 4.)

The Commission estimates that problem gamblers’ share of total Australian gaming machine losses range around 40 per cent. Some estimates raise the possibility that the share could be as high as 60 per cent or, in the most conservative case, as low as a (still significant) 22 per cent. This means that, at a *minimum*, the ‘small’ group of

problem gamblers currently account for \$2.6 billion of gaming machine losses. Moderate risk gamblers account for an additional substantial share. Even taking the lowest estimates, therefore, it is evident that a large proportion of industry (and taxation) gaming machine revenue comes from these two groups of gamblers. Inevitably, policies that could effectively address the problems posed by gaming machines would have a significant impact on industry and government revenues.

The other implication of problem gamblers' high frequency of playing and their longer session lengths is that they are disproportionately represented in gaming venues. The results of one NSW survey suggested that while problem gamblers accounted for around 3 per cent of gaming machine players, they accounted for more than 16 per cent of the total time spent by EGM players. Problem gamblers might be hard to find in the adult population, but the opposite is true in gaming venues.

Figure 4 Just a few gamblers can represent a large share of total spending: the case of one large Australian club



^a Class 1 and 2 members are the top 2 tiers of loyalty card members of a large club in Australia.

Looking beyond the 'problem' gambler

From a public health perspective, it is increasingly acknowledged that the term 'problem' gambler is problematic in several ways, and needs to be interpreted with care.

One major drawback is that it can lead to an excessive focus on the individual traits — such as prior mental health conditions — that may precipitate gambling problems. It is important also to consider how gambling technologies, venue behaviours and other aspects of the gambling environment can lead to harmful outcomes for gamblers.

A further limitation is that it implies that problems are exclusive to those categorised that way using the current diagnostic instrument (box 2). In other public health concerns — such as alcohol consumption — policy appropriately extends beyond a focus on the extreme problems affecting a few (alcoholism) to some of the broader problems people can experience.

The evidence bears this out. While the prevalence *rate* of harm is much lower among non-problem gamblers, the *absolute number* of such people experiencing some form of harm is high. Multiplying a small rate times a very large population can equate to tens of thousands of people. Indeed, ostensibly ‘non-problem’ gamblers sometimes account for more than half of those affected by some specific harms. For instance, around 60 per cent of those who admit they are experiencing health problems arising from their gambling are *not* categorised as problem gamblers (figure 5).

Given the extent of harms posed by gambling, there is a sound rationale for government policies to mitigate those harms. That raises the question: how well have governments discharged their responsibility?

A decade of policy action — with mixed outcomes

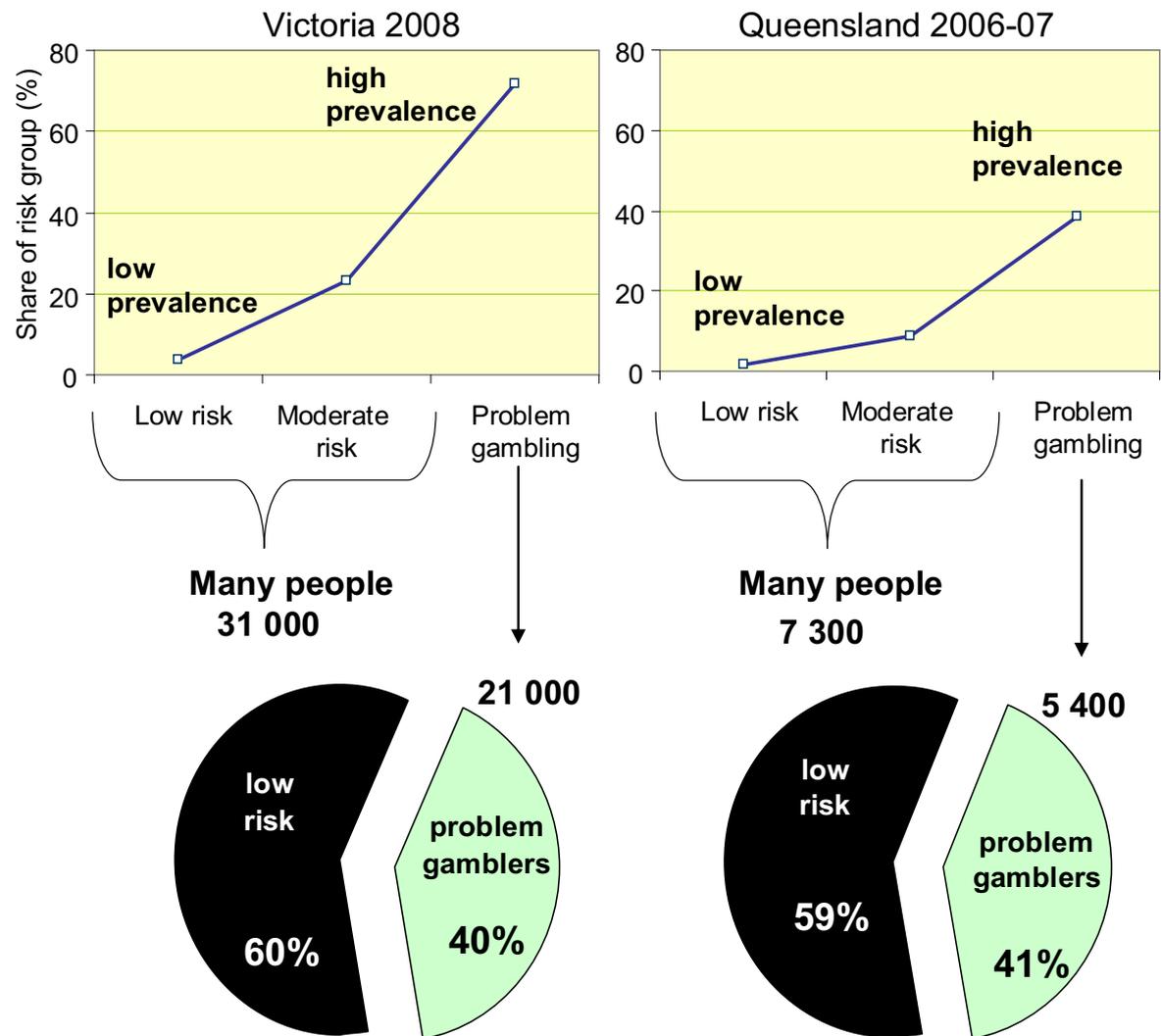
Gambling has always been one of the most regulated industries in Australia. Governments act as suppliers and tax collectors. They fund and organise help services for gamblers experiencing problems. Above all, they are active as regulators, and have put in place a vast array of laws and rules about when and where people can gamble, the nature of gambling forms and their modes of delivery, which businesses can supply gambling, and the behaviour and integrity of these suppliers.

In the decade following the Commission’s last inquiry into gambling, state and territory governments introduced additional layers of regulations and policies. These have principally been aimed at reducing the harms from gambling that emerged following a rapid increase in the accessibility of gambling in the 1990s.

Some of the initiatives have been effective. Help services for problem gamblers are well funded and often successful in resolving people’s difficulties (though there is

still room for improvement — see later). Some jurisdictions have developed effective warnings and there are other promising prospective policies, such as pre-commitment in Victoria.

Figure 5 Most people experiencing harms are not problem gamblers, but problem gamblers are much more likely to experience harms



Nevertheless, the current regulatory environment:

- has questionable effectiveness in reducing harm (box 4)
- involves a multiplicity of variations across jurisdictions, many of which do not appear justified
- has imposed unnecessary burdens on venues and gaming machine manufacturers

-
- involves arrangements that stifle competition and innovation in some parts of the industry, to the cost of consumers.

The gambling industry has emphasised the role of personal responsibility, rather than further regulation, as a major basis for reducing the harm from gambling. The Commission accepts the important role of self-responsibility. Many of the recommendations for amended regulation aim to provide consumers with a greater capacity for exercising self-responsibility. This applies to pre-commitment, better information and cash-input limits — all of which leave intact consumer sovereignty.

Box 4 Policy measures often lack ‘bite’

Governments have introduced many measures to address the harms associated with gambling machines, but the effectiveness of many of these is questionable. This includes:

- short periods of machine shutdowns. These typically occur in the early hours of the morning. They allow premises to be cleaned and maintained, but produce few obvious harm minimisation benefits.
- lowering the maximum bet limit from \$10 to \$5. If played at the fastest allowed rate, that means that the value of bets laid per hour will have fallen from \$12 000 to \$6000 (and *expected* losses down to \$600 from \$1200 an hour, which remains very high). Some jurisdictions have maintained the limit at \$10.
- reducing the value of notes that gamblers can insert at any one time into a machine from \$100 to \$50 — but retaining the capacity to insert note after note
- reduced cash input levels, such as from \$10 000 to \$1000. In this case, a player could still insert twenty \$50 notes consecutively into the machine. (Again, some jurisdictions have retained the \$10 000 limit.)
- ATM withdrawal limits of \$200 per transaction — but problem gamblers can go back time after time, subject to the normal arrangements they have with their banks
- mandatory clocks on machine displays, so people do not lose track of time. But most people have watches and they typically concentrate on the game.

These kinds of changes, while having little benefit for problem gamblers, can impose large implementation costs on venues, especially when they are introduced in an uncoordinated way and require retrofitting to gaming machines. Machines are secure devices for which changes have to be carefully supervised. In addition, gaming machine manufacturers have to configure machines in different jurisdictions differently.

The need for regulation and other policy measures has not waned, but such measures need to be part of an effective and coherent package — one that recognises that the technologies for the delivery of gambling services are changing rapidly.

Putting aside the likely significant benefits from addressing the problems experienced by consumers of gambling generally, the Commission conservatively estimates that even a 10 per cent reduction in the costs associated with problem gambling, if sustained, would generate benefits to society of just under \$500 million a year, or several billions of dollars over time. Accordingly, even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not inadvertently generate excessive costs for industry or gamblers generally.

What about the evidence?

Many participants in this inquiry have highlighted the poor state of the evidence used to justify policy decisions. There are continuing uncertainties about which gambling policies can effectively reduce harm. This is, in part, testimony to insufficient policy-focused research over the past decade and, in part, to the inherent difficulties in genuinely testing the effectiveness of social policies.

Evidence is essential to good public policy. However, an excessively high standard of proof about what would reduce consumer detriment from gambling would cause policy paralysis in an area where there are demonstrably large community costs from inaction. Policy needs to take account not only of the costs of mistakenly introducing ineffective policies, but also the costs of failing to act when a policy option may in fact be effective. There are good precedents for precautionary policy action in areas involving people's safety.

A justifiable criticism of gambling policy in the 1990s was that, despite international evidence about the risks of highly accessible gaming, governments did not apply a precautionary, evidence-based approach to justify the extensive liberalisation of gambling that ensued.

What needs to be done?

The problems experienced by gamblers are as much a consequence of the technology of the games, their accessibility and the nature and conduct of venues, as they are a consequence of the traits of the gamblers themselves. This suggests that addressing the difficulties faced by gamblers should draw from the insights of consumer policy and public health policy, not from medical perspectives alone.

Thus, gambling policy needs to act on multiple levels to:

-
- change the particular aspects of the environment (relating to venues, technology and accessibility) that lead to problems for gamblers vulnerable to harm
 - change the broader aspects of that environment that can lead to adverse outcomes for gambling consumers generally, such as ensuring probity, good information about the product being consumed, fair industry practices and removing barriers to competition
 - help gamblers who have problems (and their families) through counselling and professional services.

Progress has already been made in each of these areas. The Commission has sought to build on this. Its recommendations largely involve either the re-calibration of existing government policies or the wider adoption of effective policies that some jurisdictions have already implemented.

Box 5 Key changes since the draft report

In its final report, the Commission has made several significant changes to its policy recommendations, as well as extending the analysis, including:

- more discussion of the benefits of gambling
- more emphasis on gambling issues through a population or public health lens
- further analysis of the costs of implementation and of the technical obstacles to some measures, leading to changes in the proposed timing and sequence of their introduction
- no longer proposing the provision of a statutory duty of care
- staging the introduction of full pre-commitment, with a carefully designed trial to test its optimal design features
- the staged liberalisation of online gaming, commencing with online poker (card) games.

Regulatory changes have to be mindful of some of the differences between gambling forms and venue types, which can affect the tradeoff between the costs and benefits of regulatory action. In some exceptional cases, the Commission considers exemptions should apply, though some of these should only be temporary (box 6).

Box 6 **Some regulatory exemptions are warranted**

Regulations should pass cost-benefit tests and target problems where they are greatest. In some selective cases, this justifies exemptions or delayed implementation for some policy measures.

- Casinos should be exempt from certain access to cash restrictions. A withdrawal limit of \$250 per card on ATMs/EFTPOS facilities is only likely to provide modest benefits for higher risk players of gaming machines. The measure still passes a cost-benefit test if the costs are sufficiently low. However, in casinos these costs are likely to be appreciable. Among other things:
 - casinos are the exclusive provider of table games, where people tend to place larger bets by the nature of the games, but do so only irregularly
 - many casino patrons are from overseas or interstate, with the casino visit part of a tourist experience (true destination gambling), in which normal spending constraints are lower.
- There are also grounds to exempt international patrons in casinos from a regulatory requirement to pay EGM prizes of \$300 or more by cheque, given the considerable inconvenience this payment method would entail for such patrons.
- On similar cost-benefit grounds, there are persuasive arguments to exempt online gambling providers from bans on credit cards. A prohibition on credit card gambling in physical venues has some benefits, and few costs. In the online environment, the costs would loom large:
 - credit card payment is the customary and secure payment form in the online world
 - it would have unintended impacts on financial intermediaries like PayPal
 - it would undermine harm minimisation since the less convenient it is for internet gamblers to use websites without credit card facilities, the more likely they are to gamble with unregulated offshore providers.
- Finally, there are grounds for temporary exemptions for venues with less than ten machines that also face significant implementation costs relative to revenue (such as small country pubs and clubs).

Changing gaming machines

Changes to gaming machines (and the networks linking them) provide the most promising avenue for harm minimisation. Gaming machines should be a safe and enjoyable recreational pursuit and their design, use and regulation should reflect that.

A whole range of factors — the technology, people’s personal vulnerabilities, systemic misunderstandings about how machines work, and the incapacity to

accurately log how much has been spent — collectively reduce the capacity for informed and rational choice when playing gaming machines. The challenge is to address these problems while preserving as much of the pleasurable aspects of playing as possible.

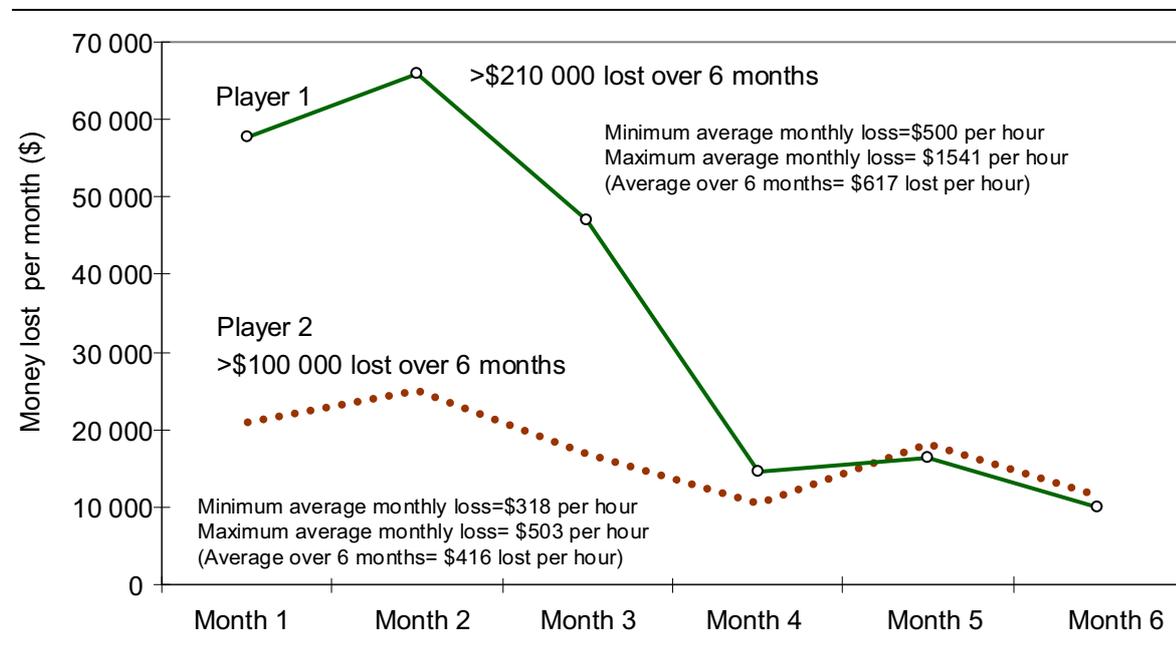
Lower cash input rates and more disclosure

Most people play on gaming machines infrequently, for relatively short periods of time and with low intensity. For them, the average cost — between \$30 and \$40 an hour — is commensurate with many other entertainments.

However, it is possible to play most gaming machines at much greater intensity than this — up to *expected* losses (they could be larger in practice) of around \$1200 per hour if they are played at a very fast rate (box 7). That bears no comparison with any other form of everyday entertainment. The Commission has evidence of gaming machine players losing tens of thousands of dollars over a few months. Figure 6 illustrates the case of one player who spent over \$210 000 in just six months: a loss of around \$620 per hour.

Figure 6 The results for two actual players

Two of the ‘best’ customers of a large club



Box 7 Gaming machines offer many playing styles

Gaming machines offer gamblers many different playing styles by allowing them to choose flexible combinations of lines and credits per line — and this is one aspect of their enjoyment. Customers can choose modest levels of intensity by playing many (a few) lines and only a few (many) credits per line. But, if a gambler chooses many lines *and* many credits per line, this will lead to very high expected loss rates.

A low intensity recreational gambler

On what is known as a ‘one cent machine’ a recreational gambler could play nine lines and five credits per line with every button push (in effect, nine games played at the same time with a bet of five cents per line) — a cost of 45 cents each time she plays. If she plays at a modest pace — 11 button pushes per minute — then on a 90 per cent rate of return machine, she could ‘expect’ to lose about \$30 an hour. (Sometimes she will lose more and sometimes even win overall, but this would be the average over many such sessions of play.)

If she plays for longer periods and many times a week — a common playing profile of a problem gambler — she can still face significant financial losses. Five two-hour sessions a week adds up to expected annual spending of nearly \$16 000 — a lot for most people.

A high intensity player

The flexibility of gaming machines also allows gamblers to ramp up their spending, even on apparently ‘cheap’ one cent pokies. On a game with no free games, by playing many lines and many credits per line, and pressing the button at its maximum speed (around three seconds), a gambler could lay bets of up to \$12 000 in an hour, resulting in *average* losses of \$1200 an hour (and often amounts in excess of \$1500 or more, since game returns are random).

If she was to play at even half this intensity for five sessions of two hours each week — not an unusual amount of time for many hobbies — her expected losses would rise to around \$310 000 annually.

Given the risks posed by high intensity play and the capacity of many (even recreational) gamblers to ‘zone out’ and lose control, the Commission recommends that players should be limited to putting in \$20 until the credits in the machine fall below that amount. (That compares to a limit of \$10 000 in some jurisdictions.) A recreational gambler betting 45 cents per button push — as described in box 7 — could expect around 40 minutes of play before needing to put in another \$20 note. Nothing would stop them from doing so, but they would have to think about whether they really wanted to engage in further play. It would still allow recreational players to have great flexibility in player choices of lines and credits, and to have short periods of higher intensity play.

However, someone playing fast and at a continuously high intensity — say \$10 per button push every 4 seconds — could expect to put in another \$20 every 80 seconds. This would be an irritant to such highly intense play, usefully provide small ‘breaks in play’ and represent a vivid reminder of the costs of high intensity playing.

This measure could be implemented remotely using current monitoring systems for the majority of machines in Queensland, avoiding costly changes to individual machines. (Regulators use central monitoring systems to collect the revenue data necessary for payment of taxes, test machine probity and to communicate generally with EGMs. Some systems have greater capabilities for communicating with EGMs than others.)

However, some jurisdictions do not have compatible monitoring systems — most notably NSW. Over the next six years, such states should introduce new monitoring systems that could remotely ‘switch on’ lower cash input limits and change other ‘parameters’ on the machines, as well as providing the vehicle for introducing other harm minimisation policies, such as pre-commitment (see later).

There is also a strong rationale for giving players more information about the cost of playing, since many do not understand the implications of player rates of return. The Commission has recommended price disclosure based on ‘cost per hour’ and loss rates. This would initially be implemented as static signs attached to the existing machines. But new machines should incorporate the ability to continuously inform players on-screen about their expected hourly losses, based on their playing styles (‘real-time’ price disclosure).

A lower bet limit?

The Commission also considers that there are strong grounds to reduce the maximum intensity of play per button push well below the current \$5 and \$10 regulated limits. A limit of \$1 would strongly target problem gamblers, with little disturbance for others, and its widespread adoption would be feasible by 2016. Delayed implementation reflects some practical realities:

- there is only a limited capacity for gaming machine manufacturers to re-design the large number of existing games to be compatible with such a bet limit
- regulatory approval for new games takes some time
- given current technologies, immediate implementation would require the replacement of many existing gaming machines and others would need to be retro-fitted with new software — a costly exercise. There is a much less costly alternative, which would:

-
- allow new machines to have bet limits up to the regulated ceiling of \$5 per button push common in many jurisdictions, but include a latent capacity for a \$1 dollar bet limit
 - activate this latent capacity in 2016 when most machines would include this feature. While it would be possible to restrict all new machines to the \$1 limit, problem gamblers could still select older, high-intensity machines in the venue, undermining the gains over the interim. Moreover, operators would have weak commercial incentives to invest in new machines.

To ‘future proof’ EGMs, machines should ultimately include a software capability that allows central monitoring systems to vary bet limits (and other key machine parameters) remotely, avoiding ongoing costly changes to machines.

Some alternative machine design changes proposed by participants to address harm — such as very slow spin rates or muted sounds — would probably reduce people’s risks, but would also reduce the prospect of enjoyable gaming.

Pre-commitment allows player control and (realistic) self-responsibility

The most targeted and potentially effective measure is to give people the capacity to control the behaviour of their future selves — to pre-commit — since lack of control, impulsiveness and periodic regret are commonplace among regular gaming machine gamblers (and other players too).

Pre-commitment takes many forms. Existing trials have focused on arrangements in which players can play machines without any player identification or, if they wish, use their loyalty cards to set spending and time limits. These have the advantage that player resistance to adoption is low and security of the cards can be limited. However, the Achilles heel of these systems is that gamblers who have exceeded self-imposed limits can remove their card, still play and break their commitment. In effect, such a partial pre-commitment scheme helps people make ‘resolutions’ rather than binding pre-commitments. That said, the evidence from the trials is that they can still be helpful for people in controlling their spending. Repeated circumvention of their own commitments may also help people to realise that they have genuine control difficulties.

Prima facie, a ‘full’ pre-commitment system that was binding would be more effective. The essential element of such a system would be the capacity for gamblers to set a spending limit that, when exceeded, no longer enabled them to play (or only to play at a significantly reduced level). This is consistent with consumer sovereignty, since each gambler has a choice about their own appropriate limits. Gamblers’ privacy would be ensured with no one permitted to ‘track’ their

play without their consent. In other words, the Commission’s model of pre-commitment ensures that the gambler is in charge, not some ‘big brother’.

The Commission has developed a set of standards for such a system of pre-commitment, including that it would:

- allow gamblers to set binding limits that would apply to all gaming machines and venues. Otherwise, they would be able to subvert their own intentions
- involve a ‘safe’ default limit, with the scope for people to set alternative limits (including no limit)
- still give occasional players the opportunity to spend small amounts without being part of the pre-commitment system.

Pre-commitment systems can also provide other options for harm minimisation at low incremental cost, including records of spending, set breaks in play, more tailored warnings, and less easily circumvented ‘self-exclusion’ (the capacity to bar oneself from gambling altogether).

A major advantage of full pre-commitment is that, properly designed, it has the potential to make redundant some other significant regulatory provisions. As one leading gambling researcher put it, the old regulations could be removed, and gamblers could ‘play and “lose control” within the previously set safety constraints.’ This would benefit recreational gamblers and lower some compliance burdens for gaming venues and vendors. Governments should assess the capacity to eliminate any redundant regulatory measures after full pre-commitment has been in place for several years.

Realistically, most state and territory governments could not quickly implement a genuinely binding pre-commitment system (though there would be greater scope to do this in states with more advanced monitoring systems). Full-scale implementation and advanced interfaces with the gambler would also require all machines to have card readers (or other player identification devices) and software upgrades — a costly measure if required to be done quickly.

Accordingly, the Commission recommends a staged approach:

- in the next three years, *partial* pre-commitment should be introduced in jurisdictions with *compatible* monitoring systems, while ensuring that the systems underlying this are *compatible* with the later adoption of full pre-commitment
- a trial of a *full* pre-commitment system with the design features described above should be conducted. The Australian Government should sponsor a state or territory government to conduct a trial (or trials) in all the venues of a regional

town, selecting the location to minimise the risks that people evade their pre-commitments by travelling to another location.

All new gaming machines should be designed so they are compatible with advanced pre-commitment options. Jurisdictions with incompatible monitoring systems, like NSW, would implement pre-commitment after they had updated these systems. (Notably, there is a technological shift towards networked gaming for its commercial advantages to the industry itself, and those networks will also make it easier for regulators to introduce and reverse regulatory measures at low incremental cost.)

Effects on venues

The staged implementation of most changes to EGMs gives machine manufacturers and venues time to plan, set standards, and to retire older machines. According to the gaming machine industry, the costs of new measures are low if they are planned and introduced as features of new machines and systems, rather than retrofitted.

It is likely that the biggest immediate impact on gaming venues would be revenue losses. If the Commission's recommended policy measures were highly effective, these impacts, while occurring progressively over time, could ultimately be large, especially when it is noted that it is not just problem gamblers who might respond to an environment with a greater capacity for genuinely consensual play. Lower revenues will inevitably lead to the gradual rationalisation of community gaming, reduced community contributions from clubs and hotels, and lower tax revenues for state and territory governments. (Changes to the current distortionary concessional tax treatment of clubs would partly offset the revenue losses to state and territory governments.)

However, it would be hard to justify allowing the large social costs from current arrangements to continue just because some people benefit from them. History is replete with instances in which industry interests have suffered from regulated increases in safety standards — tobacco, coal mining and asbestos, to name a few.

While the technical and other obstacles to immediate changes to gaming machines already mean the reform process must be gradual, the Commission proposes an even slower pace of change for small venues (mostly small regional clubs and pubs). Temporary exemptions for some measures are appropriate as their machines are often played at lower intensity and the lifecycle of their machines is longer than larger 'cashed-up' venues. Given these characteristics, the benefits from early reform in these small venues are lower, and the costs of achieving it higher, justifying their (temporary) special treatment. However, when such venues purchase

or upgrade machines, these machines should incorporate all the features recommended by the Commission, which should be activated at the same time as all other venues.

In the longer run, adoption of new technologies may expand the appeal of gaming machines and their use by recreational gamblers, partly offsetting the revenue losses associated with more stringent harm minimisation. Indeed, under new regulatory arrangements, innovation would be strongly targeted at achieving that end.

Dealing with accessibility

In the 1990s, most Australian jurisdictions liberalised gambling. High-intensity gaming machines were rapidly introduced throughout the community. In retrospect, given the harmful effects that ensued, a different model of liberalisation centred on destination rather than ‘community’ gambling may well have been more appropriate. However, it would be difficult and impractical now for any Australian government to suddenly reverse long-standing arrangements. (Some overseas jurisdictions have done so — Russia and Poland to name two — but they reflect different cultural contexts.) Only Western Australia adopted a model of destination gaming through a single casino — and the evidence supports it maintaining that model.

There have been some (modest) reductions in state-wide caps on gaming machines — generally with strong community support. However, there is little likelihood that the ‘tinkering’ with caps has materially reduced accessibility or the harms from gambling. Unsurprisingly, the evidence suggests that the tougher caps instituted so far have mainly led to higher utilisation of the remaining stock of gaming machines, without affecting overall spending. Nevertheless, on precautionary grounds, this does not mean that caps should be relaxed or removed.

Australian governments have also limited accessibility through mandated shutdowns of gaming machines in clubs and hotels — sometimes for specific times of day and sometimes for specified durations, with the venue often given discretion to decide when that might be. With the exception of Queensland, the current restrictions would appear to have negligible benefits, since they occur during very low-demand periods and facilitate cleaning and maintenance more than harm minimisation.

There is evidence that higher risk gamblers represent a much greater share of those people playing late at night. Moreover, at that time, gamblers are more likely to be playing under the influence of alcohol, reducing the capacity for informed consent

on a potentially very costly activity where impulsivity and faulty cognitions are already widespread. There would be significant benefits from requiring hotels and clubs to shut down their gaming rooms no later than 2am. This measure could be re-considered, however, with the implementation of full pre-commitment.

Changes to gambling venues

While venues will typically wish to act ethically, they have muted incentives to address the problems faced by their customers, as this could mean significantly lower profits. Accordingly, a key policy goal is to provide better incentives for venues to deal with the risks posed by the venue environment and the behaviours of staff.

Complaint mechanisms and consumer redress as incentive mechanisms

Consumers (and venue staff) have limited and poorly marketed access to procedures for making complaints about alleged adverse behaviours and breaches of codes of practice by venue management. Existing complaint processes through peak industry bodies raise perceived conflicts of interest, and may deter complaints by some.

For these reasons, the Commission recommends an easier and more visible mechanism by which consumers and venue staff could make complaints related to gambling to the regulator in each state and territory, with the potential for regulatory action (and penalties) if breaches have occurred.

The Commission also considers that Australian governments should prohibit inappropriate inducements for all gambling forms. (Some jurisdictions already have measures in place.)

The jurisprudence suggests a limited capacity for successful litigation when venues breach appropriate standards of behaviour. In the draft report, the Commission floated a statutory duty of care as a possible way of providing better redress for gamblers. While conceptually attractive, there are several obstacles to its practical implementation:

- actions would be likely to be slow and costly
- there would be difficulties in defining ‘egregious behaviours’ and distinguishing them from unconscionable conduct (which is subject to legal action under the Trade Practices Act and the common law).

Given such difficulties, the Commission has recommended enhanced compliance and complaints-handling arrangements — in particular, strengthening penalties and disciplines for serious breaches — to strongly discourage any inappropriate venue conduct. If governments did not implement these measures or they failed to deter egregious venue behaviour, a statutory cause of action could be given further consideration in the future.

Limited and contingent regulation of automatic teller machines (ATMs)

People experiencing problems with their gambling tend to make repeat visits to ATMs and make large withdrawals, whereas recreational gamblers tend to withdraw smaller amounts less frequently. Strong regulatory responses are afoot, including a forthcoming ban on ATMs inside gaming venues in Victoria.

It is uncertain how effective such a ban will be. On the one hand, problem gamblers may adapt by bringing more cash to venues, making cash withdrawals at ATMs outside the venue or using EFTPOS facilities inside. A ban might even have perverse effects if it allows people to use credit (as they can at ATMs outside venues) or makes the process of cash removal more anonymous. On the other hand, restricting ATM access will create a longer break in play that may discourage some problem gamblers from continuing (relieving some financial stresses) — and it might assist people at lower risk from progression to higher risk levels. Problem gamblers themselves often say that it would help them.

A ban would also involve significant upfront costs of relocating ATMs, as well as inconveniencing those venue patrons without any problems who want secure access to cash for other purposes.

The Victorian initiative should help resolve the uncertainties over the costs and benefits of removing ATMs. Given concerns about the costs of a ban, the risks of unintended impacts and the fact that gamblers may be able to circumvent it, the Commission considers other jurisdictions should wait for the results of an evaluation of the policy in Victoria. Nevertheless, the Commission proposes that cash withdrawals from ATMs/EFTPOS facilities in gaming venues should be limited to \$250 a day, except for casinos. This should act as a targeted measure against impulsive, excessive spending, be less costly to implement and entail little inconvenience for most patrons of clubs and hotels.

An effective pre-commitment system (described above) would, again, probably make bans on ATMs or cash withdrawal limits redundant.

Prizes

Notwithstanding the long-run inevitability of losses for regular gaming machine gamblers, some gamblers will occasionally win big prizes and these people will disproportionately be problem gamblers, given their spending rates. If paid out in cash, those gamblers run the risk of losing the lot by playing on under the faulty belief that they are on a winning streak.

The Commission proposes that prizes over \$300 be quarantined in a ‘bank’ in gaming machines, and be paid by cheque or direct credit transfer at the completion of the gambling session. This would overcome some of the perverse impacts of existing cheque payment requirements based on so-called ‘winnings’. Few recreational players would be inconvenienced by this as they rarely win amounts of \$300 or more.

However, it is not possible at present to implement this measure cost-effectively for most existing machines. Accordingly, the Commission recommends that governments require manufacturers to program this feature into new machines as a ‘dormant’ (and adjustable) capability to be switched on remotely by 2014. (It would need to be dormant in the shorter run, so venues still have incentives to buy new machines.)

Information and education

There are good grounds for more effective, visible and better located warnings about the risks of gambling in venues. Given the very low cost of in-venue warnings and notices, these tools do not have to be very effective (indeed, their effects should not be exaggerated) to pass cost-benefit criteria. The Victorian and Queensland approaches — which have been subject to market testing — provide a useful template for other jurisdictions. Over the longer run, as recommended by the Gaming Technologies Association, ‘intelligent’ dynamic messages should be incorporated into gaming machines, geared to the style of play in that session. (This would not require player identification, and so would preserve players’ privacy.)

The Commission has reservations about the benefits of school-based gambling education, which has been strongly advocated by the gambling industry and has been finding a place in state and territory curriculums. Educational programs have good ‘face validity’ as ways of overcoming some of the systemic misconceptions people have about gambling and making them aware of the risks. However, similar education programs in alcohol, tobacco and responsible motor vehicle use, have revealed a genuine risk of perverse outcomes, with programs sometimes

encouraging the very behaviours they were intended to avert. Given those risks, governments should not extend school-based programs without further careful assessment of those in place.

Help services

Help services relate to people who have already developed major problems and, as such, are not a substitute for the preventative measures described above. Nevertheless, they play an important role in the package of measures for problem gambling.

While there are large gaps in information about the impacts and value of help services, we do know some things from assessments of outcomes from a sample of services and from clinical trials of various approaches. Those studies and other evidence show that:

- the majority of problem gamblers satisfactorily manage their gambling following counselling/treatment. For example, among one group, average weekly gambling losses fell from \$1677 to \$262. In another, 90 per cent of those initially in treatment had maintained control over their gambling over the following six months. (However, self-recovery may be a significant part of the story.)
- ‘cognitive behavioural therapy’ is regarded as the most effective treatment among the plethora of approaches being used in Australia, but barring ‘gold-standard’ research, that conclusion is preliminary (and it would be premature to recommend one style of intervention)
- problem gamblers often have co-morbidities that also need addressing (such as depression, other affective disorders and substance abuse) and may need to acquire practical skills in handling their finances
- mostly, problem gamblers do not need prolonged treatment
- it is hard to recruit problem gamblers for treatment, partly because of the stigma of the condition. Only around 15 per cent of problem gamblers seek help.

The overall picture is one of a system muddling through to reasonable success. However, some changes would improve services, including:

- better evaluation, supported by improved datasets
- promotion of self-help and brief treatment options
- enhanced training of gambling counsellors

-
- better integration of help services with the rest of the health system, given the need for referrals for co-morbidities and the probable economies of addressing gambling harms with any associated mental health problems.

Online gaming

Online wagering and sportsbetting is now more common, providing punters with better prices and greater convenience than physical venues. While it has raised some contentious policy issues (see later), this form of online gambling has now become a part of Australia's gambling landscape.

Not so online *gaming*. Online commercial gaming includes casino and poker machine games delivered through the internet. Unlike most forms of gambling, online gaming is the regulatory responsibility of the Australian Government, which passed the *Interactive Gambling Act 2001*, outlawing its provision to Australians. This was despite opposition from most jurisdictions (which already had regulated online gaming) and the Commission's 1999 proposal for managed liberalisation.

Online gaming involves a difficult cost-benefit trade-off

Online gaming offers recreational gamblers better prices and more variety. However, it also poses risks. Online gaming is available 24 hours a day, has no restrictions on bet sizes, has no capacity for venue staff to observe and assist people in trouble, reaches new groups of people who may be vulnerable to the medium, and poses new challenges for achieving effective probity. That suggests some caution in unconstrained liberalisation. (It also has some features that promote safety, such as the capacity for age verification through the payments system.)

However, while the Australian ban on online gaming has probably reduced its growth, it has also had the effect of driving consumers to international sites, some with poor harm minimisation features and unscrupulous business practices. The ban will have decreasing traction over time, as people become accustomed to this new medium for gambling and as corporate overseas sites develop reputations for probity (if not safety) .

In that context, regulated access to domestic or licensed overseas online providers, rather than prohibition, has potential benefits. It could achieve many of the benefits of online gambling to consumers, while diverting consumers away from unsafe sites to ones that met stringent probity and consumer safety standards — thus reducing the risks of harms to online gamblers.

It would also increase competition in gambling with better outcomes for consumers, and provide Australian businesses with greater commercial opportunities. (But given the globally footloose nature of this kind of business, it would probably yield governments limited additional tax revenue.)

Even ‘managed’ liberalisation would pose some risks. Given the legitimacy domestic supply would provide, it would also probably see a much larger group of people participating. If those players developed difficulties controlling their gambling in the domestic market, there is a risk that they would continue to play abroad on unsafe sites, notwithstanding strong harm minimisation regulations applied to Australian-licensed operators.

The experiences of rapid liberalisation of gaming machines in the 1990s provides a lesson about too rapid a change in the gambling environment. Consequently, a gradual or staged approach to managed liberalisation that commenced with the safest form of online gambling — poker card games — would be appropriate. (Poker tournaments are social games of skill and usually involve a low number of bets in any given period. Indeed, in many cases, gamblers make a single modest contribution to a common ‘pot’ at the commencement of play.)

In that light, the Commission recommends that the Australian Government amend the Interactive Gambling Act to allow online poker games, subject to a strict regime of consumer protection. This should include pre-commitment and other harm minimisation interventions (such as player information statements). State and territory governments and licensed online gaming suppliers had already developed such a regime for online gambling more broadly prior to the ban. The government could enhance this consumer protection regime by implementing pre-commitment and self-exclusion across all Australian regulated online gambling sites (which appears to be technically feasible). It could also influence — through existing self-regulatory codes — the design of global consumer protection standards while online gaming is still in its infancy.

The Australian Government should then evaluate the effects of this partial liberalisation, including the effectiveness of the harm minimisation measures in place and the performance of the regulator overseeing the national regime, before considering any further liberalisation.

The racing and wagering industry

New technologies have undermined the ability of states to use any form of discriminatory legislation or practice in order to maintain protected wagering

markets. In 2008, the High Court determined that, on constitutional grounds, Western Australia could not prevent Betfair, a Tasmanian betting exchange, from supplying online wagering to people in that state. The entry of corporate bookmakers and betting exchanges has stimulated competition in the wagering industry, giving consumers lower prices and new products. In contrast, state level monopolies led to poor market outcomes and low growth in demand. A return to those days through new legislation would not serve punters well.

Nevertheless, some kind of policy is needed to ensure adequate funding of the racing industry; not for its own sake, but because its existence underpins the wagering market. The risk would otherwise be that a wagering supplier could ‘free-ride’ by taking bets, but provide no compensation to the industry that actually supplies the events on which people lay bets.

Some states have enacted legislation that achieves a reasonable balance between the benefits of competitive entry to wagering and the desire to have a viable racing industry on which punters can bet. However, other states — notably NSW and Queensland — have policies that effectively lock in anti-competitive arrangements (potentially to the detriment of their own racing industries in the long run). These states should emulate more appropriate arrangements, such as those applying in Western Australia.

Even at the national level, some risks persist. Depending on how legal cases unfold, there remains the danger that either:

- price-setting powers conferred on racing authorities by ‘race fields’ legislation could lead to broader anticompetitive outcomes in the wagering sector
- there might be a renewed risk that wagering providers could ‘free ride’ on the racing industry.

Were either to occur, the Australian Government should work with state and territory governments to develop an alternative national funding model for the racing industry.

In this instance, the Commission recommends a national response, based on a product fee levied on gross revenue from wagering. (Some alternative basis— such as turnover — would frustrate the development of competition.) A national, independent authority should determine the size of that product fee, leaving existing state-based racing authorities to distribute it among the clubs.

Whether the racing industries’ funding model is ultimately based on the existing racing fields legislation, or a national scheme, it is clear that addressing the free-rider problem is no longer dependent on the historical approach of granting TAB

retail exclusivity. Indeed, the extension of TAB's retail exclusivity does not appear to be associated with any significant, demonstrable benefit to consumers, or to the Australian economy. A more diverse retail wagering sector would increase the benefits that consumers receive from greater competition and greater choice. This need not increase overall community access to gambling, and new entrants would, at a minimum, be subject to the existing industry harm minimisation requirements.

Competition issues arising from the broadcast of racing may also warrant a national response. Tabcorp, through its ownership of Sky Channel, is the sole television broadcaster of harness and greyhound racing, and is the dominant provider of thoroughbred racing broadcasts in pubs and clubs. As noted by the ACCC, the vertical integration of Tabcorp's wagering and broadcast businesses has potentially serious implications for competition in the wagering market.

As the capacity for punters to view racing events is a key factor of production for wagering operators that compete with Tabcorp, this arrangement may frustrate competitive access to racing broadcasts. Were governments to allow bookmakers to establish a retail presence, Tabcorp's ownership of Sky Channel would become even more problematic. The Commission recommends that the Australian Government refer the matter to the ACCC.

Can gambling policymaking be better structured?

Governments have struggled with the challenges and contradictions posed by gambling, reflecting the multiple goals of gambling policy, the ambivalence of the public to gambling and the legacy of the past illegality of some gambling forms.

Governance arrangements for gambling have improved since the Commission's review in 1999. There is better transparency, greater independence of regulators from policy, and a range of direct government interventions. There is also a greater inclination to use evidence for policy, and greater coherence in governance (with different forms of gambling more often covered by just one regulator). There is also better dialogue between jurisdictions, with the formation of the Ministerial Council on Gambling.

However, some systemic problems remain. For one thing, governance arrangements still have deficiencies in some jurisdictions when assessed against a best-practice model. There are good grounds for ensuring independent regulators and in locating gambling policy in departments responsible for consumer, justice or health matters, rather than for industry development or revenue.

Too weak a focus on consumer outcomes has led to the introduction of harm minimisation measures with little bite. Moreover, while one of the benefits of federalism is its capacity for generating useful policy experiments (as with more effective warnings in Queensland and Victoria), some of the variations in jurisdictional regulations are hard to justify from a national, or even state, perspective. This is especially so in the fractured arrangements for gaming machine standards.

A more general concern is the lack of transparency of decision-making, inadequate consultation, and the tardy (or non) dissemination of information and research findings. And some of the evidence that *is* available is of questionable value. For example, some data on the use of, and outcomes from, help services are of poor quality.

While a lot of research has been done, too little of it has been directed at priority policy areas or proper evaluations of measures in place. Research has also not been adequately coordinated across jurisdictions. For instance, prevalence studies have used different methodologies and sampling strategies, and have been conducted at different times, thus precluding a coherent national perspective on gambling patterns.

The Commission sees major advantages in a new institutional arrangement for nationally coordinated, policy-focused research, with open access to data and research findings. The new body would undertake research activities at the request of the Australian Government, but would consult with all jurisdictions and other stakeholders through an advisory panel. It would bring a multidisciplinary approach to gambling, forging links with, and using the skills of, associated expertise in other areas of public health (such as alcohol). It would have its own research capability and could have a role in coordinating and strengthening policy evaluations by states and territories.

More generally, there is a need for the Australian Government to take a greater leadership role in pushing for, or sustaining, reforms. As discussed above, the Commission sees it having a key role in creating a more policy-oriented and strategic approach to gambling research, sponsoring a pre-commitment trial and, potentially, in determining a national product fee for wagering. In addition, it is important that the Australian Government actively engage with state and territory governments in the development of new machine design features, standards and protocols.

As a last resort, where actions at the state and territory level do not take place, are too slow or too fragmented, the Australian Government should consider using its

corporations power under the Constitution to achieve the design changes to gaming machines and networks that are necessary for effective harm minimisation.

A cohesive, forward-looking approach

In summary, the Commission is proposing a comprehensive, coordinated and carefully sequenced package of reforms to gambling regulation. Boxes 8 and 9 below describe in simple terms the implications of the reforms for gamblers and for the industry, respectively, while table 1 gives a timeline for the recommended changes.

The objectives of the Commission's proposals are to increase competition in some segments, expand consumer choice in others, but above all, to reduce the harms from gambling while preserving its entertainment value as much as possible.

A package of measures is more likely to be effective than any single measure alone. The proposals also look to the future, given that governments cannot implement many measures immediately, there are transition costs for the industry, and gambling technologies are developing rapidly. Policies for effective consumer protection must plan now to address the risks and take advantage of the opportunities those technologies provide. While the emphasis is on gaming machines, there is also scope for reforms across the whole industry in some areas of harm minimisation, and for reforms in other segments that would serve to liberalise gambling, while being in the interests of the wider community.

Table 1 The timing of changes to gaming machines

<i>Date</i>	<i>Measure</i>
2010	<ul style="list-style-type: none"> • implement cash/credit input limits in Queensland <ul style="list-style-type: none"> – build this feature into new machines in other jurisdictions for activation by 2016 • commence broad development of standards and design features <ul style="list-style-type: none"> – fast-track standards needed for dynamic notice of actual cost of play, internal bank for wins over \$300, dynamic warnings of potentially harmful play, capability to operate at \$1 bet limit and partial pre-commitment – each jurisdiction to decide which communications protocols they will use for pre-commitment and remotely changing EGM parameters • commence design of prototype full pre-commitment system for future trial
2011	<ul style="list-style-type: none"> • new EGMs to have: <ul style="list-style-type: none"> – dynamic notice of actual cost of play (activated immediately) – capability for internal bank for wins over \$300 (not activated) • implement simple warnings on EGMs using compatible monitoring systems
2012	<ul style="list-style-type: none"> • new EGMs to have: <ul style="list-style-type: none"> – capability for dynamic warnings of potentially harmful play (not activated) – capability to operate at \$1 bet limit (not activated) – consistency with agreed central monitoring protocols
2013	<ul style="list-style-type: none"> • implement partial pre-commitment in jurisdictions with compatible monitoring systems, with limited exemptions • trial of full pre-commitment system
2014	<ul style="list-style-type: none"> • activate: <ul style="list-style-type: none"> – internal bank for wins over \$300 for all machines supporting this feature – dynamic warnings of potentially harmful play for EGMs supporting this feature
2016	<ul style="list-style-type: none"> • upgraded monitoring systems to be operational in all jurisdictions • full pre-commitment to be operational in all jurisdictions, subject to trial outcomes, and with limited exemptions • all EGMs to be capable of facilitating pre-commitment and remote adjustment, excepting exemptions for small venues • excepting exemptions for small venues, all EGMs to: <ul style="list-style-type: none"> – provide dynamic notice of actual cost of play – provide dynamic warnings of potentially harmful play – have an internal bank for wins over \$300 – operate at a \$1 bet limit • all jurisdictions to impose cash/credit input limits
2018	<ul style="list-style-type: none"> • all exemptions for small venues end
2020	<ul style="list-style-type: none"> • assess effectiveness of all harm minimisation measures to see if they should be modified or removed

Box 8 From a player's perspective: questions and answers

The Commission's recommendations would have direct impacts on gaming machine players. But for many players, the effects would not be large, and it is important that this is understood.

'Will changes to gaming machines make them much different to play?'

The new cash input limit means you would only be able to put in \$20 at a time. If you play the pokies at low intensity, as most players do, you would notice very little difference. The games would still play the same way.

A key recommendation is to make \$1 the most you could bet on a single button push. People who only play pokies once in a while usually bet less than this anyway. The \$1 bet limit reflects that gaming machines are really entertainment devices only — the cost of play should reflect this.

The problem with high bets is that it is very easy for some people to lose a lot of money fast, sometimes without realising how much, and many players do not realise that the chances of winning over many sessions are low.

'Will on-screen warnings interrupt my game?'

They may sometimes, depending on how you play. From 2014, if you start playing a lot faster and betting more, a warning might pop up to alert you. Most people will want to read and think about it, but you would only have to press a button to close it, or wait for it to go away.

An on-screen change that won't interrupt your play would be a notice of the *cost of play per hour* as a dollar amount. The idea is similar to a fuel-use gauge in some new cars that can show how much fuel you use as you accelerate. In this case, the more lines and credits you bet, the more it costs, and the screen would give you an idea about how much. You'd still have the usual wins and losses, but if you were going to play for a while, it would give you a good guide as to the long-term overall cost of play.

'What about my winnings?'

From 2014, new machines would have a 'bank' meter beside your normal 'credits' meter. Any big one-off wins (over \$300) would be put in the 'bank' instead of being added to your credits. You could keep playing, but you would not be able to gamble what is in your bank — you could only cash it out when you finish playing. It is intended to help those who overstretch themselves, but also to make it easier for all players to keep their winnings.

continued

Box 8 **continued**

'What is 'pre-commitment'? Is the government going to limit how much I can gamble?'

Some people want to cut down on their gambling, but once they're at the machine, it becomes difficult to stick to their plan. With pre-commitment, you could set your own limits on how much you could lose in a session, and how long that session would last.

You would be able to set limits for a week or month, or even just for that day. Once you entered that into the system, it would stop you from going over that limit. But you would not have to use it if you didn't want to, and no-one else (including government) would be putting limits on how much you could spend on gaming machines.

'Who is going to know how much I spend on gambling?'

The 'pre-commitment' system is intended to keep track of how much each player gambles, but this information will not be used, collected or even seen by any government office. None of your information will be given to other businesses. The data are only collected to let you keep track of your own spending, and manage it as you see fit.

'Do I have to sign up for a card just to gamble?'

Special provisions will be made for low level betting by occasional users. But if you play more regularly, and pre-commitment is implemented fully across your state or territory, then you will have to sign up to play the pokies. You will be required to use a card, a PIN or other identification device. But it will be just as quick and easy as signing up for a membership at a video shop or a club. To make things even easier, you will just have to sign up once, and you can use that identification all over the state.

'When would pre-commitment start?'

Pre-commitment has already been trialled in a few venues across Queensland and South Australia. Some form of pre-commitment is operational in many Queensland venues already. An interim system would begin in 2013 for some jurisdictions, and a full version in 2016 for all jurisdictions. Some smaller venues might not be able to offer it until 2018.

'Will pubs and clubs be closing earlier?'

Clubs and hotels would be able to open as late or early as they always have, but their gaming machines would be shut down for a few more hours — commencing no later than 2:00am for six hours.

'Can I make a complaint about a venue?'

Yes. If you had a complaint about the behaviour of a venue that may contribute to problem gambling, you would be able to go directly to the gambling regulator in your jurisdiction. Venue staff would also be able to do this.

Box 9 From a venue's perspective: questions and answers

The changes to EGMs recommended by the Commission would affect various aspects of gaming venues' operations. However, it is important that any concerns of venue operators are not heightened by any misunderstandings about what is proposed.

'Would I have to change my machines immediately?'

No. Some new harm minimisation features would be built into *new* machines from 2011, while any new machines sold from 2012 onwards would need to have the complete set of features. Most of these harm minimisation features would not be activated immediately, but would be built in the machine as an available setting. You would not have to start buying new machines at this time.

'Could I just run my old machines?'

Yes, for some time. There would be a deadline after which all machines in operation would need to be compliant with harm minimisation measures and conform to the communications protocol decided by your jurisdiction. After this deadline, older machines would have to be upgraded or replaced. For larger venues, the recommended deadline is 2016, whereas smaller venues would have until 2018.

'Would I eventually have to replace my machines all at once?'

The timetable for machine replacement gives venues six years to plan their capital turnover. New machines bought from 2012 onwards would be compliant beyond 2016.

'Would I have to replace my machines every six years from now on?'

No. These changes are designed to make compliance with any changed rules quick and inexpensive in the future. New machines available from 2012 would be compliant for a longer time period than previous ones. Prior to the development of that generation of machines, state and territory governments would have decided on various common standards, including harm minimisation capabilities, and the protocol to be used going forward. Once the machines are using advanced protocols, any changes to compliance could be as simple as your regulator transmitting a new parameter to machines remotely. But if you buy new machines prior to 2012, you will need to check with your manufacturer as to whether they complied with standards valid beyond 2016.

'According to this timetable, when would my patrons actually see these harm minimisation measures?'

In 2010, Queensland would remotely implement a new cash-credit input limit of \$20. In 2012, new EGMs would have dynamic notice of actual cost of play. In 2013, some jurisdictions (with compatible machines and monitoring systems) would implement partial pre-commitment. In 2014, machines with the built-in option of *internal banks* and *dynamic warnings* would have them activated. In 2016, larger venues in all jurisdictions would operate full pre-commitment (subject to trial outcomes), and in 2018 small venues would follow suit.

continued

Box 9 **continued**

'Some of my customers will not like the idea of the government watching how much they gamble'

Privacy would be protected. The pre-commitment system would keep track of how much each player gambles, but this information would not be used, collected or even seen by any government department (including the tax office). Neither could monitoring operators use this data in any way. The data would be collected solely for the players themselves — so they could keep track of and manage their own spending. Venues could still continue to run loyalty schemes if the player consented. And no-one would be telling players how much to gamble – any limits would be decided by the player.

'What would be the impact on my bottom line?'

Harm minimisation is designed to allow people to control their spending better. This means that people whose lives are harmed by excessive gambling will be encouraged to gamble within their limits. Since gamblers with problems tend to spend much more than others, helping them control their gambling will inevitably reduce a venue's turnover relative to what it would otherwise have been. However, this will not happen overnight, and other market developments, such as from more innovative technologies, could be expected to have some offsetting effects.

Recommendations and findings

Chapter 4 A broad perspective on gambling problems

FINDING 4.1

There is strong evidence that gambling can have adverse health, emotional and financial impacts on many more people than those categorised as ‘problem gamblers’. As is the case in policies addressing harm from alcohol consumption, policy also needs to address these wider impacts.

FINDING 4.2

People playing gaming machines face much greater risks than people who gamble on other forms, particularly lotteries, scratchies and bingo.

Chapter 5 The prevalence of problem gambling

FINDING 5.1

The Commission estimates that there are between 80 000 and 160 000 Australian adults suffering severe problems from their gambling (0.5 to 1.0 per cent of adults). In addition, there are between 230 000 and 350 000 people at moderate risk, who experience lower levels of harm, and who may progress to problem gambling (1.4 to 2.1 per cent of adults).

FINDING 5.2

About 4 per cent of adults play gaming machines weekly or more often. Around 15 per cent of this group would be classified as problem gamblers, with around an additional 15 per cent experiencing moderate risks.

FINDING 5.3

It is estimated that problem gamblers account for around 40 per cent of total gaming machine spending (the average of a range of estimates as high as 60 per cent and, most conservatively, as low as 20 per cent). Moderate risk gamblers account for a further significant share.

FINDING 5.4

While problem gambling prevalence rates for the adult population as a whole have probably fallen, in relation to the more relevant indicators for policy, there is:

- *no reliable indication of a significant decline in the rate of problem gambling among regular EGM players*
- *no evidence that the share of total spending accounted for by problem gamblers has fallen.*

Chapter 6 The benefits of gambling and some implications

FINDING 6.1

The gambling industry makes various contributions of value to local communities, including through the provision of secure, accessible venues.

FINDING 6.2

The large tax concessions on gaming revenue enjoyed by clubs in some jurisdictions (notably New South Wales) cannot be justified on the basis of realised community benefits. There are strong grounds for these concessions to be significantly reduced, though this would require phased implementation to facilitate adjustment by clubs.

FINDING 6.3

While it is not possible to be definitive about the costs and benefits of gambling, the Commission estimates that in 2008-09:

- *the benefits from tax revenue and enjoyment of gambling for recreational gamblers ranged between \$12.1 and \$15.8 billion*
- *the costs to problem gamblers ranged between \$4.7 and \$8.4 billion*
- *the overall net benefits ranged between \$3.7 and \$11.1 billion.*

The net benefits could be much larger if governments reduced the costs through effective prevention and harm minimisation policies.

Even under conservative assumptions, a sustained 10 per cent reduction in the costs associated with problem gambling is estimated to generate benefits to society of around \$450 million a year in 2008-09 prices, and longer-term benefits amounting to several billion dollars. This implies that even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also involve disproportionate costs.

Chapter 7 Counselling and treatment support services

Gambling treatment outcome studies report that, irrespective of the type of treatment provided, most clients benefit. Although cognitive behavioural therapy is the approach with most empirical support, no one style of intervention can yet be recommended as best practice.

Outcome and client follow-up data for support services, while limited, show significant decreases in clients' involvement in gambling and their gambling-related problems following treatment.

Building on existing initiatives, governments should:

- ***work to establish stronger formal linkages between gambling counselling services and other health and community services, including by:***
 - ***ensuring that health professionals and community services have information about problem gambling and referral pathways***
 - ***providing a one-item screening test, as part of other mental health diagnostics, for optional use by health professionals and counsellors. Screening should be targeted at high-risk groups, particularly those presenting with anxiety, depression, high drug and alcohol use***
 - ***providing dedicated funding to gambling help services to facilitate formal partnerships with mental health, alcohol and drugs, financial and family services***
- ***promote self-help and brief treatment options, as such interventions can be cost-effective ways of achieving self-recovery of people experiencing problems with gambling***

-
- *place greater emphasis on campaigns that (i) dispel common myths about gambling and tell people how to gamble safely (ii) highlight potential future consequences (financial losses, relationship breakdowns) associated with problem gambling and (iii) make the community aware of behaviours indicative of problem gambling, to encourage earlier help-seeking or interventions by family and friends.*

RECOMMENDATION 7.2

Governments should work together to establish a national minimum standard of training for problem gambling counsellors.

RECOMMENDATION 7.3

Governments should ensure that existing funding mechanisms for gambling help services be based on greater contributions from those gambling forms found to involve the greatest social harms:

- *with the gambling types causing greatest harm, as reported by clients presenting to help services, used as the basis for determining these contributions.*

Where funding is also used for prevention and early intervention strategies, contributions should be based on expenditure by gambling type.

RECOMMENDATION 7.4

Governments should cooperate to:

- *create a nationally consistent and publicly available dataset on gambling help services, including measures of their effectiveness*
- *develop national guidelines, outcome measures and datasets for prevention and early intervention measures.*

The collection of data and evaluations of help services and prevention measures should be coordinated through the Commission's proposed national centre for gambling policy research and evaluation (recommendation 18.3) or by another agency with expertise in public health analysis.

Chapter 8 Gambling information and advertising

RECOMMENDATION 8.1

Governments should draw on the Victorian and Queensland models for gambling warnings:

-
- *making them conspicuous on machines and in other areas of venues*
 - *using imagery that has been demonstrated to be effective*
 - *highlighting the behaviours that are indicative of problem gambling and the benefits of altering these*
 - *including contact details for help services.*

New warnings should be market-tested for effectiveness prior to their introduction, and their impacts assessed, including by monitoring help-line services before and after implementation. They should be periodically changed to maintain their effect.

RECOMMENDATION 8.2

There should be a capacity for gaming machines to display warnings electronically when the style of play is indicative of significant potential for harm, with:

- *this capability incorporated into all new gaming machines by 2012 and switched on for these machines in 2014*
- *all gaming machines required to have this feature by 2016, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue*
- *the messages to be displayed and the rules for triggering each message configured in such a way that they could be changed remotely via a monitoring system (including for new machines sold in jurisdictions where existing monitoring systems would not yet be capable of making those changes).*

In the interim, where their monitoring systems are already capable of sending messages to EGMs, jurisdictions should require gaming machines to periodically display simple warnings (unrelated to a gambler's playing style) by 2011.

RECOMMENDATION 8.3

Governments should ensure that gaming machine players are informed about the cost of playing through disclosure of the 'expected' hourly expenditure and the percentage cost of play.

- *Initially, this should be achieved with a sign fixed to all EGMs, showing the percentage cost of play and the expected hourly cost of play on that EGM, based on some customary styles of play.*

-
- *By 2011, all new gaming machines should display electronically the cost of playing based on an individual's style of playing, and provide information on the percentage cost of play.*
 - *By 2016, all gaming machines should be required to have this feature, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.*
 - *The percentage cost should be calculated as 100 minus the return to player percentage.*

RECOMMENDATION 8.4

The Ministerial Council on Gambling should develop a consistent national approach for regulating gambling-based quizzes, competitions and auctions operated or marketed through television, mobile phones and the internet:

- *those arrangements should not cover gambling or gaming activities already regulated by state and territory governments.*

RECOMMENDATION 8.5

Governments should ensure that gambling suppliers do not provide information to consumers that can create the false impression that future winning numbers can be inferred from past results. This should apply to all gambling suppliers, including government-operated lotteries.

RECOMMENDATION 8.6

The Ministerial Council on Gambling should review the 2010 television industry code of practice to determine whether the current exemptions relating to the promotion of lotteries, lotto, keno and sportsbetting during key children's viewing periods are appropriate.

Chapter 9 School-based education

FINDING 9.1

Little evidence has been collected about the effects of school-based gambling education programs on students' gambling behaviour. However, evaluations of similar programs in alcohol and vehicle safety have found that, while they can raise awareness, they tend to have no, or even adverse, behavioural impacts.

Given the risk of adverse outcomes, governments should not extend or renew school-based gambling education programs without first assessing the impacts of existing programs.

Chapter 10 Pre-commitment strategies

Governments should modify self-exclusion arrangements for clubs, hotels and casinos, so that:

- *while the default option would be an interview-based process, gamblers would also have the option of applying for self-exclusion using a simple form and without delay*
- *gamblers would have the option to apply for a jurisdiction-wide self-exclusion agreement, given effect by requiring that venue staff:*
 - *request identification when issuing cheques for all gamblers claiming major prizes*
 - *match identification against a state-wide database, subject to strict privacy guidelines and only to be used when verifying that parties claiming major prizes are not on the database.*

As in Victoria, prizes won by people shown to be in breach of self-exclusion orders should be forfeited to government revenue.

Governments should ensure that, in any of the self-exclusion programs offered by venues:

- *gamblers have the choice of:*
 - *immediately invoking self-exclusion at the venue (without interview), or*
 - *excluding themselves at a place outside the venue or, to the extent practicable, by phone or internet*
- *subject to evidence and due process, there should be a capacity for family members to make applications for third party exclusions and for nominated venue staff to initiate involuntary exclusions of gamblers on welfare grounds.*

RECOMMENDATION 10.3

Governments should ensure a balance between flexibility and enabling agreements to be binding, by:

- *providing the option for various periods of self-exclusion, with the potential for self-excluded people to revoke their agreements after an appropriate minimum period, subject to evidence of attendance at a counselling service*
- *providing reasonably simple and accessible processes for people with existing agreements to easily extend their self-exclusion periods.*

RECOMMENDATION 10.4

Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development (recommendation 19.1), trialling (recommendation 19.2) and compatible monitoring systems (recommendation 10.6). This system should:

- *provide a means by which players could voluntarily set personally-defined pre-commitments and, at a minimum, a spending limit, without subsequently being able to revoke these in the set period*
- *allow players to see their transaction history*
- *encourage gamblers to play within safe spending and time limits, by specifying default limits*
- *include the option for gamblers to set no limit on their spending as one of the system options, but with periodic checking that this remains their preference*
- *allow occasional gamblers to stake small amounts outside the system*
- *include measures to avoid identity fraud*
- *ensure players' privacy*
- *be simple for gamblers to understand and use*
- *present few obstacles to future innovation in the presentation and design of the system*
- *apply to all gaming machines in all venues in a jurisdiction, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The final features of the pre-commitment system should be determined following trials (recommendation 19.2).

In advance of implementation of full pre-commitment, state and territory governments should implement a partial pre-commitment system by 2013, where they have compatible gaming machine monitoring systems and associated gaming machines, or other low cost ways of delivering such pre-commitment.

Such a partial pre-commitment system should allow players to set spending limits in all venues within a jurisdiction, and to see their transaction histories, but with:

- *enrolment in the system being voluntary, so that there would be no requirement that people have a card or identification device*
- *strict protection of players' privacy*
- *no requirement for those who are enrolled to set limits*
- *only those who are enrolled in the system able to earn loyalty points*
- *those who are enrolled able to revoke any limits by playing without a player card or other player identification device*
- *machine-based warnings when limits are reached (and a temporary incapacity to cash in, or earn further, loyalty bonuses)*
- *an exemption for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The system should be:

- *designed to be compatible with the future introduction of full pre-commitment*
- *evaluated in real-time and base line data collected to assess its impacts.*

By 2016, all jurisdictions should have central monitoring or other systems that can deliver full pre-commitment to all venues and can make remote changes to all gaming machines.

Chapter 11 Game features and machine design

Current bet limits imposed by all jurisdictions are set too high to be effective in constraining the spending of problem gamblers, given the speed and intensity of play that a modern gaming machine allows. The maximum bet needs to be low enough to constrain the spend rate of problem gamblers, but not so low as to adversely affect recreational gamblers (who typically bet at quite low levels).

FINDING 11.2

The limits on the maximum amount of cash that can be inserted into gaming machines are set too high. A lower cash input limit would not hinder the preferred betting style of most players, but would act as a brake on high intensity play by preventing players from loading up gaming machines with multiple high denomination notes.

RECOMMENDATION 11.1

Governments should require that by 2012, all new EGMs include the capability of being played at a maximum intensity of \$1 per button push, with this being activated in 2016.

- ***In 2016, all EGMs should be limited to a \$1 bet, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.***

RECOMMENDATION 11.2

Governments should restrict to \$20 the amount of cash that a player can insert into a gaming machine note acceptor, with no further cash able to be inserted until the maximum credit on the machine falls below \$20, with implementation:

- ***undertaken without delay in Queensland, where the capacity already exists***
- ***by 2016 in all other jurisdictions using note acceptors***
 - ***with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue***
- ***of alternative approaches that have the same effects for cashless systems as these alternatives develop.***

RECOMMENDATION 11.3

Governments should initiate research on the potential for jackpots to exacerbate the problems some people face with their EGM gambling, with consideration given to the further regulation of jackpots if they pose significant risks to gamblers.

Chapter 12 Venue activities

RECOMMENDATION 12.1

Governments should enhance existing compliance and complaints-handling arrangements by:

- enabling their gambling regulators, or accredited compliance auditors, to regularly appraise gambling venues' compliance with harm minimisation measures, both mandatory and voluntary, and publicly report their findings*
- strengthening penalties and disciplines for serious breaches by venues of harm minimisation measures and ensuring their enforcement by gambling regulators*
- introducing and promoting a mechanism for gamblers and venue staff to make complaints to the relevant gambling regulator about venue conduct contributing to problem gambling*
- requiring their gambling regulators to publish annually the number and nature of complaints about a venue, the action taken and, where the complaint is substantiated, the name of the venue.*

RECOMMENDATION 12.2

Governments should enhance existing training requirements by:

- preparing guidelines, including a short list of commonly agreed indicators of problem gambling, to help venue staff identify and, where appropriate, respond to problematic player behaviours*
- requiring gambling venues to provide staff training on these guidelines and on the process for lodging complaints about a venue.*

RECOMMENDATION 12.3

Governments should prohibit venues from offering inducements that are likely to lead to problem gambling, or are likely to exacerbate existing problems, including offering free alcohol to a patron who is gambling.

Chapter 13 Access to cash and credit

FINDING 13.1

While causality is hard to prove, easy access to ATMs/EFTPOS facilities appears to increase spending by problem gamblers. Problem gamblers use these facilities far more than other gamblers, and say they would prefer to see ATMs removed from venues so they can better control their spending.

FINDING 13.2

Although a ban on ATMs from gaming venues has the potential to assist problem gamblers, it has uncertain benefits and costs, including the risk that problem gamblers would seek to subvert the ban in various ways.

FINDING 13.3

Other than for online gambling, restrictions prohibiting the use of credit cards for gambling are justified.

RECOMMENDATION 13.1

The Victorian Government should, as soon as possible, develop methodologies for evaluating the impending ban of ATMs from gaming venues, including the collection of baseline data. It should then evaluate the effectiveness and outcomes of the ban after its implementation.

RECOMMENDATION 13.2

Governments should modify existing regulations of ATMs/EFTPOS facilities by introducing the following changes in gaming venues:

- ***cash withdrawals from ATMs/EFTPOS facilities should be limited to \$250 a day except for casinos***
- ***ATMs/EFTPOS facilities should be a reasonable distance from the gaming floor, visible to the public and venue staff, yet not to gamblers from the gaming floor***
- ***warning and help messages should be clearly visible on ATMs.***

RECOMMENDATION 13.3

Governments should require venues to pay any gaming machine prize that is above \$300 by cheque or direct credit to the gambler's account, except for prizes won by international visitors in casinos. This should be given effect by:

- ***requiring that, by 2011, all new gaming machines incorporate an internal 'bank' or other feature that is capable of doing this***
- ***activating this feature on machines having the capability by 2014.***

The measure should be implemented for all machines and venues by 2016, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.

Governments should require that gaming venues:

- *do not cash out gaming machine prize cheques, except for international visitors at casinos*
- *set limits for self-drawn cheques corresponding to those that apply for withdrawals from ATM/EFTPOS facilities (recommendation 13.2), except for casino patrons.*

Chapter 14 Accessibility of gaming machines

There is no policy rationale for the current prohibition on the Canberra casino from operating EGMs.

- *Permitting the Canberra casino to operate gaming machines, without expanding the number of gaming machines in the ACT and subject to the application of appropriate regulatory harm minimisation measures, would be unlikely to increase accessibility or increase gambling harms.*

Mandatory shutdowns for gaming machines in most jurisdictions are too short and occur at times that make them ineffective as a harm minimisation measure.

Drawing on the Queensland approach, governments should introduce a shutdown period for gaming machines in all hotels and clubs that commences no later than 2 am and is of at least six hours duration. Casinos should be exempt from this measure.

Chapter 15 Online gaming and the Interactive Gambling Act

In consultation with state and territory governments, the Australian Government should amend the Interactive Gambling Act to permit the supply of online poker card games.

Online poker, along with other gambling forms currently exempted from the Interactive Gambling Act, should be subject to a regulatory regime that mandates:

- *strict probity standards*
- *high standards of harm minimisation, including:*
 - *prominently displayed information on account activity, as well as information on problem gambling and links to problem gambling support*
 - *automated warnings of potentially harmful patterns of play*
 - *the ability to pre-commit to a certain level of gambling expenditure, with default settings applied to new accounts, and the ability for gamblers to set no limit on their spending as one of the system options (with periodic checking that this remains their preference)*
 - *the ability to self-exclude.*

The Australian Government should monitor the effectiveness of these harm minimisation measures, as well as the performance of the regulator overseeing the national regulatory regime. The Australian Government should also evaluate whether:

- *the provision of online poker card games should continue to be permitted*
- *liberalisation should be extended to other online gaming forms.*

RECOMMENDATION 15.2

The Australian Government should assess the feasibility and cost effectiveness of:

- *Australia-wide self-exclusion and pre-commitment options for equivalent online providers*
- *the capacity for extending self-exclusion through the payments system or through software solutions selected by problem gamblers*
- *the scope for agreement on international standards on harm minimisation and their enforcement through self-regulatory or other arrangements.*

Chapter 16 Developments in the racing and wagering industries

FINDING 16.1

In the absence of regulation, free-riding by wagering providers would undermine the racing industry and harm consumers of wagering and racing products. The current state-based race fields legislation overcomes this problem. But it poses significant risks for effective competition in wagering, potentially affecting the long-term future of racing and wagering and, more importantly, the punters who ultimately finance both of these industries.

FINDING 16.2

The current approach to setting product fees by racing authorities in New South Wales and Queensland (excluding Greyhounds NSW) is unlikely to result in integration of their industries into a national wagering market. The costs of this will be felt most keenly by the racing industries in those jurisdictions.

FINDING 16.3

There are grounds for state and territory governments to cooperate when setting taxes on wagering revenue, in order to avoid destructive tax competition. Increased levels of competition and the international mobility of corporate bookmakers will increasingly limit the capacity to tax wagering activity effectively.

FINDING 16.4

There are better ways of dealing with the risks of tote odds betting than prohibition, such as co-mingling of totalisator pools. As tote-odds providers generate a high level of direct price competition with totalisators, the grounds for preventing further co-mingling are not strong.

FINDING 16.5

Offering inducements to wager through discounted prices to new customers is not necessarily harmful, and may primarily serve to reduce switching costs between incumbent wagering operators and new entrants, enhancing competition. The risks for problem gamblers should be assessed and, regardless of whether prohibition or managed liberalisation is the appropriate action, a nationally consistent approach would be warranted.

RECOMMENDATION 16.1

The New South Wales and Queensland Governments should work with racing authorities in those states, as soon as possible, to replace their ‘across the board’ turnover fees with more competitively neutral and efficient product fees.

Within three years, the Australian Government should assess whether the race fields legislation frameworks are legally sustainable across all jurisdictions and give rise to competitive outcomes. If either condition is not satisfied, the Government should work with state and territory governments to replace these arrangements with a national statutory scheme, in which there would be a single product fee for each code. This fee should be:

- *universally paid on a gross revenue basis and replace all other product fees currently paid by the wagering industry, but not other funding channels, such as sponsorship of race meetings*
- *set and periodically reviewed by an independent national entity with the object of maximising long-term consumer interests.*

RECOMMENDATION 16.2

The Australian Government should request that the Australian Competition and Consumer Commission examine and report publicly on any adverse implications for competition associated with the ownership arrangements for Sky Channel.

RECOMMENDATION 16.3

The impact of credit betting should be examined in further detail by either the regulator overseeing the national regulatory regime (recommendation 15.1) or the national gambling research body (recommendation 18.3). In the interim, advertising credit betting facilities should be prohibited, and credit betting should not be extended to TABs.

RECOMMENDATION 16.4

TAB retail exclusivity should not be renewed.

Chapter 17 Regulatory processes and institutions

FINDING 17.1

Despite their name, gaming machine national standards are not really national standards, and the processes for their development and alteration are cumbersome and unnecessarily costly to industry.

FINDING 17.2

There is insufficient guidance given to gaming machine manufacturers about whether or not particular gaming machine features are likely to obtain regulatory approval. While complete certainty is unattainable, greater clarity of the expectations of jurisdictions would reduce costs for manufacturers and venues.

RECOMMENDATION 17.1

Each jurisdiction should ensure that its gambling regulator has:

- ***statutory independence from government***
- ***regulatory control over all forms of gambling within that jurisdiction***
- ***a charter that emphasises the public interest, and explicitly includes consumer protection and harm minimisation.***

RECOMMENDATION 17.2

The relevant minister for gambling in each jurisdiction should have an explicit responsibility for harm minimisation.

RECOMMENDATION 17.3

Governments should strengthen consultation processes and incorporate the views of stakeholders, including gambling providers, manufacturers and consumer representatives, into policy development processes. Governments should clearly specify appropriate mechanisms for providing input, and set minimum consultation timeframes that reflect the importance of the issue. Details of consultations should be made publicly available.

RECOMMENDATION 17.4

Given the potential for adverse social impacts and costs to business, governments should routinely undertake regulatory impact assessments for all major regulatory proposals for gambling, and make them publicly available at the time policy decisions are announced.

RECOMMENDATION 17.5

Governments should reform gaming machine national standards by requiring consistency, unless the costs of variations can be justified by likely consumer benefits.

-
- *Variations should be based on legitimate harm minimisation criteria and should take into account the costs that such differences impose on other jurisdictions, manufacturers and venues.*
 - *Governments should jointly investigate the scope to rationalise current arrangements for accreditation and testing of gaming machines, to remove any unnecessary duplication of effort and cost.*

RECOMMENDATION 17.6

Regulators should ensure that all of their requirements for gaming machines and games are specified clearly and made available publicly:

- *Where new developments are judged to be unacceptable, clear reasons should be given so as to provide guidance to the industry and inform the community.*

Chapter 18 Gambling policy research and evaluation

RECOMMENDATION 18.1

All jurisdictions should improve the usefulness and transparency of gambling survey evidence by:

- *conducting prevalence surveys using a set of core questions that are common across jurisdictions*
- *ensuring that surveys meet all relevant National Health and Medical Research Council standards and guidelines, so as not to limit their use by researchers*
- *depositing all survey data into a public domain archive, subject to conditions necessary to manage confidentiality risks and other concerns about data misuse.*

RECOMMENDATION 18.2

Governments should publicly provide timely data on:

- *expenditure and tax revenue for each gambling form by type of venue*
- *gaming machine numbers by venue type (hotels, clubs and casinos)*
- *self-exclusion information, such as the number of agreements for each year that are current, have lapsed, been revoked, or breached.*

RECOMMENDATION 18.3

To place gambling research on a sound footing nationally, Gambling Research Australia should be replaced with a national centre for gambling policy research and evaluation. The centre should initially be funded by the Australian Government and:

-
- *have a charter requiring it to oversee research of direct policy relevance*
 - *have a capability to perform and initiate such research itself, as well as respond to requests by the Australian Government*
 - *have the capacity to outsource projects to external researchers and research institutions where appropriate*
 - *have an advisory panel, with representation from the community, industry, other experts and all governments*
 - *coordinate evaluations, surveys and reviews nationally*
 - *collaborate with drug, alcohol and other public health research units to broaden the expertise and disciplines brought to bear on gambling*
 - *establish guidelines, methodologies and processes for research and evaluations undertaken by governments.*

Chapter 19 Implementation issues and transitions

RECOMMENDATION 19.1

All governments should commence work as soon as possible to specify the design features, common standards and protocols for gaming machines and central monitoring systems that would:

- (a) support a future full pre-commitment system (recommendation 10.4), including the exact design of a prototype to be trialled (recommendation 19.2)*
- (b) allow governments to quickly and remotely set and change bet limits, cash inputs, player information displays, dynamic warnings, pre-commitment options and other key machine parameters for all EGMs in a jurisdiction*
- (c) permit machine manufacturers to sell machines during the transition period that would be compliant with (a) and (b) when these features were ‘switched on’*
- (d) not hinder competition between rival providers of games, loyalty schemes and monitoring services.*

RECOMMENDATION 19.2

The Australian Government should enter into negotiations with a state or territory government to sponsor a full-scale regional trial or trials of a full pre-commitment regime (recommendation 10.4), with trialling to commence by 2013.

Trialling should:

- *test the design features of full pre-commitment for possible modification*

-
- *substantiate that full pre-commitment has sufficient advantages over partial pre-commitment to justify proceeding with its implementation in all jurisdictions.*

RECOMMENDATION 19.3

The level of all monetary amounts specified in the Commission's recommendations should be assessed periodically, with the potential to raise these with inflation.

RECOMMENDATION 19.4

By 2020, governments should evaluate the key harm minimisation measures to assess their effectiveness, and whether any need to be modified or removed.

RECOMMENDATION 19.5

If there is little progress in achieving the design changes to gaming machines and networks necessary for effective harm minimisation, the Australian Government should consider exercising the option under the corporations power of the Constitution to develop and implement these changes Australia-wide.

1 Introduction

Gambling remains a contentious issue on a number of fronts. It is a product that many Australians enjoy and yet it arouses widespread ambivalence and opposition, given the social problems associated with it. One participant commented that gambling spans the line between pleasure and pain. This neatly summarises the difficulties for governments — how can policy preserve the enjoyment that many people experience from gambling, while attempting to address the considerable harms it poses? That question, which is fundamentally about the nature and impacts of gambling policies, is the main focus of this report.

Whatever the particular aspect of gambling, the Commission's goal in this report is to make policy recommendations that improve the wellbeing of the community as a whole. In some cases, that implies increased regulation of gambling, particularly to reduce potential harms; in others, it implies less regulation, to enable better products and lower prices for consumers.

1.1 What has the Commission been asked to do?

In November 2008, following agreement at the Council of Australian Governments (COAG), the Australian Government requested the Productivity Commission to undertake a public inquiry into Australia's gambling industries. The initial completion date was 24 November 2009, but the Government subsequently extended this to 26 February 2010, to enable more time for participants' submissions and the Commission's data gathering.

This is a different report to the one that resulted from the Commission's review of a decade ago (PC 1999). At that time, there was little independent information and analysis about gambling, and a major role for the Commission was to help fill that gap. The report addressed the considerable deficits in the available data and provided the first systematic national review of the impacts of gambling on the Australian economy and society. However, while the report had many findings of direct relevance to public policy, the terms of reference did not permit the Commission to make formal recommendations.

In contrast, in the current inquiry it is intended that the Commission make recommendations about Australian gambling policy. One prominent participant in the inquiry nevertheless questioned whether it was appropriate for the Productivity Commission, an Australian Government body, to make recommendations relating to the states and territories (Souris, sub. DR379, p. 2). However, as noted, the current inquiry stems from a COAG decision on 3 July 2008 (COAG 2008), and its purpose was expressly to provide information and recommendations for consideration by *all* Australian jurisdictions. (The Commission is grateful for the assistance provided to it by all state and territory governments, including submissions, and the provision of prevalence survey and other data — see below.)

The Commission's previous inquiry also took place in an environment very different from today, following a period of significant liberalisation and expansion of gambling. During the 1990s, jurisdictions had, for the first time, introduced casinos and most allowed electronic gaming machines (EGMs) into hotels and clubs throughout the community. While many people enjoyed the newly accessible options for gambling, its sudden liberalisation and rapid growth led to significant social impacts and community disquiet.

Gaming industries, and particularly the EGM market, have now matured. And, while community concerns about gambling have remained, participation in gambling has decreased and expenditure growth has stagnated. Moreover, new mediums for gambling are bringing new challenges for policy and new risks for consumers. Online gaming and wagering, as well as sports betting, have grown rapidly in prominence over the past decade (although they still constitute a small share of gambling expenditure).

During the 1990s there was less awareness of the regulatory complexities associated with tax, competition policy and regulation generally than exists today. Most jurisdictions put greater emphasis on revenue raising and industry development, and many only had fledgling policies to address the harms associated with problem gambling. Since the Commission's last inquiry, jurisdictions have generally given much greater emphasis to harm minimisation and less to revenue imperatives. This was revealed by their willingness to impose smoking bans in gaming venues, despite the resulting erosion of gaming revenue. Nevertheless, some of the most promising options for harm minimisation remain largely unexploited.

Under its terms of reference, the Commission was given discretion to examine any of the issues covered in its 1999 report, including the definition of gambling; the social and economic impacts of gambling; regulatory and tax issues; and the implications of new technologies. Some peak groups strongly criticised the

Commission for failing to discuss in detail the benefits of gambling in the draft report, arguing that it had failed to meet the terms of reference:

... the Australasian Gaming Council (AGC) submits that the Productivity Commission (PC) did not respond fully to the Council of Australian Governments (COAG) Terms of Reference ... Chiefly: the economic impacts of the gambling industries (including industry size, growth, employment, organisations, inter-relationships with other industries and the benefits these provide to the economy as a whole) are discussed only briefly — as is the contribution of gambling revenue to community development activity. (Australasian Gaming Council sub. DR377, p. 1)

However, this may in part reflect a misapprehension about the terms of reference — notwithstanding a clear statement in the Issues Paper at the commencement of this inquiry. These gave the Commission a menu of options for potential, but not prescribed, consideration:

The Productivity Commission *could* provide an update of the 1999 Productivity Commission report ([ToR items] 1–8) and provide some additional research into the impacts of harm minimisation measures (9–10).

The Commission accordingly chose to concentrate on policies that could achieve *greater* net benefits from gambling for Australians, not simply to reconstruct a static balance sheet of benefits and costs.

On the cost side, the Commission’s focus is on any policy measures that would reduce social costs without commensurate cuts in benefits. This is relevant to policy measures that may reduce any harms to gamblers, particularly ‘problem’ gambling. (The COAG communiqué explicitly referred to problem gambling as a focus.) Accordingly, much of this report assesses the effectiveness of existing public health arrangements in gambling, including prevention, community awareness, harm minimisation and treatment policies. The goal of lowering costs is also relevant to measures, such as national standards for gaming machines, that might reduce compliance costs for suppliers.

On the benefit side, the focus is on any measures that would *increase* the benefits associated with gambling without commensurate increases in costs. This is relevant to reforms to wagering and online gambling that would improve the pricing and variety of products for consumers and provide new opportunities for innovative businesses.

Nevertheless, given the interest of many parties in the benefits of gambling, and widespread misunderstandings about the nature and policy relevance of those benefits, this final report considers the (static) benefits of gambling in more detail than the draft.

What is ‘gambling’?

The Commission has adopted the orthodox definition for this threshold question: gambling is an entertainment based on staking money on uncertain events driven by chance, with the potential to win more than staked, but with the ultimate certainty that gamblers as a group will lose over time. The fact that gamblers inevitably lose overall and that gambling is intended to be a recreational activity, distinguishes these outlays from investment activities, where chance also plays a prominent role.¹

Like most other recreational activities (such as going to the movies or taking holidays), gambling involves spending the income remaining after having met non-discretionary expenditures (such as buying food or paying rent). However, this may not be the case for some gamblers. Gambling may become problematic when it interferes with non-discretionary expenditures, when gambling behaviours do not emulate the enjoyment of a recreational activity or when people’s expenditure decisions are only weakly informed. While clearly harmful, these behaviours may affect people who would not necessarily be classified as problem gamblers.

Gambling takes many specific forms, from bingo to mah-jong. However, lotteries and scratch cards (‘scratchies’), remain the most popular gambling activities, while wagering on horses or dogs, playing EGMs (the ‘pokies’), and table games like roulette or blackjack, account for the bulk of expenditure.

A focus on gaming machines

In this inquiry, the Commission placed particular emphasis on electronic gaming machines or EGMs, since:

- these account for around three quarters of instances of severe problem gambling
- most gamblers, even the average recreational gambler, have faulty beliefs about how they work
- they have certain specific characteristics that can cause difficulties for some gamblers — such as the ability to play multiple games rapidly in succession and to ramp up stakes from the tiny (1 cent per bet) to the large (\$10 bets every few seconds in some jurisdictions)

¹ Most prevalence studies have used a definition of gambling consistent with this. However, the most recent prevalence survey for Victoria included speculative stock investments, such as day trading without a long term strategy, as gambling (Hare 2009). These may indeed be highly risky activities, but unlike gambling, such investments would typically have a positive expected return and, as such, do not meet the normal criteria.

-
- they are accessible throughout the community in all states and territories, except in Western Australia, and to an extent greater than in most other countries where gambling has been legalised.

There have historically always been concerns about the ‘safety’ of EGMs, and this is reflected in restrictions on their accessibility; rules about machine design, and thorough testing of machines.

However, concerns about the ‘safety’ of the machines have sometimes been conflated with moral judgments about what people should do with their time. This tension is apparent in the Royal Commission into gambling:

We do not feel that we should recommend the legalisation of poker machines in Western Australia. From our observations, we formed the opinion that poker machine playing is a mindless, repetitive and insidious form of gambling which has many undesirable features. It requires no thought, no skill or social contact. The odds are never about winning. Watching people playing the machines over long periods of time, the impressionistic evidence at least is that they are addictive to many people. Historically poker machines have been banned from Western Australia and we consider that, in the public interest, they should stay banned. (Report of the Royal Commission into Gambling 1974, p. 72)

It is appropriate that social norms inform policy. However, that perspective should be kept distinct from impartial assessments of the harmful and beneficial effects of gambling.

Technological trends require a longer view

Gambling is a largely technologically-based entertainment industry, with the prospects of substantial future changes in the type of, and delivery mechanisms for, gambling services. Those prospects have already been partly realised in the emergence of betting exchanges and other forms of online wagering. And, in time, EGMs may evolve from standalone devices to ‘dumb’ terminals linked to networks that will deliver many more, and more novel, games, while at the same time lowering costs to venues. Most importantly, from a policy perspective, these and other technological changes raise the potential for improved harm minimisation options — and thus for a ‘win-win’ outcome for the industry and its customers.

In addition to making recommendations for policy changes over the next few years, this report also considers the appropriate longer-run policy settings made possible by emerging technologies and the transition to these.

1.2 Inquiry processes

The Commission had extensive consultations with governments, the community sector and the gambling industries throughout Australian jurisdictions (appendix A). This included:

- three initial roundtables with industry, community sector and academic experts, respectively
- around 50 additional meetings and visits with key stakeholders.

The inquiry attracted significant public interest, with 421 submissions received (264 pre-draft and 157 post-draft). Around 45 per cent were from individual clubs, community groups or people supporting the club movement and a further 20 per cent came from other industry stakeholders. Welfare and community agencies concerned about gambling comprised around 15 per cent, while governments (including local government and the states and territories) accounted for about 5 per cent of submissions. The remaining submissions were largely from people or agencies with a research focus, and from some individuals with personal experiences of problem gambling.

Unlike in 1999, the Commission did not conduct a national survey in this inquiry. As discussed in chapter 5, the principal instrument for measuring problem gambling has changed since the Commission's last inquiry, making it hard to make clear cut comparisons with the past. Moreover, unlike in 1999, there is now extensive survey-based information about gambling behaviours and impacts, including estimates of the prevalence of 'problem' gambling based on the now widely used Canadian Problem Gambling Index. All jurisdictions (bar Western Australia) have undertaken prevalence studies and other surveys. Most have undertaken more than one.

Given its evidence-based approach to policy, the Commission sought access to the unit records of these datasets and has been able to undertake systematic investigation of people's gambling experiences (noting that they also cover a range of policy-relevant issues other than problem gambling prevalence rates). The prevalence and other estimates from these studies have limitations for national assessment purposes, given that they have been undertaken at different times using different questionnaires and involve inevitable statistical imprecision. However, carefully interpreted, they provide a detailed picture of gambling behaviours among Australians, and of the extent and sources of harm experienced by them. They also provided extensive evidence relevant to the need for, and likely impacts of, policy initiatives.

The Commission also sought other information from state and territory governments, including information on current gambling expenditure and help services.

The Commission supplemented this information with a survey of problem gamblers currently receiving counselling, to help inform it about what policy measures might be effective.

The Commission also made use of the Australian Youth Forum — an online Australian Government initiative for communicating with younger people — to seek their views about gambling and potential ways to reduced its impact on individuals and society.

Given its intensive round of visits and roundtables, the Commission did not hold an initial set of public hearings. However, the Commission held extensive hearings following the release of the draft report, accepted a large number of additional submissions and had a range of additional consultations, particularly in regard to the technical aspects of gaming machines and their monitoring systems (appendix A).

1.3 How is this report organised?

Figure 1.1 sets out the structure of this report. The first two chapters provide relevant background to the inquiry, particularly assessing trends and developments since the Commission’s 1999 inquiry.

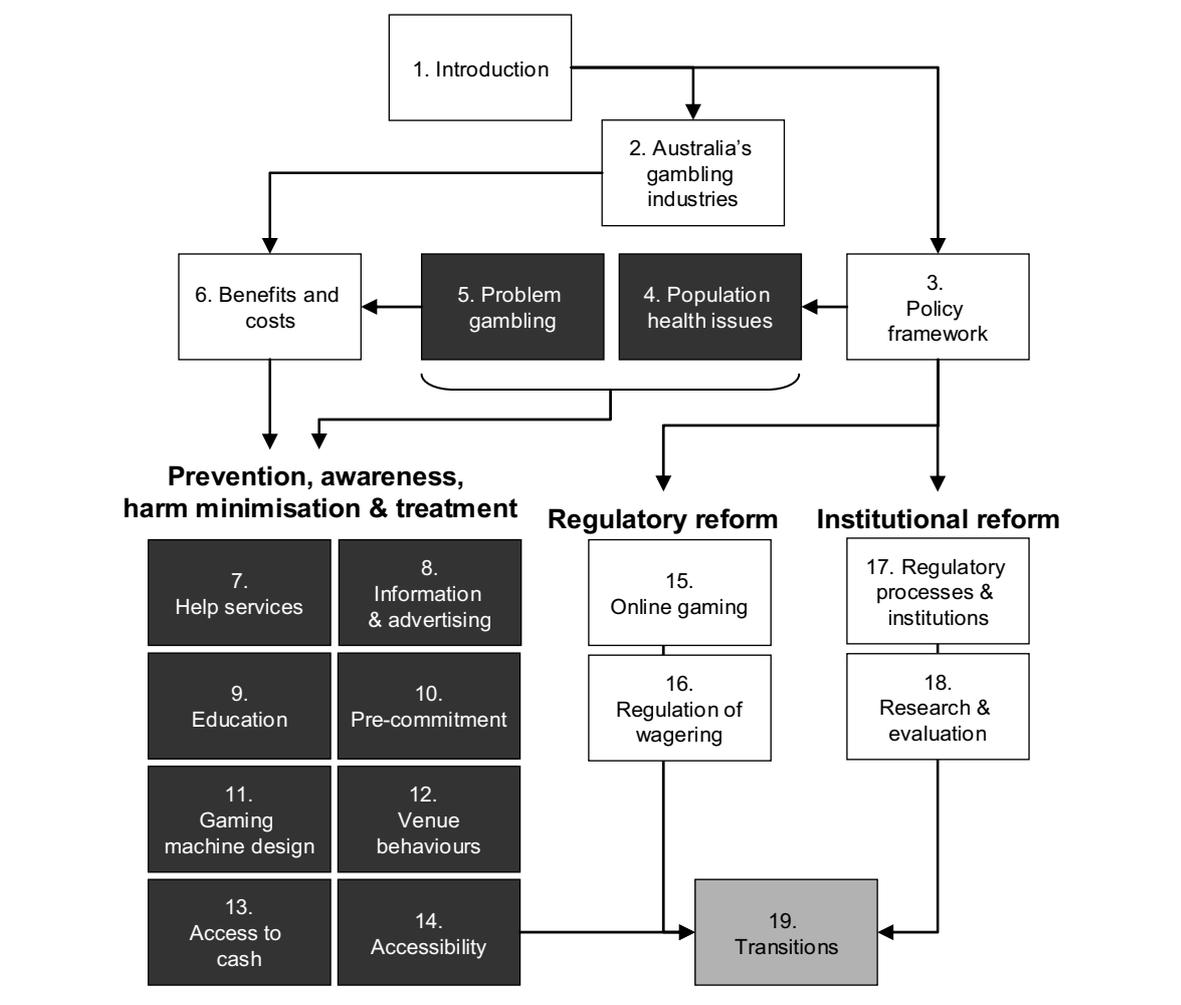
Chapter 3 provides the organising framework for the report. It considers the rationales for government involvement, the appropriate criteria for developing policies, and the most suitable frameworks for understanding the complex impacts of gambling on consumers and the community. Those frameworks, in turn, shape the kinds of policies that governments should consider.

The chapter also discusses the appropriate trade-offs when policy makers do not have all the relevant evidence and where the costs of inaction are high. As with other social policy, policymakers face considerable ex ante uncertainty about the effectiveness of their policies. Too high a standard of evidence as a prerequisite for action could lead to policy inertia, while too low a standard of evidence could mean costly and ineffectual policy measures.

Increasingly, government policymakers and experts locate gambling policy within a broader public health or consumer policy framework. Just as policies in relation to the social problems associated with alcohol extend beyond alcoholism, this framework includes the effects of gambling on all gamblers (and the community as

a whole), extending beyond problem gambling. Chapter 4 examines evidence about the effects of gambling on gamblers — considering how those effects vary by gambling type, venue and the extent of exposure.

Figure 1.1 The structure of this report



While gambling can involve adverse effects for many gamblers, harms are much more concentrated for those termed ‘problem’ gamblers, and harm minimisation policies have generally targeted this group. The Commission discusses the nature, severity and extent of such problems in chapter 5. Some of the difficulties in estimating prevalence rates accurately and the misleading depictions of such rates are also addressed.

Gambling — and the venues in which it takes place — provides many people with enjoyment. It can also serve other social benefits, such as providing accessible and secure places for people to go. Many also consider that there are large employment, community and tax benefits associated with the Australian gambling industries.

Chapter 6 assesses these benefits and their relative magnitude compared with the costs posed by gambling.

The core part of the report relates to policies that can reduce harm from gambling, with the emphasis on gaming machines (chapters 7 to 14). No single measure can effectively deal with the detriments associated with gambling, which is why the Commission considers a package of harm minimisation strategies, spanning:

- effective help and treatment services for people with severe problems (chapter 7)
- the role of information and education — including warnings — in promoting genuinely informed gambling and a greater awareness of the risks (chapters 8 and 9)
- the capacity for gamblers with potential control problems to pre-commit to limits on spending or time, among a range of other options (chapter 10)
- changes to the design of gaming machines — mainly relating to the intensity of play (chapter 11)
- changes to the nature of gambling venues and their incentives, to reduce the risks posed by gambling (chapter 12)
- the link between access to finance and problem gambling, and the scope for regulation to effectively limit harm by changing that link (chapter 13)
- the scope to reduce problems by changing the accessibility of gambling (chapter 14).

While gambling raises many tax and regulatory issues, the Commission concentrated on two contemporary areas of controversy where government action is called for.

- One is internet gaming. Currently, consumers are legally able to access gaming websites. However, the supply of internet gaming (though not wagering) is prohibited under the Interactive Gambling Act. Since the Australian Government has a limited capacity for enforcing the ban on overseas providers, Australians are increasingly gambling on overseas-based sites that may have questionable probity, and typically offer no, or rudimentary harm minimisation features. Chapter 15 considers how online gaming policy should be structured given global trends and emerging risks.
- The other policy area is the changing nature of supply of wagering in Australia through online suppliers, such as Betfair in Tasmania and corporate bookmakers in the Northern Territory. These suppliers have lowered the costs of wagering for consumers, but there are concerns that they will erode the tax revenue collected by other governments and the transfers to the racing industry. The key issue is whether there are ways of maintaining the better outcomes for

consumers associated with online competition, while sustaining the industry on which they place their bets (chapter 16).

Future gambling policies are more likely to promote the interests of the Australian community if the institutional arrangements and the information base for decision-making are appropriately designed. Chapters 17 and 18 set out arrangements that the Commission believes could lead to better policies in future.

Governments would not be able to implement in one go everything the Commission has proposed in this report, even if they agreed with them all. In particular, the costs of rapid implementation would be multiples of the costs associated with more staged policy change. Moreover, some recommendations are interdependent. Accordingly, chapter 19 addresses the appropriate policy transitions and sequences, and the key interdependencies that should be factored into the implementation process.

2 A snapshot of the gambling industry

Key points

- The strong growth of the gambling industry during the 1990s appears to be over.
 - Around \$19 billion was spent by consumers on Australian gambling products in 2008-09. This is an increase from almost \$17 billion in 1998-99 and around \$7 billion in 1988-89 (in 2008-09 dollars).
 - Gambling comprised 3.1 per cent of household consumption expenditure in 2008-09, down from 3.9 per cent in 1998-99.
 - Limited data suggest that participation rates for gambling have also declined.
- The surge in expenditure growth in the 1990s was largely due to the liberalisation of gaming.
- Gambling expenditure is dominated by electronic gaming machines (EGMs), although growth in EGM spending has slowed.
 - Australians spent around \$10.5 billion on EGMs in clubs and hotels and around \$1.4 billion on EGMs in casinos in 2008-09.
 - While EGM expenditure growth had already slowed, the introduction of state smoking bans for gaming machine areas caused a sizeable abrupt decline in each jurisdiction. Real EGM expenditure growth rates have not yet returned to pre-ban levels.
 - A reduction in the number of machines observed in some jurisdictions has not always led to reductions in EGM expenditure.
 - While EGM usage is less common than in 1999, average real expenditure per EGM user appears to have risen.
- Growth in casino gaming revenue has slowed in the last ten years. Competitive pressures from overseas were a factor during the 2000s, and this is likely to continue.
- Real expenditure on race wagering has been relatively stable for the last twenty years. Sports wagering continued to grow strongly in the 2000s, although it still comprises a relatively small share of overall wagering expenditure.
- Some evidence suggests that online gambling (including illegal gaming) has grown significantly in the 2000s, and could amount to 4 per cent of gambling expenditure.

2.1 Introduction

This chapter looks at the current state of the gambling industry and how it has changed in recent years. A more detailed analysis then addresses the most prominent issues in three areas of the industry where changes have been considerable: electronic gaming machines; casino gaming; and wagering. Detailed treatments of online gaming and racing and wagering are presented in chapters 15 and 16 respectively.

2.2 The state of the Australian gambling industry

Several aspects of the gambling industry are relevant to policy decisions — expenditure, employment and tax revenue. These aspects vary considerably by state, as well as by form of gambling.

Gambling expenditure

Gambling consumption expenditure is measured as the net losses of gamblers or the gross profits of gambling operators (prior to fees and taxes). Around \$19 billion was spent by consumers on Australian gambling products in 2008-09 (table 2.1, figure 2.1). This equates to around 3.1 per cent of household consumption expenditure. By comparison, Australians spent around \$23 billion on footwear and clothing and \$12 billion on alcoholic beverages from retail outlets (ABS 2009a).

Gambling consumption expenditure includes spending on gambling in Australia by overseas visitors. While expenditure by overseas visitors is difficult to estimate, Allen Consulting Group (2009b) estimated that international VIPs at Australian casinos alone spent around \$553 million in 2007-08.

Considerable expenditure in each state and territory

Expenditure measures provide an accurate picture of the size of the gambling industry in each jurisdiction. They are also broadly indicative of spending by residents in those jurisdictions, though some spending is by international or interstate tourists. This is most relevant to casinos, where tourism and gambling are more highly integrated. In 2007-08, around 85 per cent of casino patrons were state residents, while around 10 per cent were from interstate and 5 per cent from overseas (Allen Consulting Group 2009b).

State gambling industries are generally larger where populations and economies are larger (table 2.1). That said, the Northern Territory has a disproportionately large industry in expenditure terms, relative to the size of its adult resident population and to household final consumption expenditure. This most likely reflects the ‘export’ of gambling services to non-state-residents — through tourism and online wagering operators licensed in the Northern Territory.

The Northern Territory aside, estimates of the average expenditure in each state for adults who gamble range between \$1200 and \$1900 (table 2.1).

Table 2.1 Gambling expenditure by jurisdiction, 2008-09^a

<i>State</i>	<i>Expenditure^b</i>	<i>Expenditure as proportion of household consumption^c</i>	<i>Average expenditure per adult</i>	<i>Average expenditure per gambling adult^d</i>
	\$m	%	\$	\$
New South Wales	7 150	3.5	1 319	1 911
Victoria	5 110	3.3	1 229	1 684
Queensland	3 344	2.8	1 016	1 355
South Australia	1 136	2.6	921	1 316
Western Australia	1 129	1.8	672	Unavailable
Tasmania	429	3.4	1 124	1 322
Northern Territory	500	7.5	3 129	4 287
ACT	243	2.0	901	1 234
Australia	19 042	3.1	1 147	~1 500^e

^a Gambling includes all gaming, wagering and lotteries. ^b Expenditure in all jurisdictions may not add up to Australia total due to rounding. ^c Household consumption is defined as household final consumption expenditure (HFCE). ^d While these estimates are based on the best available data on gambling participation and expenditure, they are less reliable than other estimates presented due to simplifying assumptions about participation rates. Participation relates to gambling by adults in the last 12 months, and includes most gambling forms, though commonly ‘sweeps’ and raffles are excluded from the definition. Gambling participation data refer to different years for each state and territory: 2001 for ACT; 2008-09 for NSW; 2005 for the Northern Territory; 2008-09 for Queensland; 2005 for South Australia; 2006 for Tasmania; 2008 for Victoria. ^e Average expenditure per gambling adult for Australia is an estimate based on likely gambling participation in Western Australia.

Sources: NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; Allen Consulting Group (2009b); Betfair sub. 181; Racing and Wagering Western Australia (2009); Tote Tasmania (2009); Skycity Entertainment Group (2009). Productivity Commission calculations are based on data from: NSW Department of Health (2009); Hare (2009); Queensland Government (2009a); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001); ABS (*Population by Age and Sex, Australian States and Territories, June 2009*, Cat. no. 3201.0; *Australian National Accounts: National Income, Expenditure and Product*, Cat. no. 5206.0).

Expenditure on different forms of gambling

Gambling services available in Australia can be broadly classified as gaming, wagering, lotteries and other minor forms of gambling (box 2.1).

Box 2.1 Forms of legal gambling in Australia

Gaming comprises all legal forms of gambling other than wagering — including lotteries, gaming machines, casino table games and keno. Minor gaming is the collective name given to art unions, raffles, lucky envelopes and the like.

- **Electronic gaming machines (EGMs)** are based on random number generation where wins are generally represented by matched icons. The games are non-strategic, although players may control the stakes. Less common are multi-terminal gaming machines (MTGMs), which accommodate several players and usually simulate games such as drawcard blackjack and roulette. EGMs and MTGMs are generally counted together in EGM caps.
- **Lotteries** come in various forms, including lotto, pools and instant lotteries (or ‘scratchies’). Lotto is played by choosing numbers in anticipation that those numbers will be amongst the winning numbers selected randomly through various means.
- **Keno** is a game where a player wagers that chosen numbers will match any of the 20 numbers randomly selected from a group of 80 numbers via a computer system or a ball drawing device. It is an electronic form of bingo and is typically played in clubs, casinos and hotels.
- **Table games** involve laying bets on games such as baccarat, blackjack and roulette.

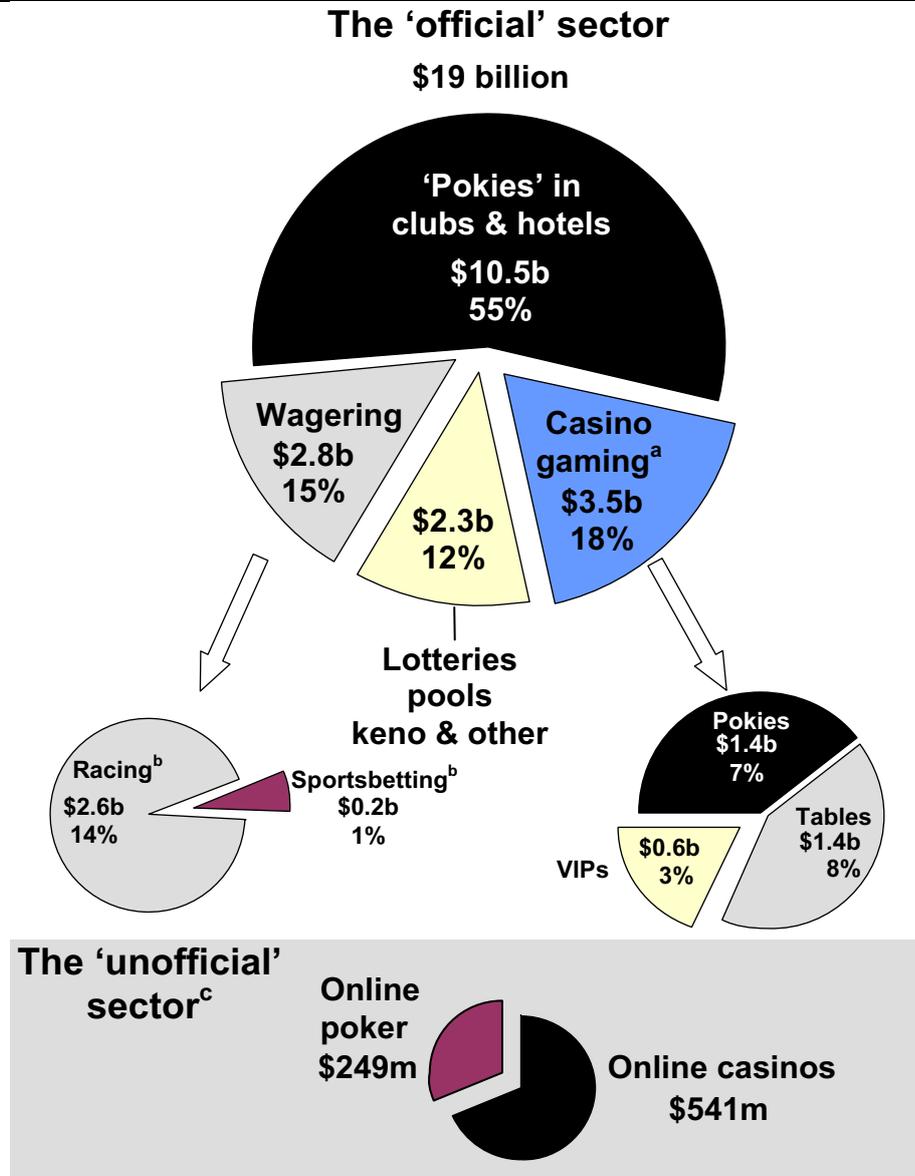
Wagering is another name for betting — to stake something (usually money) on the outcome of a contest or any uncertain event or matter. The principal forms are racing and sports betting.

As was the case ten years ago, gambling expenditure is dominated by gaming (figure 2.1). In 2008-09, EGMs in clubs and hotels accounted for 55 per cent of gambling expenditure and casino gaming around 18 per cent. Wagering accounted for around 15 per cent of gambling expenditure and lotteries, pools, keno and other minor forms of gambling around 12 per cent.

It is difficult to collect data for online gaming, since these activities are illegal and therefore not captured by the tax system. According to some estimates, expenditure on illegal online gaming could constitute around 4 per cent of gambling expenditure (figure 2.1).

Figure 2.1 **Expenditure on major forms of gambling, 2008-09**

Expenditure amount in dollars and as a percentage of total gambling expenditure



^a Productivity Commission calculations based on 2008-09 casino gaming expenditure and 2007-08 revenue shares from Allen Consulting Group (2009b). ^b IbisWorld (2008). ^c Estimates are for 2007-08, from iBus Media (sub. 178).

Data sources: NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; Allen Consulting Group (2009b); Betfair sub. 181; Racing and Wagering Western Australia (2009); Tote Tasmania (2009); Skycity Entertainment Group (2009); iBus Media (sub. 178).

An industry matured?

The 1990s saw very rapid growth in gambling provision and expenditure. Several submissions noted changes since then.

In the decade since the Productivity Commission's first report into Australia's gambling industries, the industry in Victoria (particularly gaming) has matured, with a slowing of the growth in expenditure to the point where, in 2008, gaming expenditure grew at less than the rate of inflation. (Victorian Government, sub. 205, p. 21)

Australia's gambling industry is now mature. Recent gaming freezes and forfeiture schemes have led to a reduction in the total number of machines. (Australian Hotels Association, sub. 175, p. 3)

The growth of real casino expenditure over the period 1980-81 to 2005-06 exhibits the move from a new to mature industry. (Allen Consulting Group, 2009b, p. 5)

... the timing of the 1999 Report — which coincided with a rapid expansion in revenue in the privately and corporate owned gaming sectors — is important, and that the environment confronting the Productivity Commission in 2009 is substantially different and much more indicative of a mature industry. (Clubs Australia, sub. 164, p. 67)

The evidence is generally consistent with a maturing market (within the existing regulatory constraints). After rising in popularity during the 1990s, gambling has since become less pervasive among the population. Participation rates for gambling (across all forms) appear to have fallen in most jurisdictions since 1999 (table 2.2).

Table 2.2 Gambling participation

Gambling participants by number and as proportion of the adult population^a

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	m (%)	m (%)	m (%)	000 (%)	m (%)	000 (%)	000 (%)	000 (%)
1999	3.9 (80)	2.9 (81)	2.2 (86)	878 (77)	1.1 (84)	269 (77)	107 (80)	186 (80)
2001	—	—	2.3 (85)	—	—	—	—	175 (73)
2003	—	2.9 (77)	—	—	—	—	—	—
2003-04	—	—	2.3 (80)	—	—	—	—	—
2005	—	—	—	842 (70)	—	—	106 (73)	—
2006	3.6 (69)	—	—	—	—	317 (85)	—	—
2006-07	—	—	2.3 (75)	—	—	—	—	—
2008	—	3.0 (73)	—	—	—	—	—	—
2008-09	3.7 (69)	—	2.5 (75)	—	—	—	—	—

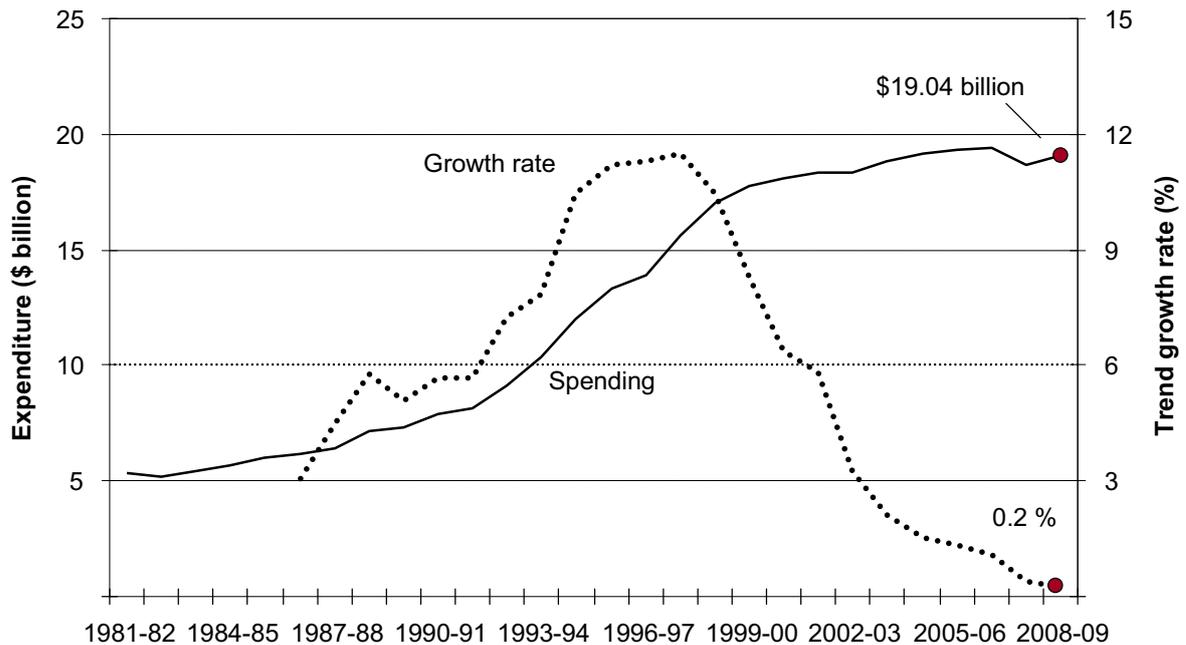
^a Calculated using gambling participation rates reported in various studies and ABS estimates of the adult population in each state and territory.

Sources: Productivity Commission (1999); NSW Office of Liquor, Gaming and Racing (2006); NSW Department of Health (2009); Centre for Gambling Research (2004a); Hare (2009); Queensland Government (2002, 2004, 2008, 2009a); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001); ABS (*Population by Age and Sex, Australian States and Territories, June 2009*, Cat. no. 3201.0).

The rate of growth in real gambling expenditure slowed during the 2000s. The five year trend growth in real expenditure was less than 1 per cent in 2008-09, compared with over 10 per cent during the 1990s (figure 2.2). And, spending on gambling accounted for around 3.9 per cent of final consumption expenditure in 1999, compared to 3.1 per cent in 2008-09.

More particularly, the gaming sector — which expanded very strongly during the 1990s — has subsequently experienced much slower growth (table 2.3). Both the EGM and casino gaming segments grew rapidly during the 1990s due to regulatory liberalisation in several states and territories. This liberalisation accounts for the vast majority of growth in gambling expenditure over the last 20 years, although based on recent trends, it is unlikely to fuel any further growth of that magnitude. Trend growth rates for casino and EGM gaming are currently lower than those of lotteries and wagering.

Figure 2.2 Real gambling expenditure has slowed



^a Growth percentages are based on five year moving average. Expenditure is in 2008-09 dollars, calculated using a CPI adjustment.

Data sources: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; Allen Consulting Group (2009b); Betfair sub. 181; Racing and Wagering Western Australia (2009); Tote Tasmania (2009); Skycity Entertainment Group (2009); ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

In terms of expenditure, the period from the 1990s was one of transformation. The result was a considerably larger industry, with expenditure dominated by electronic gaming machines. The share of expenditure from gaming machines in clubs and hotels increased from 29 per cent in 1986–87 to 55 per cent in 2008–09 (figure 2.3). Subsequently, the 2000s has been more stable in terms of aggregate expenditure levels (table 2.3). The expenditure share of gaming machines in clubs and hotels in 2008–09 is roughly the same as in 1999, although this also reflects the impacts of recent policy changes such as smoking bans (section 2.3).

Table 2.3 Expenditure across forms of gambling over time^a

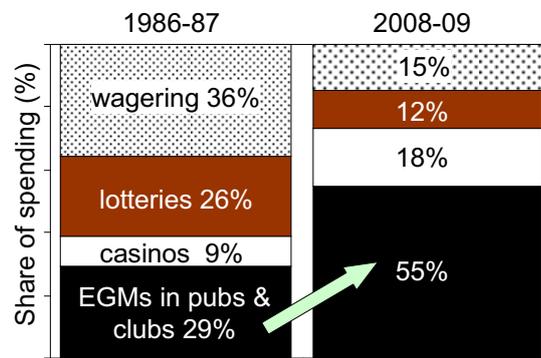
Real expenditure and five-year moving average growth rates

	1988-89	1993-94	1998-99	2003-04	2008-09
	\$m (%)	\$m (%)	\$m (%)	\$m (%)	\$m (%)
EGMs in hotels and clubs	2 288 (5.5)	4 632 (15.7)	9 361 (15.2)	11 076 (3.5)	10 469 (-1.1)
Casino gaming	727 (79.4)	1 242 (11.6)	2 997 (20.7)	3 128 (0.9)	3 464 (2.1)
Lotteries, pools and keno	1 656 (2.1)	2 148 (5.4)	2 240 (1.0)	2 101 (-1.1)	2 289 (2.4)
Wagering	2 454 (3.9)	2 335 (-1.0)	2 394 (0.5)	2 526 (1.1)	2 821 (2.4)
Total gaming expenditure	7 125	10 357	16 992	18 831	19 042

^a Growth percentages are based on five year moving average. ^b The growth in casino expenditure of almost 80 per cent in the five years preceding 1988-89 reflects an expansion in the industry from having only four casinos (exclusively in Tasmania and the Northern Territory) to having a casino in Western Australia, South Australia, and two in Queensland.

Sources: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; Allen Consulting Group (2009b); Betfair sub. 181; Racing and Wagering Western Australia (2009); Tote Tasmania (2009); Skycity Entertainment Group (2009); ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

Figure 2.3 Share of gambling revenue by activity



Data source: Australian Gaming Statistics: 25th Edition, Commission estimates.

Gambling tax revenue

Expenditure on Australian gambling services does not simply accrue to businesses, a significant portion is taken in statutory fees and taxes. These include licence fees, community contributions, and taxes on gambling revenue or profit. Tax regimes are specific to each form of gambling and they differ considerably between states and territories (FaHCSIA 2009a).

In 1997-98, the rates of taxation for gambling services were notably higher than for most goods and services, but lower than for tobacco, alcohol and petrol (PC 1999). The 1990s was a period of growth in gambling tax revenue for the states and territories, in the context of rising expenditure and the emerging gaming market. Since then, several changes have taken place regarding gambling taxation.

- On 1 July 2000, the wholesale sales tax on gaming products was replaced by the GST.
 - Gambling tax rates were effectively reduced in order to offset the introduction of the GST, via tax credits or reduced taxation rates (Australasian Gaming Council, 2008a).
 - The application of GST makes it difficult to compare tax revenue from years prior to 2000 and subsequent years.
- Further cuts to tax rates have occurred in the race wagering sector, such that tax revenue from racing is considerably lower than it was ten years ago.
 - Taxes on racing totalisators were abolished in Tasmania.
 - Bookmaker taxes were removed in New South Wales and South Australia, and set to zero in the ACT.

- New services such as online bookmakers and betting exchanges have required new licensing and tax arrangements, which are still evolving.

During the 2000s the effective tax rate on gambling services as a whole was fairly stable. This is a product of changes to the expenditure share of different forms of gambling (which are subject to different tax rates), as well as adjustments in the tax rates themselves. Official forecasts of the levels of gambling tax revenue show marginal increases in nominal terms for most jurisdictions (table 2.4).

Table 2.4 Gambling tax revenue

Budget estimates and forecasts in nominal dollars

	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m	\$m	\$m
New South Wales	1 656	1 570	1 610	1 684	1 762	1 857
Victoria	1 535	1 586	1 625	1 642	—	—
Queensland	817	889	931	1 006	—	—
South Australia	430	420	393	401	418	446
Western Australia	326	235	237	248	258	268
Tasmania	82	89	92	96	98	100
ACT	63	52	52	53	55	57
Northern Territory	56	68	74	71	—	—

Sources: Office of Economic and Statistical Research (2008); state and territory budget papers.

In total, state taxes (not including GST) accounted for 26 per cent of gambling expenditure in 2008–09. Gambling provides on average one-tenth of own-state tax revenue across Australia (table 2.5). The states which rely more heavily on gambling revenue are not necessarily those with the largest industries.

Jurisdictions with the largest gambling industries, as measured by aggregate expenditure, also record the largest amounts of gambling tax revenue. However, per capita gambling tax revenue does not vary in accordance with per capita expenditure. For instance, while gambling consumption was \$90 more per adult in New South Wales than in Victoria in 2008–09 (table 2.1), the Victorian industry contributed \$94 more tax revenue per adult. This reflects the fact that each state has different effective tax rates and, in this sense, the profitability of the gambling industry is different in each state.

Different forms of gambling also contribute differently in each state. EGMs comprise the single largest source of gambling tax revenue for all states and territories except Western Australia (figure 2.4). In five states and territories, EGMs from clubs and hotels alone provide over 50 per cent of such revenue. EGMs also

provide the majority of gambling tax revenue in Tasmania if clubs, hotels and casinos are all included (around 64 per cent).¹

Table 2.5 Gambling taxation revenue by state and territory, 2008-09

<i>State</i>	<i>Tax revenue</i>	<i>Average gambling tax revenue per adult</i>	<i>Tax revenue as proportion of total own-state tax revenue^a</i>
	\$m	\$	%
New South Wales	1 610	297	9
Victoria	1 625	391	13
Queensland	931	283	11
South Australia	393	312	11
Western Australia	237	141	4
Tasmania	92	241	10
Northern Territory	74	460	12
ACT	52	191	5
All states	5 014	302	10

^a Total state tax revenue does not include local government tax revenue or goods and services tax (GST) revenue.

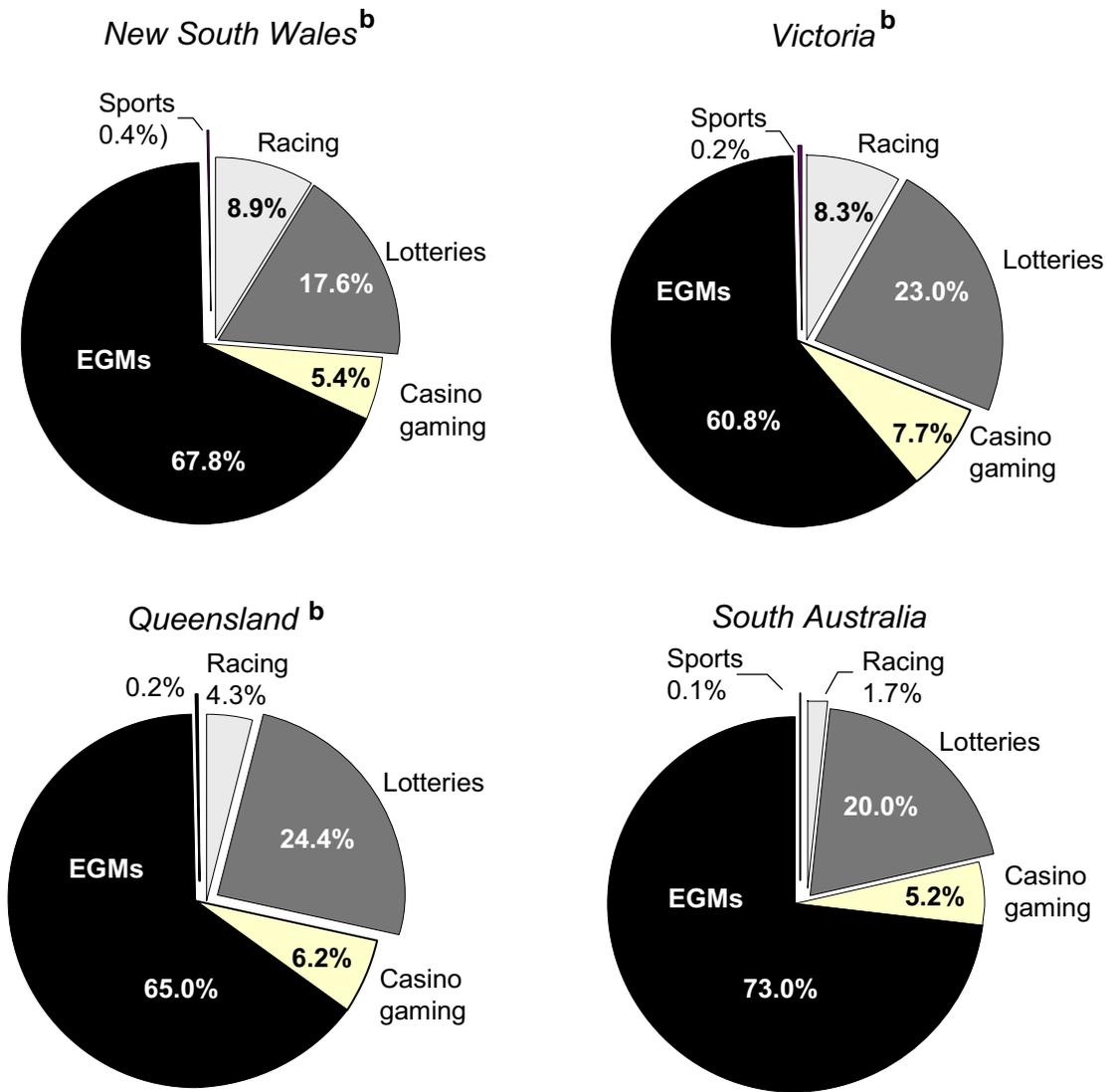
Sources: State and territory budget papers; ABS (*Population by Age and Sex, Australian States and Territories, June 2009*, Cat. no. 3201.0).

Lotteries and pools provide the majority of gambling tax revenue in Western Australia, and they comprise the second largest source of gambling tax revenue in all other jurisdictions except the Northern Territory. The considerable tax revenues associated with lotteries in various jurisdictions are in contrast to their relatively smaller share of gambling expenditure (figure 2.4). This indicates that effective tax rates for lottery products are higher than for other forms of gambling. Some lotteries (such as in New South Wales, South Australia and Western Australia) are also state-owned.

Online betting and wagering services are categorised differently across the jurisdictions. Tasmania categorises such expenditure as interactive gambling, while the Northern Territory categorises revenue from online bookmakers as either racing or sportsbetting. Interactive (online) gambling services account for around 6 per cent of Tasmania's gambling tax revenue, which is more than in any other state or territory — largely reflecting the activities of the Betfair betting exchange which established operations in that state in 2006 (figure 2.4). Interactive gambling had also been a feature of the Northern Territory's tax revenue up until the closure of Lasseters online casino in 2007, although at less than 1 per cent of their gambling tax revenue.

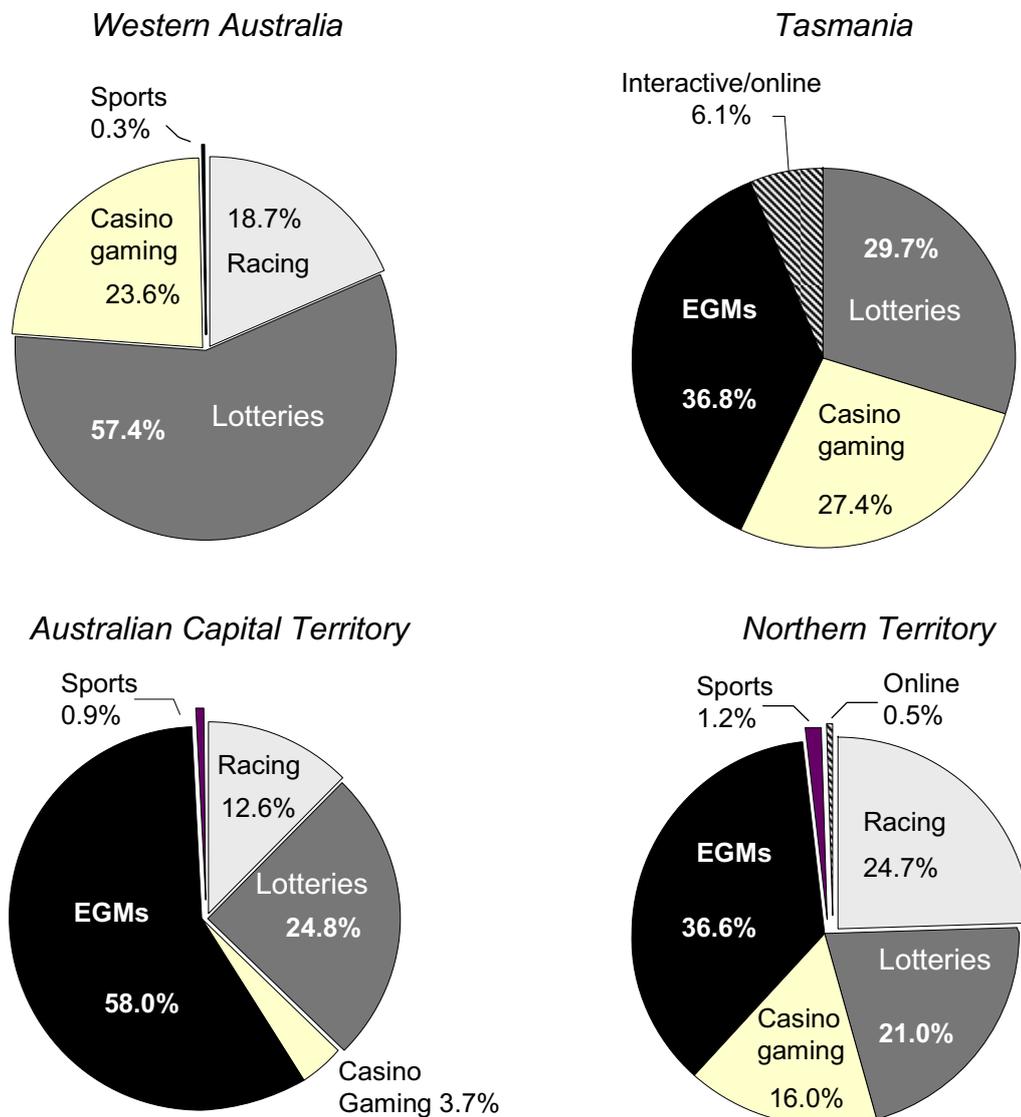
¹ Around 99 per cent of the gambling tax revenue collected from Tasmanian casinos is derived from EGMs (Tasmanian Gaming Commission 2008).

Figure 2.4 Tax revenue share for different forms of gambling by state 2006-07^a



(Continued next page)

Figure 2.4 (continued)



^a Total state tax revenue does not include local government tax revenue, nor goods and services tax revenue.

^b For NSW, Victoria and Queensland, tax revenue from gaming machines also includes revenue from keno. For these states, keno is likely to comprise less than 5 per cent of the combined gaming machine and keno tax revenue.

Data source: Office of Economic and Statistical Research (2008).

A sizeable employer

The gambling industry continues to be a major employer across Australia. Employees include not only licensed gambling staff, but also venue staff working in non-gambling areas (such as entertainment or food and beverage service) or in support services (such as security or cleaning). Estimating the extent of employment in the gambling industry is not easy — the ABS no longer makes industry-wide estimates in this area, and industry estimates differ according to the source.

-
- Hotels — the ABS (2006) estimated that in 2005, hotels with gaming employed around 65 000 people, with around 22 000 of them licensed gaming staff.
 - Using Pricewaterhouse Coopers’ (2009) estimates of employment per hotel venue, and the latest count of hotel venues with EGMs from state regulators, hotels with EGMs could be expected to have employed between 68 000 and 78 000 staff on a full time equivalent basis in 2008.² (Actual employment numbers would be considerably higher, due to the high rates of part time and casual work in the industry.)
 - Clubs — the ABS (2006) estimated that in 2005, clubs with gambling facilities employed around 60 000 people, with around 24 000 of them licensed gaming staff.
 - Clubs Australia estimate total club employment for 2008 at around 86 000 people. Using the estimate of industry structure from ABS (2006), this would extrapolate to around 81 000 people employed by clubs with gaming, including 32 000 licensed staff.
 - Casinos — around 19 700 people are employed in casinos, with almost 8000 licensed gaming staff (Allen Consulting Group 2009b).
 - Lotteries — around 900 people are employed directly by lottery commissions (Ibisworld 2009). In addition, over 7000 people are employed by lottery agents (AGC 2008b).
 - Wagering — around 8600 people were employed in horse and sports betting in 2009 (Ibisworld 2009). While it is difficult to compare across sources, this estimate does not appear to be inconsistent with the Australian Racing Board’s estimate of around 6800 people employed in wagering on races in 2004-05 (sub. 213, p. 9).

In spite of differing estimates, it is clear that each area of gambling is a significant employer. It should also be noted that some jobs within the gambling industry are more directly reliant on gambling than are others (for instance, employees of a lottery agent may rely heavily on newsagent or other income as opposed to lottery income).

² Pricewaterhouse Coopers (2009) estimate the average full time equivalent employment per hotel venue for 2008 (p. 8). These state and territory based estimates can be matched against the count of hotel venues with EGMs available from regulators. Based on these estimates, the Productivity Commission calculates employment in hotels with EGMs at 68 000 full time equivalents (based on state and territory employment numbers) or 78 000 full time equivalents (based on national employment numbers). Furthermore, Pricewaterhouse Coopers (2009) also estimate total hotel employment (including accommodation businesses) could be as high as 189 000 people in 2008.

Business and venue numbers

How many businesses provide gambling services in Australia is also not clear. As with employment estimates, there are significant inconsistencies between industry estimates from different sources (Pricewaterhouse Coopers 2009, Clubs Australia sub. 164).³ Some industry estimates refer to the number of business entities and others to the number of venues.

The ABS (2006) estimated that there were 5370 gambling businesses in 2004-05. Gambling businesses, however, may have a number of gambling venues — for example, a hotel business could have venues in different locations, and a single TAB business could have hundreds of separate shopfronts. The number of businesses tends to be sensitive not only to business closures, but also to amalgamations of separate venues into single businesses.

Estimates of gambling venues are therefore much higher. In 2008-09, there were estimated to be around 5700 hotel and club venues with EGMs (table 2.6). Industry estimates for 2005-06 indicate some 4700 TAB outlets (including TABs at hotels as separate venues) and around 4800 lottery outlets (Australasian Gaming Council 2008c p. 1).

The aggregate numbers of gambling businesses and outlets are one indicator of the significance of the gambling industry. But, as with employment, it is another matter to consider the extent to which these businesses are actually reliant on gambling income.

Gambling businesses first and foremost?

The extent to which businesses depend on gambling revenue differs across different areas of gambling. Some businesses, such as TABs and bookmakers, rely solely on gambling revenue. For others, such as lottery agents, the importance of gambling revenue varies and can be difficult to measure in aggregate. This is because lottery agents cover a diverse range of businesses such as newsagents, delicatessens, supermarkets and chemists (SA Lotteries 2008).

For gaming venues, there are broad differences between venue types.

- Hotels — 73 per cent have some gambling facilities and 78 per cent of those have EGMs (ABS 2005). For hotels with gambling facilities, 28 per cent of revenue was derived from EGMs in 2004-05.

³ ABS (2006) had 2116 hospitality clubs and a further 2000 non-hospitality clubs. Clubs Australia's estimate was 4500 registered clubs in 2008.

- Casinos — gaming income accounted for 78 per cent of revenue in 2007-08, with EGMs making up 41 per cent of gaming revenue (Allen Consulting Group, 2009b).
- Clubs — 87 per cent have gambling facilities and of these 94 per cent had EGMs in 2004-05 (ABS 2005). Of clubs that have gambling facilities, around 61 per cent of revenue is from gambling, 98 per cent of this from EGMs.

Table 2.6 How many venues provide gambling services?

	Casinos	EGM venues		TAB ^{a b}		Lottery outlets ^a
		Hotels	Clubs	Standalone	Other	
NSW	1	1 710	1 322	313	1 995	1 570
Victoria	1	249	266	108	585	780
Queensland	4	766	557	148	611	1 117
South Australia	1	497	69	57	315	535
Western Australia	1	—	—	91	194	564
Tasmania	2	90	10	31	96	83
Northern Territory	2	39	33	16	43	73
ACT	1	12	63	10	39	34
Australia	13	3 363	2 320	774	3 878	4 756

^a Figures are for 2005-06. ^b Other TAB outlets include those within hotels, clubs, casinos, on-course, at sporting events, mobile facilities, and newsagents.

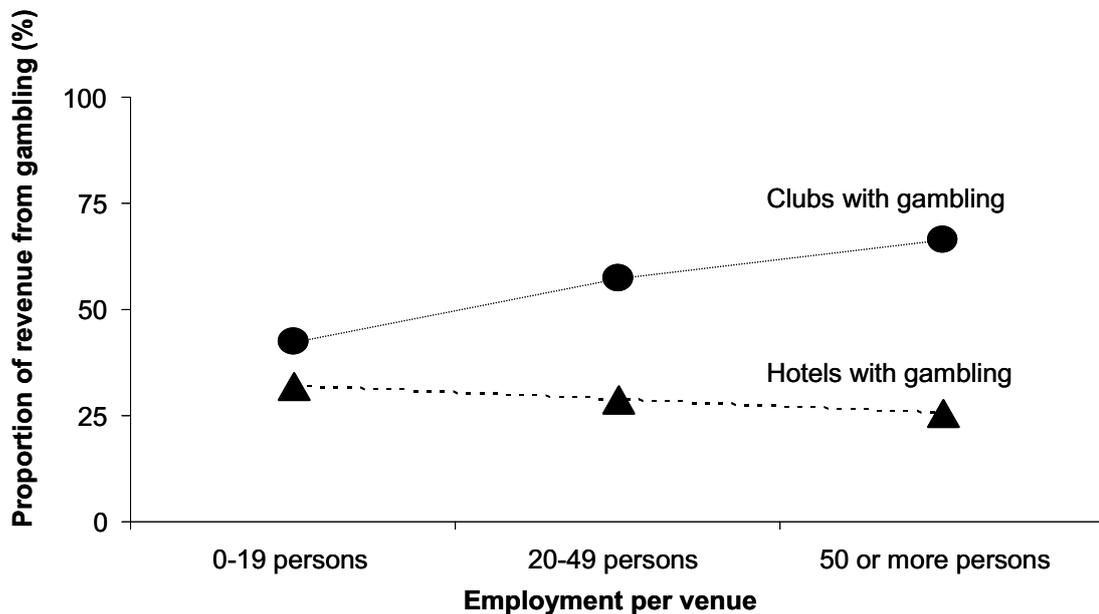
Sources: NSW Government sub. 247; Victorian Commission for Gambling Regulation (2009a); Queensland Office of Liquor and Gambling Regulation (2009); Office of the Liquor and Gambling Commissioner (2009a); Tasmanian Gaming Commission (2009); Northern Territory Department of Justice (2009); ACT Gambling and Racing Commission (2009b); Australasian Gaming Council (2008b).

Unsurprisingly, casinos depend on gambling income to a greater extent than clubs or hotels. Yet, based on the above, clubs' average reliance on EGM income (60 per cent) is greater than the average for casinos (32 per cent).

Other factors also affect the relative importance of gambling revenue. Among clubs with gambling services, those employing more people generally have a greater dependence on gambling revenue (figure 2.5). This implies that, broadly speaking, clubs that have expanded their operations are likely to have done so partly through gaming. This observation may reflect the presence of very large clubs with gambling services — some in New South Wales have 80 per cent or more of their revenue derived from gambling.

By contrast, among hotels with gambling services, those employing more people tend to rely less on gambling revenue (figure 2.5). However, it should also be noted that having gaming machines in hotels is not associated with lower employment — those with EGMs employ 23 full time equivalents on average compared to 13 for hotels without EGMs (Pricewaterhouse Coopers 2009).

Figure 2.5 Dependence on gambling revenue and size of employment, 2004-05



Data source: ABS (2006) *Clubs, Pubs, Taverns and Bars, Australia, 2004-05*, Cat. no. 8687.0.

2.3 EGMs in clubs and hotels

EGMs have remained the dominant segment of the gambling industry over the last decade, in terms of expenditure and tax revenue. They have also featured heavily in research and in submissions relating to problem gambling (for example, sub. 151, sub. 180, sub. 223).

Recent changes in EGM expenditure

National expenditure on EGMs in clubs and hotels in 2008-09 was nearly \$10.5 billion — in real terms, around 12 per cent higher than ten years previously (table 2.7). Almost half of the expenditure is from New South Wales clubs and hotels, reflecting the size and structure of the industry in that state. For example, the twelve largest clubs in New South Wales alone had EGM expenditure of \$580 million in 2007.

In 2008-09, casinos accounted for around 12 per cent of national EGM expenditure (table 2.7). Western Australia's casino-based EGM revenue was comparable to that of the mainly club based industry of the ACT.

Table 2.7 Expenditure on EGMs over a decade

Venues	1998-99		2006-07		2007-08		2008-09
	Nominal	Real ^a	Nominal	Real ^a	Nominal	Real ^a	Nominal/ Base
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<i>Hotels and Clubs</i>							
NSW	3 487	4 764	5 206	5 551	4 644	4 789	4 772
Victoria	1 954	2 670	2 543	2 712	2 613	2 695	2 707
Queensland	757	1 035	1 677	1 788	1 802	1 858	1 861
South Australia	442	604	793	845	758	782	751
Tasmania	39	54	112	120	117	121	124
Northern Territory	24	33	64	68	72	74	79
ACT	147	201	185	197	177	183	175
Australia	6 852	9 361	10 579	11 281	10 183	10 502	10 469
<i>Casinos</i>							
NSW	—	—	—	—	189	195	199
Victoria	—	—	—	—	352 ^b	363 ^b	376 ^b
Queensland	252	345	314	334	325	335	337
South Australia	—	—	63	67	57	59	60
Western Australia	88	121	176	187	193	199	208
Tasmania	—	—	91	97	109	112	101
Northern Territory	—	—	78	83	86	89	92
Australia	—	—	—	—	1 299	1 339	1 370 ^c

^a Real expenditure is in 2008-09 dollars, calculated using CPI adjustment. ^b PC estimates. Based on 2007-08 casino gaming expenditure, Australasian Casino Association estimates of national expenditure (2009), and reported growth rate of floor gaming (Crown Ltd 2009b). Figures for Crown Casino EGM expenditure were requested by the Productivity Commission from the Victorian Commission for Gambling and Racing and were denied on the grounds of commercial confidentiality. ^c PC estimates.

Sources: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; Allen Consulting Group (2009b). Productivity Commission estimates based on Crown Ltd (2009b); ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

Reliance on EGM revenue also differs between venues, although data on this are scarce. In 2005, clubs with gambling facilities derived roughly 60 per cent of total business revenue directly from EGMs. By comparison, 32 per cent of casino revenue was derived from EGMs in 2008.⁴

⁴ Productivity Commission calculations based on ABS 2005 and Allen Consulting Group (2009b).

Trends in real expenditure

Real growth in aggregate expenditure on EGMs was rapid in the years immediately after liberalisation (figure 2.6). Since the Commission's 1999 report, growth in real EGM expenditure in most jurisdictions has slowed. The Northern Territory is an exception — while it remains the smallest EGM industry by expenditure, its real expenditure has more than doubled in the last decade and continues to grow.

Real EGM expenditure in clubs and hotels has declined since 2004-05. A significant drop was also observed in 2007-08, attributed largely to the effects of smoking bans in New South Wales (NSW Government, sub. 247).

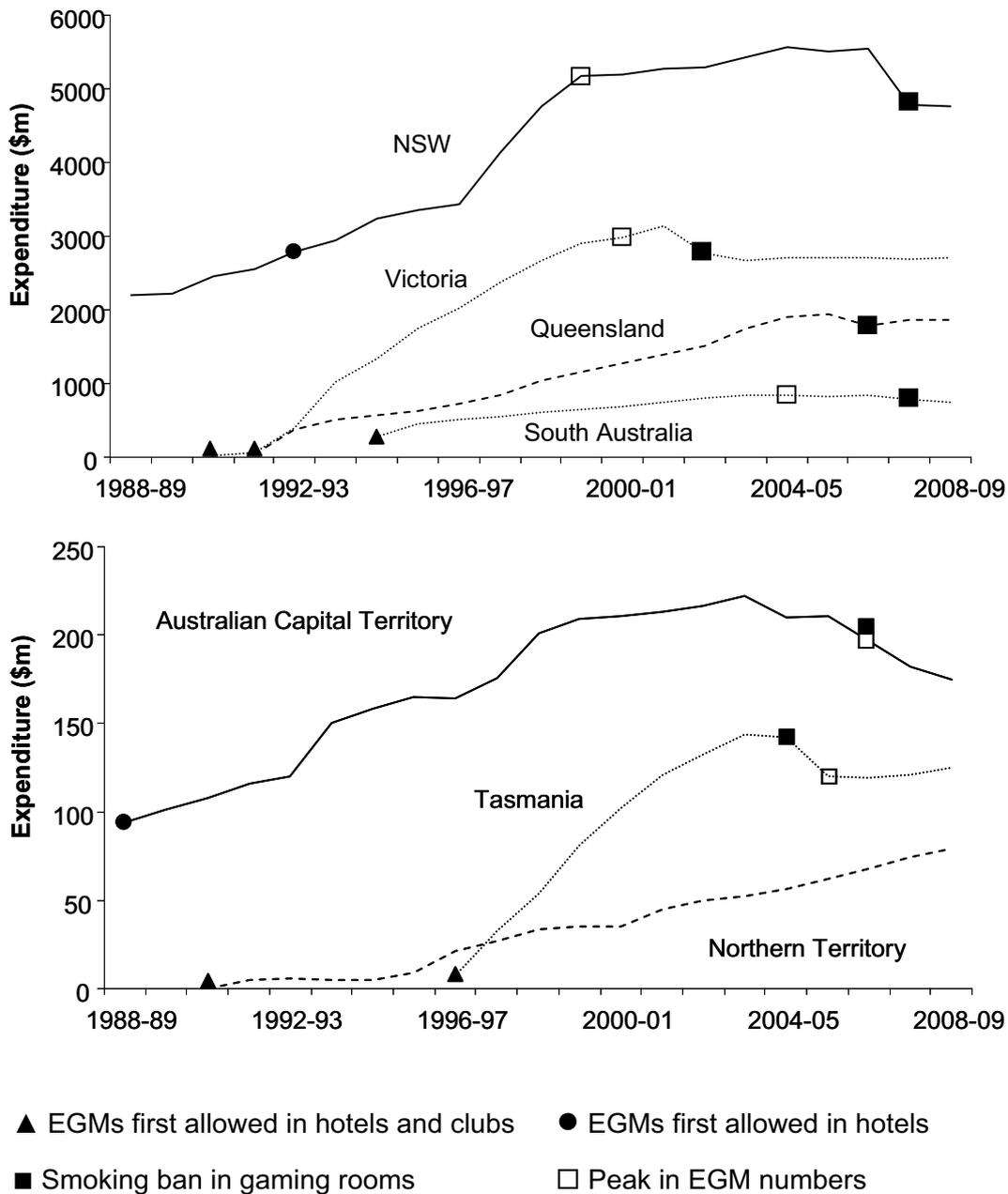
Expenditure on EGMs in each jurisdiction is nominally greater in 2008-09 than it was ten years ago. However, after accounting for inflation, the real expenditure on club and hotel EGMs is marginally smaller in New South Wales and in Victoria than it was ten years ago.

Smoking bans

One of the main regulatory changes to have a visible impact on EGM expenditure levels is the ban on smoking in gaming areas of clubs and hotels (Diamond 2009b, New South Wales Government sub. 247, SACES 2005b, SACES 2008a). In most jurisdictions, growth in EGM expenditure had slowed prior to the implementation of the bans. The smoking bans, however, were followed by sudden and major declines in EGM expenditure in each jurisdiction that instituted a ban (figure 2.6, table 2.8).

Assessing the ongoing expenditure effects of smoking bans is difficult from available annual data, since little time has passed since the bans' introductions in most jurisdictions, and other policy changes will have also had a bearing on EGM growth rates. However, growth rates have mostly been lower in the years following smoking bans (figure 2.6, table 2.8). In Victoria, where smoking bans have been operating for six years, real EGM expenditure has had little growth. Queensland and Tasmania have shown some initial signs of recovery, although it is not yet clear whether this will be sustained.

Figure 2.6 Real expenditure on 'pokies' in hotels and clubs, 1988-89 to 2008-09^a



^a Expenditure is in 2008-09 dollars, calculated by the Productivity Commission using a CPI adjustment.

Data source: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

Table 2.8 Annual growth in real EGM expenditure relative to smoking bans^a

	NSW	Victoria	Queensland	South Australia	Tasmania	ACT
	%	%	%	%	%	%
3 years prior	2.7	8.5	14.6	1.1	9.7	2.6
2 years prior	-1.0	2.9	9.2	-2.9 ^b	8.1	-5.7
1 year prior	0.7	5.3	2.6	2.5	-0.8 ^b	0.4
Smoking ban	-13.7	-11.6	-8.2	-7.5	-15.7	-6.5
1 year after	-0.4	-4.1	3.9	-3.9	-0.4	-7.3
2 years after	—	2.0	0.1	—	0.9	-4.1
3 years after	—	0.1	—	—	3.6 ^c	—

^a Expenditure is in 2008-09 dollars, calculated by the Productivity Commission using a CPI adjustment.

^b Partial smoking ban implemented. ^c Productivity Commission estimate.

Data source: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

Shrinking EGM participation

The evidence also suggests that EGM participation has reduced somewhat. In almost all jurisdictions where data are available, the percentage of the adult population who played EGMs at least once in a 12 month period has declined since 1999 (table 2.9). While this seems to be the case across all states and territories, it is based on very limited observations.

While a smaller proportion of the population are playing EGMs than in the 1990s, the average EGM player today is spending more than was the case ten years ago (table 2.10). For instance, the average EGM player in Victoria was estimated to have spent around \$1750 in 1999 (in today's dollars), compared to \$3100 in 2008. The average EGM expenditure *per participant* is a more useful measure than per capita expenditure across all adults for identifying increases in personal EGM expenditure — the adult population involves a large, growing proportion of people who do not play EGMs.

Table 2.9 EGM participation^{a b}

Percentage of adult population and number of people who played EGMs at least once during the year

	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>ACT</i>
	'000	'000	'000	'000	'000	'000	'000	'000
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
1999	1 880 (39)	1 595 (45)	1 063 (41)	467 (41)	219 (16)	126 (36)	44 (33)	86 (37)
2001	—	—	918 (34)	—	—	—	—	91 (38)
2003	—	1 259 (34)	—	—	—	—	—	—
2003-04	—	—	931 (32)	—	—	—	—	—
2005	—	—	—	361 (30)	—	—	38 (27)	—
2006	1 614 (31)	—	—	—	—	108 (29)	—	—
2006-07	—	—	938 (30)	—	—	—	—	—
2008	—	879 (21)	—	—	—	—	—	—
2008-09	1 301 (24)	—	1 020 (31)	—	—	—	—	—

^a EGM participants are people who had played EGMs at least once during the year. ^b Estimates based on gambling participation rates reported in various studies and ABS estimates of the adult population in each state and territory.

Sources: PC (1999); NSW Office of Liquor, Gaming and Racing (2006); NSW Department of Health (2009); Centre for Gambling Research (2004a); Hare (2009); Queensland Government (2002, 2004, 2008, 2009); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001); ABS (*Population by Age and Sex, Australian States and Territories, June 2009*, Cat. no. 3201.0).

Around three-quarters of people who play gaming machines do so less than weekly and these non-regular players tend to play at lower intensities and for shorter time periods than regular weekly players (appendix B). Based on such behavioural differences, regular gaming machine players spend much more. For example, it is estimated that regular players in New South Wales spend around \$7000 to \$8000 per year.

Table 2.10 Real EGM expenditure per person^{a b c}

EGM expenditure per participant, (EGM expenditure per adult resident)^d

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	\$	\$	\$	\$	\$	\$	\$	\$
1999	2 645 (1031)	1 745 (785)	1 034 (424)	1 341 (549)	541 (86)	535 (193)	779 (257)	2 386 (883)
2001	—	—	1 448 (493)	—	—	—	—	2 333 (885)
2003	—	2 156 (722)	—	—	—	—	—	—
2003-04	—	—	1 868 (601)	—	—	—	—	—
2005	—	—	—	2 317 (695)	—	—	1 564 (408)	—
2006	3 428 (993)	—	—	—	—	1 109 (356)	—	—
2006-07	—	—	1 906 (572)	—	—	—	—	—
2008	—	3 073 (658)	—	—	—	—	—	—
2008-09	3 668 (880)	—	1 824 (565)	—	—	—	—	—

^a EGM participants are people who had played EGMs at least once during the year. ^b Expenditure in 2008-09 dollars, adjusted by the Productivity Commission using a CPI adjustment. ^c Expenditure for Western Australia refers to EGMs in Burswood Casino only. For all other jurisdictions, expenditure refers only to EGMs in clubs and hotels. ^d Estimates calculated by dividing aggregate expenditure for each state and territory by the estimated number of EGM participants. The expenditure per adult resident is calculated by dividing aggregate expenditure across ABS estimates of the total adult population in each state and territory.

Sources: Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a, unpublished data); Western Australia Department of Racing, Gaming and Liquor unpublished data; Tasmanian Gaming Commission (2009); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0). Productivity Commission (1999); NSW Office of Liquor, Gaming and Racing (2006); NSW Department of Health (2009); Centre for Gambling Research (2004a); Hare (2009); Queensland Government (2002, 2004, 2008, 2009); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001); ABS (*Population by Age and Sex, Australian States and Territories, June 2009*, Cat. no. 3201.0).

EGM industry structure and policy

In most states and territories, individual venues own the rights to their EGMs. In some jurisdictions, the ownership of the machines and the rights to income may be split between a venue operator (club, hotel or casino) and a gaming operator (machine owner).

-
- In Victoria, gaming operators Tabcorp and Tattersall's currently own equal shares of all EGMs statewide. This model will change in 2012 when the duopoly licenses are abolished. EGM ownership will be open to bidding from individual venues.
 - In Western Australia, Burswood casino is the sole gaming machine operator and venue.
 - In Tasmania, the Federal Group is the only gaming machine operator for EGMs, and the venue operator for both casinos and some hotels.
 - In all other states and territories, gaming venues own and operate EGMs.

In New South Wales and South Australia, while licences are awarded to venues to operate EGMs, there are also separate 'entitlements' awarded for each individual machine. Each entitlement is subject to licensing, and is tradeable during regulated trading rounds. This arrangement allows separate controls for how many venues are licensed to operate EGMs (venue licences), and for how many EGMs are commissioned in total (individual machine 'entitlements'). Both Victoria and the Northern Territory have announced that similar systems of tradeable EGMs will be implemented. For Victoria, this will occur in 2012 to replace the duopoly operating licence.

EGM taxes, concessions and levies

Clubs and hotels are treated differently by regulatory and taxation systems, with clubs generally receiving more favourable treatment due to their traditional community orientation. For example:

- in New South Wales, clubs do not pay revenue taxes on the first \$1 million of EGM revenue and are refunded their GST contributions for up to \$200 000 of EGM revenue
- in Victoria, hotels receive one-quarter of gross profits and clubs receive one-third, the difference being a contribution to a community benefit fund.

EGM venues and operators also incur charges other than taxes on revenue. In Victoria, each EGM requires an additional \$4333 flat levy payment per year. In the Northern Territory, 10 per cent of EGM revenue is contributed to a community fund, above the 42.9 per cent tax paid by hotels (FaHCSIA 2009a).

Rise and fall of EGM numbers

Throughout the 2000s, several policy initiatives centred on the numbers of operational EGMs. It is not straightforward as to whether changes in EGM numbers have directly affected EGM expenditure (chapter 14). State-wide caps on EGM numbers were in effect for most jurisdictions by the early 2000s, although not all jurisdictions have actually met their cap limit on EGM numbers:

- Tasmania instituted a cap in 2003, which was reached in early 2006
- the ACT instituted a cap in 1998, which was reached in 2006
- South Australia restricted EGM numbers in 2005 and initiated a process to reduce numbers.

In 2009, Australia had 197 820 EGMs — 13 294 more than in 1999 (table 2.11). The number of machines is higher than ten years ago for all jurisdictions except New South Wales and Victoria.

State-wide caps were part of broader regulatory changes designed to limit EGM numbers. For instance, EGM operation had been subject to increasingly stringent licensing. Changes to licensing channels may be significant in explaining why many jurisdictions had not met their state-wide caps.

- Approvals in Northern Territory, New South Wales, South Australia and Victoria are subject to assessments of the socioeconomic status of the area surrounding the venue.
- South Australia cancelled the rights to 2168 machines during the rollout of its new licensing system — part of its policy target of a reduction in machine numbers by 3000.
- Governments in New South Wales and South Australia effectively cancel a percentage of EGM entitlements from every batch traded between venues.
- The ACT instituted stricter licensing processes for EGMs after implementing its cap on EGM numbers.
- The Queensland government imposed a two-year moratorium on EGM numbers in 2008, although it had also increased the state-wide cap for hotels in 2005.

Thus, where machine numbers have been reduced or constrained by policy, it has generally been due to fewer machine or venue licences being awarded, and to some machine entitlements being cancelled.

Table 2.11 EGM caps and counts of operational machines

		<i>Casino</i>	<i>Hotel</i>	<i>Club</i>	<i>2009 Total</i>	<i>1999 Total</i>
NSW	cap limit	1 500	97 500 hotels & clubs		99 000	no cap
	operating	1 500	23 700	71 865	97 065	99 672
Victoria	cap limit	2 500	13 750	13 750	30 000	30 000
	operating	2 500	13 338	13 434	29 272	29 611
Queensland	cap limit	no cap	20 000	24 705	no cap	no cap
	operating	3 502	18 757	23 052	45 311	32 394
South Australia	cap limit	995	12 086 hotels & clubs ^a		13 081 ^a	no cap
	operating	946	11 094	1 555	13 595	12 912
Western Australia	cap limit	1 750 ^b	none	None	1 750 ^b	no cap
	operating	1 750	N/A	N/A	1 750	1 180
Tasmania	cap limit	3 680 ^c	2500 hotels & clubs		3 680 ^c	no cap
	operating	1 280	2 199	173	3 652 ^c	2 492
Northern Territory	cap limit	no cap	no cap ^d	no cap ^d	no cap	no cap
	operating	828	432	758	2 018	1 252
ACT	cap limit	none	5200 hotels & clubs ^e		5 200	5 200
	operating	N/A	72	5 085	5 157	5 013
Australia	operating	12 306	69 592	115 922	197 820	184 526

^a Club and hotel EGMs are being progressively reduced to 12 086, which will then become a cap. ^b EGMs include 150 machines in the members-only area of the Burswood casino. ^c Not including TT line ferries, which have 46 EGMs. ^d A cap for Northern Territory clubs and hotels of 1190 is before State Parliament. ^e ACT hotels/ taverns only have access to class-B EGMs, whereas clubs are allowed class-C machines.

Sources: PC (1999); FaHCSIA (2009a); Victorian Commission for Gambling Regulation (2009a); Tasmanian Gaming Commission (2009a); Northern Territory Government (sub. 252); ACT Gambling and Racing Commission (2009b).

EGM numbers and expenditure

The New South Wales Government instituted its entitlement scheme in 2002, just as EGM numbers peaked at around 101 000. Subsequently, the number of EGMs in New South Wales fell below 1999 levels and expenditure per EGM continued to grow (table 2.12). In 2008, the New South Wales EGM cap was lowered to 99 000, which ensures that EGM numbers remain below 1999 levels.

However, the link between EGM numbers and expenditure is not straightforward. For example, consolidation in the New South Wales hotel and club industries occurred between 1998 and 2005, with 105 clubs amalgamating and 184 clubs ceasing to trade, but as noted earlier, expenditure per machine in New South Wales increased (NSW Government, sub. 247; IPART 2005). Such changes may have concentrated the EGM market into venues with more profitable machines.

In 2004, the South Australian Government initiated its policy objective of reducing the number of EGMs by 3000 machines (box 2.2). As in New South Wales, the scheme made several concessions to non-profit venues and smaller operators. The result appears not to have reduced the number of venues with EGMs, nor the EGM expenditure per venue (figure 2.7). By contrast, the implementation of the smoking ban in gaming areas appears to have negatively affected expenditure per machine and per venue.

Box 2.2 Scaling back EGM numbers in South Australia

South Australia has a policy to reduce EGM numbers by 3000. It is to be achieved in two phases.

The first phase occurred with the rollout of an entitlements system. This resulted in a state-wide reduction of 2168 EGMs. This was achieved by:

- only awarding entitlements for 20 EGMs to licensed for-profit venues who previously operated 21–28 machines
- giving licensed for-profit venues who previously operated 29 or more machines entitlements for 8 fewer machines
- non-profit institutions and clubs were exempt from reductions.

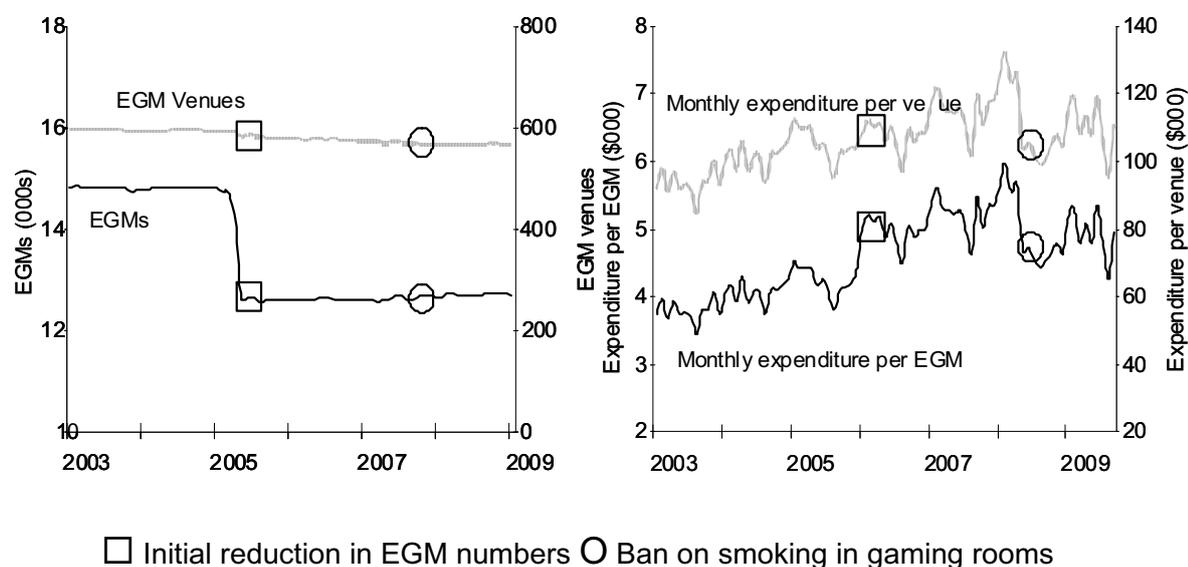
The second phase of EGM reduction operates through an entitlement trading scheme. The scheme will continue until the number of entitlements reaches 12 086 (a reduction of 3000 machines). During designated trading rounds, licensed venues can buy entitlements from other venues subject to:

- 25 per cent of entitlements put up for sale by for-profit venues being cancelled
- 25 per cent of entitlements put up for sale by clubs transferred to 'Club One', a pool of club resources.

When there are only 12 086 entitlements left, this will become a cap for EGMs in South Australian clubs and hotels. These steps were taken via the *Gaming Machines (Miscellaneous) Amendment Act 2004*, which amended the *Gaming Machines Act 1992*.

Source: Office of the Liquor and Gaming Commissioner (2009c).

Figure 2.7 Effects of EGM reductions in South Australia^a



^a Expenditure only refers to EGMs in clubs and hotels and does not include EGMs in the casino.
 Data source: Office of the Liquor and Gaming Commissioner (2009c).

At a national level, consumption expenditure per operational EGM has exhibited little growth between 1999-00 and 2008-09 (table 2.12). However, at these aggregate levels, estimates of expenditure per EGM are relatively volatile, and are only indicative of the average EGM's earning power. One particular issue is that if low earning machines were discarded, then this would increase the state-wide estimate of expenditure per EGM — yet, such increases would not reflect any real changes or improvements to the earning power of the remaining EGMs.

What is fairly clear from these estimates is that expenditure per EGM differs between jurisdictions. And it is particularly high in Victoria. By comparison, the average expenditure per casino EGM is higher than for clubs and hotels (\$106 197 in 2007-08). Differences in EGM earning power are explored further in appendix C (in relation to the costs of pre-commitment).

Table 2.12 Real annual expenditure per operational EGM^a

Consumption expenditure per EGM is equal to revenue earned by each EGM

	1999-00 ^a	2008-09
<i>Clubs and hotels</i>	\$	\$
NSW	51 972	49 935
Victoria	97 810	101 113
Queensland	35 890	44 512
South Australia	50 222	59 372
Western Australia	—	—
Tasmania	32 541	61 130
Northern Territory	28 215	67 753
ACT	41 746	33 934
Australia	55 144	56 432

^a Expenditure in 2008-09 dollars, calculated by the Productivity Commission using a CPI adjustment.

Data source: PC estimates based on Office of Economic and Statistical Research (2008); NSW Office of Liquor, Gaming and Racing unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Department of Employment, Economic Development and Innovation, unpublished data; South Australia Office of the Liquor and Gambling Commissioner (2009a); Tasmanian Gaming Commission (2009a); Northern Territory Department of Justice unpublished data; ACT Gambling and Racing Commission unpublished data; PC (1999); FaHCSIA (2009a); Northern Territory Government (sub. 252); ACT Gambling and Racing Commission (2009b); ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

2.4 The casino industry

There are 13 operating casinos in Australia, owned by six different corporations (table 2.13). While the same number of casinos were operational in 1999, several aspects of the casino industry have changed in the last decade, notably:

- reduced expenditure growth (as shown above)
- changes in ownership concentration
- regulatory changes
- changes in the overseas market.

Structure of the industry

The 1980s and 1990s saw large scale liberalisation of casino industries across several states and territories. By 1986, eight casinos had opened across Australia, covering all jurisdictions except for New South Wales, ACT and Victoria. A further six casinos opened between 1992 and 1996, including one on Christmas Island.

Table 2.13 Casino ownership, licensing and exclusivity in Australia

<i>Parent company</i>	<i>Casino</i>	<i>Location</i>	<i>Licensing and exclusivity</i>
Casinos Austria International	Casino Canberra	ACT	A 99-year lease on licence with exclusivity until 2012.
	Reef Casino	QLD	Licence that in 1996 provided for a ten-year exclusivity period for casino gaming within a 120 kilometre radius of the location.
Federal Group	Wrest Point Hotel Casino	TAS	The Deed of Agreement between the Crown and Federal Hotels Pty Ltd provides exclusive rights for the Federal Group to operate table gaming, gaming machines and Keno throughout the state until 30 June 2018.
	Country Club Tasmania	TAS	
Lasseters Holdings Pty. Ltd.	Lasseters Hotel Casino	NT	Southern NT division exclusivity until 2018.
Publishing and Broadcasting Ltd.	Crown Casino	VIC	Exclusivity until 2032.
	Burswood Entertainment Complex	WA	The State must not grant another licence to a casino and hotel of similar size and standard as Burswood within a 100km radius of Burswood.
Skycity Entertainment Ltd.	Skycity Darwin	NT	Northern NT division exclusivity until 2015.
	Skycity Adelaide	SA	The current licence term is until 2085. Exclusivity across SA until 2015 with right to receive compensation for any diminution of value for any change to the exclusivity.
Tabcorp Holdings Ltd.	Star City Casino	NSW	The casino licence was originally awarded to Sydney Harbour Casino Pty Ltd for 99 years from 1994, with 12 year exclusivity in NSW. In late 2007 the exclusivity arrangement was extended for another 12 years until 2019.
	Conrad Jupiters	QLD	Licence awarded in perpetuity. A 10 year regional casino gaming exclusivity agreement expired in 1996.
	Conrad Treasury	QLD	A 75-year licence was awarded in 1995. A ten year exclusivity period was also awarded for casino gaming within a 60 kilometre radius of the location (now expired).
	Jupiters Townsville	QLD	Exclusivity within a 400 km radius granted in 1986 for 15 years, with the exception of Cairns which was only excluded for five years.

Source: Australasian Gaming Council (2009) with updates by the Productivity Commission.

Since the closing of the Christmas Island casino in 1998, the industry has stabilised at 13 casinos — underpinned by ongoing exclusivity arrangements in all but two jurisdictions (table 2.13).

The casino industry has a more concentrated ownership structure than a decade ago (table 2.13). For instance, Tabcorp currently owns four Australian casinos after acquiring the Star City casino in 1999 and merging with Jupiters in 2003. Skycity acquired Adelaide’s only casino in 2000, as well as the MGM Grand in Darwin in 2003. These changes have also resulted in more integrated companies, with Tabcorp and Skycity also having businesses in other areas of Australian gambling.

Exits and blocked entries

The casino on Christmas Island which opened in 1993 closed permanently in 1998. Its initial closure was linked to the Asian financial crisis which affected a significant proportion of its market as well as its own parent company. Subsequently, the resort site was acquired in 2000 by Soft Star and an attempt was made to reopen the casino. In 2004, this attempt was blocked by the Australian Government through the *Casino Legislation Ordinance 2005*.⁵ Specific mention was made of concerns for the impact of gambling on local communities.

Lasseters Holdings opened an online casino in April 1999, two years prior to the Australian Government passing the *Interactive Gaming Act 2001* (IGA). The IGA specifically prohibits the online provision of casino gaming by Australian companies. Following the advent of the IGA, Lasseters online casino operated entirely for non-Australian markets. A ban on online gaming was also passed in the United States in 2006, effectively closing the US market for online casinos such as Lasseters.⁶ Lasseters ended its online operations in October 2008, citing the loss of the US market (Lasseters 2008).

Casino industry performance

Australian casinos obtained around \$3.46 billion in gaming revenue in 2008-09, (table 2.14). The Commission estimates that \$1.37 billion of this was from EGMs,

⁵ The *Casino Legislation Ordinance 2005* effectively repealed the *Casino Control Ordinance 1988* for Christmas Island and applied the *Gaming Commission Act 1987* (WA) in its place.

⁶ The US *Security and Accountability for Every Port Act 2006* included a prohibition on transactions between US financial institutions and online gaming companies, with the exceptions of fantasy sports, online lotteries, and horse/harness racing.

\$1.44 billion from table games and \$649 million from international VIP programs.⁷ This equates to some \$111 000 in revenue per EGM in casinos (compared to \$56 000 for those in clubs and hotels), and an average of over \$900 000 for each gaming table.

Casino expenditure has been relatively stable in most jurisdictions over the last decade (figure 2.8). While the opening of new casinos during the 1990s resulted in historically rapid growth, with no new casinos opening during the 2000s, casino expenditure in most jurisdictions has stabilised somewhat.

Table 2.14 Expenditure on casino gaming

Venues	1998-99		2006-07		2007-08		2008-09
	Nominal	Real ^a	Nominal	Real ^a	Nominal	Real ^a	Nominal/ Base
	\$m	\$m	\$m	\$m	\$m	\$m	\$m
NSW	480	655	687	733	704	726	748
Victoria	722	986	1 062	1 133	1 101	1 136	1 218
Queensland	477	651	526	561	560	578	580
South Australia	77	105	132	140	104	107	129
Western Australia	286	390	453	483	486	501	535
Tasmania	82	112	102	109	109	113	114
Northern Territory	54	74	104	111	117	121	122
ACT	16	22	18	19	18	18	19
Australia	2 193	2 995	3 084	3 289	3 200	3 300	3 464

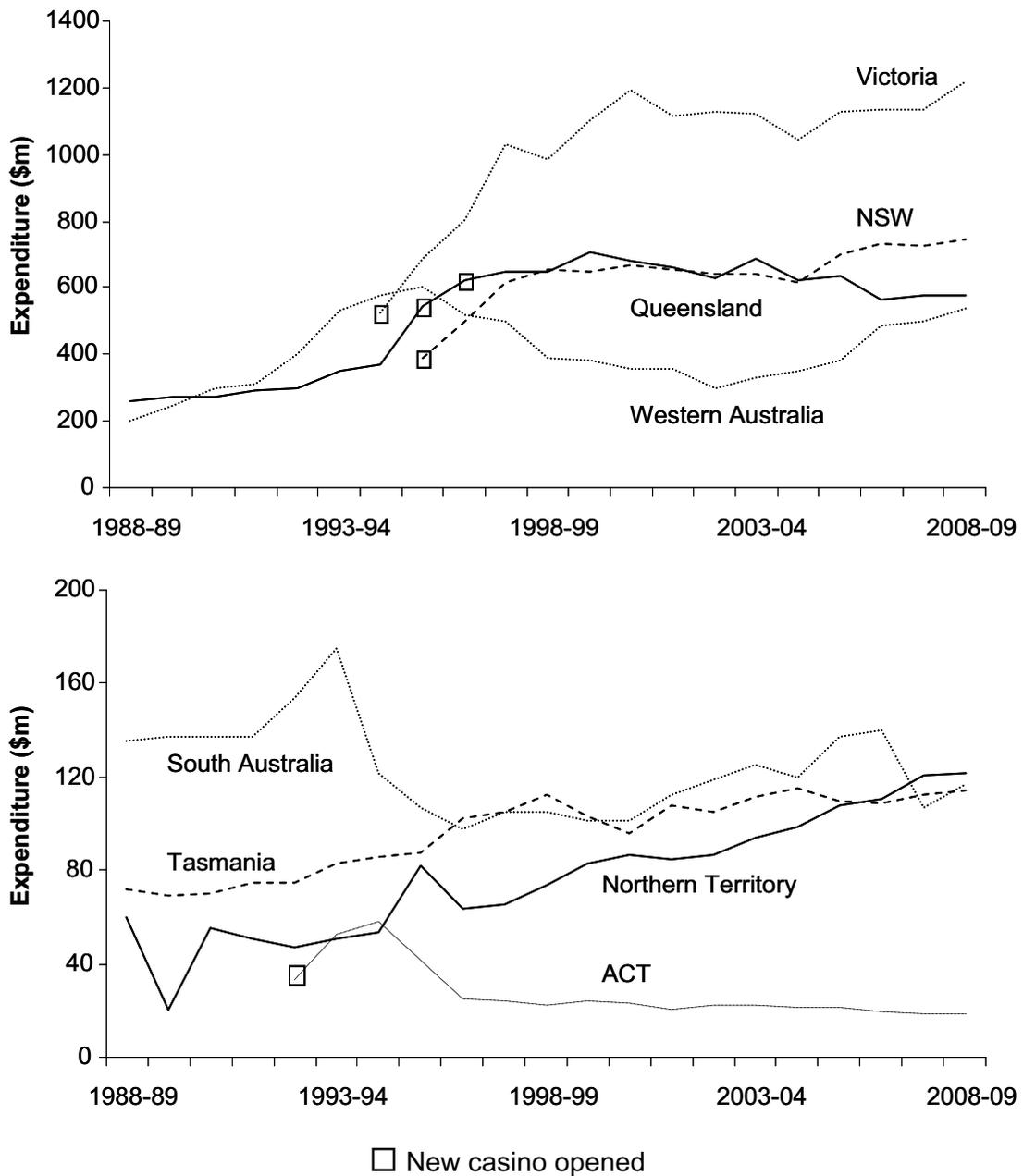
^a Real expenditure is in 2008-09 dollars calculated using a CPI adjustment. Jurisdiction may not add to total due to rounding.

Sources: Office of Economic and Statistical Research (2008); NSW Government unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Government unpublished data; Western Australian Government unpublished data; Tasmanian Gaming Commission (2009); ACT Gaming and Racing unpublished data; Northern Territory Government unpublished data; Skycity Entertainment Group (2009); ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

And while no new casinos have been built in the last ten years, there has been some expansion within existing casinos. In 1999, Australian casinos operated 10 788 EGMs and 1098 gaming tables (PC 1999, p. 13.21), compared with the latest count of 12 306 gaming machines and 1525 gaming tables (table 2.11, Allen Consulting Group, 2009b). This translates to a 39 per cent increase in the number of gaming tables, and a 14 per cent increase in the number of EGMs over the last decade. By comparison, EGM numbers in clubs and hotels increased by 7 per cent.

⁷ The estimate of casino EGM expenditure is detailed in table 2.7. VIP programs are based on figures from the Australasian Casino Association (2009) showing that in 2007-08, table games accounted for around 2.22 times more revenue than VIP programs. That ratio was assumed to hold in 2008-09.

Figure 2.8 Real expenditure on casino gaming, 1986-87 to 2006-07^{a b}



^a Expenditure in 2006-07 dollars, calculated using a CPI adjustment. ^b Not included: Christmas Island casino, 1993-1998.

Data source: Office of Economic and Statistical Research (2008); NSW Government unpublished data; Victorian Commission for Gambling Regulation (2009a); Queensland Government unpublished data; Skycity Entertainment Group (2009); Western Australian Government unpublished data; Tasmanian Gaming Commission (2009); ACT Gaming and Racing unpublished data; Northern Territory Government unpublished data; ABS (*Consumer Price Index, Australia*, Cat. no. 6401.0).

While other sources of income are also important to casinos, gaming constitutes around 78 per cent of revenue for Australian casinos, similar to the case in 1999 (79 per cent) (table 2.15). Both Crown and Star City have announced plans to expand their existing casino operations, with much of the expansion relating to non-gaming aspects of the casinos (Tabcorp 2008a, Crown Ltd 2009a).

Table 2.15 Australian casino revenue by source

	1999-00	2002-03	2005-06	2007-08
	\$m	\$m	\$m	\$m
Gaming	2 397	2 531	2 859	3 168
Food and beverage	368	357	428	466
Accommodation	119	131	202	224
Rent and leasing	33	30	28	22
Entertainment	15	31	23	52
Other, including parking and retail	106	65	78	117
Total	3 038	3 145	3 618	4 049

Sources: Allen Consulting Group (2009b); ACIL (2001).

Taxes and fees

Casinos Australia-wide paid gaming taxes of \$552 million in 2007-08 — an effective tax rate of around 17 per cent. Tax rates differ in each jurisdiction, particularly with regard to different types of gaming offered by casinos.

- New South Wales, Victoria, Queensland and the ACT apply the same marginal tax rates to casinos' EGM and table gaming revenues.
- In Western Australia, similar tax rates apply for EGMs and table games (with the tax rate for EGMs 2 percentage points higher than for tables).
- In Tasmania, the tax rate for EGM revenue is between 20.88 and 25.88 per cent of gross profit 10 per cent and 0.88 per cent of profit for table games.
- In the Northern Territory, the tax rate for EGM revenue is between 8 and 12 per cent and for tables between 20 and 21 per cent.
- In South Australia, the tax rate for EGM revenue is 10 per cent and for tables 43.5 per cent.

In addition to revenue taxes, casinos are often subject to sizeable licensing fees, exclusivity fees, and other levies and duties. Some licence fees are once-off payments which last up to 99 years, while others are monthly and quarterly instalments. If a straight line depreciation were applied to the fixed licence fees,

then licence fees appear to be a relatively small proportion of the taxes and fees paid by casinos (table 2.16). Community fund levies are also applied in some jurisdictions as distinct from other taxes.

Table 2.16 Casino levies and licence fees

<i>Jurisdiction</i>	<i>Community levies as proportion of annual revenue</i>	<i>Gaming licence fees as equivalent proportion of annual gaming revenue^a</i>
	%	%
New South Wales	2 per cent EGM revenue	2.46
Victoria	\$4333 per EGM and 1 per cent EGM revenue	0.68
Queensland	1 per cent EGM revenue	0.53
South Australia	—	0
Western Australia	2 per cent gaming revenue	0.57
Tasmania	—	2.88
Northern Territory	10 per cent gaming revenue	0
ACT	—	4.02

^a Licence fees are a sum total for all casinos in each jurisdiction. Where licence fees are fixed once off payments, the PC estimated the annual amount using straight line depreciation. Licence fees are calculated using 2006-07 revenue.

Sources: Allen Consulting Group (2009b); Australasian Gaming Council (2008d); Productivity Commission calculations.

International competitive pressures

The vast majority of visits to Australian casinos are from Australian residents — around 5 per cent of visits were from international tourists in 2007-08 (Allen Consulting Group 2009b). However, in the same year around 18 per cent of casino gaming revenue was attributed to international VIP programs. As tourism comprises a significant minority share of gaming revenue at casinos, recent developments in markets overseas are relevant to the Australian industry.

In the last ten years, Macau has become host to one of the world's largest casino industries. When Macau returned to Chinese rule in 1999, its long running gambling industry — owned by a monopoly operator — was officially opened to competition. In 2008, expenditure among its 31 casinos was the equivalent of (AUD)\$16.1 billion (Macau Government Information Bureau 2009). Industry estimates for 2007 put casino expenditure at \$14.2 billion (Greenlees 2008). The development of Macau has been ongoing — the current phase of casino openings has included what is claimed to be the world's largest casino in 2007, the Venetian Macau. It is not clear to what extent Macau's development has affected the

Australian industry, although it remains a significant competitor for gambling tourism including VIP gamblers.

The most immediate competitive pressure is likely to be from Singapore. In 2005, Singapore ended its 40 year ban on casino gambling. Two licences for the construction and operation of casinos were awarded in 2006 to Las Vegas Sands and Genting. The two venues are scheduled to open in 2010, after a total construction bill of around US\$12 billion (Daily Edge 2009).

Other competition

Several submissions noted that a range of overseas companies provide online gaming services to Australian customers, in spite of explicit prohibition by the IGA (2001) (for example, Clubs Australia, sub. 164 and Betfair, sub. 181). These sites offer such table games as poker, blackjack and roulette, as well as simulated racing and EGMs. Estimates of Australians' online gaming show that in 2008:

- \$249 million was spent on online poker — a 170 per cent increase on 2004 levels
- \$541 million was spent on online casinos — a 105 per cent increase on 2004 levels
- 363 000 accounts were active for online poker — a 177 per cent increase on 2004 levels
- 703 000 accounts were active for online casinos — a 116 per cent increase on 2004 levels (iBus, sub. 178).

It is unclear what proportion of the population participates in online gaming, as one person may be responsible for several online accounts with different providers. Online gaming participants have been estimated to comprise a little as 0.12 per cent of Australia's adult population, and as much as 4 per cent (chapter 15).

Some forms of casino table games are also available in live venues other than casinos — poker tournaments are commonplace in both hotels and clubs. In these tournaments, the house collects entrance fees and provides card dealers who do not participate in the game. Players compete amongst themselves for predetermined cash prizes (often for first, second and third). Prizes may also take the form of points towards free entry for subsequent poker tournaments.

By their nature, it is difficult to estimate how much is *spent* on this form of gambling, especially since many tournaments provide free entry with the aim of recouping revenue through beverage sales. It is estimated that the two leading

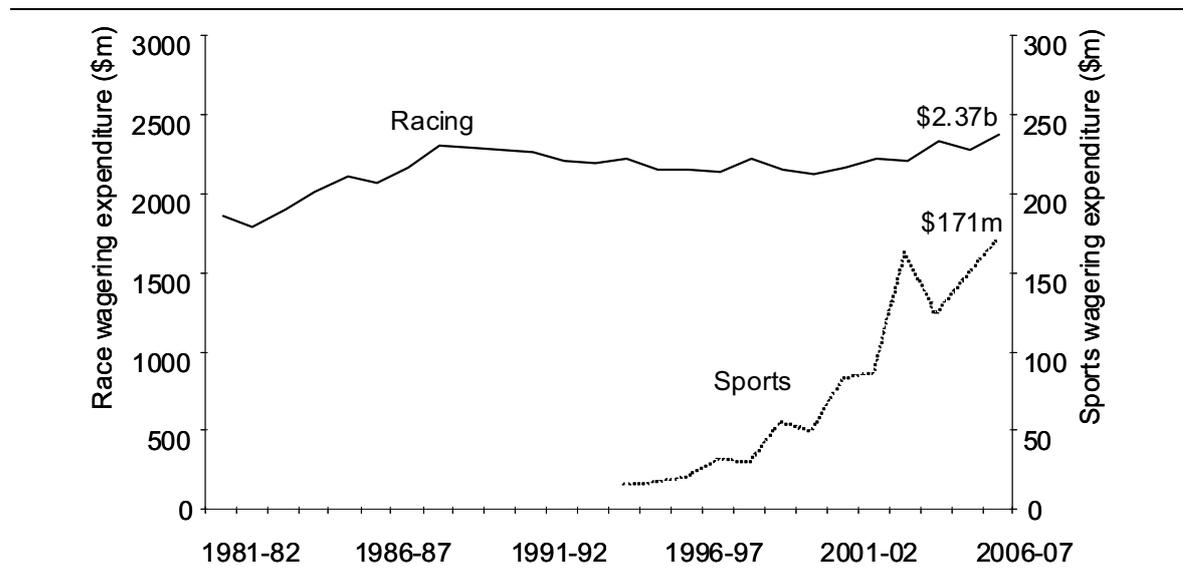
organisers of poker events in hotels and clubs have a combined total of 800 000 members (iBus, sub. 178, p. 13).

2.5 The wagering industry

Wagering in Australia is largely based on either thoroughbred, harness or greyhounds races, or sports events (including overseas events). Minor forms of wagering also exist, such as wagering on the outcomes of elections or television shows, although this is a very small market.

Real expenditure (player losses) on race wagering has been fairly stable over the last twenty years (figure 2.9). Little growth was experienced in the 1990s, during which time wagering expenditure was well surpassed by that of gaming. Sports wagering, on the other hand, as a relatively new product, has experienced continued rapid growth since the mid 1990s.

Figure 2.9 **Real expenditure on forms of wagering, 1981-82 to 2006-07^a**



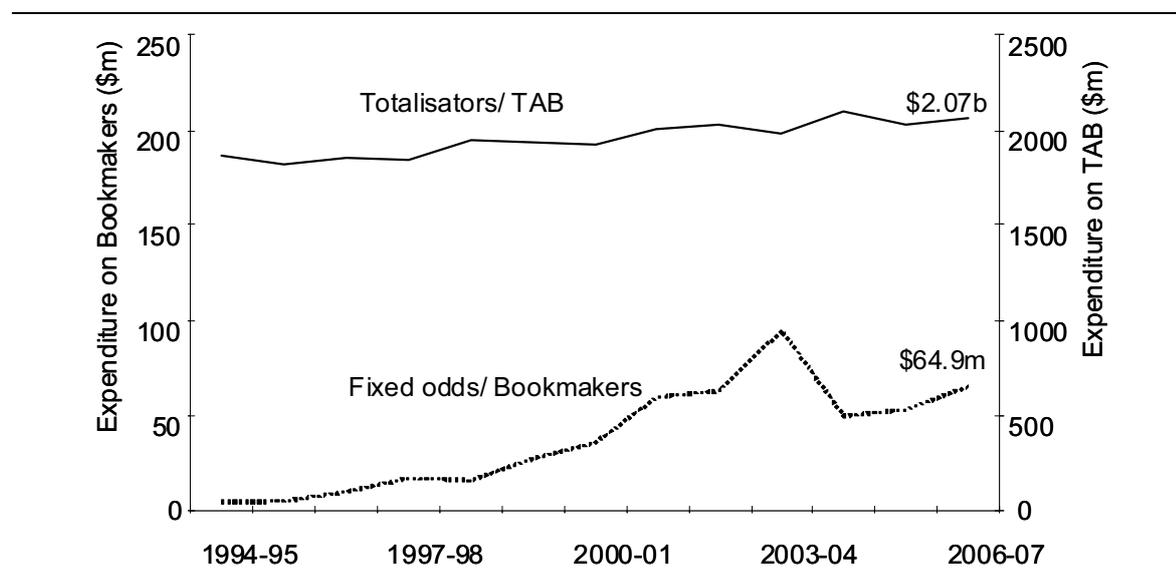
^a Expenditure in 2006-07 dollars, calculated using a CPI adjustment.

Data source: Office of Economic and Statistical Research (2008).

Wagering services in Australia are provided by TAB totalisators as well as bookmakers and one betting exchange. TAB totalisators remain the largest providers of wagering products in Australia (figure 2.10). Their wagering services include totalisator and fixed-odds businesses, delivered on-course, off-course and online. In real terms, the TAB gross revenue from wagering on racing and sporting events has grown modestly in this period.

In real terms, expenditure on wagering services from bookmakers and fixed-odds wagering operators grew steadily from the mid-1990s, peaking abruptly in the mid-2000s. A similar trend is observed in sports wagering expenditure. Subsequent to this peak, expenditure on bookmakers and other fixed odds wagering dropped sharply to a three year low (figure 2.10). Of the \$45 million downturn in gross revenue to bookmakers (adjusted for inflation), \$16.4 million was from Victoria and \$27.9 million from the Northern Territory.⁸

Figure 2.10 Real wagering expenditure by service providers, 1994-95 to 2006-07^{a b}



^a Expenditure in 2006-07 dollars, calculated using a CPI adjustment. ^b Fixed odds and bookmakers expenditure does not include ACT, as data were unavailable.

Data source: Office of Economic and Statistical Research (2008).

Wagering participation

During the 2000s, racing has remained a more pervasive form of wagering than sports betting (tables 2.17 and 2.18). Both racing and sports wagering are subject to several annual special events (such as the Melbourne Cup or football grand finals), and therefore attract irregular or occasional gamblers. Participation in race wagering appears to have fallen marginally. Participation rates for sports wagering have been up in some jurisdictions and down in others.

⁸ Numbers quoted are adjusted for inflation. In 2006-07 dollars, expenditure on bookmakers rose by \$32 million in 2003-04, and fell by \$45 million the subsequent year. In 2004-05, expenditure fell by \$16 million in Victoria and by \$28 million in the Northern Territory.

Other estimates suggest that the pervasiveness of online wagering appears to have grown strongly in the 2000s, although evidence is limited. Tabcorp alone reported that 35 per cent of its 400 000 active accounts had been internet-enabled (Tabcorp 2007c). According to recent estimates:

- around 424 000 online sports wagering accounts were active in 2008 — a 103 per cent increase on 2004 levels
- around \$391m was spent on online sports wagering in 2008 — a 73 per cent increase on 2004 levels (iBus Media, sub. 178).

It is not possible to estimate from these numbers what proportion of the population participates in online wagering — for example, one person may have several online accounts with different providers (chapter 15).

Table 2.17 Race wagering participation rates
Proportion of the adult population

	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>SA</i>	<i>WA</i>	<i>TAS</i>	<i>NT</i>	<i>ACT</i>
	%	%	%	%	%	%	%	%
1999	26	25	20	19	27	31	28	28
2001	—	—	—	—	—	—	—	23
2003	—	28	—	—	—	—	—	—
2003-04	—	—	16	—	—	—	—	—
2005	—	—	—	19	—	—	19	—
2006	20	—	—	—	—	26	—	—
2006-07	—	—	16	—	—	—	—	—
2008	—	16	—	—	—	—	—	—
2008-09	16	—	19	—	—	—	—	—

Sources: Productivity Commission (1999); NSW Office of Liquor, Gaming and Racing (2006); NSW Department of Health (2009); Centre for Gambling Research (2004a); Hare (2009); Queensland Government (2002, 2004, 2008, 2009); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001).

Table 2.18 Sports wagering participation

Proportion of the adult population

	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
	%	%	%	%	%	%	%	%
1999	8	5	3	8	9	6	6	4
2001	—	—	—	—	—	—	—	6
2003	—	6	—	—	—	—	—	—
2003-04	—	—	4	—	—	—	—	—
2005	—	—	—	4	—	—	6	—
2006	6	—	—	—	—	5	—	—
2006-07	—	—	5	—	—	—	—	—
2008	—	4	—	—	—	—	—	—
2008-09	7	—	5	—	—	—	—	—

Sources: PC (1999); NSW Office of Liquor, Gaming and Racing (2006); NSW Department of Health (2009); Centre for Gambling Research (2004a); Hare (2009); Queensland Government (2002, 2004, 2008, 2009); Office for Problem Gambling (2006); Roy Morgan Research (2006); Charles Darwin University (2006); Australian Institute for Gambling Research (2001).

Competitive pressures

Economies of scale are inherent in totalisator wagering, because larger totalisator pools effectively lower the costs of wagering. Across Australia, totalisators continue to operate on exclusive licences, except for sports wagering in the ACT (table 2.19). However, totalisator exclusivity does not preclude competition from non-totalisator wagering operators such as corporate bookmakers, and competitive pressures have continued to increase during the 2000s.

In the last decade, totalisators in Australia have attempted to increase their size and leverage through mergers. In 2005, the New South Wales state government rejected attempts to merge the New South Wales TAB pool with that of SuperTAB (Tabcorp 2007a). However, in May 2007, agreements were made to combine the SuperTAB pool with the New Zealand totalisator pool (Tabcorp 2007b). Effectively, New Zealand residents betting on Australian races now bet directly into the SuperTAB pool, whereas Australian residents betting on New Zealand's races now bet directly into their totalisator pool.

Table 2.19 Totalisator exclusivity

<i>State/ Territory</i>	<i>Service provider</i>	<i>Exclusivity arrangement</i>
New South Wales	Tab Ltd	Exclusivity until 2013
Victoria	Tabcorp	Exclusivity until 2012
Queensland	Unitab	Exclusivity until 2013
South Australia	Unitab	Exclusivity until 2016
Western Australia	WA Tab	Perpetual exclusivity
Tasmania	Tote Tasmania	Exclusivity until sold (15 years for next operator)
Northern Territory	Unitab	Exclusivity until 2015
ACT	ACTTAB	Sports (no exclusivity), racing (perpetual)

Source: Australasian Gaming Council (2009).

In 1999, the Commission noted the increasing significance of non-TAB bookmakers, operating both on-field (at race courses) and off-field (PC 1999). Since then, corporate bookmakers have been of increasing significance, and the internet has played a significant role. Online wagering operators are licensed in several jurisdictions and offer different bundles of wagering services (table 2.20).

The Northern Territory has been a focal point for online bookmakers. The Northern Territory licensed the first corporate sports bookmaker, Centrebet, in 1992, which then began its online operations in 1996. The size of the corporate bookmaking sector in the Northern Territory has grown since then, with ten bookmakers licensed to operate online or on a 24 hour basis (Northern Territory Department of Justice 2009). Overall, the Northern Territory is responsible for the vast majority of growth for corporate bookmakers (table 2.21).

In 2006, Tasmania licensed Australia's first online betting exchange. In order not to conflict with licenses held by Betfair overseas, Tasmania was required to change its regulatory structure to achieve 'White List' status from the UK Department of Culture, Media and Sport. This places Tasmania as one of few jurisdictions in the world to be deemed suitable for the regulation of online wagering by the UK Government.

Table 2.20 Examples of online wagering operators

<i>Online wagering operator</i>	<i>Licensing jurisdiction</i>	<i>Type of wagering</i>	<i>Type of wagering events</i>
www.tab.com.au	NSW, Victoria	totalisator, fixed odds	racing, sports
www.acttab.com.au	ACT	totalisator, fixed odds	racing, sports, Keno, racing simulation.
www.ozbet.com.au	Western Australia	totalisator, fixed odds	racing, sports
www.centrebet.com.au	Northern Territory	totalisator, fixed odds	Australian and international racing, sports
www.tabonline.com.au	South Australia, Northern Territory, Queensland	totalisator, fixed odds	racing, sports
www.thetote.com.au	Tasmania	totalisator, fixed odds	racing sports
www.betfair.com.au	Tasmania	betting exchange	racing, sports, racing simulation, novelty bets
www.betchoice.com	Northern Territory	fixed odds	racing, sports
www.luxbet.com.au	Northern Territory	fixed odds	racing, sports

Table 2.21 Growth of corporate bookmakers from 2003 to 2008

<i>Jurisdiction</i>	<i>Turnover growth 2003 to 2008</i>
	%
Northern Territory	171
ACT	10
Victoria	-6
South Australia	-6
Tasmania	-10
New South Wales	-20
Western Australia	-30
Queensland	-33
Total	47

Source: Australian Bookmakers' Association, (sub. 243, p. 6).

There has also been growth in the number of online wagering services offered by incumbent venue-based operators. Tabcorp's online wagering alone turned over \$1 billion within the 2007 financial year (Tabcorp 2007b). By comparison, the turnover of all corporate bookmakers in the Northern Territory was estimated at \$3 billion in 2007 (2008).

3 The policy framework

Key points

- There are strong rationales for government regulatory and policy involvement in gambling, including the need to ensure probity and to avoid harm to consumers.
- The objective of policy should be the wellbeing of the community overall.
 - This means that measures aimed at addressing the adverse impacts of legalised gambling need to be balanced against the sizeable benefits of gambling for recreational gamblers and the industry.
- Some parties assert the primacy of personal responsibility when people gamble, claiming that this significantly reduces the need for regulation.
 - However, while self-responsibility can reduce the basis for litigation, it is not inconsistent with regulatory intervention. Consumer protection regulation has long aimed to address particular consumer detriments, even where personal conduct is a contributory factor.
- Public health and consumer policy frameworks provide the best basis for coherent and effective gambling policies, emphasising the importance of addressing the gambling environment as well as gamblers' behaviours.
 - The framework for gambling policy needs to recognise that, while the main objective is to prevent or ameliorate the severe harms some gamblers face, it also should address potential detriments facing gamblers generally.
- Policymakers cannot know in advance the precise impact of new gambling policies. Demanding a very high or potentially unachievable standard of proof about 'what works' would risk policy paralysis in an area where there are demonstrably large costs to society from inaction.
- Policy needs to take account of both the costs of mistakenly introducing ineffective policies, as well as the costs of failing to act when a policy option may in fact be effective.

3.1 Governments and gambling

Australian governments have struggled with the contradictions posed by gambling, reflecting the multiple goals of policy, the legacy of the past and the ambivalent attitudes of the public to gambling. Governments are involved in nearly every

aspect of gambling. They act as suppliers, tax collectors and police. They fund and organise help services for gamblers experiencing problems. Above all, they are regulators. They have put in place an array of laws and rules about who can gamble, when and where they can do it, what they can gamble on, which businesses they can deal with and how these can behave.

Governments at all levels have responsibilities for gambling policies. Local governments have planning responsibilities. The Australian Government determines national laws about internet gambling and, through the broader health system, is a supplier of some help services. However, state and territory governments oversee most facets of gambling. Within any government, there are usually several departments or other agencies that oversee particular policies, provide services or act as regulators.

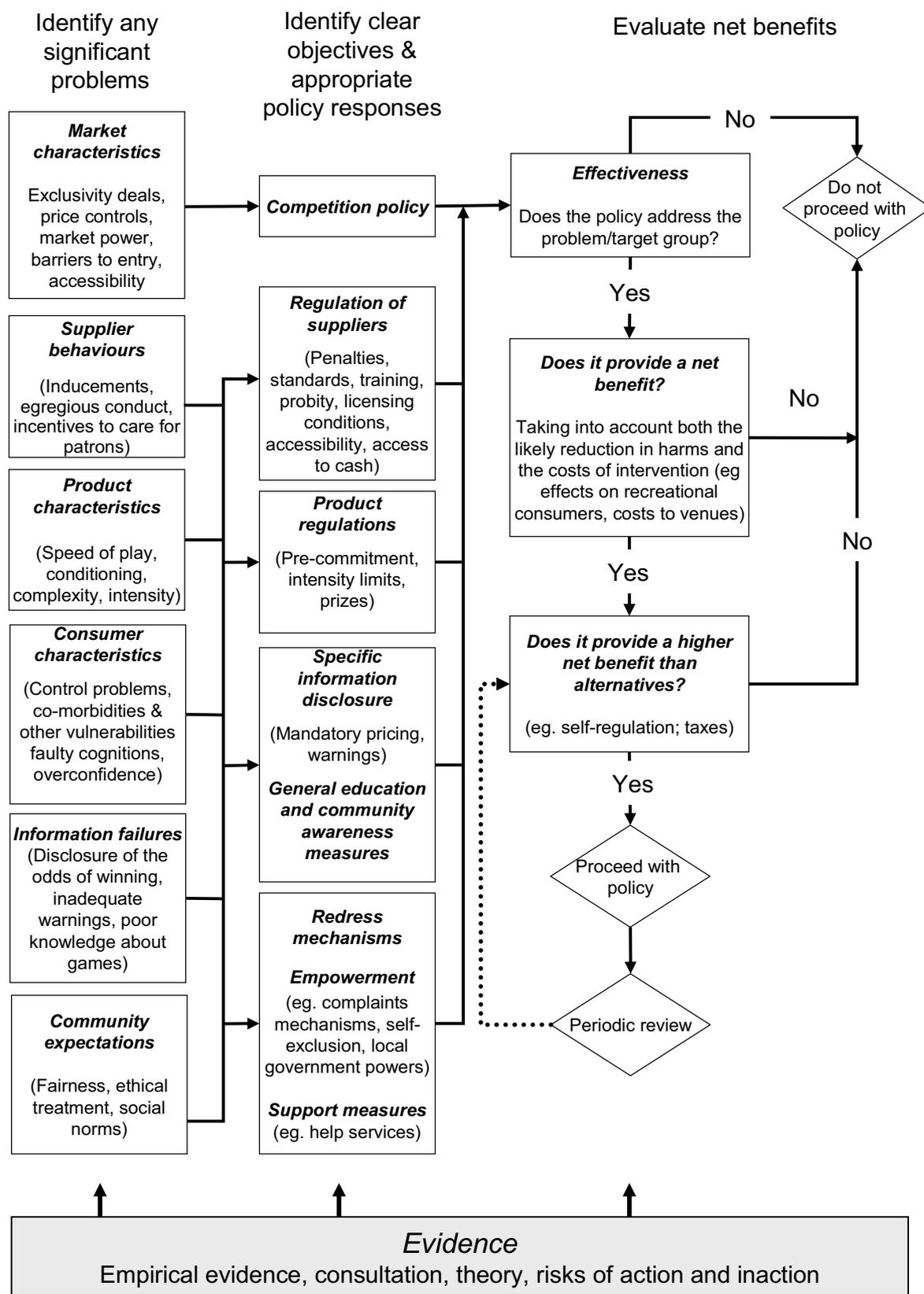
Given the breadth of the regulatory roles of government generally and the number of governments and agencies involved, the policy environment in gambling is highly complex. As outlined in chapter 1, this report does not aspire to assess the adequacy of government regulations and policies across all governments and gambling forms. Rather it selects those areas where the gains for Australian consumers and communities from changed policies are likely to be the largest.

3.2 Steps to good policy

While effective policymaking can be more art than science, there are some simple rules that are generally applicable (figure 3.1). As a rule, gambling policymaking should:

- address problems that are large enough to justify government action and amenable to it
- require clear objectives to develop targeted policies and to reduce the risk of unintended impacts (for example, on recreational gamblers or industry segments where there are few consumer problems)
- reflect assessment of the likely effectiveness of different options, including of their likely costs and benefits, and taking into account the risks of inaction as well as action (a matter discussed in greater detail in section 3.5)
- enable the community and industry to give their views about policy development and the performance of existing policies — underpinned by transparent decision making (and public data availability)

Figure 3.1 Steps to good gambling policy



-
- involve impartial periodic reviews of the performance and net benefits of programs after they have been implemented, so that policy measures may be removed or amended (chapter 17).

A key requirement for all of the above features of good policymaking is the appropriate use of evidence — broadly interpreted as in figure 3.1 — to justify policymakers’ decisions. (This underpins the need for high quality gambling research and evaluation — chapter 18.)

The Commission has used this framework in assessing problems affecting Australia’s gambling industries and in determining policy options. This framework is also used, where relevant, in assessing the effectiveness of the processes used by governments when making and evaluating gambling policy (chapters 17 and 18).

3.3 Rationales for gambling policy

Ultimately, the desirability of any changes to current policy settings and institutional arrangements for gambling rests on whether such changes would be likely to improve the wellbeing of the Australian community. However, under that very broad criterion, there are several rationales for government gambling policies, including:

- obtaining the benefits of gambling for consumers and others through legalised supply
- dealing with the vulnerabilities of consumers and communities arising from legalised gambling, and problem gambling specifically
- ensuring the probity of suppliers
- raising tax revenue
- meeting community norms
- reforming legacy regulations.

The benefits of legalised supply

Many people enjoy gambling — having ‘a cheerful night out’ in the words of the Australasian Gaming Council (trans., p. 759). Yet the positive aspects of gambling are often underplayed. This reflects several factors. First, it is easy to be succinct when describing pleasure. (A single consumer surplus estimate can summarise many people’s enjoyment of a good or service.)

Second, and most importantly, the benefits of gambling are obviously not a ‘problem’ requiring any counteracting policy responses. In contrast, harm is a more arresting and immediately policy-relevant phenomenon than pleasure. Public health and consumer policies usually attempt to analyse and reduce detriments, whereas usually (and appropriately), markets and individuals are left to promote and discover enjoyment. Given that policy focus, it is easy to forget that the sum of the millions of Australians’ enjoyment of gambling accumulates to a large benefit.

As noted by HunterCoast Marketing:

... the 1999 report commented on satisfaction from “an enjoyable form of entertainment” and “benefits due to the enjoyment of playing” – presumably for most of the 82% of Australians who had a flutter. Yet this very strong indicator received no prominence in the media. (sub. 57, pp. 2–3).

Accordingly, gambling per se should not be seen as uniformly problematic for consumers. Indeed, in some cases, the Commission is proposing further liberalisation of gambling to increase the potential for enjoyment of gambling (chapters 15 and 16).

The key policy challenge is to avoid inadvertently lowering that enjoyment when trying to reduce the harms associated with gambling. (For instance, it would be possible to reduce problem gambling by abolishing gaming machines, but that would entirely negate the entertainment value of playing gaming machines and would probably reduce overall community wellbeing.) Achieving balance between effective harm minimisation and continued enjoyment of gambling has been a major consideration in designing policies in this report.

Some claim that there are other benefits of gambling for communities, businesses and employees. The existence and size of these is more contestable than the consumer-related benefits of gambling (chapter 6).

Probity

A long-standing basis for government involvement has been concerns about the probity of games (‘rigged’ games), suppliers (organised crime) and gamblers (money laundering), with the ultimate objective being protection of consumers and discouraging criminal behaviour. No participant in this inquiry contested the role of government in this area.

Revenue raising

The gap between Commonwealth grants to the states and their fiscal needs have to be filled through the states' limited avenues for own-source revenue. These include gambling.

Reform of the national tax system — currently being assessed by the Treasury — might overcome this imperative. Nevertheless, in the absence of major overall tax reform, collection of revenue from gambling activities by states and territories is appropriate.

It is less clear, however, that constraints on competition and supply *intended* to underpin significant licence fees (such as those that apply to casinos, or until 2012, the duopoly arrangement for EGMs in Victoria) are warranted, as discussed in the Commission's 1999 report. That said, where supply is constrained for other reasons (such as reducing problems associated with gambling) and where price controls are not feasible or desirable, there are arguments for governments to set licence fees to extract the excessive profits that would otherwise be earned by commercial operators.

Community norms

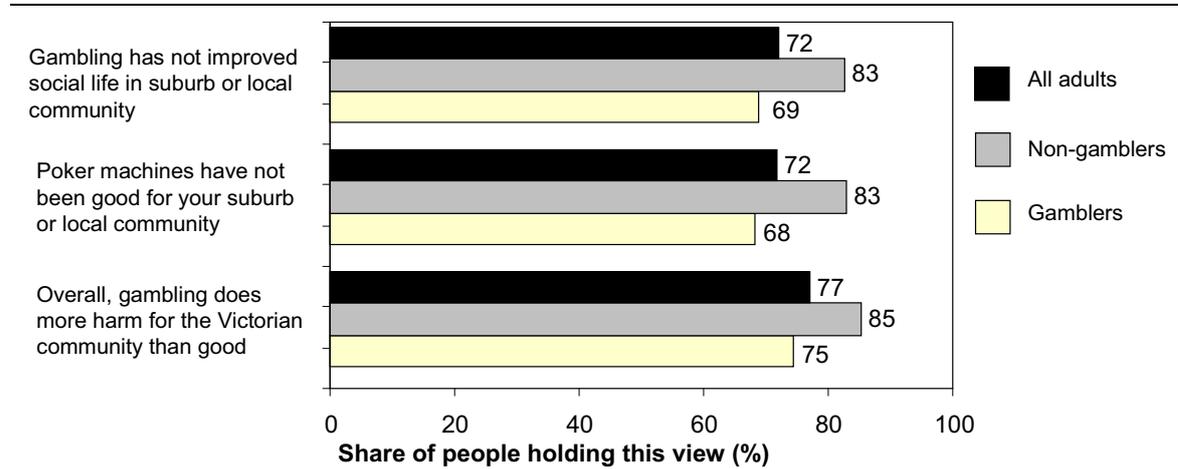
Government regulations can legitimately reflect public opinion about what is socially acceptable, with accountability for those regulations determined through the political process. The evidence suggests that, in contrast with many other pleasurable recreational activities, community norms concerning gambling reflect disquiet about its effects:

- While many Australians gamble, they remain sceptical about the overall community benefits (figure 3.2). For instance, one survey estimated that around 80 per cent of Victorian adults considered that gambling had done more harm than good (with little difference between the views of gamblers and non-gamblers).
- In Australia, commercially-supplied gambling is currently restricted to people aged 18 years and above, whereas in some countries, such as the United Kingdom, adolescents are legally able to gamble on lotteries and fruit machines (a form of electronic gaming machine). No developed countries allow young children to engage in commercial gambling.

Community norms may reasonably provide a rationale for some restrictive regulations, such as in relation to access by children. However, in many other cases it can be very difficult to substantiate that the apparent 'norms' have sufficiently

widespread support to justify them. In addition, such norms tend to evolve over time, so that what might be justified at one time is not at another.

Figure 3.2 People gamble themselves, but remain uneasy about the community involvement



^a Data relate to Victoria in 2003.

Data source: The Centre for Gambling Research (2004a).

Vulnerabilities of consumers

Consumers can face a variety of problems with certain goods and services (PC 2008) and this is particularly true of gambling. There is evidence (chapter 4) of widespread and persistent consumer misconceptions about particular gambling forms that might lead to people spending too much time or money. People are also prone to impulsive decisions that they later regret. (This is not peculiar to gambling. —governments mandate cooling-off periods in law for some types of purchases, such as door-to-door sales, recognising that impulsivity may have adverse effects on consumers.) In some instances, behaviours by gambling suppliers, through advertising and promotions, might accentuate consumers' general vulnerabilities in this area (chapter 8).

Moreover, some forms of gambling have features that may condition people's behaviour in ways that are not necessarily in their interest. Such problematic conditioning effects do not require malign intentions or deliberative actions by suppliers, but may simply reflect the fact that, in a process similar to biological evolution, gambling products with more pronounced conditioning effects will tend to be commercially successful. These effects need not be isolated to 'problem' gamblers. As in the case of faulty cognitions, they may also affect other consumers. The empirical research has been dominated by a focus on serious gambling

problems, rather than more frequent and less severe difficulties affecting consumers generally.

Some groups of consumers — such as people with intellectual or mental health disabilities, poor English skills, and those who are emotionally fragile (say, due to grief) — may be particularly vulnerable to problems when gambling. That vulnerability is relevant when determining any alleged unconscionable conduct by gambling suppliers, and more generally for regulations, help services and information provision that aim to address the problems of these groups specifically.

Problem gambling

The most notable form of consumer vulnerability is ‘problem’ gambling, where individuals experience difficulties in controlling their gambling. Work undertaken for the Ministerial Council on Gambling reached a generally accepted definition of problem gambling:

Problem gambling is characterised by difficulties in limiting money and/or time spent on gambling which leads to adverse consequences for the gambler, others, or for the community. (Neal et al. 2005, p. i)

In the Commission’s view, the fact that the extent of harm has to be above a certain threshold level for someone to be referred to as a ‘problem’ gambler (chapter 5), does not mean that harms below that threshold are irrelevant to policy (chapter 4).

Sometimes, particularly in the United States, problem gambling has been identified as a mental illness. While some problem gamblers have pre-existing conditions, such as bipolar disorder or impulsivity disorders, that may pre-dispose them to problems with their gambling (chapter 5), Australian researchers and help professionals have rarely characterised difficulties with gambling as a medical problem (McMillen, sub. 223, p. 6). Instead, they have primarily seen it as a public health issue (see later). Addressing problem gambling has been the key concern of public policy in the decade since the Commission completed its past review and is a major focus of this report.

While problem gambling is one form of consumer vulnerability, it is useful to distinguish it from other problems experienced by consumers, because different policies are relevant to the different nature of the problems.

Vulnerabilities of communities

Some communities face widespread problems stemming from poverty, poor health, low social and human capital, rundown or missing local community resources,

substance abuse and crime. Some Indigenous communities fall into this group, but to a lesser extent, so too do particular communities in most major cities in Australia. These communities may be geographically concentrated or may be spatially-dispersed sub-groups sharing common vulnerabilities (such as recent refugees). These community traits can concentrate risks of problems with gambling, as well as compound some community-wide disadvantages. As part of a package of measures, policies tailored for certain ethnic groups, area-based policies in the provision of help services or specific rules about the accessibility of gambling may sometimes be justified to reduce such community vulnerabilities. (The Commission discusses some of the issues this raises in chapter 14.)

Addressing institutional and regulatory failings

A major basis for adaptations or amendments to gambling policy is to address the flaws in *existing* policy and administrative arrangements.

A more nationally-oriented policy framework

State and territory governments are pre-eminent in gambling policy, each constructing complex sets of arrangements for taxing and regulating the industry, helping people with problems, collecting information and commissioning research. Policy variety can be a useful source of experiments and innovation from which others can learn. However, this requires good, transparent evaluation processes, which have often not been present. Policy variety can also be the result of poor coordination between jurisdictions; the exigencies of local politics; and arbitrary decision making, with little justification for the policy differences.

This raises costs to gambling suppliers and the community generally. Among other things:

- variants of gaming machine standards (and approval processes for new features) apply in each jurisdiction. Sometimes these differences might be justified by reasonable views about what might reduce harm, but some are without clear foundation or create costly regulatory variations (chapter 17)
- jurisdictions have conducted different prevalence surveys at different times. This complicates interjurisdictional comparisons that may have been useful in understanding the nature of the problems people experience from gambling, which is a basis for more effective policy (chapters 4, 5 and 18)
- there has been little coordinated learning about the best way of assisting problem gamblers through help and treatment services (chapter 7).

In some areas of policy, there is a strong rationale for more cooperation and consistency between jurisdictions — that is, ‘policies about policies’. The potential for a national approach in particular areas of gambling is raised, where relevant, in the chapters that follow, with a summary in chapter 17.

Competition policy failures need addressing

As one participant quipped during this inquiry, ‘all gambling industries are special, but some are just a bit more special than others’. This observation derives from the observed differences in government policy across segments of the industry.

The first notable instance is the treatment of the racing industry. It is the recipient of significant government support through hypothecated gambling tax revenue. While some mechanism must exist to secure payment for the racing industry to hold the events on which this form of gambling is based, the existing arrangements may be coloured by the more questionable objective of industry support. That issue is taken up in chapter 16.

A further manifestation of differential industry treatment is policy in relation to online gambling, which is at variance with the treatment of venue-based gambling regulated by state and territory governments (chapter 15).

And while variations in the regulatory treatment of different types of businesses may sometimes be legitimate, these variations need to be assessed against a public, rather than a private, benefit test:

- clubs generally face lower gambling taxes than hotels, and often have greater entitlements to EGMs
- casinos are also subject to varying rules in relation to taxation and machine caps.

In chapter 6, the Commission assesses the extent and nature of the benefits associated with the donations from community gaming venues and, in doing that, considered how concessional taxes for some venue types partly fund these donations. The Commission has also considered many of the complex issues associated with the competitive neutrality effects of taxation and the regulation of clubs as part of the inquiry into the not-for-profit sector (PC 2010).

Regulatory variations may sometimes be appropriate

Throughout this report, the Commission assesses whether casinos, clubs and hotels should be equally subject to specific harm minimisation measures (and in some cases, whether there should be temporary exemptions for some venues — such as

small rural pubs). The same considerations apply to different gambling forms. Exemptions, or variations in regulatory treatment, may be appropriate where:

- the benefits of a regulation vary significantly across venue types or gambling forms. For example, there are grounds for different harm minimisation policies for lotteries, since they pose few risks for most people. In addition, given their characteristics, casinos have significant numbers of interstate and international visitors. These tend to be short-term rather than regular gamblers, and are therefore less exposed to the risks of harm. If the potential benefits of a particular regulatory measure are already relatively modest, then this can tip the balance in favour of an exemption
- the costs are higher in some contexts. For instance, as discussed in chapter 15, credit cards are a customary form of payment in the online environment. Barring credit card payments for online gambling would pose far more costs to this form of gambling than in equivalent physical venues. For a given level of benefits, this may again tip the balance in favour of an exemption. A similar logic may sometimes suggest temporary exemptions for small venues to reduce the adjustment costs associated with the introduction of new regulations.

However, there are limits to the desirability of exemptions. They add to the complexity of regulation and can have unintended impacts if they change the behaviours of venue or gamblers. For example, a problem gambler may seek to circumvent a harm minimisation measure by gambling at an exempt venue. These costs and risks have to be assessed when determining the scope of any exemptions.

3.4 Different frameworks inform policy

Given the breadth of rationales for government policy described above, there is no single theoretical construct for considering policy options.

‘Self-responsibility’ as the appropriate approach?

Many see policy in this area through the lens of personal responsibility. From this perspective, there is a weak rationale for government initiatives to address adverse consequences that flow from individuals’ decisions, with consumers expected to exercise self-control and to take responsibility for their actions when gambling.

Reacting to the draft report, some segments of the gambling industry strongly argued that there should be a greater emphasis on personal responsibility rather than regulatory measures, to resolve the difficulties gamblers face.

... the notion of any personal responsibility on the part of gamblers is largely dismissed within the Draft Report. (Australasian Gaming Council, sub. DR377, p. 11)

The commission and governments in general need to reinstall the notion of people taking responsibility for their own actions, as is the case with several recent High Court decisions, and not throttle down the rights of the vast majority. No-one denies that we need to protect problem gamblers. However, as is the case with various other government policy, the fact that the vast majority of the population has to suffer for the transgressions of the few is a notion that is wearing thin with the general public. We believe the commission has to strike the right balance of harm minimisation against infringing on the basic rights of the general population. (RSL and Services Clubs Association, trans., p. 608)

... the fact that the far greater majority of gamblers enjoy gambling responsibly and the notion of personal responsibility have both been ignored. Why should this greater majority have their rights and freedom of choice compromised as a result of the actions of a small minority? (Leagues Clubs Australia, trans., p. 483)

These new measures once again only address the “vehicle” in the problem and not the “driver”... It’s time for Australians who have seen their freedom of choice consistently eroded to appease those who do not have self control to speak out. If there is to be cultural change, it must be based on facts not emotion and politics. (Club Managers’ Association of Australia — Condon 2009)

While many in the community are ambivalent about gambling and seek to control it further, many also believe in self-responsibility. For instance, in five surveys undertaken between 1996 and 2003, around 80 per cent of Victorian adults considered that the onus was on individuals to control their gambling (Centre for Gambling Research 2004a, p. 142).

The failure of litigation relating to alleged negligence or unconscionable conduct by gambling suppliers partly reflects the significance that courts assign to personal responsibility (chapter 12). More generally, recent cases in other areas have also affirmed the importance of self-responsibility and the need for a clear identification of ‘vulnerability’ or some other exceptional circumstances, before a customer (or a party associated with them) can sue a business for a breach of duty of care.¹

The key principle at stake is that eroding the presumption of self-responsibility could substantially increase the risks of unwarranted or opportunistic litigation, reduce the incentives for people to act prudently, and decrease individual freedoms.

¹ *C.A.L. No 14 Pty Ltd v Motor Accidents Insurance Board; C.A.L. No 14 Pty Ltd v Scott [2009]HCA 47 (10 November 2009)*. This case centred on a Tasmanian hotel owner who gave back motorcycle keys lodged for safe-keeping to a (drunk) patron who was subsequently killed in an accident. In this case, the Court determined that the deceased motorcyclist did not appear to show any conventional signs of drunkenness, and told the publican three times that he was able to ride. The court did not reject the potential for a duty of care to exist, just that the exceptional circumstances underpinning any such duty were not present.

In addition, even if it is recognised that the presumption of ‘self-responsibility’ leads to harm to individuals or communities, governments are also imperfect decision-makers. Accordingly, the harms associated with leaving people responsible for their own decisions may not be worse than the harms associated with well-intentioned interventions on their behalf.

These are all important considerations in framing how courts should react to instances where individuals have made decisions leading to harmful outcomes. However, there may still be reasonable grounds for litigation if venue behaviours breach an appropriate standard (chapter 12). And, while sometimes the presumption of ‘self responsibility’ may strongly reduce the merit of litigation, that need not diminish the merit of regulation to the same degree.² In particular, a pure ‘self-responsibility’ model would ignore:

- the general vulnerabilities of consumers, which may be accentuated by particular aspects of the gaming environment and its technologies (chapter 4). Consumers who are misled by a supplier cannot be called ‘irresponsible’
- the vulnerabilities of groups suffering from mental health problems. For example, people with depression and bipolar disorder have a much higher likelihood of developing gambling problems. Overall, around 35 per cent of problem gamblers have a severe mental disorder compared with around 2 per cent of non-problem gamblers (Jackson 2008). These people suffer a particular disadvantage that makes them susceptible to some of the risky features of some gambling technologies, such as the capacity to gamble in a trance for long periods of time or to ramp up spending from very small to very large amounts
- the large number of people who may be regarded as ‘irresponsible’ and their economic importance. As discussed in chapter 5, problem gamblers are a significant proportion of the relevant group of gamblers and they account for a large share of spending
- the fact that apparently ‘irresponsible’ behaviour may have damaging consequences for many people beyond the actual gambler and even for society as a whole (for example, through fraud, domestic violence and work-related costs associated with problem gambling)
- groups where the strong incentives posed by the adverse personal consequences of their actions (gambling, but also binge drinking and dangerous driving) appear to have few effects on their subsequent behaviour. These groups —

² Indeed, in the High Court case described in the previous footnote, the court noted that measures to control alcohol consumption on licensed premises ‘were a step for legislatures, not courts, and it is a step which legislatures have taken only after mature consideration’.

particularly poorly educated and disadvantaged young men — have systematically higher risks of persistent harmful behaviours. Merely asserting the value of self-responsibility does not necessarily address the costs to themselves (or others). In the case of motor vehicle safety, many of the gains in reduced accidents have in fact been based on modifications to the environment (roads, vehicle safety), not the behaviour of the driver (contra Condon 2009 cited above)

- circumstances where people do not know what behaviours would equate with self-responsibility until it is too late. For example, people who believe that gambling losses today can readily be made up by wins tomorrow, next week or next month (a common faulty cognition), may not see current excesses in their gambling behaviour as irresponsible
- the potential for regulation to reinforce, rather than undermine, self-responsibility. In particular, pre-commitment and self-exclusion measures provide all gamblers with the option to exercise self-responsibility, not to undermine it
- the capacity for regulation to be targeted at those with problems, or at risk of experiencing substantial harm, without much effect on recreational gamblers. The need to uphold the principle of self-responsibility is reduced if ‘responsible’ people can still freely undertake an activity without burdensome constraints. For instance, it is hard to see what degree of freedom is lost by a capacity to insert no more than \$20 of cash into a gaming machine while the credit balance is above \$20, as recommended by the Commission (chapter 11). Nothing stops a gambler inserting more money when the balance falls below \$20, and given their usual intensity of play, this will occur only rarely for ‘responsible’ gamblers. Indeed, it even increases the demand on them to behave responsibly by actively requiring them to think about the personal consequences of investing more. Where such a measure would act most would be on impulsive people spending continuously at very rapid rates.

Accordingly, while there are reasonable social expectations that people take responsibility for their own behaviour, that does not limit the need for significant regulation of gambling. Moreover, to the extent that people face gambling problems because of co-morbid conditions or unsafe features of gambling technologies and venue environments, labelling them as ‘irresponsible’, as some industry groups have done,³ risks stigmatising people who need help, while deflecting attention away from product safety issues. A problem gambler wishing to self-exclude or to otherwise approach a venue or some outside body for help, may be less likely to do so if their behaviour is labelled as ‘irresponsible’.

³ Clubs Australia, Media Release, 21 October 2009.

Given the limits to the policy relevance of ‘personal responsibility’, the dominant frameworks shaping public gambling policy are the medical, public health and consumer-focused models (figure 3.3).

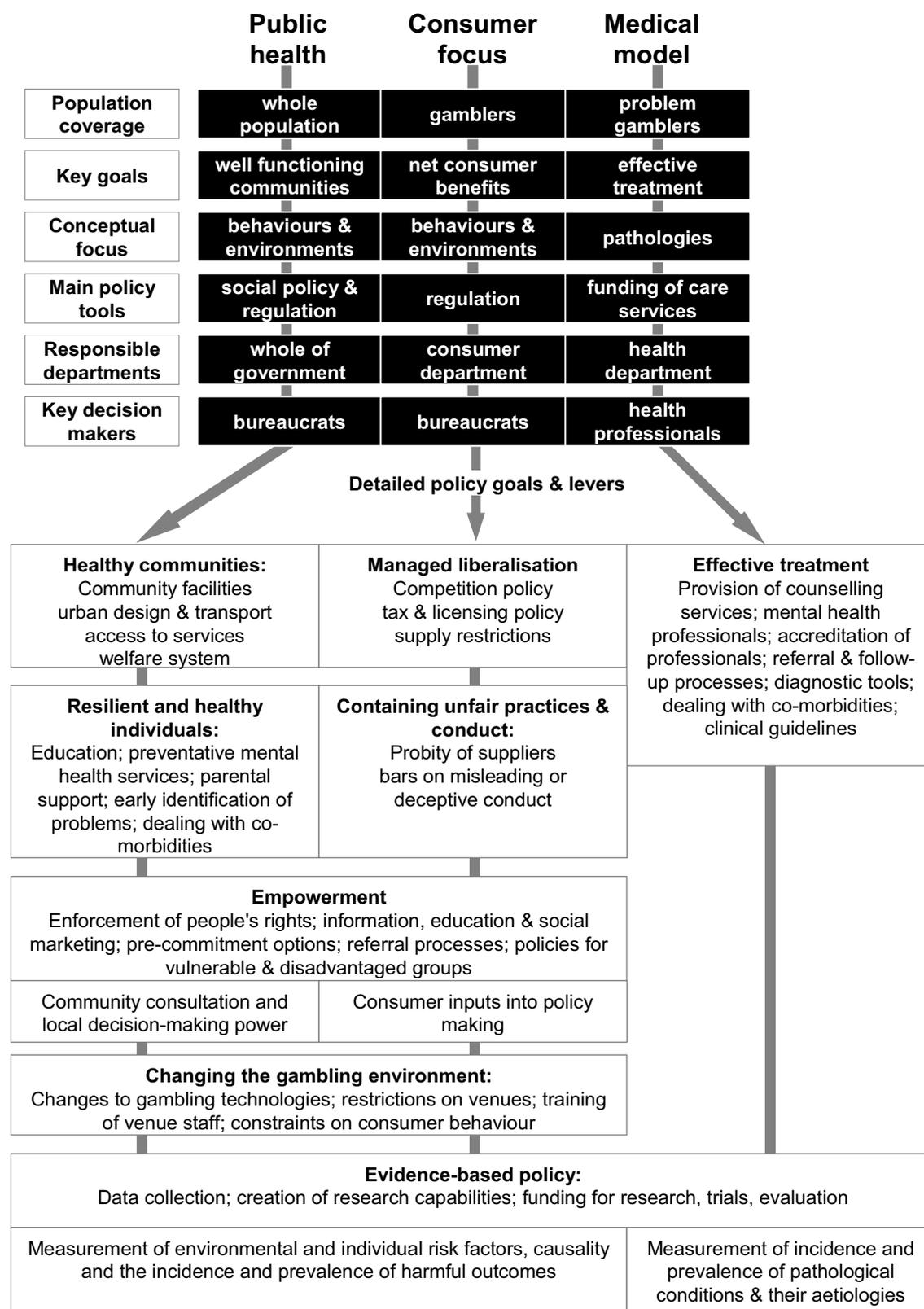
The medical model

This concentrates on the effective treatment of people who already have a health condition, and encompasses the specialised professionals and knowledge required to achieve this. In the gambling area, this includes counselling and psychiatric services for problem gamblers; specific diagnostic criteria, such as the Diagnostic and Statistical Manual of Mental Disorders; specialised therapies, such as psychotherapy and cognitive behavioural therapy; dealing with co-morbidities such as depression or substance abuse; and the development of professional standards and accreditation.

However, even in considering the effectiveness of treatment services (chapter 7), some of the concerns posed by the consumer and public health frameworks still have relevance. For instance:

- non-medical approaches, such as financial counselling, may help people to overcome gambling problems
- people can overcome the problems experienced by their gambling without treatment through learned adaptation of behaviours, self-help manuals and informal help by friends and families. One of the challenges posed for the ‘treatment’ approaches is to demonstrate that they have greater effectiveness than such informal approaches
- all people with a broken leg seek treatment, but few people experiencing gambling problems do so. Why that is the case and what, if anything, to do about it raises social not medical issues. For instance, social stigma appears to be one reason why many people do not seek help
- unlike fixing a broken leg, the outcomes and forms of treatment for gambling problems depend on the community context. For instance, many Asian communities have specific beliefs that counsellors need to consider when helping them. Modes of help may also need to be different in Indigenous communities.

Figure 3.3 Different models for understanding gambling policy



The public health model

This is defined as ‘the science and art of preventing disease, prolonging life and promoting health through the organized efforts and informed choices of society, organizations, public and private, communities and individuals.’⁴

Many researchers and policy analysts have placed policy responses to gambling within a public health framework (Korn and Shaffer 1999; Messerlain et al. 2005; IPART 2004). This was also true of many participants in this inquiry (box 3.1).

In areas outside gambling there have been a myriad of successful applications of the public health approach. These include social marketing to limit smoking (Hammond et al. 2007); immunisation (Applied Economics 2001); the positioning of sleeping infants to reduce cot death rates (Van Der Weyden 2003); ‘black spot’ programs to reduce traffic accidents (Meuleners et al. 2008); design changes to motor vehicles (Morrison et al. 2003); and the removal of carbon dioxide from the domestic gas supply to reduce suicides (Clarke and Mayhew 1988). Historically, measures such as improved sanitation, clean water and public education have been credited with major reductions in morbidity and mortality across whole populations.

In gambling, the public health model is often contrasted with the medical approach. The latter concentrates on the treatment of problem gamblers (that is, resolving individual dysfunction by dealing with the individual), while the former aims to *prevent* problems associated with gambling however they may arise, and, more generally, the *promotion* of wellbeing generally. In that sense, the public health approach shares many of the goals and insights of the economic approach to consumer issues (as for example, set out by a recent OECD paper by Sassi and Hirst 2008).

As is apparent with the preceding non-gambling examples, the public health approach uses many different levers to address risky or socially adverse behaviours or to promote healthy communities. Of particular relevance to gambling, these policy levers include:

- providing communities and individuals with richer opportunities for interactions with each other and for leisure.⁵ In a gambling context, this might, on the one hand, include measures that reduce boredom or alienation as motivating factors for escapist gambling. On the other hand, the public health approach does not

⁴ This is attributed to C.E. Winslow (a bacteriologist at Yale Medical School) in 1920, and still the commonly cited definition of the public health model.

⁵ Income redistribution to reduce inequality is often cited as an important social dimension of the public health approach generally, but it is less clear that this would be relevant to harm reduction associated with gambling.

rule out the positive impacts of gambling. For example, beyond its immediate recreational value, gambling may have broader social benefits to a community, such as through secure and inviting venues (chapter 6)

Box 3.1 Many participants favoured a public health approach

A public health framework, which underpins *Taking action on problem gambling*, recognises that there are a range of behaviours associated with gambling. As gambling behaviour becomes more problematic so too does the range, intensity and complexity of the behaviours involved. This means that multiple strategies are needed to prevent gambling becoming problematic and to reduce gambling related harm. Prevention, treatment and harm minimisation are the cornerstones of a public health policy framework and are used to address other problem behaviours such as alcohol abuse and drug taking. (Victorian Government, sub. 205, p. 67)

The Queensland Responsible Gambling Strategy is a holistic approach to the issue of gambling and acknowledges the spectrum of healthy and unhealthy gambling behaviours in the population. It is based on a public health approach which views problem gambling as a complex issue requiring multiple collaborative solutions and incorporates elements of prevention, protection and rehabilitation. Broadly, the goals of a public health approach to gambling are to promote informed attitudes and behaviours towards gambling, prevent the development of gambling problems, protect vulnerable and at-risk populations and provide help and support to those affected by problem gambling. (Queensland Office of Liquor, Gaming and Racing, sub. 234, p. 8)

We believe NSW needs a Host, Agent and Environment population approach as in drug, alcohol and tobacco. We believe the reason we don't have such an approach at present is that the strong political influence of the gambling industry has blocked development toward this model preferring the "Reno Model" with its focus upon individual behavioural treatments, consumer education and philosophy of responsible choice. This model (in contrast to a public health approach) fails to address the social determinants of problem gambling and product safety issues. (Gambling Impact Society NSW, sub. 59, p. 2)

A public health approach to primary prevention and early intervention that focuses on information, education and treatment for problem gamblers and their co-morbid issues is essential to limit gambling related harm. (South Australian Council for Social Service sub. 179, p. 10)

... regulators and licensing authorities should give more consideration to a public health approach to harm minimisation which stresses the importance of the local social environment on both the aetiology and prevention of gambling-related harm, and on the maintenance of individual and community capacity and wellbeing. (Professor Jan McMillen, sub. 223, p. 23)

Although some jurisdictions maintain that they adopt public health models in gambling, these tend to be heavily focused on 'downstream' interventions such as the provision of counselling services or use of large scale (expensive) media campaigns highlighting the dangers of excessive gambling ... A contemporary public health approach would place far more emphasis on 'upstream' approaches to the problem, in this case effective regulation to limit harm and better regulate the harm causing mechanism – in this case, the EGM system. (Livingstone, Woolley & Keleher, sub. 134, p. 4)

-
- providing people with useful factual information so they can make more informed decisions (chapters 8 and 9). For example, in gambling this might mean information about the cost of playing a machine per hour, the likelihood of long-term losses for a regular gaming machine player; provision of information where people have persistent cognitive misperceptions; records of gambling transactions; and strategies to keep gambling expenditure under control (such as the existing capacity for people to set limits on ATM withdrawals)
 - empowering the general community, for example by giving them a say about where gambling may be located in their area (chapter 14), or the capacity to seek control over a family member's problem gambling through third-party exclusions (chapter 10)
 - using social marketing campaigns, for example, to promote help seeking behaviour or to encourage people to watch out for friends who might be developing a problem (as exemplified by the NSW 'gambling hangover' campaign aimed at young men) (chapter 7)
 - legal sanctions, such as prohibitions on certain kinds of inducements to gamble, or on children participating in commercial gambling or failure by venue staff to enforce responsible gambling (chapter 12)
 - mitigating risks by changing technologies. For example, this might involve changes to bet limits, bill acceptors or rates of return, or requiring breaks in play, cashless gaming or pre-commitment (chapters 10 and 11)
 - reducing risks for gamblers by changing the behaviour of staff in gambling venues, through training programs about responsible service of gambling and awareness of the behaviours shown by patrons experiencing problems (chapter 12)
 - altering the environment more broadly, such as through restricting the general availability of gambling opportunities (such as evident in the Western Australian approach to gaming machines); changes in venue operating hours; the location of the gaming room within a venue; the availability of ATMs; and the disclosure of risks through printed or audible warnings (chapter 8, 13 and 14).

A key aspect of the public health approach to gambling — similar to its application to alcohol and motor vehicles — is that gambling is not an inherently 'bad' product whose consumption should be discouraged (as compared with tobacco or illicit drugs). Accordingly, public health approaches centre on a full spectrum of interventions aimed at preventing or mitigating harm. This encompasses prevention, community awareness, harm minimisation and treatment strategies.

The consumer model

The consumer approach recognises that gambling is a consumer good, and that, as for other consumption, the policy environment should seek to maximise benefits for consumers. This includes ensuring appropriate product safety standards; fitness for purpose; informed consent; the absence of unconscionable behaviour and misleading or deceptive conduct by suppliers; protection of vulnerable consumers; and markets that encourage innovation and low prices for consumers.

There are some differences between public health and consumer-oriented approaches. The former would typically ignore competition issues (though these are often strongly associated with consumers' wellbeing), while the latter would not typically look at changes to local communities as a policy option. However, there are more conceptual commonalities than differences. For instance, the imperative for adequate product safety in gambling would require appropriate modification of features of gaming machines that are potentially hazardous to consumers. Consumer policy would target the same features as preventative health measures.

The names do not matter much

There are sometimes debates about what *name* to apply to the framework that might yield policy changes aimed at achieving desirable outcomes. Is a public health, consumer protection, psychiatric, community empowerment or other 'framework' the appropriate one to apply? In the Commission's view, the name matters less than the capacity for the framework to clearly express the goals of policy and to generate the right policy questions and answers. Nevertheless, the 'public health' and 'consumer protection' frameworks — as traditionally understood — provide the broadest insights into the kinds of policies that promote the public good in this area.

The policy goals are clear

The ultimate objective of gambling policy is to achieve the best outcomes for consumers and Australians generally. As the discussion above shows, that involves achieving many subsidiary goals. These goals are to:

- reduce detriment to consumers and the flow-on costs associated with these detriments for family members and society generally. In turn, this requires:
 - preventing the more vulnerable consumers from becoming problem gamblers
 - lower levels of harm experienced by those gamblers who are already experiencing problems (for example, because they are able to more

-
- effectively limit their time or money spent gambling) and, associated with these, reduced harms for their significant others and the community at large
- more effective help services for those gamblers experiencing significant control problems and counselling assistance for their families
 - appropriate behaviours by suppliers of gambling
 - overcoming consumers’ cognitive misperceptions or poor information, so they can make better informed judgments about their gambling decisions
- achieve better value for consumers through:
 - lower prices (alleviating the impacts of anti-competitive arrangements, ineffective cost-increasing regulatory requirements and unnecessary red tape for gambling suppliers — all of which ultimately fall on consumers as higher prices)
 - higher quality and more innovative gambling products
 - a capacity for greater consumer sovereignty by giving consumers more tools to control their own gambling
 - meeting public expectations through:
 - the better realisation of community norms and aspirations, noting that the community’s ambivalence to gambling partly drives regulation
 - more accountable and transparent government decision-making, in an area where the public have a strong policy interest
 - better functioning communities
 - introduce better institutional arrangements for gambling policy making and regulation — a goal that underpins the capacity to achieve the other objectives.

Sometimes there are tradeoffs between policy goals. For example, open competition might lower prices and encourage innovative new products, which benefits consumers as a group. Nevertheless, the resulting increase in accessibility of gambling might exacerbate problem gambling or challenge community norms. So, in working out the best policy options, those who benefit from, and those who are disadvantaged by, any policy measures need to be considered. However, these considerations can fit into a standard economic framework, so the overall goal of gambling policy can still be characterised as maximising net community benefits.

3.5 Evidence-based policy in gambling

Good policy relies on more than plausible rationales. It requires reasonable empirical or theoretical grounds that an intervention would have its desired impacts without excessive costs.

A key question is what quality and quantity of evidence would be sufficient to justify introducing a new policy measure (and, for that matter, after its implementation, assessing whether it should be amended or removed). Sometimes it is claimed that the only convincing evidence for new policies is a trial that incorporates all of its proposed features. However:

- it is mostly impractical for cost, time or ethical reasons to run true experimental trials of social policies (akin to clinical trials in medicine)
- while such trials are sometimes claimed to be the ‘gold standard’, in reality their outcomes depend on their exact design and they may not apply in social contexts outside the environment in which they were tested. For instance, the famous Perry pre-school trial in the United States — a well run experimental trial with a proper control — found that early childhood education had significant lifetime benefits for those disadvantaged children in it. However, wider application of early childhood education through the Head Start program was not as effective
- many trials find that the effectiveness of a policy would probably be improved by changing various design features. But, unless such design features are then tested in another trial, it cannot be substantiated that these new design features would truly work in a full-scale implementation. By that logic, full-scale implementation could be deferred indefinitely.

In the gambling field, there have been only a few trials (and none is equivalent to the ‘double blind’ randomised control trials that are the ‘gold standard’ in medical research).⁶ While the trials have provided useful insights, they have relatively narrow policy relevance and have had some limitations:

- A trial of the effects of various machine modifications illustrates the difficulties of conducting policy-relevant trials — a point emphasised by its authors (Blaszczynski et al. 2001). Among the variety of limitations they identified, the most fundamental was the capacity of gamblers in the study to choose whether to gamble on a modified or unmodified machine or to go to another venue (p. 71). This limited the capacity for a real control/treatment comparison. The design flaw is principally a reflection of the practical difficulties of conducting proper trials in gambling.

⁶ These have related to pre-commitment (chapter 10) and to the impacts of certain features of gaming machines, such as note acceptors and spin rates (chapter 11).

-
- The trials of pre-commitment in South Australia and Queensland (chapter 10) illustrate a different dilemma. The trials have been conducted over a long period in several trial sites, with careful data collection (based on card use). They have provided many insights into the practical use of card-based gaming, but they only relate to a partial pre-commitment system. Accordingly, they have reduced relevance to many alternative designs of pre-commitment systems, such as binding systems ('full' pre-commitment).

This does not mean that policymakers should not conduct trials — on the contrary. However, where they run them, the design of the trial should, as much as possible, emulate the proposed policy (box 3.2). (The Commission's proposal for a test-run of a full pre-commitment system should overcome most of the deficiencies that have been present so far in gambling trials in Australia.)

Evaluation evidence based on 'before-policy, after-policy' outcomes may have more (cost-effective) potential to assess the magnitude of policy effects. This approach requires that governments collect evidence before, as well as after, implementation of the policy, and control for extraneous effects that may contaminate the analysis. If undertaken carefully, it will often help guide the wider adoption of policy (for example, to other jurisdictions), the amendment of existing policies or provide evidence for analogous policy initiatives. The Commission strongly favours better ex post evaluation of policies (chapters 17 and 18).

The study by Brodie et al. (2003) of the impacts of lowering the bill acceptor limit to \$20 in EGMs is a rare example of the use of before/after comparisons in gambling, but also provides an example of the difficulties. This is because the change in bill acceptor denomination was quickly followed by another policy change that allowed gamblers to insert multiple notes. Consequently, it is hard to tell whether the initial drop in spending, followed by a return to trend spending, was the result of adaptive behaviour by gamblers (with the implication that bill acceptor limits may not work well) or the result of a new policy initiative that undermined the first (an issue explored in greater depth in chapter 11).

What are realistic options for ex ante assessment of proposed policies?

Trial-based and econometric evidence is useful, but is only a small part of a broader range of evidence that can help governments make informed policy choices. There are many elements to evidence, summed up in a range of questions:

Box 3.2 How would a good policy experiment work?

The goal of experiments is to test the causal impacts of a policy in real world settings. Suppose that a government is considering reducing the denominations of bill acceptors on EGMs. One method for assessing the impacts of this proposal would be to conduct a trial, in which EGM gamblers were assigned randomly to two groups: (a) those who could now only play on gaming machines with lower denomination bill acceptors (the ‘treatment’ group) and (b) those who could only play on unmodified machines (the control). The goal of random assignment is to get groups whose average characteristics are the same.

The people in the two groups would need to remain in their assigned groups. The evidence from the experiment would be weakened if the treatment group could choose to play on machines that had higher bill acceptor denominations — either in the venue concerned or at other venues not participating in the experiment. The point of the experiment would be to understand what would happen to their behaviour if they did not have that choice. A practical way of achieving this condition would be to conduct the experiment for all the gaming machines in groups of similar, relatively isolated towns (some towns with modified machines, and some towns without), with little scope for people to go to other nearby towns to play on their machines. In an ideal setting, people would not know they were participating in a trial so that their behaviour would not be moderated by the fact that they knew that researchers were observing them.

The researchers would run the experiment for a reasonable period to ensure that it took account of subjects’ adaptive behaviour. Then the effects of lower denomination bill acceptors could be estimated as the differences between the treatment and control groups for a range of relevant measures — such as time or money spent playing. Effects could also be estimated for policy-relevant subgroups, such as problem gamblers (of varying severity), at-risk players and recreational players, people playing in hotels or clubs so on.

Researchers could assess the varying effects of a whole range of choices about note acceptor denominations, including only permitting coins (dose response effects). As an illustration, a reduction of a note acceptor denomination from \$100 to \$50 might have negligible effects because most people do not put in more than \$50 notes anyway, and in any case, could easily break \$100 bills into two \$50 ones. However, requiring people to load machines with only \$1 coins might have a much bigger effect on spending. The value of the experimental approach is that it could calibrate policy. (Notably, the terms of reference given to Blaszczyński et al. 2001, did not allow them to consider anything other than the modification of note acceptors to a \$20 limit.)

There are many practical limitations to conducting an experiment like that above:

- the costs would be high, especially if many different machine features were being tested (since that would require many towns and many subjects)
- mandatory player loyalty cards would be required to capture data on playing time and losses
- it would take a long time to organise
- venues would need to voluntarily assent (and some would not, creating biases)
- there would be differences between the control and treatment sites since small towns would often be different from each other (invalidating the assumption that control and treatment groups are alike except in respect of receipt of the treatment)
- it would not be ethical to conceal the fact people were participating in a trial.

That said, a carefully designed experiment could address many of the above deficiencies, providing valuable insights into likely player behaviours after changing machine characteristics.

-
- *Are there good theoretical grounds to expect a measure to change behaviour?* For example, given our knowledge of the incentives facing venues, mandatory shutdowns of machines at a time selected by a venue would be likely to occur when machine usage is lowest, and prima facie, would not likely to be effective (and this is borne out by the actual times selected by venues when they are given this discretion — chapter 14).
 - *Is there other analogous evidence supporting or contradicting the policy initiative?* For instance, while educational programs that aim to inform children about responsible gambling have good face validity as harm minimisation measures, the evidence from other related programs is that they can actually promote harmful behaviours (chapter 9).
 - *Is there aggregate evidence, based on ‘natural’ experiments that provide guidance on the effects of policy?* For instance, the effects of bans on smoking inside venues can provide useful evidence about the impact of forced breaks in play. Similarly, the lower proportion of female problem gamblers using help services in Western Australia provides a natural experiment about the impacts of gaming machine accessibility on problem gambling. Likewise, bans on gaming machines in some US states — and their dampening effect on calls to help services — also provides evidence on the link between accessibility and gambling problems, albeit being an expensive demonstration of that link.
 - *Is there evidence on the size and duration of any policy effects?* For instance, mandatory clocks in venues have probably had little impact since their presence does not directly address dissociation, and people mostly have watches anyway.
 - *How costly is the measure likely to be?* The potential benefits of any proposal have to be balanced against its costs (which include any reductions in enjoyment for recreational gamblers). Assessing these — even if qualitatively — can help determine whether an initiative is likely to meet a basic cost-benefit test. A measure that does not have ‘significant’ positive effects may still pass a net benefit test if it does not cost much. Cost indicators also help determine whether there are big risks entailed by the policy if, in fact, the policy is a poor one. The standard of proof for a low cost measure can be smaller than for a high cost measure.
 - *How easy (and inexpensive) is it to reverse or amend the policy?* Easily reversible or amended policies also require a lower standard of proof.
 - *What are the likely positive and negative effects of the policy on different groups of gamblers (‘problem’ gamblers, ‘at-risk’ groups, recreational gamblers) based on an understanding of their gambling behaviours and on what they say?* For instance, if government were considering imposing a \$1 bet limit on EGMs, a key question would be how often do different groups of people bet more

than \$1? (This is an area explored by Blaszczynski et al. and in chapter 11). The answer to that can help assess who could be positively or adversely affected by the regulatory change. It would not be ‘proof’ of effectiveness, but it would help provide assessment of the potential for harm or gain, which is still useful evidence.

- *Given what we know about gamblers’ behaviour, how do we think they may respond to an initiative?* For instance, relocating ATMs outside a venue may create a longer ‘break in play’, encouraging some people with problematic spending to go home. However, they may partly compensate by bringing more cash to venues or simply gambling another day, using up the saved money. Evidence on gamblers’ reactions to other regulations may help predict their responses to new ones.
- *What do experts advise?* Experts may be able to provide answers to some of the specific questions above, but they can also provide expert judgments that balance a range of issues.

While no single fragment of evidence or theory of the kinds described above provide a strong basis for policy action, cumulatively they may do so. The Commission has adopted this broad approach — known as ‘triangulation’ — to evidence in this report. For instance, multiple approaches were used to calculate the expenditure share of problem gamblers, recognising the limitations of any one method.

It is also worth emphasising that ‘evidence’ often needs to be interpreted carefully. There are two common difficulties in the gambling area.

- One is assessing the nature and direction of causality from some feature of the gambling environment to gambling problems. For example, problem gamblers use in-venue ATMs more than other gamblers. This has obvious relevance to the issue of whether governments should ban ATMs from gaming venues (chapter 13). However, while easy access to cash may partly contribute to excess spending by problem gamblers, the main reason that problem gamblers make frequent visits to ATMs is their inability to control their spending. That incapacity would probably persist were ATMs removed, with problem gamblers often accessing cash in other ways.
- Another is isolating the policy factors that might lead to a lower or higher prevalence rate (or spending levels) in different jurisdictions. Given the variety of different policy settings in different jurisdictions, it is difficult to reliably conclude that a specific regulation has an effect (no effect) if the jurisdiction with that regulation has a lower (similar or higher) prevalence rate than jurisdictions without the specific regulation. This problem is accentuated by the imprecision in prevalence studies (chapter 5). Even were a policy to cut problem

gambling rates by 20 per cent — a huge effect — it would not be reliably discernable from the statistical ‘noise’ in the prevalence estimates, at least for many years.

Where lies the onus of proof?

It is common to argue that governments should not introduce regulations unless there is compelling evidence in favour of their net benefits. The unstated assumption behind this rule of thumb is that the cost of:

- failing to introduce a regulation that would, in fact, have been worthwhile (a ‘false negative’) is relatively low
- introducing a poor regulation (a ‘false positive’) is high.

In many instances, this rule of thumb is likely to be correct, given the lack of evidence of effectiveness of, or even a persuasive rationale for, many hurriedly introduced regulations.

However, in some instances the cost of false negatives could be significantly higher than false positives. In this case, a government should require a lower standard of evidence before implementing a regulation, or in some cases, should even reverse the onus of proof to require stakeholders to demonstrate why the government should *not* implement a regulation.

A major area where governments are particularly concerned about false negatives is public safety, where a precautionary approach is often used. For example, regulations do not allow the supply of new drugs or medical appliances until the manufacturers have sufficiently demonstrated their efficacy and safety, given the concerns about potentially large and widespread adverse impacts if a drug has unintended side effects.

In gambling, regulators do not permit a new supplier to supply services until they have demonstrated their probity, in part to protect the customers of that supplier, but also to encourage confidence by consumers in the whole industry. In doing this, they are heeding the adage that ‘one bad apple spoils the barrel’ — the cost of wrongly including a bad apple far exceeds the error of excluding a ‘good apple’. A criticism of gambling policy in the 1990s was that, despite international evidence about the risks of highly accessible gaming, governments did not apply a precautionary evidence-based approach to justify the extensive and rapid liberalisation of gambling in Australia.

Equally, there are grounds for explicit consideration of the relative costs of false negatives and false positives in harm minimisation policies. A good illustration of

this issue is the report by Blaszczynski et al. (2001), which found that a modified bill acceptor on gaming machines was associated with a relatively large reduction in player spending. That suggests that there could be gains from modifying the acceptors. However, the researchers found that there was more than a 5 per cent chance that this effect could be spurious (a false positive), reflecting the statistical imprecision of the study. So policymakers have to weigh up two alternatives when deciding what decision to make:

- a potentially small (but in any case, greater than 5 per cent) chance that changing bill acceptors would not work
- a reasonable prospect that they would work.

Deciding between these options depends on the costs of making the wrong decision. If the costs of modifying bill acceptors were high, there were large adverse effects on recreational gamblers or the harm mitigation from lowering spending were small, then it would probably be appropriate to require a high degree of scepticism about claims of the efficacy of modified bill acceptors (that is, require a low false positive rate). This is because the costs of decision errors would be higher with false positives than false negatives.

On the other hand, if there were sufficient prospective benefits from reducing harm, and the cost of a wrong decision were low (for example, few impacts on consumer satisfaction and low costs of implementation), it would be more appropriate for policymakers to gamble on modifying the machines. In that context, the cost of errors may still be asymmetric, but with higher costs for false negatives than false positives.

In this instance, determining which way the balance ultimately falls depends on other evidence and issues (chapter 11). Regardless, the example illustrates the dilemmas of policymakers acting under uncertainty, and the fact that, policy inertia is not always justified because of weaknesses in evidence. It also illustrates the potentially high payoff from:

- experiments in policy arising from federalism — such as the pre-commitment policy about to be introduced in Victoria
- research, since this can reduce the uncertainty and, accordingly, reduce policy errors
- ongoing monitoring of policies with uncertain effectiveness and their subsequent rigorous evaluation (chapter 18).

So where should the balance lie?

Estimates from prevalence studies suggest that a significant proportion of regular gamblers experience gambling problems and that higher risk gamblers account for a large share of total spending (chapter 5). That implies significant potential gains from policy action, and, by definition, significant potential costs from inaction.

The Commission does not consider that this is enough to reverse the onus of proof — that gambling suppliers be required to show why a whole range of harm minimisation measures should *not* be introduced. However, the high potential costs from inaction, or delayed action, suggest that the evidentiary burden should move from the standard in criminal law of ‘beyond all reasonable doubt’, to something more akin to the standard in civil law of ‘the balance of evidence’. The approach is still evidence-based, but one that accounts for policy uncertainty and the relative risks of being wrong.

The Commission amended its draft recommendation on online gambling on these grounds. There are reasonably strong priors that managed liberalisation of online gambling would give consumers more products and lower prices. And such a policy may well address some of the emerging harms from online gambling, by attracting people from offshore unregulated sites to safer domestic ones. Nevertheless, such a policy also involves some risks — given some of the evidence about problem gambling among online players — and suggested a more staged and precautionary process of liberalisation than the Commission originally thought appropriate.

Some have seen evidence in narrow terms

In response to the draft report, some industry participants questioned the evidence base used by the Commission (box 3.3). There are several aspects of these claims that need to be assessed.

One is whether they are right. In some instances, participants identified errors, and where that was the case, the Commission has corrected them. However, often the claims about erroneous or no evidence were not well founded (for example, in relation to claims about problem gamblers’ use of loyalty club schemes — box 3.3).

Box 3.3 The issue of ‘no’ evidence

Equally, no evidence is offered as to whether the Betfair service actually generated new activity, even new customers – which is quite likely. In any event, accuracy would be hard to achieve in this area. (Hunter Coast Marketing, sub. DR270, p. 17)

Our major concern is that there is no empirical evidence to support that such a measure [limiting the amount that a gambler can put into a gaming machine to \$20 until the balance of credits on the machine fall below \$20] will have a positive impact on problem gamblers. (Clubs Queensland, trans., p. 506)

That is, there is no evidence or theory available that gaming machines per se are the cause of problem gambling ... There is no evidence whatsoever that loss-limiting is an effective harm minimisation measure: it simply limits likely losses on poker machines (Clubs Australia, sub. DR359, pp. 17, 88)

There is also no evidence presented ... that internet can more easily and effectively deliver harm minimisation information than venue based forms of gambling (Lotto Agents Queensland and the Lottery Agents Association of Victoria, sub. DR391, p. 3)

There is no evidence to suggest the Commission’s proposed policy changes will have any additional impact on the downward trends for alleged problem gamblers and those supposed to be ‘at risk’ (pp. 6, 133) ... the Commission provides no evidence to support the concept of False Negatives exists in any published gambling prevalence study (p. 39) ... the Commission has not presented any primary evidence in support of the claim that harm spreads far wider than in those classified as problem gamblers (pp. 68–69) ... We know of no literature or research that would support any implication that problem gamblers are members of loyalty clubs (p. 96) ... No theoretical or evidential bases are provided [to] believe there are any problem gamblers in these data [data relating to spending by loyalty players in a large club] (p. 97). (Harvestdata, attachment to Clubs Australia, sub. DR359)

The AGC contends that there remains little to no evidence of the efficacy of player tracking systems to assist problem gamblers. (Australasian Gaming Council, sub. DR377, p. 4)

It was also claimed that the evidence used by the Commission was flawed or not sufficient to support policy changes:

Methodological flaws = No usable evidence (p. 108) ... The Commission must only draw from third party research ... that ... includes the provision of technical information necessary to assure the validity of the results and the sample sizes are sound for high levels of confidence (e.g. 99.9%) (p. 136) ... (Harvestdata, attachment to Clubs Australia, sub. DR359)

There are limitations in all evidence relating to social policy. This is why ‘triangulation’ methodologies are important and claims of *certainty* about anything should be viewed with scepticism. Among other information sources, the Commission has attempted to verify behavioural patterns relevant to new policies by drawing on an extensive Australian and international literature, information from gambling suppliers, analysis of the unit records of seven major gambling surveys, and the Commission’s own survey of the clients of counselling agencies.

Even with these extensive sources of information, it is not possible to be *certain* about how people will behave after implementation of a policy. By definition, the effects of almost any policy — such as better coordination of counselling services within the mental health system, greater access to online gambling or changes to gaming machines — can only be fully gauged after the policy has been implemented. Governments would never have implemented many important developments in education, health and other social policies, had an absolute standard of proof been required. It was observed by Livingstone and Woolley that, strictly applied, a requirement for ‘hard’ evidence would cripple social policy, and that the demand by some industry participants for such a requirement reflected their desire to maintain the regulatory status quo:

Some industry organisations have suggested that the Commission’s findings and recommendations lack an empirical evidence base. This argument is predictable in that it seeks to defend the status quo, maintaining ‘business as usual’ and forestalling action to address harm (as we suggested in Livingstone & Woolley 2007). ... attempts to generate controversy over propositions such as prevalence rates, the expenditure share of problem gamblers, or the lack of overwhelming evidence in support of a specific course of action, appear to us to be an attempt to delay change for as long as possible. ... we also recognise that absolute certainty is close to impossible in scientific research. Public policy must be formed on the basis of an approach which draws on available evidence to act in favour of the public health and well-being wherever possible – if necessary, taking a precautionary approach. (sub. DR367, p. 1)

One participant put it more bluntly and colourfully, describing efforts to manipulate claims about evidence for partisan reasons as ‘evidential humbuggery’, reminiscent of a well-known political satire on television (box 3.4). It is always possible to selectively use evidence, or set a threshold for proof that is not tenable for effective policymaking in areas where there are genuine public safety risks from inaction.

The key evidential gap

What, in fact, was clearly lacking was compelling evidence of the ‘safety’ of some forms of gambling for consumers — and for the relaxation of regulations that permitted the widespread availability of high intensity gambling within communities around much of Australia. Much of this report aims to correct the consequences of this oversight.

Box 3.4 **Responding to a report with unwelcome findings: the ‘Yes Minister’ method**

Sir Humphrey: Of course. You simply discredit them. ... You point out that the research could be used to put unwelcome pressure on the government because it could be misinterpreted. ... You say it would be better to wait for a wider and more detailed study over a longer timescale. ... Now in Stage Two you go on to discredit the evidence ... You say it leaves some important questions unanswered, that much of the evidence is inconclusive, that the figures are open to other interpretations, that certain findings are contradictory, and that some of the main conclusions have been questioned. ...

Minister Hacker: But to make accusations of this sort – you’d have to go through it with a fine toothcomb.

Sir Humphrey: No, no, no. You can say all these things without reading it. There’s always some questions unanswered.

Minister Hacker: Such as?

Sir Humphrey: Well, the ones that weren’t asked. [Beams]

Minister Hacker: And that’s Stage Two?

Sir Humphrey: Yes. Now in Stage Three you undermine recommendations. “Not really a basis for long term decisions, not sufficient information to base a valid assessment, not really a need for a fundamental rethink of existing policy, broadly speaking it endorses current practice” – all that sort of thing.

Minister Hacker: And that always does the trick?

Sir Humphrey: Nearly always.

Minister Hacker: Suppose it doesn’t?

Sir Humphrey: Then you move on to Stage Four... Now, in Stage Four, you discredit the man who produced the report. Off the record, of course. You say that he is harbouring a grudge against the government or that he’s a publicity-seeker or, better still, that he used to be a consultant to a multi-national company.

Minister Hacker: Supposing he wasn’t?

Sir Humphrey: Then he’s hoping to be. Everyone is hoping to be a consultant to a multi-national. Or he’s trying for a knighthood, or a Chair, or a Vice-Chancellorship. Really, Minister, there are endless possibilities.

Source: Excerpt from the BBC satirical series, ‘Yes, Minister’ episode entitled ‘The Greasy Pole’.

4 A broad perspective on gambling problems

Key points

- While the prevalence of people experiencing a cluster of serious harms from gambling — ‘problem gambling’ — helps determine the scale of help services, measuring the harms and vulnerabilities among non-problem gamblers is relevant to harm minimisation and consumer policies.
- In many instances, the prevalence of vulnerabilities among, and difficulties faced by, gamblers is greater than the problem gambling prevalence rate. Surveys indicate that:
 - many people have problems controlling their gambling, with around 4 per cent of all gamblers finding themselves gambling after reaching a self-imposed limit or facing difficulties resisting gambling. (Such gamblers spend much more than those without these difficulties.)
 - around 4 per cent of gamblers lose track of time or reality while gambling
 - faulty cognitions about gambling — a significant source of vulnerability among consumers — are widespread, with around 10 per cent of gamblers thinking that, even on games of chance, they could win more if they used a certain system or strategy
 - up to 8 per cent of ‘low risk’ gamblers report adverse health impacts from their gambling
 - more than 17 per cent of gamblers believe gambling has had an adverse effect on their lives
- Many of the people experiencing specific harms and cognitive difficulties are not problem gamblers, including:
 - 90 per cent of those finding it difficult to resist gambling
 - 60 per cent of those people whose jobs are adversely affected
 - 96 per cent of those who believe wins are more likely following losses
- Problems and vulnerabilities rise with the frequency of gambling and are much greater for gaming machines than other gambling forms:
 - while around 4 per cent of all gamblers find it hard to resist gambling, this share rises to more than 30 per cent for regular EGM players
 - a regular EGM player is also much more likely to be always criticised by others about their gambling than a non-regular gambler
 - people who only play lotteries, scratchies, bingo or raffles face few problems compared to those who play EGMs, wager or play casino table games.
- The likelihood of problems rises with EGM spending
 - for example, less than 1 per cent of people spending \$500 or less on EGMs annually felt they had a gambling problem compared to around 40 per cent of those spending more than \$15 000 annually.
- Risks associated with EGM playing apply to customers of all venue types (clubs, hotels and casinos).

Policy initiatives to address the vulnerabilities and harms associated with gambling can be costly for government and for those businesses supplying gambling services and equipment. Ultimately, those costs fall on taxpayers, gamblers and the community. There has to be a big enough problem to justify such costs and to motivate specialised measures targeted at gambling, rather than, as is usual with most other consumer services, standard consumer protection laws and resort to general mental health services.

This chapter and chapter 5 explore the evidence about the prevalence of the harms and vulnerabilities that people experience when gambling, and how these are linked to gambling forms and intensity of playing. Vulnerabilities should be distinguished from harm — and relate to risks of harms, but not necessarily to their presence (see later).

This chapter emphasises the general risks and harms associated with gambling, regardless of whether they are experienced by problem gamblers, while chapter 5 considers the prevalence of ‘problem gambling’ specifically.

4.1 Measurement should be policy-relevant and relate to vulnerabilities and harm

The public health and consumer approach to gambling — the framework applied by the Commission in this inquiry (chapter 3) — implies that the core target of policy is prevention and amelioration of the *detriment* people face when they or others gamble (chapter 3). There are several ways of assessing that detriment, or the risk if it occurring, including measuring:

- the incidence and prevalence of cases where gamblers (or other affected community members) suffer adverse effects associated with gambling. So-called measures of ‘problem gambling’ fall into this category, but there are many other prevalence estimates relevant to the assessment of harm
- the costs of the harms associated with gambling on the community as a whole (an approach developed in the Commission’s 1999 report and discussed in chapter 6 of this report)
- features of the environment and its interaction with consumers that increase the likelihood of harm.

Problem gambling remains a central policy issue

Much of the policy and public debate about gambling reflects concerns about ‘problem gambling’ — where a gambler experiences a cluster of significant harms. Problem gambling is measured as a single category based on various screening diagnostics (chapter 5), not as a spectrum. Depending on the chosen method, either a person is a problem gambler (a ‘case’) or not.¹ Just as in many other public health areas, measuring cases of severe problems is central for policy.

A high score on an integrated measure of problem gambling, such as the Canadian problem Gambling Index (CPGI) or the South Oaks Gambling Screen (SOGS) guides governments about the funding needed for specialised counselling and treatment services. Information about this sub-group can also help venue managers and health practitioners identify vulnerable people. Above all, the prevalence of this group among relevant populations may inform changes to venue practices (for example, self-exclusion) and technology (such as lower intensity machines).

Harms experienced by non-problem gamblers also matter for policy

There is often an implicit assumption that only problems severe enough to warrant counselling or ‘treatment’ are policy relevant. This conceals more widely prevalent gambling problems among consumers that are insufficiently severe to be considered ‘problem gambling’. In contrast, in many other areas of consumer policy and public health, such as alcohol consumption and motor vehicle safety, policy interest extends beyond those people whose cluster of behaviours or symptoms are extreme. So, most alcohol research and policy is not directed merely at the prevalence of alcohol dependency and the harms that are entailed by it, but rather the harms that alcohol consumption can pose for all people (such as alcohol-based violence or drink driving).

Notably, surveys of consumer detriment attempt to find the prevalence and severity of harms experienced by people from consumer transactions across *all* individuals, not just for those individuals where harmful outcomes and behaviours are concentrated. In the consumer sphere, the ACCC has drawn attention to cases where hundreds of thousands of consumers have experienced detriments that, while very small at the individual level, aggregate to a significant cost (Productivity

¹ The instruments used to measure problem gambling do provide a scale of problems, but people scoring below the problem category, are categorised as having lower risks, and not as lying somewhere on a spectrum of problem gambling. In contrast, in the disability area, people are often recognised as having a disability of a certain kind, but with recognised and measured gradations of its severity.

Commission 2008, pp. 215–6). Were the approach used in the problem gambling literature to be applied to consumer policy, it would ignore a sizeable share of aggregate consumer detriment. For example, it would imply that the only aspects of product safety relevant to consumer policy are those where a consumer suffers significant injury. (This would be as misplaced as only including those people who derive great pleasure from gambling when considering the consumer benefits of gambling, and excluding those whose pleasures are more modest.)

Accordingly, while it is critical to measure the prevalence of problem gamblers, their spending share and the associated level of harms, there are in fact problems of different kinds (not just of varying progressivity) experienced by gamblers that are relevant to policy. In that context, where problems are amenable to policy intervention, it is useful to measure the nature, prevalence and duration of adverse effects among the population generally. It is also useful for policy purposes to identify the prevalence of factors that predispose people to harm.

Without attempting to be exhaustive, harms include particular instances of gambling-related adverse impacts on people’s health, jobs, finances, emotional states and relationships, even if some of these problems are experienced by people not categorised as ‘problem gamblers’. In gambling, the prevalence (and severity) of these harms are relevant to policy. More specifically, measures of harm might encompass instances of:

- theft, domestic violence or other illegal behaviours
- inability to meet the costs of essentials such as food or rent
- lower performance at work, possibly leading to job loss
- relationship problems
- health or personal impacts, such as feelings of guilt, anxiety, depression and helplessness. It is important to emphasise that emotional costs are as conceptually legitimate as other harms, even though they are subjective, sometimes hard to measure, and are often socially conditioned. Some commentators (Svetieva and Walker 2008, p. 167, and emphasised by the Australasian Gaming Council, sub. DR377, pp. 12–13) are sceptical about the validity of certain personal feelings as harms because these feelings are a reflection of the wider moral and cultural acceptance of gambling in a community or of an individual’s personality. However, the fact that personal feelings are to some degree culturally dependent does not make them benign. Many injurious outcomes — shame, guilt, grief, self-hatred and suicidal thoughts — associated with certain actions, reflect the ambient social mores

-
- problems controlling money or time spent when gambling, where the consequences are adverse and regretted. Issues related to control are relevant to pre-commitment, ‘break in play’ policies and machine design — with the target group being considerably wider than problem gamblers
 - the number of family members and others adversely affected by problem gamblers. This may be relevant to provision of counselling services, early intervention strategies for children of problem gamblers (who face higher risks) and the provision of third party exclusions
 - unfair or illegal behaviour by a supplier, such as pressure on a vulnerable person to gamble, incorrectly posted odds or crooked games, the latter being very rare in regulated gambling. (The risks of fraud on overseas internet gaming sites provide a contemporary example.) This is relevant to probity rules, complaint mechanisms, regulatory oversight, and player education.

Many of these harms will be found only for problem gamblers, but a public health approach recognises that some of them will also be present among lower risk gamblers.

Policy should also address risk factors linked to harm

A further central tenet of public health is not just to assist those currently suffering harm, but to assess the extent to which a population is at risk of future harm. This is particularly relevant to prevention and community awareness policies.

For instance, faulty cognitions leave consumers vulnerable to excessive spending (though not necessarily to problem gambling) with the obvious financial and potentially other harmful implications this has for them. However, the presence of faulty cognitions would not always be associated with harm, but would be a risk factor for it.

There are analogies in other public health and consumer policy areas that reinforce the appropriateness of this broader approach, such as:

- motor vehicle safety belts. Someone failing to wear a safety belt will not necessarily be harmed — indeed most are not. Before governments mandated safety belts, many people did not install them despite their safety benefits (and, when made mandatory, many did not wear them). In part, driver behaviours reflected over-confidence about their own driving skills and the risks involved (for example, see Matsuura et al. 2002). So not wearing safety belts does not equate directly to harm for the individual concerned. But it is highly relevant to the risks of harm for those individuals — and for the prevalence of harms among

the population as a whole. As a result, safety belts were mandatorily required in motor vehicles, people were required to wear them, and community awareness campaigns were used ('belt up'), in addition to legal penalties to change people's behaviours

- identifying people with impaired fasting glucose. Such people are not likely to be experiencing harm now, but, without behavioural change, may experience higher future risks of type 2 diabetes.

Accordingly, it is desirable to identify environmental circumstances or individual behaviours that are risk factors for harm.² Some of the relevant indicators include:

- misconceptions about gambling, such as a belief that gaming machines run 'hot' or 'cold'. Poor information or misunderstandings about a product may cause people to buy too much (or too little) or to misuse that product to their detriment, compared to a situation in which they were well informed. For example, cognitive misperceptions about some forms of gambling may fool people into playing for longer to make up past losses, or in the mistaken belief that they can win in the long-run on pure games of chance that have a house advantage (Nower and Blaszczynski. 2010). This is relevant to machine design, disclosure to players and general education, potentially including children
- the number of gamblers facing difficulties in remembering losses. The data from the Australian Household Expenditure Survey shows that people significantly underestimate their gambling spending (appendix B). This is relevant for policies such as player activity statements and player information displays
- on a regional basis, identifying areas where the prevalence of certain socio-economic characteristics are strongly correlated with likely adverse effects from gambling may also be relevant for some policies (for instance, local accessibility of gambling and targeted awareness campaigns). For instance, some jurisdictions have more stringent regional caps on gaming machines in areas of disadvantage.

Total costs are more policy relevant than prevalence measures per se

Moreover, consumer policy and public health policy considers not just the prevalence of problems among consumers, but also their total cost. As an illustration:

² It is possible to see how the presence of risk factors are correlated with harms in a cross-section of people, but it would also be useful to see if their presence of a risk factor is a useful indicator of future harm. The first wave of a Victorian longitudinal survey into gambling commenced in 2008, and will enable a much better analysis of how people's risk profiles change and what factors might trigger these changes.

-
- a defective toy may affect a relatively small number of children (very low prevalence), but, if it results in death or major injury, can nevertheless represent a significant cost
 - a health condition may have high prevalence (for example, short-sightedness), but technology or other measures may have negated the costs of this condition (spectacles and contact lenses).

As in the population health area, a key issue is not just counting harms, but assessing how they are affected by exposure (frequency of play, session length, and playing intensity), form of exposure (for instance, gaming machines versus bingo) and the context (the nature and behaviour of the venue; the characteristics of the machine technology). While there is considerable research on the nexus between risk factors (such as exposure) and risk status based on problem gambling screens, research on the broader links between risk factors and harmful outcomes is still in its infancy (Rodgers et al. 2009).

A broad framework facilitates policy evaluation

A broad framework for assessing harms and risks provides a richer basis for policy and research. It provides better guidance about prevention of more serious problems and early intervention — critical elements of any public health strategy — and a better basis for targeting policies.

From an evaluation perspective, it also provides a much better foundation for detecting whether past policies have been effective. First, in prevalence surveys, the samples of all those adversely affected by gambling are much larger than those categorised as problem gamblers, so that it is easier to:

- discover whether policies may have reduced prevalence problems. Large swings in prevalence rates of problem gambling measured using population surveys can arise through pure chance because of sampling errors. For instance, with a survey sample of 10 000 gamblers and a measured problem gambling prevalence rate of 0.5 per cent, a policy maker can be 95 per cent certain that the true prevalence rate lies somewhere between 0.38 and 0.66 per cent — a large range relative to the point estimate.³ So, were subsequent surveys to find lower (higher) prevalence rates, it would be difficult to be sure that these represented genuine reductions (increases) or simply sampling error. However, if the prevalence rate of a problem (not problem gambling) was 15 percent, the

³ This based on Wilson's interval (not the normal approximation interval). The range ignores the probable impact of non-sampling errors, which would tend to widen it further.

comparable range would be 14.3 to 15.7 per cent, and it would be much easier to tell whether policies subsequently affected the prevalence of that problem

- examine the characteristics and risk factors that lead to problems — which could assist in targeting policies and potentially in developing guidelines for ‘safe’ gambling (as in alcohol consumption).

Second, it can indicate the extent to which policy has affected the extent of harms or vulnerabilities. For example, a policy might:

- significantly reduce the prevalence of a particular harm or vulnerability, but with that effect concentrated among people not rated as problem gamblers. Discovering that effect would be lost if only problem gamblers were considered
- significantly reduce the prevalence of problem gambling, but less significantly reduce aggregate harm. The success of public policy in the alcohol area is not just (or even mainly) measured by the reduction in the prevalence of alcoholism
- not reduce the prevalence of problem gambling, but it might reduce the degree of harm experienced by them.

An assessment of effective gambling policies needs to consider the full spectrum of harms and risks.

A broad approach is less susceptible to false attribution of harms

Sometimes people experiencing harm from gambling would have still experienced harm had they not gambled. In particular, the severe gambling problems of *some* of those people with pre-existing mental health issues are likely to have had harmful outlets through other activities — such as substance abuse — had gambling not been available. Similarly, people who harm themselves when they encounter problems with their gambling may have an inherent susceptibility to self-harm regardless of the source of the problems that trigger it.

This means that a policy that reduces severe problem gambling may only partly alleviate harms to the affected people. The Commission’s analysis of the social costs of gambling has taken account of this (chapter 6).

However, some gambling harms or vulnerabilities may be less subject to these attribution problems.

- the high prevalence of lower-level problems exceeds the proportion of people suffering prior mental health conditions, so the latter cannot explain the former
- some problems or vulnerabilities are likely to relate to gambling alone, and not to some intrinsic trait of a person that must have such an outlet. For instance, it is improbable that a community awareness program that successfully addressed

people's faulty cognitions in gambling and their systematic underestimation of losses (which pose risks for over-expenditure) would be offset by the appearance of new faulty cognitions in other areas of their life.

How are assessments made?

Assessments of the harms and risks experienced by gamblers are drawn largely from population surveys and from information about the impacts of gambling on people seeking counselling. Notwithstanding a range of concerns about subjective reporting, some questions about harm have been explicitly tested for their validity (as in the case of the CPGI), while other evidence appears to suggest the self-reported gambling behaviours and impacts are not as unreliable as many think.⁴ (Chapter 5 takes up the issues associated with the specific instruments used to assess harms relating to counts of problem gamblers.)

4.2 Identifying vulnerabilities

The evidence suggests that many people have traits or behaviours that elevate their risks of harm.

Control problems

The most likely immediate source of harm for most consumers is excess expenditure associated with control problems and false cognitions — gambling losses in excess of the amount they would have spent had they played with control and with good knowledge about the service they were buying.

Using the 2008–09 Queensland prevalence data, the evidence suggests that around three to four per cent of all gamblers face difficulties 'at least sometimes' in controlling their gambling. For instance, around one in twenty-five gamblers play on after reaching a self-imposed limit and have difficulty stopping play (table 4.1). These problems rise with problem gambling risk status.

Despite low prevalence rates⁵ of control problems in the non-problem gambling group, the actual number of people affected in this group can be large, and, indeed,

⁴ However, notably Hodgins and Makarchuk (2003) find some evidence for the reliability of self-reported facets of gambling.

⁵ 'Low' is a relative term, indicating the low rate of control problems among non-problem gamblers compared with problem gamblers. Some might argue that a rate of 4 per cent is actually

can be much greater than those categorised as problem gamblers. This reflects the fact that the number of people affected is the multiple of the prevalence rate and the number of people in the relevant sub-population. The former is low but the latter can be very large, with the overall effect that many people are affected.

Table 4.1 Who experiences control problems?

Control issue	Share of risk group who have control problems ^a					Share of affected group who are CPGI 0-7
	All gamblers	Recreational	Low risk	Moderate risk	Problem gamblers	
	%	%	%	%	%	%
Difficulty resisting gambling	4.4	2.4	14.0	40.6	88.3	90.0
Difficulty limiting the size of bets	1.4	0.1	7.7	24.9	53.4	81.0
Gambling after reaching limit	3.9	2.0	13.1	40.1	74.7	90.4
Difficulty limiting the amount spent	1.8	0.5	7.3	27.1	70.2	81.0
Difficulty stopping play	2.3	0.7	7.9	35.6	83.4	82.3
Difficulty limiting time	1.8	0.3	8.6	27.3	73.7	79.1
Desire to gamble is too strong	0.9	0.1	4.7	10.5	64.4	65.5

^a The shares in columns 2 to 6 relate to the percentage of each group who sometimes, often or always experience the particular control difficulty. For instance, 4.4 per cent of all gamblers report sometimes, often or always finding it difficult to resist gambling. The categories of gamblers — recreational, low risk, moderate risk and problem gamblers are CPGI categories. To put the above numbers in perspective, the share of the gambling population accounted for by these CPGI groups were respectively 91, 6.3, 2.1 and 0.5 per cent. So, while 88 per cent of problem gamblers had difficulties in resisting gambling, this equated to only $0.88 \times 0.005 \times 100$ or 0.44 per cent of the gambling population. In contrast, while only 2.4 per cent of recreational gamblers had difficulties resisting gambling, this equated to $0.024 \times 0.91 \times 100$ or 2.2 per cent of the gambling population. Significant contributions are also made by low risk and moderate risk gamblers. The net effect is that, as shown in the last column, 90 per cent of people having difficulties resisting gambling are non-problem gamblers. The results for the 2006-07 Queensland prevalence study were broadly similar, albeit generally showing slightly higher prevalence rates of control problems among the general gambling population. However, as in the 2008-09 study, 4.4 per cent of all gamblers had difficulty resisting gambling, and non-problem gamblers accounted for 90 per cent of those affected.

Source: Based on analysis of unit records from the 2008–09 Queensland prevalence survey.

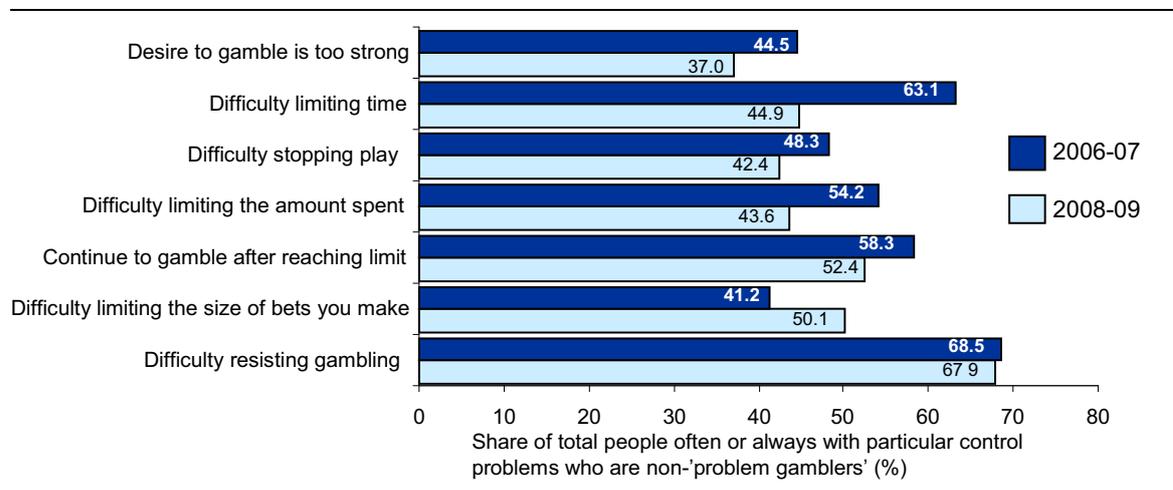
To illustrate, 4 per cent of Queensland gamblers rated as ‘no to moderate risk’ say that they ‘sometimes’, ‘often’ or ‘always’ find it hard to resist gambling (a relatively low prevalence), while around 90 per cent of people categorised as problem gamblers fall into this group (a high prevalence). However, there are around 2.3 million people in the lower risk group and around 12 000 categorised as problem gamblers. That means that, respectively, there are around 93 000 non-problem gamblers and 10 300 problem gamblers experiencing this difficulty.

a high prevalence rate for a problem that may have significant effects on consumers’ gambling expenditure.

Accordingly, nearly 90 per cent are from non-problem groups. Similar results are apparent for other control problems (table 4.1).

The importance of non-problem gamblers among people with control difficulties is not an artifice of choosing a low standard for defining those difficulties. Even where the criterion is that a gambler has to ‘often or always’ experience these control problems, non-problem gamblers still account for around half of the total number of people adversely affected (figure 4.1).

Figure 4.1 Non-problem gamblers account for around half of those gamblers ‘often or always’ experiencing control problems
Queensland 2006–07 and 2008-09



Source: Based on analysis of unit records from the 2006-07 and 2008-09 Queensland prevalence surveys.

The large number of people affected by gambling control difficulties has some promising implications for the value of policy action in pre-commitment. Policies with modest efficacy or reach have the potential to relieve problems for many people, simply because the target population is large.

Prevalence estimates should take account of exposure

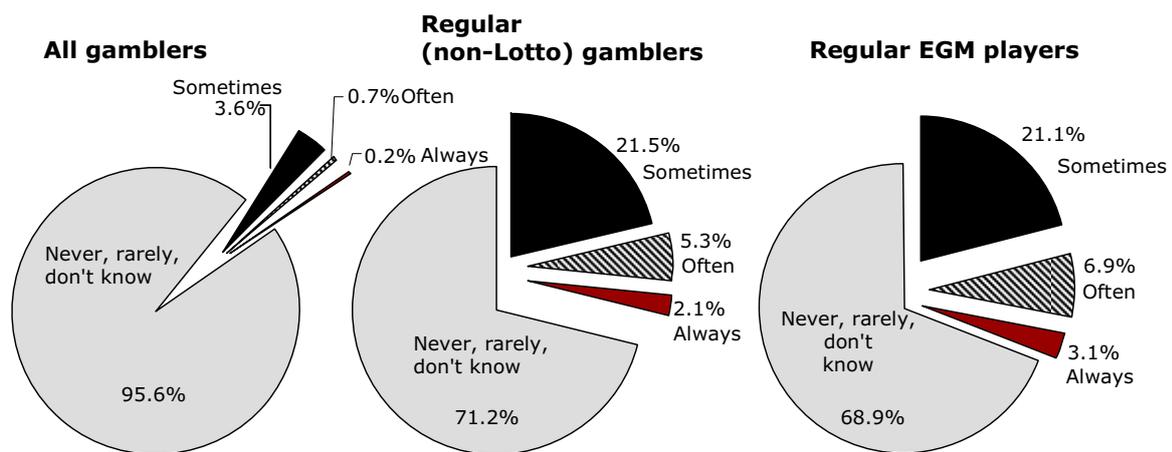
Estimates of the prevalence of harms based on the adult population or all gamblers can be misleading (an issue taken up further when measuring problem gambling prevalence rates in chapter 5). The gambling population includes all people who have gambled at least once over the past 12 months on any of a wide range of gambling products (usually excluding sweeps and raffles). From a product safety perspective, ‘gambling’ is too aggregated an activity for assessing harm. Some gambling products are intrinsically lower risk (for example, bingo or lotteries) and some exposures to gambling also involve minimal risk (someone gambling just once or twice a year). From an epidemiological perspective, harms should be

gauged depending on the extent of people’s exposure to varying forms of gambling, since this is relevant to determining appropriately targeted policy responses.

Figure 4.2 provides an illustration of this for one kind of control problem: the difficulty of resisting gambling opportunities.

Figure 4.2 Regular gamblers have much greater control problems

Queensland 2008–09



^a Relates to gamblers facing difficulty resisting the opportunity to gamble. Regular gambling is defined as at a total of 52 times or more of gambling per year across all types of gambling (but excluding counts of lottery or scratchies gambling).

Data source: Queensland prevalence survey 2008-09.

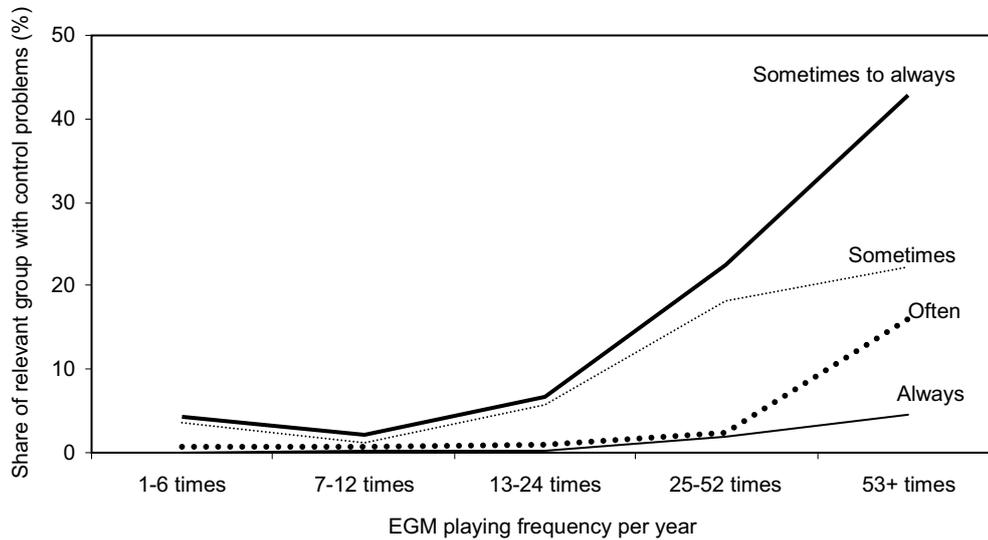
People who gamble regularly have a much higher likelihood (around 30 per cent) of experiencing control problems, and indeed around 7.5 per cent of them experience these difficulties often or always. This likelihood is higher for those gamblers playing gaming machines weekly or more often — nearly one in three at least sometimes say they have a control problem, and one in ten say they often or always do.

More finely gradated data show that control problems appear to accelerate, the greater the level of exposure to gaming machines (figure 4.3). The causality may go both ways. More frequent players may develop control problems, or gamblers with control problems may play more frequently.

Either way, from a practical perspective, these results mean that a significant proportion of the people who venue staff see playing regularly have control and other problems with their gambling. This suggests policy and voluntary measures put in place by venues and the gambling industry should attempt to target those who regularly gamble.

Gamblers experiencing control problems are also important sources of revenue for venues (figure 4.4). The Commission estimates that using the most recent Queensland survey the seven per cent of EGM gamblers who sometimes, often or always had difficulties resisting gambling accounted for around 55 per cent of total EGM spending. And the 1.8 per cent of EGM gamblers who often or always had difficulties resisting gambling accounted for an estimated 29 per cent of total EGM spending.

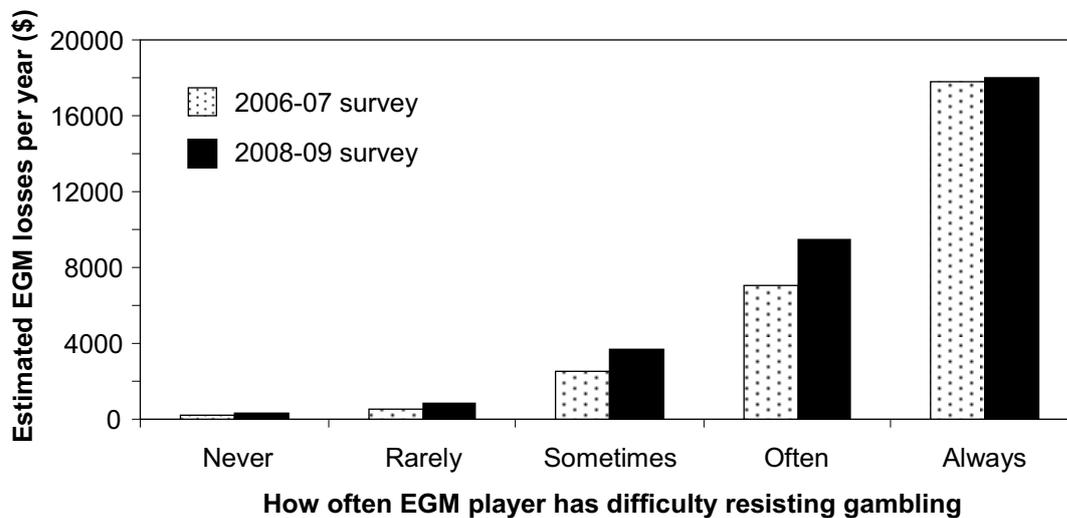
Figure 4.3 Higher exposure is associated with increasingly greater control problems
Queensland 2008-09



^a Relates to people who have difficulty resisting the opportunity to gamble.

Data source: Queensland prevalence survey 2008-09.

Figure 4.4 People with control problems spend much more annually
Queensland gaming machine players



^a EGM spending is proxied using the methods described in appendix B.

Data source: Queensland prevalence surveys, 2006-07 and 2008-09.

Control problems partly reflect the state of mind of people when playing (table 4.2).

Table 4.2 Dissociation reduces gamblers' self-control^a
South Australia 2005

Form of dissociation (sometimes to very often)	All gamblers	Recreational	Low risk	Moderate risk	Problem gamblers	Share of affected people who are CPGI 0-7
	%	%	%	%	%	%
Lost track of reality	1.6	0.7	4.7	16.1	49.3	76.0
Played in a trance	1.8	1.0	3.6	16.8	60.4	74.5
Lost track of time	3.9	2.4	12.6	31.7	65.9	87.0
Felt someone else controlling actions	1.2	0.7	0.8	7.2	48.0	69.7

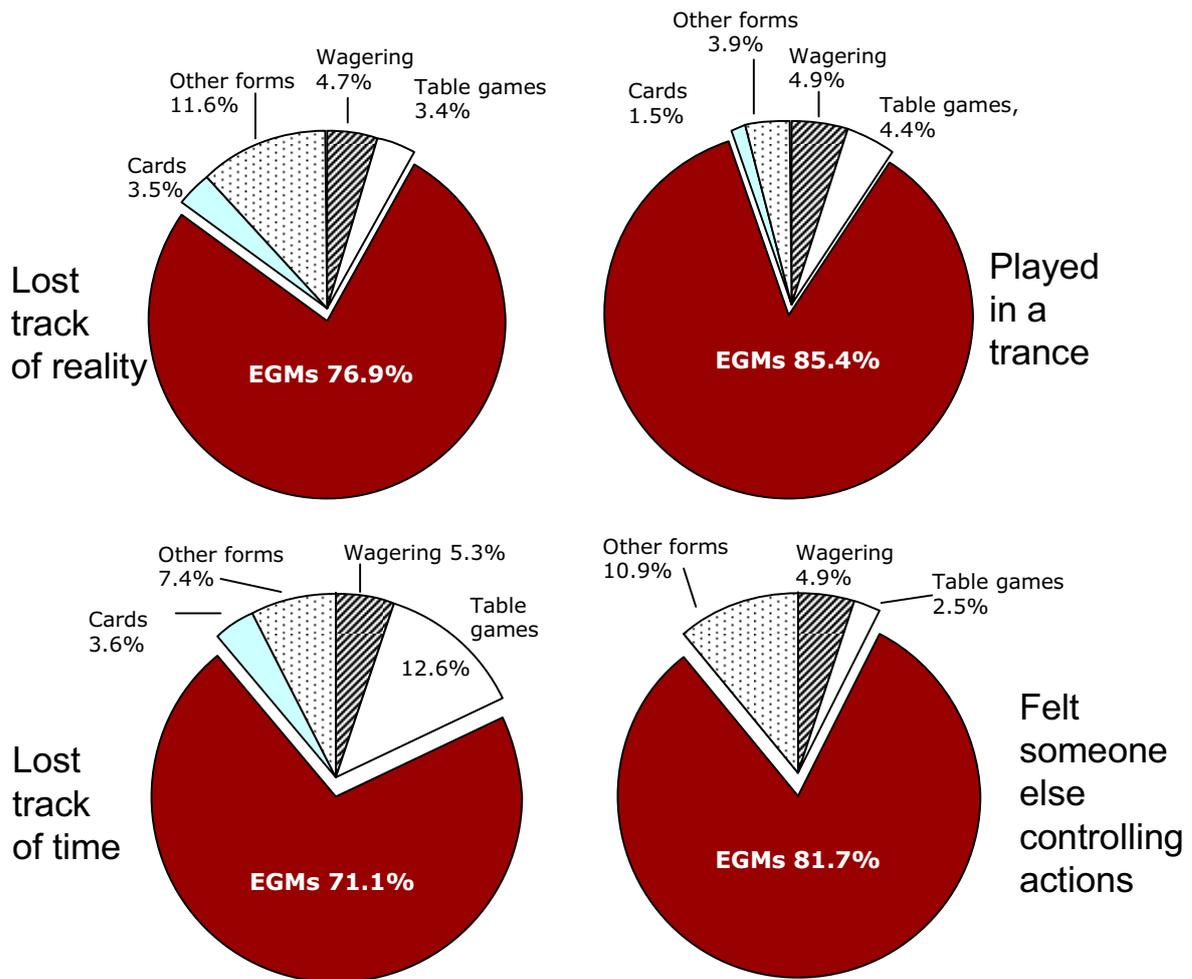
^a The shares in columns 2 to 6 relate to the percentage of each group who sometimes, often or very often experience the particular form of dissociation. For instance, 1.8 per cent of all gamblers report playing in a trance when gambling. The prevalence rates of dissociation rise with CPGI risk. However, most people affected by dissociation are not problem gamblers (column 7). So, of those people who lose track of time 87 per cent were people not categorised as problem gamblers and 13 per cent are problem gamblers.

Source: South Australian 2005 prevalence survey.

Gamblers report varying levels of dissociation, which can limit the usual capacity for people to re-assess whether they wish to continue to gamble (a point made by Dickerson in supporting some form of pre-commitment — chapter 10). Again, as with control problems generally, there are considerably more people categorised as non-problem gamblers than problem gamblers affected by dissociation.

Gaming machines dominate as the form of gambling where dissociation is most likely (figure 4.5) — which is a probable reflection of the continuous nature of play and the lack of social contact while playing (Blaszczynski and Nower 2007; Hing and Breen 2002).

Figure 4.5 Gaming machines are most closely associated with dissociation^a



^a The charts show the gambling form most usually associated with each form of dissociation. For instance of those people who lose track of reality, 76.9 per cent it relates to gaming machines.

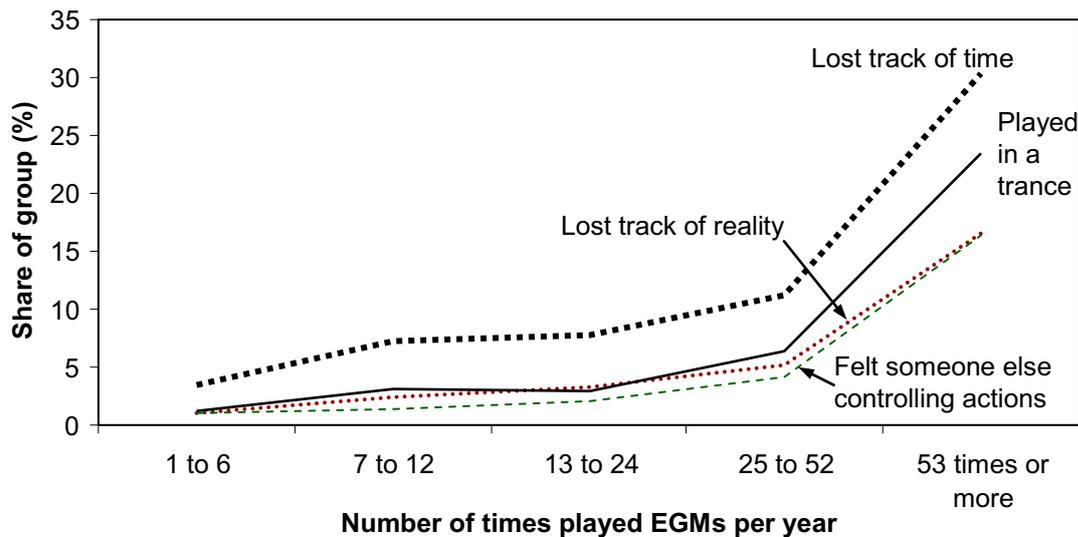
Data source: South Australian 2005 prevalence survey.

There are greater rates of dissociation, the more that people play EGMs (figure 4.6). For instance, someone playing more than once a week on gaming machines has a nearly twenty-fold increase in the probability of playing at least sometimes in a trance than people who play one to six times a year.

While self-responsibility is a highly desirable goal, the widespread existence of control problems among gamblers, especially those engaged in regular EGM

playing, suggest that this goal may be difficult to achieve without tools that allow gamblers, prior to gambling activities, to set and keep to limits on their future behaviours (chapter 10).

Figure 4.6 There is greater dissociation for people playing EGMs more often
South Australia 2005



^a The shares relate to the percentage of each group who sometimes, often or very often experience the particular form of dissociation.

Data source: South Australian 2005 prevalence survey.

Faulty cognitions

Faulty cognitions are widespread among gamblers generally (table 4.3).

While there are many gambling forms where people may have misunderstandings, a key concern is that many people do not know how gaming machines work (in ways that are likely to affect their decisions about expenditure of time and money). Even sophisticated players with statistical and computing knowledge can have misapprehensions about how gaming machines really function, claiming that gaming machines record and respond to a gambler's history of playing (sub. DR383). This is not so.

Across all gambling types, problem gamblers tend to have a much higher rate of faulty cognitions. However, among gaming machine players the difference in the extent of faulty cognitions by risk class, while still present, is less marked.

Table 4.3 Faulty cognitions among gamblers^a

Category of faulty cognition	Share of risk group					
	All gamblers	Recreational	Low risk	Moderate risk	Problem gamblers	Share accounted for by CPGI 0-7
Share of <u>all</u> gamblers agreeing or strongly agreeing with the proposition						
	%	%	%	%	%	%
<i>Queensland 2006-07</i>						
After losing many times in a row you are more likely to win	5.5	4.6	9.5	20.3	33.1	96.3
You could win more if you use a certain system/strategy	9.1	7.9	15.9	24.6	31.5	97.8
<i>Queensland 2008-09</i>						
After losing many times in a row you are more likely to win	..	..	8.0	8.2	24.4	..
You could win more if you use a certain system/strategy	..	..	13.6	18.1	28.2	..
Share of <u>gaming machine</u> players rating their agreement with the proposition as 5 or more out of a scale of 10						
<i>South Australia 2005</i>						
How strongly agree that winning and losing on poker machines tends to occur in cycles	55.5	53.9	68.9	71.5	59.7	98.7
Believe that there are certain ways of playing poker machines that give you a better chance of winning money	18.3	17.0	30.9	27.9	27.9	98.1
Engage in rituals or superstitions when play poker machines	8.0	6.9	13.0	16.8	41.9	93.5
Always bad to play on a poker machine that has recently paid out,	45.6	45.0	47.2	53.4	60.0	98.4
Consider good at picking winning machines	9.1	8.2	18.2	12.8	18.3	97.5

^a In the 2006-07 Queensland data, the faulty cognitions relate to all gambling forms and for all gamblers (but only to those rating CPGI 1 or more in the 2008-09 survey). The percentages for these surveys relate to those agreeing or strongly agreeing with the relevant proposition. The South Australian data are on a different basis. The CPGI was only given to regular (non-Lotto) gamblers in the South Australian survey, with the presumption that all non-regular gamblers were no-risk players. The percentages for this survey relate to the share of gamblers in each risk group who rate their agreement with the relevant proposition as 5 or more on a scale out of 1 to 10. A significant share of gamblers did not know whether to agree or not with the propositions, so it should not be assumed that the proportion of gamblers without false cognitions can be estimated by taking away the above numbers from 100. In the McDonnell-Phillips (2006, p. 202) also finds widespread faulty cognitions, such as continuing to gamble because of the 'sense that a win is due' or using strategies to influence the win rate.

Source: South Australian prevalence survey 2005 and Queensland prevalence survey 2006-07 and 2008-09.

For instance, around 60–70 per cent of gaming machine players think that winning and losing occurs in cycles on machines, with low and moderate risk gamblers more likely to believe this than problem gamblers. It is not clear, therefore, that there is

an *intrinsically* much greater susceptibility to faulty cognitions among problem gamblers compared with low and moderate risk gamblers, especially gaming machine players. The likely reason for the much greater prevalence of faulty cognitions among problem gamblers generally is that they more frequently play gaming machines than other risk groups.

Either way, faulty cognitions are very widespread among gamblers, particularly EGM players. For instance, the prevalence of the faulty view that wins occur in cycles was 5.5 per cent of the Queensland adult gambling population — around ten times more than the problem gambling prevalence rate. Indeed, around 98 per cent of Queenslanders having this belief were *not* problem gamblers. (The effects of faulty cognitions among different groups may be different. Nower and Blaszczynski (2010) found that problem gamblers more often played EGMs to win than non-problem gamblers, suggesting that problem gamblers' behaviour may be more sensitive to their faulty cognitions.)

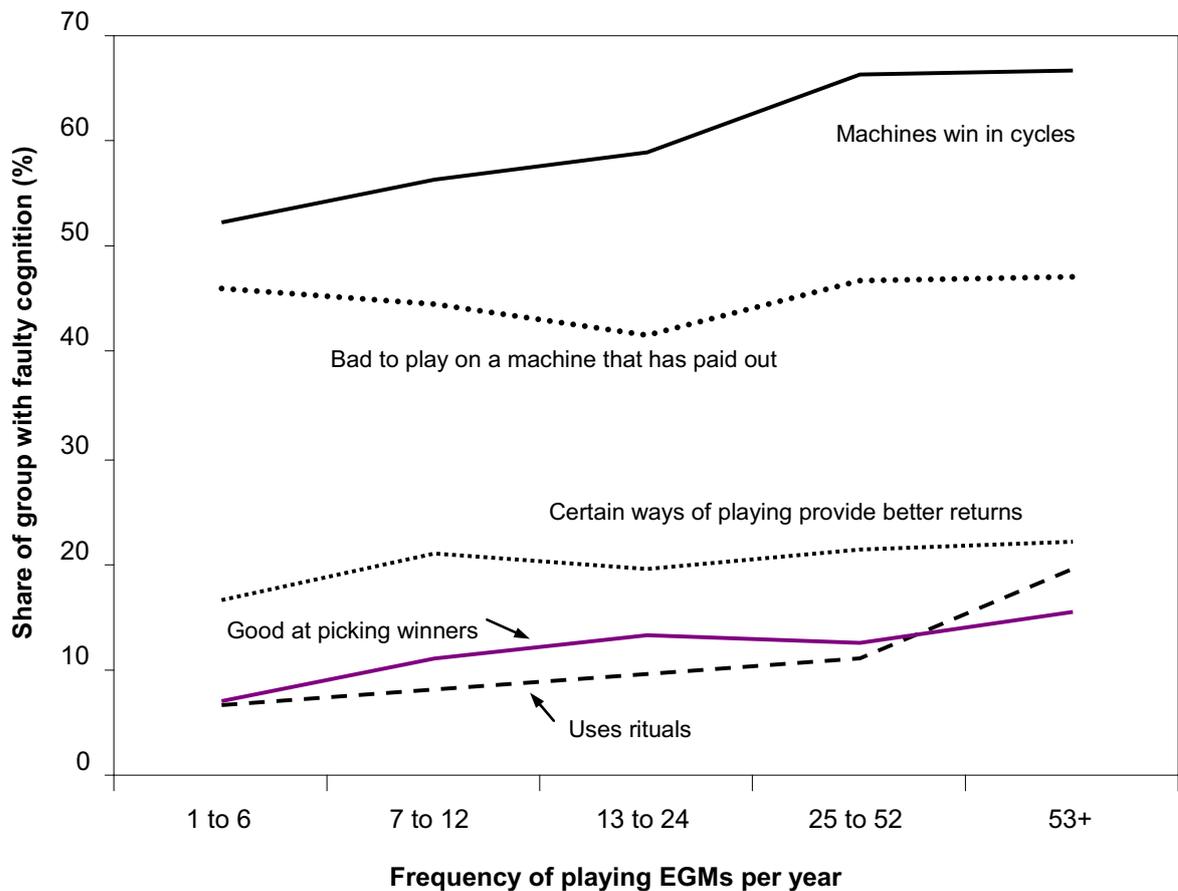
In the case of the South Australian evidence, which relates only to gaming machines, more than half the gaming machine playing population thought wins occurred in cycles, and 99 per cent of the gamblers holding the false belief that wins occur in cycles in machines were not problem gamblers. The key policy implication of this is that the target group for policies that might address faulty cognitions (or their consequences) should extend to the whole EGM playing population.

In many products, greater familiarity with the product improves knowledge about its characteristics. Clubs Australia asserted that:

Repeat purchasers are typically experienced in the consumption of a product category and therefore cannot be regarded as “vulnerable”. That is, through repeat consumption they have grown aware of many of the nuances of the products they consume. (sub. DR359, attach. p. 4)

However, an evidence-based approach to this issue suggests that this is not true for at least one aspect of gaming machines (figure 4.7). There is no reduction in rates of false cognitions as gamblers increase their frequency of play, and indeed, the rates climb somewhat. Moreover, people *believe* they acquire more knowledge when they play more often. So around 13 per cent of infrequent EGM players did not know if wins ran in cycles, while less than 4 per cent of gamblers playing on them more than 52 times a year did not know. Regular players are, in effect, more certain about their false cognitions.

Figure 4.7 Faulty cognitions increase with greater playing frequency



^a The increases in the share of people with false cognitions will partly reflect the changing share of people who do not know whether a proposition is true or not. The share of people who did not know/could not say went down with greater frequency of play. For instance, 13 per cent of those who played 1 to 6 times a year did not know whether machines won in cycles or not, whereas less than 4 per cent of people playing more than 52 times a year did not know.

Data source: South Australian survey, 2005.

4.3 Identifying those who are harmed

Gamblers experience a wide range of harms — financial, health, employment and psycho-social — of varying seriousness (tables 4.4 to 4.7).

Table 4.4 Harms to jobs and health

Various states 2005–2009^a

<i>Indicator</i>	<i>Share of risk group experiencing harm</i>			<i>Of affected people, the share who are CPGI 0-7</i>
	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	
	%	%	%	%
<i>Affected health</i>				
Qld 2008-09	2.9	16.9	87.7	55.3
Qld 2006-07	2.4	28.7	70.9	66.7
NSW 2006	6.4	25.5	81.0	42.7
SA 2005	4.0	27.4	83.6	53.9
Tasmania 2007 ^b	7.9	10.5	88.3	26.8
Victoria 2008	3.6	23.1	71.6	59.7
<i>Job impacts (Queensland 2006-07)</i>				
Adversely affected job performance	1.5	8.8	38.5	59.1
Had to change jobs	0.2	2.4	14.1	46.4
Dismissal from work	0.0	0.1	9.1	4.9

^a The Queensland surveys relate to all gamblers, while the NSW and Tasmanian to weekly gamblers and the South Australian survey to at least fortnightly gamblers. This may explain why the share of affected people who are CPGI 0–7 is higher for Queensland, and, to a lesser extent, South Australia. Results are less reliable for low prevalence items. ^b For Queensland, NSW and South Australia results relate to people nominating health concerns from gambling experienced from rarely to always. In the case of Tasmania, the results refer to health problems experienced sometimes to almost always, since the Tasmanian survey used the unmodified CPGI.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

Table 4.5 Broad indications of problems

Various states 2005–2009^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Of affected people, the share who are CPGI 0-7</i>
	%	%	%	%
<i>Sometimes to always thought had a gambling problem</i>				
Qld 2008-09	1.9	34.0	73.3	69.8
Qld 2006-07	1.3	33.2	88.0	62.0
NSW 2006	2.9	36.2	83.1	46.8
SA 2005	4.3	37.6	83.7	60.5
Tasmania 2007 ^b	7.6	56.4	100.0	51.5
Victoria 2008 ^c	5.4	39.0	89.9	66.0
<i>Wanted help for gambling problems</i>				
Qld 2008-09	1.2	6.4	39.8	51.8
Qld 2006-07	1.4	6.3	47.6	46.3
<i>Tried to get help for problems</i>				
Qld 2008-09	1.0	3.5	18.3	59.9
Qld 2006-07 tried to get help for problems	0.7	2.2	28.4	37.2
<i>Other results for Queensland 2006-07</i>				
Tried to be excluded from a venue	6.6	16.1	40.9	77.5
Some problem on scale of 1 (a small problem) to 10 (severe problem)	40.4	76.3	89.2	89.8
Problem rating 4-10 in scale 0 to 10	4.1	25.3	81.8	64.3

^a The category of 'recreational' gamblers (those with a CPGI score of 0) is not shown above. This is because by definition anyone answering 'rarely' or more to a CPGI question at least scores one, which would put them at least into the low risk category. In the case of the non-CPGI questions shown above, the survey was only applied to people with a CPGI score of one or more. The Queensland surveys' CPGI questions relate to all gamblers, while the NSW and Tasmanian to weekly gamblers and the South Australian survey to at least fortnightly gamblers. ^b The scale for Tasmania is from 'sometimes' to 'almost always' — the unmodified CPGI scale. ^c The unit record data for the CPGI items for the Victorian Survey results gave the scores, not the ratings. So the data shown here refer to people who at least scored one on this CPGI item.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

Table 4.6 Financial harms

Various states 2005–2009^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Of affected people, the share who are CPGI 0-7</i>
	%	%	%	%
<i>Often/always bet more than can afford</i>				
Qld 2008-09	0.6	6.7	40.8	46.8
Qld 2006-07	0.4	7.6	34.6	50.0
NSW 2006	0.0	6.9	57.7	18.1
SA 2005	0.1	12.3	53.9	39.2
Tasmania 2007 ^b	0.0	6.4	77.9	11.7
Victoria 2008	0.8	7.2	50.8	37.3
<i>Sometimes to always caused financial problems for the household</i>				
Qld 2008-09	1.0	13.9	47.7	60.3
Qld 2006-07	0.7	11.6	54.7	49.4
NSW 2006	0.0	9.3	57.0	23.2
SA 2005	0.5	6.1	65.2	23.1
Tasmania 2007 ^c	0.0	13.7	86.2	20.5
Victoria 2008 ^d	2.4	19.7	83.3	50.6
Bankruptcy (Qld 2006–07)	0.8	0.1	7.0	59.5

^a The Queensland survey relates to all gamblers, while the NSW and Tasmanian to weekly gamblers and the South Australian survey to at least fortnightly gamblers. ^b The results refer to betting more than could, 'often' to 'almost always', since the Tasmanian survey used the unmodified CPGI. ^c The results refer to betting more than could 'sometimes' to 'almost always'. ^d The data shown here refer to people who at least scored one on this CPGI item.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

Table 4.7 Psycho-social harms^a

Various states 2005–2009^a

<i>Indicator</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambling</i>	<i>Of affected people, the share who are CPGI 0-7</i>
<i>Often/always felt guilty about gambling</i>	%	%	%	%
Qld 2008-09	1.0	16.0	66.1	55.0
Qld 2006-07	0.3	9.1	66.6	36.9
NSW 2006	0.0	8.6	66.3	19.4
SA 2005	0.1	15.2	71.9	37.4
Tasmania 2007 ^b	0.0	13.7	57.9	27.8
Victoria 2008	0.7	13.4	71.4	41.3
<i>Often/always criticised about gambling</i>				
Qld 2007-08	0.2	2.0	45.3	19.7
Qld 2006-07	0.1	2.2	28.5	25.6
NSW 2006	0.0	6.9	44.3	22.5
SA 2005	0.4	5.8	30.2	37.3
Tasmania 2007 ^b	0.0	3.2	34.1	13.3
Victoria 2008	0.1	4.1	33.9	30.2
<i>Other indicators (Queensland 2006-07)</i>				
Not enough time to look after family's interests	1.6	4.6	32.0	55.7
Breakup of important relationship	2.4	2.2	15.5	72.2
Obtaining money illegally	0.4	1.6	4.8	70.7
Trouble with the police	0.1	0.4	2.5	51.8

^a The Queensland surveys relate to all gamblers, while the NSW and Tasmanian to weekly gamblers and the South Australian survey to at least fortnightly gamblers. Results are less reliable for low prevalence items (such as committing crimes). ^b In the case of Tasmania, the results refer to problems experienced 'often' to 'almost always', since the Tasmanian survey used the unmodified CPGI.

Source: Tasmanian, Queensland, NSW and South Australian prevalence surveys.

The same patterns apparent for control problems and false cognitions are replicated, with many people not categorised as problem gamblers experiencing harm. For instance, in the 2008-09 Queensland prevalence survey, around 70 per cent of people perceiving themselves to have a problem were not categorised as problem gamblers.

In a much more general perspective on harm, nearly one in five gamblers report that gambling has had an adverse effect on their lives, while 70 per cent say that it has made no difference (table 4.8). Only 12 per cent perceive it as positive. This is a surprising finding for an entertainment product, whose purpose is to add to the enjoyment of people's lives.

The Australasian Gaming Council claimed that:

... the harms identified by the PC remain concentrated in the problem gambler group, and to a lesser degree, the moderate risk group. Policy intervention must thus be targeted appropriately to impact these groups rather than impacting all gamblers. (sub. DR337, p. 2)

This misconstrues the estimates of the prevalence of harm. Problem gamblers do, of course, experience concentrated harms — and more so than other gamblers. However, as shown above, harm is experienced by many non-problem gamblers, with this group accounting for a greater share of the aggregate prevalence of harms than problem gamblers.

Table 4.8 Impacts on the lives of gambler

Group	Share of group considering gambling to be a positive or negative factor in their personal lives		
	Positive	Negative	No effect
	%	%	%
All gamblers	12.1	17.4	69.5
Moderate risk	31.6	45.8	22.7
Problem gamblers	6.6	85.2	5.2
Often/always bet more than could afford	3.0	89.2	7.8
Sometimes to always felt had a problem	19.9	70.6	8.0
Sometimes, often or always health problems	17.3	75.0	5.2
Often/always criticised	0.0	77.6	22.4
Sometimes to always caused financial problems	9.0	80.4	7.8
Often/always felt guilty	4.4	74.3	17.5

^a The CPGI questions implemented in the Tasmanian survey used the unmodified CPGI categories of never, sometimes, often or always.

Source: Tasmanian prevalence survey 2007.

In addition, regular gambling and EGM gambling — regular or not — increases the likelihood of harm (tables 4.9 and 4.10). Regular play of EGMs is particularly problematic. For example, the probability of always experiencing health problems associated with gambling were 131 times greater for regular EGM gamblers than non-regular gamblers (table 4.9)

The likelihood of harm rises steeply and continuously with the frequency of EGM gambling and expenditure levels (table 4.11 and figure 4.8). As an illustration, the perception that gambling is a problem affects around 0.2 per cent of gamblers who play EGMs 1 to 6 times a year, but 27 per cent of those who play 53 or more times (a 170 fold increase in risks, noting rounding of the above estimates). At certain levels of frequency of playing, EGM gambling does not satisfy the criterion of a ‘safe’ product.

Table 4.9 Regular and EGM players face more problems

Queensland 2008-09

<i>Outcomes</i>	<i>sometimes</i>	<i>often</i>	<i>always</i>	<i>Risk relative to non-regular gamblers (sometimes to always)</i>	<i>Risk relative to non-regular gamblers (always)^a</i>
	%	%	%	Ratio	Ratio
Non regular gamblers					
Bet more than could afford	1.15	0.12	0.03	1.0	1.0
Felt might have problem	0.28	0.07	0.03	1.0	1.0
Caused health problems	0.24	0.02	0.02	1.0	1.0
Criticised about gambling	0.24	0.05	0.01	1.0	1.0
Caused financial problems	0.12	0.04	0.01	1.0	1.0
Felt guilty about gambling	1.09	0.22	0.14	1.0	1.0
Non-regular EGM gamblers					
Bet more than could afford	1.66	0.19	0.10	1.5	4.0
Felt might have problem	0.74	0.02	0.08	2.2	2.8
Caused health problems	0.35	0.00	0.05	1.5	3.1
Criticised about gambling	0.47	0.26	0.03	2.4	2.1
Caused financial problems	0.37	0.02	0.03	2.4	3.3
Felt guilty about gambling	2.04	0.45	0.26	1.9	1.9
Regular (non-Lotto) gamblers					
Bet more than could afford	11.59	0.93	2.39	11.5	95.0
Felt might have problem	8.34	1.37	1.83	30.8	63.2
Caused health problems	2.46	1.21	1.42	18.5	88.8
Criticised about gambling	7.60	1.44	1.47	33.7	101.8
Caused financial problems	4.00	1.05	0.79	33.6	87.5
Felt guilty about gambling	12.1	3.9	1.4	12.0	10.2
Regular EGM gamblers					
Bet more than could afford	14.68	1.38	2.51	14.3	99.8
Felt might have problem	10.91	1.98	2.79	41.9	96.4
Caused health problems	2.54	1.72	2.09	23.0	130.7
Criticised about gambling	9.58	1.00	2.33	41.4	161.4
Caused financial problems	5.05	0.85	1.15	40.5	127.4
Felt guilty about gambling	14.32	5.27	2.15	15.0	15.5

^a A regular gambler is someone whose total frequency of gambling involving gaming machines, wagering, keno, casino table games and sportsbetting is 52 or more times per year. (The frequency of playing lotteries, scratchies, bingo and a variety of other gambling forms do not make any contribution to the total used to compute regular play — hence the term 'non-Lotto'.) A regular EGM gambler is one who plays EGMs once a week or more. A non-regular gambler includes people playing lotteries, scratchies or other games 52 times or more per year. The risk ratios in columns 5 and 6 are calculated respectively as $(S_R+O_R+A_R)/(S_{NR}+O_{NR}+A_{NR})$ and A_R/A_{NR} where R denotes regular (non-Lotto) or regular EGM players, and NR denotes a non-regular gambler. S, O and A are respectively the shares of the relevant gambling groups who say sometimes, often or always. For example, the likelihood of someone who is a regular EGM player saying they sometimes, often or always get criticised about their gambling is 41.4 times higher than a non-regular gambler. The likelihood of someone who is a regular EGM player saying they always are criticised about their gambling is 161.4 times higher than a non-regular gambler.

Source: Queensland prevalence survey 2008-09.

Table 4.10 Regular and EGM players face more problems

Victoria 2008

<i>Outcomes</i>	<i>Rarely or sometimes</i>	<i>often</i>	<i>always</i>	<i>Risk relative to non-regular gamblers (rarely to always)</i>	<i>Risk relative to non-regular gamblers (always)^a</i>
	%	%	%	ratio	ratio
Non-regular gamblers					
Bet more than could afford	4.41	0.28	0.23	1.0	1.0
Felt might have problem	1.30	0.12	0.11	1.0	1.0
Caused health problems	0.89	0.09	0.11	1.0	1.0
Criticised about gambling	1.36	0.07	0.07	1.0	1.0
Caused financial problems	0.93	0.07	0.06	1.0	1.0
Felt guilty about gambling	3.34	0.26	0.42	1.0	1.0
Non-regular EGM gamblers					
Bet more than could afford	13.86	1.21	0.88	3.2	3.8
Felt might have problem	5.65	0.39	0.6	4.3	5.5
Caused health problems	3.31	0.36	0.48	3.8	4.4
Criticised about gambling	4.16	0.4	0.35	3.3	5.0
Caused financial problems	3.41	0.26	0.28	3.7	4.7
Felt guilty about gambling	10.98	1.14	1.63	3.4	3.9
Regular (non-Lotto) gamblers					
Bet more than could afford	23.14	2.70	2.60	5.8	11.3
Felt might have problem	13.37	1.43	4.67	12.7	42.5
Caused health problems	8.29	2.03	1.87	11.2	17.0
Criticised about gambling	10.31	1.83	3.99	10.8	57.0
Caused financial problems	7.97	1.60	1.50	10.4	25.0
Felt guilty about gambling	18.50	4.29	5.16	7.0	12.3
Regular EGM gamblers					
Bet more than could afford	28.00	5.46	5.82	8.0	25.3
Felt might have problem	16.82	2.88	9.58	19.1	87.1
Caused health problems	9.38	5.18	4.37	17.4	39.7
Criticised about gambling	9.23	1.79	9.30	13.5	132.9
Caused financial problems	10.16	4.07	3.65	16.9	60.8
Felt guilty about gambling	19.18	8.75	9.81	9.4	23.4

^a The second column of this table provides data for people scoring 1 on the relevant CPGI category (rarely or sometimes), rather than 'sometimes' only, as in the data shown for Queensland. See above table for construction of the table and its interpretation.

Source: Victorian prevalence survey 2008.

Table 4.11 Problems consistently rise with frequency of playing EGMs

<i>Outcome</i>	<i>Share of group affected</i>				
	1-6 times	7-12 times	13-24 times	25-52 times	53+ times
	%	%	%	%	%
Queensland 2008-09					
Bet more than could afford (sometimes or more)	1.0	2.4	5.5	13.6	28.8
Thought might have gambling problem (sometimes or more)	0.2	1.0	3.7	9.9	27.2
Health affected (rarely or more)	0.4	1.1	2.5	4.1	16.9
Criticised about gambling (sometimes or more)	0.3	1.0	2.5	9.2	20.0
Caused financial problems (sometimes or more)	0.0	0.1	2.9	4.7	12.9
Felt guilty about gambling (sometimes or more)	1.5	2.9	9.1	15.2	33.5
Wanted help	0.2	3.7	2.2	5.3	28.3
Victoria 2008^a					
Bet more than could afford (often/always)	0.8	3.3	6.2	8.7	19.4
Health affected (rarely or more)	2.1	5.8	11.5	11.6	37.6
Criticised about gambling (often/always)	0.2	1.4	3.3	6.7	20.5
Caused financial problems (often/always)	0.1	1.4	1.9	3.7	15.4
Felt guilty about gambling (often/always)	1.4	4.3	6.1	15.5	27.7

^a Other than the item relating to health problems, the data for Victoria use a more stringent categorisation of harm (often/always) than the Queensland data shown (sometimes to always). This reflects the fact that the unit record data for Victoria relate to the CPGI score, not the Likert rating. Were a CPGI 1+ score to be used to categorise some level of harm, then that would include rarely as well as sometimes, and would raise the probability of harm at any given frequency. For example, if the probabilities were calculated for feeling guilty about gambling (rarely to always) for Victoria, the probabilities associated with the frequency of playing EGMs from 1-6 to 53+ are, respectively, 8.5, 20.8, 25.9, 30.8 and 51.5 per cent.

Source: Queensland prevalence survey 2008-09 and Victorian prevalence survey 2008.

Some forms of gambling appear to be largely immune to serious problems (table 4.12).

Table 4.12 Some forms of gambling pose few harms of any severity^a

<i>Harm</i>	<i>Gambles on less risky forms only</i>			<i>Plays one or more riskier form</i>		
	<i>Rarely or sometimes</i>	<i>Often</i>	<i>Always</i>	<i>Rarely or sometimes</i>	<i>Often</i>	<i>Always</i>
	%	%	%	%	%	%
Bet more than could afford	1.76	0.02	0.03	10.06	0.93	0.79
Felt might have problem	0.38	0.03	0.03	3.97	0.36	0.8
Caused health problems	0.22	0.02	0.01	2.62	0.43	0.45
Criticised about gambling	0.6	0.02	0.01	3.48	0.32	0.64
Caused financial problems	0.35	0.02	0	2.54	0.33	0.32
Felt guilty about gambling	0.84	0.07	0.09	8.17	1.02	1.45

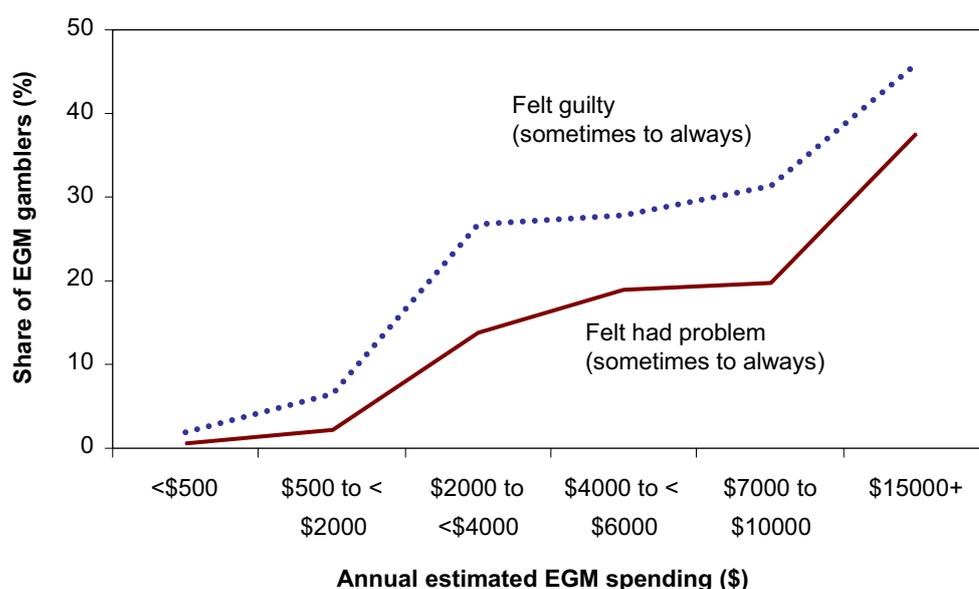
^a Potentially riskier forms were gaming machines, table games, and wagering. Less risky forms were lotteries, scratchies, raffles and bingo. A further category, where less information about risk is available includes sportsbetting, keno, informal games, SMS competitions and any other form of gambling not listed above.

Source: Victorian prevalence survey 2008.

Of those gamblers who *only* play lotteries, scratchies, bingo, or any combination of these forms — constituting the majority of gamblers — very few suffer harm. For instance, around 25 in 10 000 gamblers playing only on lower-risk forms experience any health problems associated with their gambling and only around 1 in 10 000 always suffer such problems.

Figure 4.8 Adverse impacts rise with spending

Queensland 2008-09^a



^a See appendix B about how spending is calculated.

Data source: Queensland prevalence survey, 2008-09.

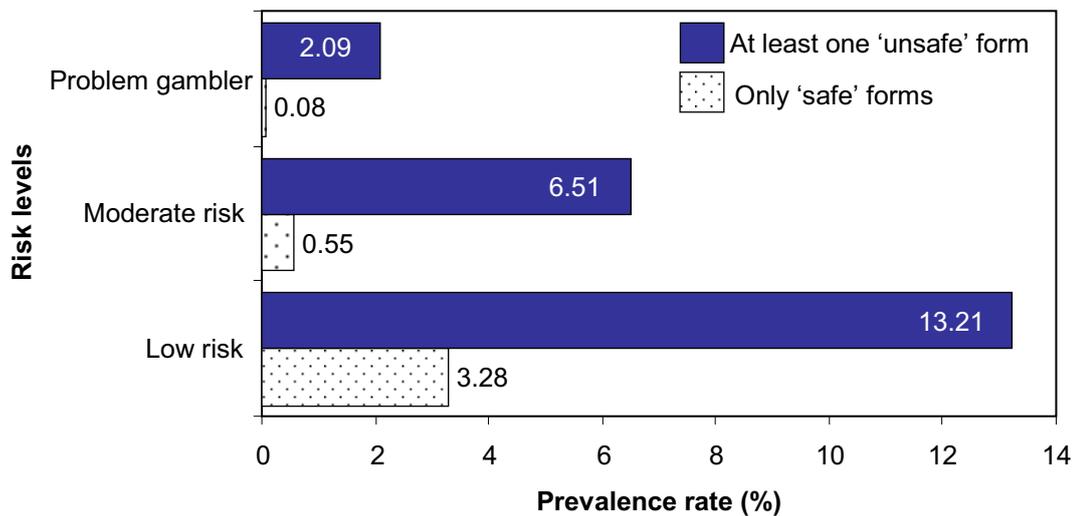
In contrast, among the group of gamblers who play on *at least one* less safe gambling form (gaming machines, wagering, casino table games), the risks are much greater. Around 350 of every 10 000 of this group say that they experience at least some degree of gambling-related health problems, and around 45 in every 10 000 say they always experience such problems. This group includes people who only infrequently play just one less safe form, so it disguises the (significantly) higher risks among regular gamblers.

The differences in harms is reflected in comparative scores on the CPGI (figure 4.9). Less than 0.1 per cent of people playing the ‘safe’ forms are rated as problem gamblers (and in total around 0.6 per cent are moderate risk or problem gamblers). In comparison, 2.1 per cent of those playing the less safe forms are problem gamblers, and, in total, close to 9 per cent are moderate risk or problem gamblers.

These results strongly support the targeting of prevention and harm minimisation policies to specific forms of gambling, rather than to gambling per se.

Moreover, the findings bolster the case that lower-level harms are still policy-relevant. A significant concern about counting cases where people ‘rarely or sometimes’ experience some harm (say guilt over their purchases) is that this may just be a customary feature of consumption generally, and, as such, not of much relevance for policy. However, even for low level harms, the variations between safe and less safe forms of gambling are striking. Less than 1 per cent of people playing only safer forms of gambling say they rarely or sometimes feel guilty about their gambling, whereas the corresponding figure is 8.2 per cent for less safe forms.

Figure 4.9 Problem gambling and moderate risks are low for lotteries, bingo and scratchies



^a See note in above table.

Source: Victorian prevalence survey 2008.

Are the measured harms policy relevant?

Some argue that people decide whether to pursue any given activity after weighing up its net benefits — trading off its gross benefits against any associated costs. In many sports activities, people realistically take account of the prospect of injury or harm, but still decide to play because of their enjoyment of the sport. In that case, a regulated requirement to reduce their play would make them worse off, even though it would reduce those risks. In effect, anticipated non-pecuniary costs are just an additional price that people factor into their choices. The ‘rational addiction’ model presupposes just this kind of rational behaviour by those who are addicted — a

model considered at length and disputed by the Commission in its 1999 report (PC 1999).

To the extent that this is the case, the ‘harms’ experienced by the relevant individuals should not be counted as a social cost, but as an ‘internalised’ cost already taken into account by the person bearing it. While this argument may be valid for many activities, it is not a strong argument in relation to gambling harms:

- many gamblers have difficulties controlling their gambling (and as shown above, not just ‘problem gamblers’), and in that case, the usual assumption that consumers rationally trade off the gains from consuming a good against any costs no longer holds. One of the arguments for requiring pre-commitment technologies is that it provides consumers with a tool to overcome their control problems to the extent that they wish
- people suffer persistent guilt about their gambling behaviour, which is not consistent with a person balancing the good and adverse aspects of a pursuit
- people experiencing harm associated with their gambling have a strong tendency to say that gambling has had an overall negative effect on their lives (table 4.8). This again is not consistent with the ‘internalisation’ hypothesis
- faulty cognitions about gambling are widespread, so that the tradeoffs consumers make are no longer well informed. So, if a consumer persistently thinks that they can make up for past losses, they may (incorrectly) regard some current harm as acceptable (such as financial distress or relationship difficulties due to gambling).

4.4 Risks by venue type

Many types of venues provide gambling. Hotels, clubs and casinos all provide the most risky form — gaming machines. There are potential arguments in favour of any of these venues being safer than the others, with the potential for regulatory concessions (for instance, more generous gaming machine quotas or higher bet limits):

- in principle, clubs might be less risky than other venues because they are owned by their members and have a broad interest in assisting their local community
- hotels often have small numbers of machines (due to stricter quotas) and, on average, are less reliant on gaming machine revenue. It may be easier in small venues for staff to identify people with problems and to help them
- in some jurisdictions, casinos are less geographically accessible than clubs or hotels — such as the casinos in Launceston and Perth. Given people’s tendency

to gamble close to home or work, (and to some extent, the importance of tourists to casinos), this may imply that the group of people using casinos may have lower risk characteristics than those using pubs or clubs.

In particular, the Australasian Casino Association (ACA) has argued that casinos are quite different from other venue types:

A visit to any casino involves a premeditated decision by customers to travel, often over large distances. This provides a barrier to the consumption of gaming products with the degree of effort required. ... Casinos are major tourist attractions which compete on the international market for both consumers and investment. ... Casinos offer a range of gaming and non-gaming facilities including dining, entertainment, retail and accommodation. ... All of these features distinguish casinos as destination venues and differentiate them from convenience venues such as hotels and clubs. ... research [conducted by Anna Thomas] would appear to confirm the distinctly different nature of destination venues such as casinos compared to convenience venues and their influence, incidence and impact on problem gambling. ... The commission needs to publicly recognise that casinos are destination venues and very different from convenience venues in both the approach. (Downey, trans., p. 529–30)

The data reveals a more complex story and less differentiation between casinos and community venues than implied by the location of casinos and their broader tourist and entertainment functions. In particular, the data suggest that the relative risks faced by patrons depend on the jurisdiction.⁶

The information for Victoria is the most complete, as it is possible to relate risks to the multiple combinations of venue types that people may attend (table 4.13). Where people play gaming machines only at one venue type, the risks of the most serious impacts, problem gambling, is much the same between venue types. However, a broader view of harms suggests that they are highest in community venues, with little difference between hotels and clubs. While patrons only attending the casino face lower risks, those risks are still pronounced for some harms (such as health impacts and experiences of guilt). Moreover, around 30 per cent of people playing EGMs at the casino also play at other venues — these patrons face substantially heightened risks. For instance, around 9 per cent of those who play at community venues *and* at casinos are problem gamblers.

In Tasmania, few people only play at community venues (clubs and hotels), with most playing at both community venues and casinos, or at the casino alone. So while patrons who *only* go to casinos face lower risks, most of their patrons also go to other venue types — and this group faces significant risks.

⁶ It may also reflect sampling variations across the surveys — although the sample sizes are relatively high in all the prevalence surveys.

The data about venue preferences for NSW and South Australia relate only to the place people ‘usually’ play EGMs — and therefore cannot reveal risks for people who play at multiple venues. It appears from these data that people usually going to hotels face higher risks than those going to clubs, while those usually going to casinos face the least risks (based on South Australian data only). The latter needs to be carefully interpreted. As shown by the Victorian and Tasmanian data, a significant number of people playing EGMs in casinos play in multiple venues. Accordingly, in South Australia and NSW, it is likely that of the people who play in casinos, many *usually* play in some other venue, and these players are not represented as casino players in table 4.15. The people who play in multiple venues tend to face greater risks. Accordingly, the risks shown for *usual* casino gamblers in table 4.15 will probably underestimate the likelihood of risks for *all* casino EGM patrons.

Table 4.13 In Victoria, problems are widespread among all venues providing EGMs, 2008^a

CPGI category	The venues where people play gaming machines						
	Clubs only	Pubs only	Casino only	Pubs clubs & casinos	Clubs & pubs	Pubs & casino	Clubs & casino
	%	%	%	%	%	%	%
Prevalence of CPGI 3-7	10.7	10.2	10.3	29.6	15.3	25.8	11.7
Prevalence of CPGI 8+	2.6	2.7	2.1	6.8	4.6	10.6	6.9
Bet more than could afford (often/always)	2.7	2.7	1.1	5.7	4.9	1.5	0.9
Health affected (rarely or more)	4.1	4.4	3.4	12.3	7.2	9.3	8.0
Criticised about gambling (often/always)	1.6	1.2	0.3	5.0	1.9	5.8	1.9
Caused financial problems (often/always)	1.0	1.2	0.0	4.0	1.9	2.1	0.0
Felt guilty about gambling (often/always)	3.1	2.8	2.8	7.4	6.9	11.7	5.9
Share of total EGM gamblers	35.8	25.0	14.5	3.1	7.1	3.1	2.9

^a The table shows the proportion of people playing at a particular venue (or group of venues) experiencing a particular harm. For instance, it shows that of people who play EGMs at clubs only, around 10.7 per cent face moderate risks, while 10.3 per cent of those who play EGMs at casinos alone fall into this category. The table ignores people going to ‘other’ venues (for example, interstate).

Source: Victorian prevalence survey 2008.

Table 4.14 In Tasmania, the biggest risks are for people who play EGMs in both community venues and the casino, 2007

CPGI category ^a	Casino only	Community venues and casino	Community venues only
	%	%	%
Prevalence of CPGI 8+	0.3	2.6	..
Bet more than could afford (often/always)	0.5	2.0	..
Health affected (rarely or more)	0.5	3.0	..
Criticised about gambling (often/always)	0.0	0.8	..
Caused financial problems (often/always)	0.3	0.8	..
Felt guilty (often/always)	0.8	1.9	..
Felt might have problem (sometimes to always)	1.6	3.4	..
Share of EGM players	33.9	64.3	1.8

^a This shows the proportion of people usually playing EGMs at a venue who are harmed. For instance, around 0.3 per cent of people who only play EGMs at casinos are rated as problem gamblers. The data did not distinguish between play at clubs and hotels (collectively being 'community' venues).

Source: Tasmanian prevalence survey 2007.

Table 4.15 People usually playing at hotels often face bigger risks in NSW and South Australia^a

CPGI category	Place where people 'usually' play EGMs					
	South Australia			NSW		
	club %	hotel %	casino %	club %	hotel %	casino %
Prevalence of CPGI 8+	1.00	1.49	0.55	2.4	4.6	..
Bet more than could afford (often/always)	0.79	1.34	0.72	1.7	3.5	..
Health affected (rarely or more)	2.03	2.72	0.96	4.1	3.6	..
Criticised about gambling (often/always)	0.14	0.70	0.33	1.5	2.2	..
Caused financial problems (often/always)	0.14	0.46	0.09	0.3	1.5	..
Felt guilty (often/always)	0.94	1.78	0.55	1.9	4.0	..
Felt might have problem (sometimes to always)	3.04	3.00	1.34	4.4	4.9	..
Share usually playing EGMs at this venue ^b	8.9	79.6	10.1	70.9	26.7	2.3

^a Other than data on the share of people playing EGMs, the table shows the proportion of people usually playing EGMs at a venue who are harmed. For instance, around 2 per cent of people usually playing at a club in South Australia say they experience health effects due to their gambling. As the data relates only to the 'usual' place of play, it conceals patterns of play involving multiple venues. Data for people who usually play at the casino are not shown, since sample sizes are too small. ^b Totals do not add to 100 because some people refused to answer the question or said they 'did not know'.

Source: South Australian prevalence survey 2005 and NSW prevalence survey 2007.

Beyond the results from these prevalence studies, little published research on patronage is available. As noted by the ACA, Thomas (2009) is one of the few researchers to examine venue patronage patterns. In the three studies she undertook she found that most people only play EGMs sometimes, whether it be at the casino

or community venues (table 4.13). However, high frequency attendance by a player was much more likely at a pub or club than at the casino. For example, in the biggest study, which involved around 350 respondents, around 19 per cent of the sampled people played at community venues more than weekly, compared with only 2 per cent at the casino. Moreover, a score that measured people's frequency of playing suggested that, while problem gamblers tended to play at casinos somewhat more frequently than non-problem gamblers, their relative frequency of play appeared to be higher at community venues.

Several features of these studies should be noted:

- they consider the harm that is expressed as problem gambling, but not the broader measures of harm that are assessed in the tables above
- the sample sizes are relatively small and (to overcome this) were constructed to be non-representative in order to have reasonable populations of problem gamblers. This is a good survey design for the purpose at hand, so long as the two risk categories are representative of their counterparts in the general gambling population. However, were, for example, non-problem gamblers to have different venue or player frequency preferences than the general population of non-problem EGM players then that could lead to bias
- like the data above, the studies show people play more often at community venues *as a group* than at the casino. However, this needs to be interpreted carefully. One of the ways people end up playing frequently at community venues is by playing at more than one. There is no comparable choice for the casino — there is only one. Had a specific large hotel been compared with other community venues, then it too could be expected to have a lower frequency of visits than community venues as a whole.
- as noted above, people who play at the casino typically also play at community venues. Few people just play at the casino (roughly 10 to 15 per cent of casino patrons in the studies shown in table 4.16). So casino customers are not a distinctive group, though their motivation for playing at the casino (a 'big night out') may be different than playing at a community venue (an 'ordinary' night out at a safe and accessible venue) (Thomas 2009).
- by also considering the frequency of patronage, Thomas's studies point to the importance of not just counting the proportion of people visiting a casino or other venue type who experience problems, but the likelihood of finding them at these venue types.

Table 4.16 People play EGMs more rarely at Crown Casino than at community venues^a

Victoria, various dates

	Frequency of visits				Plays only at this venue type ^b	Frequency of play by risk group ^c		N
	Never	Sometimes	Fairly often	Frequently		Other gambler	Problem gambler	
	%	%	%	%		Score	Score	
<i>Study 1</i>								
Pubs/clubs	10.4	60.0	10.7	18.9	23.7	1.51	3.59	355
Casino	23.7	71.0	3.4	2.0	10.4	1.00	1.14	355
<i>Study 2</i>								
Pubs/clubs	16.5	58.5	8.9	16.1	13.4	1.32	3.04	224
Casino	13.4	76.3	5.4	4.9	16.5	1.26	1.98	224
<i>Study 3</i>								
Pubs/clubs	13.0	55.3	13.8	17.9	17.1	1.8	3	123
Casino	17.2	63.9	15.6	3.3	13.0	1.58	1.46	123

^a N is the sample size. Sometimes = 'less than once a month', fairly often = 'a few times per month', frequently = 'more than weekly'. ^b Thomas' s respondents all played EGMs. Accordingly, if a respondent said they never played at a casino (pub/club), they must only play at a club/pub (casino). This was the basis for the estimate of the share of people only playing at a given venue type. ^c The figures on frequency of play published by Thomas are not the average actual number of times different risk groups played at the different destinations. Rather, different frequency categories were scored 1, 2, 3 ... and it was these that were averaged. A five point scale was used for study one and two and a six point frequency scale for study three. Scoring of this kind could conceal variation in the actual underlying frequencies of play between people having the same score. For instance, suppose that 2 denoted someone playing less than once a month. Two people who played respectively three times a month and once a month would both get a score of 2, though one played at three times the frequency of the other. This should be considered when interpreting the average scores by risk group.

Source: Thomas (2009).

To pursue the implications of visit frequency, suppose that 99 000 people go to a venue each year and spend 30 minutes of enjoyable EGM play on average three times a year, encountering no harms. Suppose that an additional 1000 people go to the venue once a week and spend one hour playing EGMs each time, experiencing considerable harms. Overall, just one per cent of patrons visiting this venue experience harm — it appears to be a solidly 'safe' venue. However, in this illustration, people experiencing significant harm account for 26 per cent of the total time spent by patrons in the venue.⁷ In this hypothetical example, that translates to a 26 per cent chance that a person seen playing machines at this venue is experiencing harm — a reasonable basis for measures to help them.

⁷ The annual hours spent by recreational gamblers is 148 500, while 52 000 hours are spent by people experiencing significant harm.

Based on the Tasmanian prevalence survey — the only Australian prevalence survey to separately distinguish the session duration and sessions per annum in community venues and casinos — problem gamblers accounted for a significant share of the total time people spend playing EGMs (table 4.17). Consistent with Thomas’s studies, the share accounted for by problem gamblers is greatest in community venues, but it is still pronounced in casinos. So while finding problem gamblers is like discovering a needle in a haystack among the adult population, they are common among people playing at a gaming venue — and, at least, in the Tasmanian case, this applies to both casinos and community venues.

Table 4.17 Problem gamblers are relatively common among people actually playing gaming machines in venues^a
Tasmania 2007

	<i>Share of total annual hours played</i>	
	Casinos	Community venues
	%	%
Lower risk groups (CPGI 0–7)	67.8	45.5
Problem gamblers (CPGI 8+)	32.2	56.5

^a The share of total hours played was estimated by multiplying minutes per average session times sessions per year for each venue type for each person in the survey and then summing over these. It was then possible to calculate the share of total annual time spent in a venue type by problem gamblers (based on CPGI 8+). It should be emphasised — as discussed in appendix B — that there are many potential errors in people’s recall of time spent or sessions. The critical issue is that even were the share of total time accounted for by problem gamblers to be twice its real value, it would remain high in both venue types.

A final issue when considering the relative safety of venues is how this might change under alternative regulatory settings. In Western Australia, there is no community gaming and the only casino is not in the central business district. It is truly a ‘destination’ venue. However, in most other jurisdictions, casinos exist alongside many other gaming venues. Indeed, some of these casinos are centrally located and are as accessible as hotels and clubs in the local area — for instance, this would apply to the casinos in Melbourne, Brisbane and Adelaide. These casinos remain destination venues for table games (given their exclusivity to casinos), but it is not clear once gaming machine accessibility was liberalised, that casinos remained destination sites for gaming machines. That, and the evidence above, suggests that a strong case would have to be made for differential regulation in casinos compared with community venues. The Commission addresses this issue on a case by case basis — depending on an assessment of the relative costs and benefits (chapter 3).

Overall, the story that emerges for venue safety is nuanced: no type of venue is ‘safe’, though some, in some jurisdictions appear to pose less risks than others.

FINDING 4.1

There is strong evidence that gambling can have adverse health, emotional and financial impacts on many more people than those categorised as ‘problem gamblers’. As is the case in policies addressing harm from alcohol consumption, policy also needs to address these wider impacts.

FINDING 4.2

People playing gaming machines face much greater risks than people who gamble on other forms, particularly lotteries, scratchies and bingo.

5 The prevalence of ‘problem’ gambling

Key points

- Based on available survey data, there are between 80 000 and 160 000 Australian adults suffering significant problems from their gambling (0.5 to 1.0 per cent of adults), with a further 230 000 to 350 000 experiencing moderate risks that may make them vulnerable to problem gambling (1.4 to 2.1 per cent of adults).
- Although there are substantial difficulties in calculating gambling expenditure, it is estimated that problem gamblers account for 22 to 60 per cent of total gaming machine spending (average of 41). The likely range for moderate risk and problem gamblers together is 42 to 75 per cent.
- Most policy interest centres on people playing regularly on gaming machines. While the results vary by surveys, it is estimated that around:
 - 600 000 Australian adults (just under 4 per cent) play the pokies weekly or more.
 - 15 per cent (95 000) of this group are ‘problem gamblers’. A further 15 per cent of pokie players face ‘moderate risks’.
- While not definitive for Australia as a whole, problem gambling prevalence rates among the adult population have probably fallen since the 1990s.
- Falling regular EGM playing is an important component of this outcome, though natural adaptation, government policies and actions by venues have probably also contributed. However, for the key indicators for policy, there is:
 - no evidence that the share of total spending accounted for by problem gamblers has fallen
 - no reliable indications of a significant decline in the rate of problem gambling among regular EGM players.

Problem gambling is an abstract and contested construct, with differences in its conceptual underpinnings and in the resulting measures of prevalence and severity. As normally defined, ‘problem gambling’ is distinguished from the broader problems that gamblers experience (chapter 4), because it requires a person to have a *cluster* of behaviours and sufficiently severe problems.

There are competing conceptual approaches to measurement of problem gambling. One approach characterises it as a psychiatric condition, identified by a set of

dysfunctional behaviours. This is a model particularly favoured in the United States. The Diagnostic and Statistical Manual of Mental Disorders — the DSM IV — explicitly includes problem (‘pathological’) gambling as an impulse control disorder. Some segments of the Australian gaming industry also classify problem gambling this way:

Problem gambling is ... a psychological condition. Americans call it pathological gambling, a far more accurate description. (David Costello, Clubs NSW Chief Executive Officer, 2009)

Clubs Australia, however argued that ‘problem’ gambling is a complex phenomenon, favourably citing research on the importance of ‘rational addiction’, where people choose to be addicts (sub. DR359, attach. p. 29).

Others argue that problem gambling should be assessed by its collective impacts, not by the psychological characteristics of gamblers. For instance, Svetieva and Walker (2008) urge that:

... problem gambling must be measured by the number and extent of the problems caused by gambling, not whether or not the gambling behaviour has the characteristics of addiction or any other individual psychopathology (p. 161).

The distinction raised by Svetieva and Walker is potentially important. If a person has some of the psychological behaviours consistent with ‘addiction’, including difficulties in controlling gambling, chasing losses, borrowing to gamble and the need to increase stimuli to maintain the same level of excitement, then they will be categorised as problem gamblers using most existing screens.

There are several difficulties in the psychopathological approach.

The weakest difficulty is that at the *conceptual* level, a person may have these traits without harm if the financial consequences are not excessive and if they do not want to stop their behaviour. However, in *fact*, many people exhibiting such traits do generally experience harm.¹

¹ For example, borrowing from someone or selling something to gamble is not, on the face of it, a harmful behaviour. But, in fact, if a person does do this, they are very likely to display other behaviours that do cause problems. In the 2006 NSW prevalence survey, 93 per cent of regular gamblers who sometimes, often or always borrowed or sold things to gamble rated themselves in a separate question as having some kind of problem. Only 7 per cent of people engaging in this behaviour identified themselves as having no problem. So screens may legitimately measure behaviours or outcomes, not because these actually constitute problem features of gambling themselves, but because they are effective markers of problems.

A more serious drawback is that the psychopathological approach risks under-enumeration of people suffering significant harm, but whose gambling behaviours and attitudes could not be categorised as ‘pathological’.

In addition, this approach focuses on the individual as the source of the problem. It is based on identifying people who meet the criteria for a mental disorder, with characteristics and behaviours that make them vulnerable in what might otherwise be seen as a generally benign gambling environment. The psychopathological approach tends to concentrate policy attention on venue interventions and treatment services targeting people categorised as disordered.

In contrast, a broader social approach recognises that some problems reflect the nature of the product itself and venue behaviours, as well as the behavioural characteristics of the gambler. When such problems occur for consumers suffering significant detriment in other contexts, they are referred to as consumers experiencing detriment, rather than ‘problem consumers’. For instance, many people fooled by internet scams may be naïve, poorly educated or just vulnerable, but policymakers generally identify the real problem as stemming from the behaviour of the ‘suppliers’ concerned. Similarly, in many issues of product safety, the problems arise because of the combined influence of the behaviour of the consumer, the environment in which they are using the product and the design of the product, with none of these a decisive source of the problems. Accordingly, the social approach tends to place emphasis on environmental factors, like gaming machine technology or venue behaviours, that lead to, or exacerbate, harm.

That said, while measurement of problem gambling should be centred on enumerating those suffering significant harm and on all the factors — social, psychological and environmental — that lead to this harm, this does not mean that problem gambling cannot sometimes reflect a psychiatric disorder. The evidence suggests that:

- people identified as problem gamblers often resolve their problems after counselling and treatment, whereas ‘treatment’ would generally not be advocated for consumers experiencing detriment
- there are higher risks among people with pre-existing mental health conditions and dependencies, such as depression, bipolar condition and alcohol dependence² and the validity of ‘addiction’ for some (Van Holst et al. 2010, Potenza 2007). That has implications for treatment providers as they must

² For example, McIntyre et al. (2007); Kessler et al. (2008); Jackson (2009); Pietrzak and Perry (2006); Pietrzak et al. (2005, 2007).

sometimes deal with the problems, false cognitions and drives associated with gambling problems, as well as other serious co-morbidities

- compulsive gambling can be genetically inherited, that it can be caused by certain drugs (associated with treatment of Parkinson’s disease), and that brain scans of those with problems can show quite different patterns from other gamblers.³

These strands of evidence suggest that problem gambling can *sometimes* be seen as psychopathological, though even when that is true it does not rule out the relevance of policies that seek to reduce the harms created by these pathologies through changes in the gambling environment.

Overall, problem gambling is probably best characterised as a social *and* psychiatric issue where a cluster of significant harms are present, and its measurement and policy responses should reflect that.

5.1 “What is ‘the’ number?” — measuring problem gambling

That there are policy significant numbers of ‘problem gamblers’ is widely accepted by governments, community groups and, to a lesser extent, the gambling industry. However, the actual number (and the trends) are contested (for example, Clubs Australia, sub. 164, pp. 70ff). That there remains debate about the numbers of problem gamblers is testimony to the imprecision of instruments used to identify them (box 5.1) and the population surveys that implement these. The practical and conceptual dilemmas in measuring the problems associated with gambling and their population prevalence are summarised by the Australian Gambling Council (sub. 230, pp. 31ff) and Professor Jan McMillen (sub. 223) in this inquiry, and addressed in detail in a major study commissioned for the Ministerial Council on Gambling (SACES 2005a)

At a more fundamental level, debates about the numbers can be traced to differences in judgments about what comprises problem gambling. It is simply not possible to ‘accurately’ measure something whose definition is not widely agreed.

³ For example, Xian et al. (2007); Bostwick et al. (2009); Williams and Potenza (2008); Pallanti et al. (2006); Potenza et al. (2003); and Abler et al. (2009).

Box 5.1 Problem gambling screens

'Problem gambling' is typically measured using psychological 'screens' (a short set of questions relating to gambling behaviours and beliefs) applied to a sample of the general population. The preferred screen for problem gambling in Australia is now the Canadian Problem Gambling Index (CPGI), which has been used in all recent Australian prevalence studies. Prior to that, Australian population prevalence studies (including the Commission's own in 1999) employed the South Oaks Gambling Screen. The screens share many common features, but the former has fewer questions, less of a preoccupation with sources of money for gambling, a better theoretical basis and has better psychometric characteristics (Jackson et al. 2009; Wenzel et al. 2004; Ferris and Wynne 2001).

The CPGI asks people to rate the frequency of nine behaviours/attitudes over the last year of gambling, with the options on any question being never, sometimes, most of the time or almost always. The questions are:

1. Have you bet more than you could really afford to lose?
2. Still thinking about the last 12 months, have you needed to gamble with larger amounts of money to get the same feeling of excitement?
3. When you gambled, did you go back another day to try to win back the money you lost?
4. Have you borrowed money or sold anything to get money to gamble?
5. Have you felt that you might have a problem with gambling?
6. Has gambling caused you any health problems, including stress or anxiety?
7. Have people criticized your betting or told you that you had a gambling problem, regardless of whether or not you thought it was true?
8. Has your gambling caused any financial problems for you or your household?
9. Have you felt guilty about the way you gamble or what happens when you gamble?

Scoring Instructions for the CPGI

Total your score. The higher your score the greater the risk that your gambling is a problem. Score the following for each response: never = 0, sometimes = 1, most of the time = 2, almost always = 3.

Scores for the nine items are summed, and the results are interpreted as follows: 0 = Non-problem gambling; 1–2 = Low level of problems with few or no identified negative consequences; 3–7 = Moderate level of problems leading to some negative consequences; 8 or more = Problem gambling with negative consequences and a possible loss of control.

Source: www.problemgambling.ca.

It is notable that where the South Oaks Gambling Screen (SOGS) has been used at the same time as the Canadian Problem Gambling Index (CPGI), the rate of people scoring SOGS 5+ (the SOGS definition of a problem gambler) is higher, sometimes by a large margin, than CPGI 8+ (the CPGI definition of a problem gambler). This highlights the fact that deciding when to use the term ‘problem gambler’ is arbitrary — and as argued below, dependent on the intended policy and research purposes of the measure. (The differences between SOGS and CPGI ratings are also relevant for understanding trends in prevalence in Australia — which we examine in section 5.8.)

The ambiguities about problem gambling raise two important issues:

- how to define a case meaningfully
- false positives and negatives.

5.2 A true ‘case’ is hard to find

Incidence and prevalence measures are counts of people suffering from something; that is ‘cases’. For many human conditions it is easy to define a case. So, either a brain tumour exists or it does not. But such clarity is elusive for problem gambling for several reasons.

There is no gold standard

For one thing, there is no agreed ‘gold standard’ against which survey instruments, such as the CPGI, used to assess problems and harms can be tested to measure their validity. While clinical interviews can be used to assess whether someone may be experiencing certain psychiatric symptoms, they are not so clearly able to confirm many aspects associated with harm, including:

- some facets of emotional distress, which are subjective and difficult to verify, and which may be exaggerated or understated
- stigmatising outcomes that people tend to conceal — criminal activity, relationship breakdown and lower job productivity
- exaggerated or falsely attributed outcomes (for example, when someone attributes depression to gambling when it may have been a pre-existing condition).

In any case, a clinical assessment is rooted in the notion of gambling problems as a psychiatric disorder, whereas as emphasised above, clinically-defined ‘problem

gambling’ is only a subset of those people experiencing significant gambling problems (which itself is only a subset of the overall problems people experience with their gambling — chapter 4).

Problem gambling is an integrated measure

The difficulties in determining cases of ‘problem gambling’ also partly reflect the desire to have just one integrated measure of problems, which requires a cluster of problems to be present. As such, disagreement about the appropriate cluster will lead to disagreement in measures of the prevalence of problem gambling. For instance, someone could suffer some significant harm associated with gambling — for example being ‘fooled’ into spending too much money because of misunderstandings about how gaming machines work — and then suffer large adverse consequences for household finances and their level of anxiety (both of which are aspects of the CPGI). If they did not experience other problems, they would not be rated as a problem gambler using conventional screens. (One of the advantages of the population health approach discussed in the previous chapter is that it considers harms wherever they arise, not just the arbitrary group of harms that are clustered together in particular individuals.)

Harms are hard to measure and to aggregate

In the CPGI questions typically used in Australia to measure problem gambling, respondents are asked about behaviours or experiences at different frequencies, ranging from never, rarely, sometimes, often to always. This is a subjective, rather than a numerical, assessment of frequency and of the corresponding magnitude of harm experienced. They cannot be readily summed across different questions or across individual respondents (unlike, for example, the detriment caused to a group of consumers overcharged on a product). For instance, the level of harm experienced by one person saying that he or she has ‘sometimes’ experienced a health problem due to gambling may be quite different from another individual giving the identical response.

Moreover, many forms of harm are hard to measure and confirm because:

- of their subjective nature (such as guilt, anxiety or despair)
- they may be subject to exaggeration or understatement (especially where the outcome is a stigmatising one, such as criminal activity, relationship breakdown or lower job productivity)

-
- of attribution problems and recall biases. For example, someone with a pre-existing mental health problem, such as depression or anxiety, may attribute the condition to gambling because the severity of the condition increased with problem gambling. Or someone who has developed depression while gambling may attribute it to gambling, when other factors are also contributory.

That said, many of the questions posed in the CPGI (and SOGS) have good face validity, the patterns of responses across items and their links to exposure are consistent, and the results of testing CPGI in clinical and general counselling settings suggest that the CPGI provides a valid, if partial, metric of harm.

Problem gambling as a continuum

Problem gambling is often characterised on a continuum of increasing severity. At one end, recreational gamblers gain consumer benefits from gambling and the social environment in which gambling is offered.⁴ At the other end, are those people experiencing (or causing) severe harms from gambling — such as poverty, fraud, family breakdown and suicide. Between these two extremes, there are people facing either heightened risks of future problems or varying levels of harm. Prevalence measures must therefore be based on judgments about the appropriate thresholds for varying intensities of problems and risks. As noted by Gambino (2005), the thresholds entail ‘some degree of arbitrariness’. This is a key reason why different screens can give such different measures of problem gambling and why the range of estimates provided by the Commission in section 5.4 are so wide.

The fact that ‘cases’ are hard to define when problems lie on a continuum is common to many other public health issues, yet cases can still be defined that are useful for policy or research. As an illustration, being either overweight or obese is defined by a threshold in a ‘pinch test’ or body mass index. That threshold does not provide a good measure of the likely relative health and social outcomes for individuals who lie *around* the threshold, but it does provide a basis for assessing the relative risks for the *average* person in both groups.⁵ And they can be useful for identifying people who should either moderate their behaviour or for identifying the size and nature of subpopulations at risk of more severe problems.

⁴ Though beyond the enjoyment of gambling, there is little evidence in favour of broader social or personal wellbeing benefits to gamblers (Rodgers et al. 2009, p. 88).

⁵ For instance, a person who just progresses from overweight to obese does not have a sudden jump in their risks of morbidity and mortality.

5.3 ‘False positives and negatives’: how accurate are the surveys?

Gambling screens inevitably involve misclassification errors among different risk groups, such as recreational gamblers experiencing no harms; low risk gamblers; moderate risk gamblers; and problem gamblers (to use the CPGI categories). Altogether, there are twelve possible misclassification errors using the CPGI among these groups.⁶

Of these, the biggest concern usually relates to errors in diagnosing people with the most severe form of problem gambling (those scoring 10+ using the SOGS screen and 8+ on the CPGI), since these people and their families bear the biggest costs and are also the main targets of help services. In that context, there are four possibilities and two types of error:

- true positives: people correctly identified as problem gamblers
- true negatives: people correctly identified as not problem gamblers
- false positives: people incorrectly identified as problem gamblers
- false negatives: people incorrectly identified as non-problem gamblers.

False positives are likely to be present

It is often claimed that there are significant risks of false positives when using problem gambling screens, such as the CPGI and SOGS, resulting in potentially exaggerated measures of prevalence — a point validly made by Clubs Australia (sub. 164, p. 73). This problem can occur because of the different sizes of the underlying populations affected by misclassification errors. Problem gambling is a relatively rare phenomenon in the total adult population, so that the group of people who truly do not have a problem of that degree is large. If only a small share of the non-problem gambling group — say just 0.3 per cent⁷ — are misidentified as problem gamblers, then this can considerably inflate the measured prevalence rate. So, to give a concrete example calibrated to the Australian adult population, were there to be around 15.8 million non-problem gamblers in Australia, then with a misclassification rate of 0.3 per cent, only 70 per cent of the group testing as problem gamblers would really be so (figure 5.1).

⁶ That is, there are 4×4 possible combinations of the measured and actual classifications of gamblers under the CPGI, with only four of these being correct.

⁷ In epidemiology, the error rate is referred to as (1-specificity), where specificity = TN/(TN+FP) and TN are the true negatives and FP are the false positives of a screen.

Figure 5.1 Diagnosing problem gambling

False negatives and positives: an example

		Actual prevalence of 'condition'		
		Problem gambler	Non-problem gambler	
Gambling screen test results	Positive test result	True positive 112,000	False positive 48,000	Measured prevalence 160,000
	Negative test result	False negative 60,308	True negative 15,779,692	Apparent non-prevalence 15,840,000
		True prevalence 172,308	True non-prevalence 15,827,692	Adult population 16,000,000

If that were the end of the story, the measured prevalence rate in the example above would be seriously upwardly biased as a measure of the true likelihood of finding people with significant gambling problems in the community. Whether this is in fact true depends on the degree to which there are offsetting instances where problem gamblers are misclassified as non-problem gamblers. In many diagnostic tests, such false negative rates are kept low by categorising less significant problems as potential indicators of a more severe problem. This can be important if the cost of a false negative (say, dying from cancer) is high relative to the cost of a false negative (a wasted test).

In the case of problem gambling the story is much more complex than in many other standard situations where diagnostic tests are employed.

False positives depend crucially on the definition of a 'case'

As discussed above, 'cases' are not so clearly defined for gambling problems. The existing thresholds defining problem gamblers using the CPGI may exaggerate the number of cases where specialist psychiatric treatment is indicated. But it may not do so for other reasonable definitions of a 'case' — such as a sufficient degree of harm suffered by a gambler or their families and friends — relevant to the adequate provision of broader counselling services. So, against a harm-based standard, the existing cut-offs for the definition of a problem gambler in the CPGI can be expected to have fewer false positives and more false negatives.

False positives for the ‘problem gambling’ category are often true positives for other gambling problems

False positives may still have significant public policy implications, whereas in many medical diagnostic tests, a false positive has no clinical implications. In a gambling context, the most likely reason for a false positive diagnosis of problem gambling is that the person has gambling problems that are just not quite severe enough to be called problem gambling. So, many false positives in the problem gambling category of the CPGI are likely to be false negatives for moderate gambling problems, and are still strongly relevant for public policy. The danger of the simple dichotomy shown in figure 5.1 is that it loses sight of this fact.

Australian jurisdictions have not used the CPGI as originally specified

The recommended scoring method for the CPGI has only been followed in three Australian prevalence studies.⁸ The remaining Australian prevalence surveys that have used the CPGI have modified the screen scoring and labels,⁹ which may increase the false negative rate for the problem gambling classification (Jackson et al. 2009). In one case, the Victorian 2008 survey, the questions have also been asked in a different order, with unknown effects on reliability.

In a response to a query regarding the Australian application of the CPGI, the originator of the instrument, Harold Wynne, stated ‘I am often dismayed that researchers disregard the CPGI scoring protocol’ (box 5.2). Analysis by the Commission of individual CPGI scoring results (appendix D) suggests that where the test has been changed, this has:

- underestimated the number of problem gamblers, but by a relatively small margin. Had the original screen been used, the absolute number of problem gamblers would probably be a few per cent higher
- exaggerated the number of people with moderate risks, with the potential for incorrect identification of around one in twenty moderate risk gamblers
- had ambiguous effects on the numbers of people identified with low risks
- underestimates the numbers in the no risk population, but by a negligible degree.

⁸ These are the prevalence studies undertaken in Tasmania 2007, the Northern Territory in 2005 and the 2007 Victorian Risk and Protective Factors Study.

⁹ These are the Queensland prevalence studies for 2001, 2003-4, 2006-07 and 2008-09; the Victorian 2003 and 2008 surveys, the South Australian 2005 survey and the NSW 2006 survey.

Accordingly, the use of an *amended* CPGI is most likely to have *overstated* the population of gamblers of most interest to policymakers (the combined moderate risk and problem gambling groups), albeit probably not to a policy-significant degree. Regardless, it is hard to justify changing a carefully tested instrument, and there must remain some uncertainty about how the adapted and original test instrument scores align with each other.

Box 5.2 The CPGI prevalence screen has not been used properly in Australia

The standard CPGI screen recommended a scoring method of 0=never, sometimes=1, most of the time=2, and almost always=3. But some Australian jurisdictions have used a different nomenclature and scoring approach, with never=0, rarely=1, sometimes=1, often=2 and always=3.

Gambling screens are not static diagnostics, but change to reflect new (openly available) evidence and theory. However, in the case of the unique Australian implementation of the CPGI, it is not clear *why* the scoring measure was changed. The originator of the CPGI, Harold Wynne, provided no advice to Australian governments on changing the screen and, because it changes the psychometric properties of the test, does not consider the alternative scoring approach an appropriate one, ahead of evidence in its favour.

While acknowledging that empirical research would be needed to confirm these points, Harold Wynne hypothesized that:

- on the one hand, the term ‘always’ is too definitive and absolute for many gamblers (compared with ‘almost always’, thus potentially reducing the number of people scoring as problem gamblers (thereby introducing a higher level of false negatives into the test)
- on the other hand, introducing two response options in the low risk area (‘rarely’ and ‘sometimes’) rather than the original one (‘sometimes’) gives respondents two opportunities for an affirmative response, is likely to increase the number of cases in the low risk category, ‘compromising the classification accuracy in the CPGI low risk category’).

The Commission undertook modelling to assess the likely impacts of the change in the instrument (appendix D).

Source: Personal communication from Harold Wynne (April 2009).

Non-response and misreporting bias is likely to raise false negatives

Non-response and misreporting biases may be very significant in prevalence studies undertaken for the full adult population. On the practical side, there are many difficulties in contacting people who gamble frequently:

-
- problem gambling surveys are usually based on interviews over fixed line telephones. Young people — who are known to have higher risks of problem gambling (for instance, AC Nielson 2007, p. 10) — are often out or only use mobile phones. In the NSW prevalence survey, A C Nielson reported that there was 40 per cent under-sampling of people aged 18–24 years old. (The next highest level of understatement was around 18 per cent and related to the next age group of 25–34 year olds.) While under-sampling can be partially corrected through weighting, that still requires the strong assumption that the group of young people who are at home or do use fixed line phones are representative of those omitted from the survey¹⁰
 - people in jails or other non-sampled institutions have high rates of problem gambling, as do people with disconnected phones (Williams and Wood 2007, p. 369).¹¹

These biases may be further increased, as the screening instrument is sometimes only applied to sub-populations of gamblers, typically ‘frequent’ gamblers. Even here, there are inconsistencies, as different Australian jurisdictions have selected different definitions of what comprises a ‘frequent’ gambler.¹² While posing CPGI questions to regular gamblers avoids respondent burden and lowers the costs of surveys, it may miss out on some people experiencing harm from their gambling. For instance, some high-spending binge gamblers may still have periodic severe problems. Jackson et al. (2008) found that excluding non-regular (weekly) players from a 2007 Victorian prevalence survey reduced the measured prevalence rate of problem gamblers (CPGI 8+) by around 35 per cent and moderate risk gamblers by 30 per cent. Accordingly, there is the potential for understatement of problem gambling prevalence in several surveys. This complicates assessment of inter-jurisdictional differences.

An additional concern is that most Australian prevalence studies have sampled adults only (aged 18+). Delfabbro’s (2008a, pp. 61–66) review of Australian gambling research identifies considerably higher levels of problem gambling among

¹⁰ There are similar difficulties in getting representative samples of Indigenous Australians. As noted in the Northern Territory prevalence study (Young et al. 2006, p. 87), two thirds of Indigenous people do not have access to a home phone, and were outside the scope of the survey.

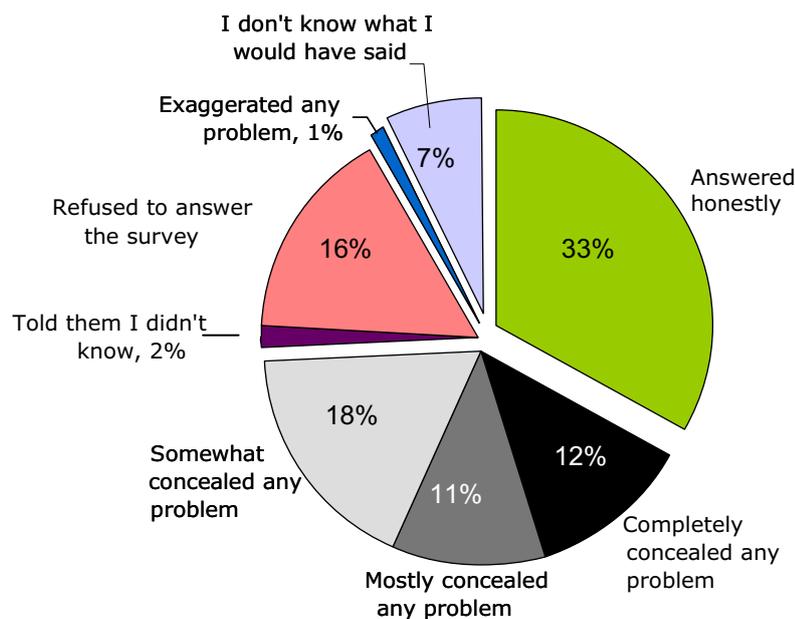
¹¹ Sometimes there is an added concern that people heavily involved in gambling may be more often out at the time of calls and less likely to be included in the survey. However, Williams and Wood (2007 p. 384) showed that the average number of phone call attempts to reach problem gamblers in a Canadian prevalence study were not substantially more than non-problem gamblers, suggesting that this is not a source of bias.

¹² For instance, the 2005 South Australian survey defines regular as fortnightly or more.

underage gamblers than adults. By omitting underage gamblers, the published prevalence estimates will accordingly tend to understate the true number of Australians experiencing problems, and potentially to underplay their policy significance. Such underage problems are relevant to measures that venues may use to avoid gambling by minors — including card-based gaming — and to the provision of education relating to gambling.

Beyond these concerns, a major likely source of false negatives in a population prevalence study is that problem gambling is a stigmatised behaviour. This is one of the reasons why those people affected by it attempt to conceal it from friends and family or to avoid seeking help.¹³ Given this stigma, it can be expected that many people would reduce or disguise the harms they experience (respondent bias), or simply refuse to participate in screening surveys (non-response bias) (figure 5.2).

Figure 5.2 How problem gamblers in counselling said they would answer a prevalence survey



Data source: PC survey of clients of counselling agencies (appendix F).

Based on the Commission’s survey of the clients of problem gambling counselling agencies, around 60 per cent of problem gamblers said that they would refuse to participate in a population screening survey, would say they did not know or would

¹³ In the NSW 2006 survey, of those people who thought they had a problem and had not sought help, more than one in ten cited their embarrassment as the obstacle. (Clearly, those who did not answer the prevalence survey itself because of embarrassment or stigma are not included in this estimate, so the role of stigma is likely to be considerably higher — as suggested by the survey of clients of counselling agencies.)

conceal their problems (with similar results to those found in the previous inquiry PC 1999, p. 6.36). Only one per cent said they would exaggerate their problems (figure 5.2).

In addition, in a large-scale study of patron behaviour in gambling venues, Sharpe et al. (2005) considered that there was a significant risk that problem gamblers were less likely to participate in the study (lowering the measured prevalence rate):

Anecdotally, those patrons who were present in venues every night and gambled heavily were noted to be reluctant to take part in the study (p. 514).

AC Nielson (2007) in reporting on the telephone survey methodology in the NSW prevalence study observed that:

... it is likely that someone with a severe gambling problem will not be inclined to participate in a self-report survey. Similarly, the target population may have been reticent to disclose personal, sensitive and confidential information. (p. 151)

The stigma associated with problems also means that Likert categories, such as 'rarely', probably should not necessarily be taken literally when implemented in a population setting. First, someone who actually 'often' does something that is seen as problematic (say road rage or getting drunk), may well simply say that they do it only 'rarely' or 'sometimes'. (These latter two categories in the Australian implementation of the CPGI score as one in the test, while 'often' scores as two).

Second, 'rarely' is a measure of frequency not of harm per se. Even if someone does something rarely, it may be quite harmful to them and others. For instance, someone may rarely suffer a health problem from gambling, but that health problem might be a very harmful one (for instance, a single attempted suicide after a big and unaffordable loss).¹⁴ Depending on the specific question (including those relating to harm that are not asked in the CPGI), it may be appropriate to sometimes rate rarely experienced outcomes as indicators of harm.

Which predominates: false positives or negatives?

More than 90 per cent of people identified as problem gamblers using the SOGS (10+) and CPGI (8+) said that they were significantly harmed by their

¹⁴ While not based on the response to a CPGI question, a question relating to the effects of gambling illustrates the point. The Victorian 2003 survey asked gamblers if their gambling had never, rarely, sometimes, often or always led to the breakup of an important relationship. 0.5 per cent of gamblers said that this had happened rarely, a further 0.4 per cent sometimes and 0.2 per cent always. Even when rare, relationship breakdowns of any frequency due to gambling suggest significant gambling problems.

gambling, suggesting that false positives are not a major issue when identifying the prevalence of severe problems (table 5.1).¹⁵

Table 5.1 People experiencing significant problems with their gambling

<i>Regular gamblers^a</i>	<i>Share experiencing significant problems^b</i>
No risk (CPGI 0)	2.5
Low risk (CPGI 1-2)	5.5
Moderate risk (CCPGI 3–7)	39.8
Problem gambling (CPGI 8+)	91.3

^a Regular gamblers were people gambling at least weekly on a gambling form other than lotteries and scratchies. ^b Harm was defined using a fairly stringent test that only rated a person as having a clear problem if they experienced any of the following as a result of gambling: always felt they had a problem; often or always experienced adverse health effects; always experienced financial difficulties; always felt guilty; always adversely affected job performance; self-rated their problems as 5 or more on a scale of 1 to 10; had self-excluded; tried to get help; or experienced suicide ideation. A person did not need to have all of these present, but must have had at least one to be rated as harmed. Most had more than one.

Source: Analysis by the Commission of the 2006 NSW prevalence study.

Assessing the importance of false negatives is more demanding. Researchers cannot estimate whether the CPGI or other test instruments misclassify gamblers if respondents fail to respond to questions or conceal their problems. Nevertheless, the Commission’s 1999 survey found that group identified using the HARM index was more than four times larger than the group identified as problem gamblers using the SOGS 10+ criterion (PC 1999, p. 6.30).

Recent state prevalence surveys confirm that many people outside the ‘problem gambling’ group say they have experienced problems across multiple dimensions (chapter 4). As might be expected, the probability of harm rises with the risk rating. (If this were not the case, then the CPGI would not be a good instrument).

5.4 The headline indicator: identifying ‘problem’ gamblers

The benchmarks for assessing gambling have changed since the Commission’s 1999 report (which found that around 290 000 Australians or around 2 per cent of the adult population were problem gamblers). That report’s estimates were based on

¹⁵ And while around 40 per cent of people scoring 5–9 on the SOGS in the PC’s 1999 survey did not experience harm as defined (a false positive), the overall prevalence rate of harm was not significantly different from the prevalence rate based on SOGS 5+ because there were also many false negatives (people not scoring as a problem gambler on SOGS who were nevertheless harmed).

the SOGS screen for problem gambling, whereas recent prevalence surveys have used the CPGI. As we discuss later, the two screens are not directly comparable and their results should not be compared without adjustment. (The Commission has not undertaken a national survey in this inquiry — for the reasons described in chapter 1.)

Drawing on the most recent surveys (tables 5.2 and 5.3), the Australian prevalence rate for problem gambling, measured as a score of 8 or more on the CPGI, is likely to range between 0.5 and 1 per cent of the adult population, with a median of 0.64 per cent and an average of 0.69 per cent. (Results for different jurisdictions vary.) Assuming this average applies to the whole population, then that suggests around 115 000 problem gamblers in Australia in June 2009. However, these results are from sample surveys, which have a substantial degree of statistical imprecision. Based on statistical analysis of the CPGI prevalence rates available, the Commission estimates that the number of problem gamblers in Australia lies somewhere between 80 000 and 160 000 using the CPGI 8+ criterion. These are estimates of current prevalence — problems that are experienced over the last year. Lifetime prevalence rates are much higher (at around twice the current prevalence rate), reflecting the fact that people who develop problems often resolve them.¹⁶

In the Commission's view, the above estimate is the most appropriate indicator of the number of Australians with significant gambling problems, since other evidence shows that people scoring CPGI 8+ are much more likely to suffer severe difficulties than other risk groups. For instance, as discussed earlier, around 90 per cent of those scoring as problem gamblers under the CPGI had experienced clear harm or faced high self-reported problems, much greater than for other risk categories (table 5.1 above).¹⁷

But a score of CPGI 8+ is not the only possible indicator of problem gambling. Some researchers define problem gambling as the combination of 'moderate' problem gambling (CPGI 3–7) and 'severe' problem gambling (CPGI 8+) (Wood and Williams 2009, p. 34).

¹⁶ The 2003 Victorian prevalence study posed a question about self-identified problem gambling. The group that had ever had a problem (either now or in the past) was 1.94 times bigger than the group identifying a problem only in the last 12 months. Abbott (2006, pp. 11–12) found that lifetime prevalence rates in New Zealand were 2 to 2.25 greater than current rates.

¹⁷ The SOGS 10 rating also reveals a similar capacity for identifying people with genuinely severe problems. For instance, the Commission's 1999 surveys found that some 96 per cent of people scoring 10+ on SOGS ('severe' problem gamblers) experienced harm. Similarly, Gambino (2005) found that scores of 10 or more on SOGS indicated a genuine need for help services.

Table 5.2 Estimates of the prevalence of problem gambling^a

Australia, 1995–2009^b

<i>Jurisdiction</i>	<i>Year</i>	<i>SOGS 5+</i>	<i>SOGS 5-9</i>	<i>SOGS 10+</i>	<i>CPGI 3+</i>	<i>CPGI 3-7</i>	<i>CPGI 8+</i>
		%	%	%	%	%	%
Australia	1999	2.07	1.74	0.33	..	..	..
NSW	1995	2.58	1.96	0.62	..	..	..
NSW	1997	3.10	2.65	0.45	..	..	..
NSW	1999	2.56	2.22	0.33	..	..	..
NSW ^c	2006	..	..	..	2.71	1.76	0.95
NSW	2009	..	..	..	1.7	1.3	0.4
VIC	1996	0.75	0.60	0.15	..	..	..
VIC	1998	1.50	1.20	0.30	..	..	..
VIC	1999	2.14	1.79	0.35	..	..	..
VIC	1999	0.80	0.70	0.10	..	..	..
VIC	1999	2.00	1.70	0.30	..	..	..
VIC ^c	2003	1.13	0.82	0.30	1.87	0.91	0.96
VIC	2007	..	..	..	4.20	2.80	1.40
VIC	2008	..	..	..	3.06	2.36	0.70
ACT	1999	2.06	2.01	0.07	..	..	..
ACT	2001	1.91	1.46	0.45	..	..	..
QLD	1999	1.88	1.50	0.38	..	..	..
QLD	2001	..	..	..	3.53	2.70	0.83
QLD	2003	..	..	..	2.53	1.97	0.55
QLD	2006	..	..	..	2.33	1.85	0.48
QLD	2009	..	..	..	1.96	1.58	0.37
NT	1999	1.89	1.79	0.10	..	..	..
NT	2005	1.07	0.84	0.22	2.02	1.38	0.64
SA	1996	1.24	0.91	0.33	..	..	..
SA	1999	2.45	1.72	0.73	..	..	..
SA	2001	1.89	1.51	0.38	..	..	..
SA ^d	2005	..	..	..	1.65	1.21	0.43
Tas	1994	0.90	0.47	0.43	..	..	..
Tas	1996	2.97	1.84	1.13	..	..	..
Tas	1999	0.44	0.44	0.00	..	..	..
Tas	2000	0.90	0.65	0.25	..	..	..
Tas	2005	1.41	1.23	0.18	1.76	1.03	0.73
Tas	2007	..	..	..	1.35	0.84	0.52

continued

Table 5.2 continued

Jurisdiction	Year	SOGS 5+	SOGS 5-9	SOGS 10+	CPGI 3+	CPGI 3-7	CPGI 8+
		%	%	%	%	%	%
WA	1994	0.56	0.24	0.32	..	..	..
WA	1999	0.70	0.70	0.00	..	..	..

^a The prevalence is in the Australian adult population. ^b The South Oaks Gambling Screen (SOGS) is a 20 question instrument. Using the Australian nomenclature, a person scoring 5 or more is termed a problem gambler, while a person scoring 10 or more is termed a severe problem gambler. The Canadian Problem Gambling Index (CPGI) is a nine question screen. A person scoring 3–7 is rated as a moderate risk gambler, while someone scoring 8 or more is termed a problem gambler, though the whole group scoring 3 or more are sometimes rated as problem gamblers. (The CPGI also rates low risk gamblers as those scoring 1–2.) As the Victorian Gambling Screen was used in only one study (the 2003 prevalence survey in Victoria) it is not shown above. The validation study found 0.95 per cent of the adult population with a score of 9–20 (borderline gamblers) and 0.74 per cent with a score of 21 or more (a problem gambler). ^c Based on the Commission’s own analysis of the unit record files. The resulting NSW and Victorian (SOGS only) rates shown are modestly higher than the published prevalence study. ^d The SA study finds a problem gambling prevalence rate of 2 per cent, but that was based on the combination of the SOGS criterion with those who subjectively rated their gambling as being problematic of 5 to 10 on a 10 point scale. The more conservative estimate has been used for comparison with other studies.

Source: Based on PC calculations and data from Australian prevalence studies.

In that case, the average Australian prevalence rate would be around 2.4 per cent, implying around 400 000 moderate risk and severe problem gamblers. When statistical uncertainties are considered, this implies a range for moderate risk gamblers of 230 000 to 350 000 (a mid point of 280 000) and between 325 000 to 470 000 people in the combined risk groups. (The ranges for the prevalence of problem gambling and moderate risks separately do not sum to the range of the combined group for the reasons set out in the notes to table 5.3.)

However, using a term ‘problem gambler’ to encompass a set of problems that range from the moderate to the major is not appropriate. For instance, a person could score three by sometimes betting more than they could afford, sometimes feeling guilty, and sometimes being criticised for gambling. These may still be worrying signs — but they suggest risk, more than significant harm — which is why the actual classification of CPGI 3–7 is ‘moderate risk’ not ‘moderate problem gambling’. Chapter 4 sets out a broader framework for considering harms that lie outside the ‘problem gambling’ category.

FINDING 5.1

The Commission estimates that there are between 80 000 and 160 000 Australian adults suffering severe problems from their gambling (0.5 to 1.0 per cent of adults). In addition, there are between 230 000 and 350 000 people at moderate risk, who experience lower levels of harm, and who may progress to problem gambling (1.4 to 2.1 per cent of adults).

Table 5.3 Summary of prevalence rates, June 2009
CPGI screen^a

<i>Risk category</i>	<i>Prevalence rate</i>			<i>Adults affected</i>		
	Average	Lower	Upper	Average	Lower	Upper
	%	%	%	Number	Number	Number
Problem gambler	0.69	0.48	0.95	116 000	80 000	159 000
Moderate-risk	1.67	1.36	2.08	279 000	228 000	348 000
Combined higher risk	2.36	1.93	2.82	395 000	323 000	472 000

^a The numbers affected are estimated by multiplying prevalence rates by the adult population, based on a projected adult population of 16.75 million for June 2009. The upper and lower estimates are based on an approximation of the 95 per cent confidence range that take account of the relative standard errors of each of the prevalence estimates — not the extreme minimum and maximum values from table 5.2. The sum of the top and bottom ranges of the numbers of people assessed separately as moderate and problem gamblers is not the same as the top and bottom range of those who collectively are assessed as moderate/problem gamblers. This is a statistical outcome that reflects the fact that it is unlikely that there would be a coincidence of a low (high) estimate of people classed as CPGI 8+ and a low (high) estimate for those classed as CPGI 3-7. Consequently, the bounds on the aggregated measure are lower than might otherwise be thought.

Source: Derived from table 5.2.

How do prevalence rates look for individual states and territories?

Table 5.2 also shows the variations across jurisdictions. However, with the exception of the Productivity Commission's 1999 survey, prevalence estimates for the states and territories have been derived from surveys undertaken at different times, and with different methodologies and sample sizes. Some estimates are dated. In addition, imprecision in the estimates mean that, in many cases, what appear to be significant differences in prevalence rates between jurisdictions could have arisen merely as a result of chance. For these reasons, the Commission is cautious about using the figures below to make generalisations about differences in prevalence rates among jurisdictions. Nevertheless, it appears that Tasmania has lower prevalence rates than other states. Other evidence based on counselling data also suggests that Western Australia — which only permits destination gaming — continues to have low prevalence rates (chapter 7 and appendix F).

5.5 Exposure and problems

In the population health area, there is a much greater interest in how harm relates to participation and exposure than just to population prevalence rates. In gambling this includes the nature of the gambling form played, how long or often a person plays and their amount of spending. As noted by Rodgers et al. (2009, p. 9):

Both empirically and conceptually, the gambling literature does not adequately address what would be labelled 'exposure' in other areas of epidemiology ... exposure at the individual level such as frequency and intensity of gambling. These measures could

provide the equivalent of drinks per week or frequency of binge drinking in the literature relating alcohol use to a wide range of health outcomes. Gambling research tells us little about dose-response relationships...

Chapter 4 explored the connection between harms, broadly defined, and exposure. It is equally useful to examine how the prevalence rate of problem gambling varies with exposure.

The adult prevalence rate is not the only policy relevant measure of harm

Policy responses to population health employ scarce resources, such as health professionals and infrastructure. A highly risky activity pursued by the few, like mountaineering, will lead to a low adult prevalence of harm and, accordingly, will not produce enough aggregate harm to warrant much allocation of those resources. In that context, the adult problem gambling prevalence rates measured above are useful for guiding how many health and other resources should be devoted to problem gambling compared with other public health issues. (The evidence shown later suggests that the population prevalence rates of gambling problems are still considerable compared with some other public health concerns.)

However, the measures of prevalence relevant to regulation or community awareness relate to those people who participate in an activity, with a need for different prevalence measures based on the form and frequency of people's exposure to that activity.¹⁸ The population prevalence rate is not relevant. As an illustration, were a supplier to sell a dangerous, but boutique, product that injured 50 per cent of its buyers, its sale would probably be banned or, at a minimum, subject to stringent regulation, notwithstanding the likely rarity of cases among the adult population. A claim by the supplier that there was no need for a regulatory response because a small share of adults was affected would be regarded as disingenuous.

Much of this report (and state and territory gambling policy) aims to reduce the risks of gambling for those who gamble. In that context, the most policy relevant prevalence measures are problem gambling rates (and other harm measures) *among gamblers*. As noted in chapter 2, around 20–25 per cent or more of adults do not

¹⁸ The participation rate in an activity is sometimes also a policy relevant prevalence measure if there is a high probability of harm associated with consumption or if community norms oppose consumption (such as injecting illicit drugs). However, for legal activities that are widely accepted by the community (such as alcohol use and gambling), governments' main strategy has been to address the risks posed by the activity for those who participate in it, rather than to reduce participation rates per se. (The Australian Government ban of online gaming has been a departure from that strategy.)

gamble at all in any given year. Accordingly, problem gambling prevalence rates among gamblers are around 25–33 per cent higher than those implied by the adult rates (around 0.9 per cent for CPGI 8+ and 3.0 per cent for CPGI 3+ — table 5.4).¹⁹

Assessing risks for only those engaged in gambling is also important in understanding adult prevalence rates, as participation in gambling has been falling (chapter 2). This means that even if the risks associated with gambling had remained unchanged, the prevalence rate among the entire adult population could be expected to have fallen.

Regular gamblers face much more elevated risks than non-regular gamblers

In some areas of public health, the distinction between regular and irregular use is not very relevant. In smoking, for instance, around 82 per cent of users smoke daily and more than 90 per cent at least weekly (AIHW 2007, p. 4).

However, in gambling, truly regular play is relatively rare. Once the statistics remove those people whose regular gambling consists of ‘scratchies’, Lotto or other lotteries (activities shown to generally pose few harms), only an average of 12 per cent of adults gamble weekly or more (table 5.5). They gamble on a variety of forms, such as racing, gaming machines, keno and (to a much lesser extent) casino table games. Problem gambling rates are much higher in this group, averaging around 8 per cent using the CPGI 8+ criterion and around 22 per cent for the combined categories of moderate-risk and problem gamblers.²⁰

So, though problem gambling is indeed low in the total adult population, it is pronounced among those who gamble regularly.

Some forms of gambling are riskier than others

Different gambling forms pose varying risks for people, with gaming machines posing the greatest problems (chapter 4). Around one-third or less Australians play gaming machines in any given year.

¹⁹ If non-gamblers (NG) comprise around 25 per cent of the adult population (A), then this means that the ratio of problem gamblers (PG) to gamblers (G) would be $PG/G = PG/[(1-0.25) \times A] = 1.33 PG/A$ or 33 per cent higher than the adult population prevalence rate. If NG comprises around 20 per cent of the adult population, then the prevalence rate of problems for gamblers would be 25 per cent higher than the adult prevalence rate.

²⁰ It is important to note that estimates of problem gambling prevalence rates among the adult population, non-Lotto regular players and regular EGM players come from an overlapping, but not identical set of prevalence surveys. As a consequence, care has to be taken in comparing one set of results with the others.

Table 5.4 Prevalence of problem gambling among gamblers

Australia, 1995–2009^a

<i>Jurisdiction</i>	<i>Year</i>	<i>Gambling share of the population</i>	<i>SOGS 5+</i>	<i>SOGS 5-9</i>	<i>SOGS 10+</i>	<i>CPGI 3+</i>	<i>CPGI 3-7</i>	<i>CPGI 8+</i>
		%	%	%	%	%	%	%
Australia	1999	81.5	2.54	2.14	0.41	..	..	..
NSW	1995	80.1	3.23	2.45	0.78	..	..	..
NSW	1997	73.0	4.25	3.62	0.62	..	..	..
NSW	1999	80.4	3.18	2.77	0.41	..	..	..
NSW	2006	69.0	..	..	..	3.93	2.55	1.37
NSW	2009	69.6	..	..	..	2.44	1.87	0.57
VIC	1996	87.0	0.86	0.69	0.17	..	..	..
VIC	1998	76.0	1.97	1.58	0.39	..	..	..
VIC	1999	81.1	2.64	2.21	0.43	..	..	..
VIC	1999	81.0	0.99	0.86	0.12	..	..	..
VIC	2003	77.4	1.46	1.06	0.39	2.42	1.17	1.25
VIC	2008	73.1	..	..	..	4.19	3.23	0.96
ACT	1999	79.9	2.58	2.50	0.08	..	..	..
ACT	2001	72.9	2.63	2.01	0.62	..	..	..
QLD	1999	85.7	2.20	1.75	0.45	..	..	..
QLD	2001	84.9	..	..	..	4.15	3.18	0.98
QLD	2003	80.3	..	..	..	3.15	2.46	0.69
QLD	2006	75.3	..	..	..	3.09	2.46	0.64
QLD	2009	74.7	..	..	..	2.62	2.12	0.50
NT	1999	79.5	2.37	2.25	0.12	..	..	..
NT	2005	73.0	1.46	1.16	0.31	2.77	1.89	0.87
SA	1996	79.0	1.57	1.15	0.42	..	..	..
SA	1999	76.6	3.20	2.25	0.95	..	..	..
SA	2001	75.6	2.49	1.99	0.50	..	..	..
SA	2005	69.6	..	..	..	2.36	1.74	0.62
Tas	1994	72.0	1.25	0.65	0.60	..	..	..
Tas	1996	89.0	3.34	2.07	1.27	..	..	..
Tas	1999	77.2	0.57	0.57	0.00	..	..	..
Tas	2000	81.8	1.10	0.80	0.30	..	..	..
Tas	2005	72.2	1.95	1.70	0.25	2.43	1.42	1.01
Tas	2007	71.6	..	..	..	1.89	1.17	0.72
WA	1999	84.3	0.83	0.83	0.00	..	..	..
Average	..	77.9	2.12	1.70	0.42	2.95	2.10	0.85

^a See note in table above. It should also be noted that the definition of gambling sometimes varied among jurisdictions, though it typically excluded raffles. The averages for CPGI measures are more likely to be representative of current prevalence rates since the studies concerned were more recent, and will be less affected by any trends in rates. We excluded the 2007 Victorian study since the gambling share was not known. Based on what is known about that share, if included, it would slightly increase the average results for CPGI estimates.

Source: Based on PC calculations and data from Australian prevalence studies.

Table 5.5 Problem gambling prevalence among regular gamblers

Various jurisdictions 1995–2009^a

Jurisdiction	Year	Regular (non-Lotto) gamblers				Regular EGM players			
		Share of adults	SOGS 5+ rate	CPGI 8+ rate	CPGI 3+ rate	Share of adults	SOGS 5+ rate	CPGI 8+ rate	CPGI 3+ rate
		%	%	%	%	%	%	%	%
Australia	1999	17.1	8.2	..	..	4.3	22.6	..	..
NSW	1995	11.4	17.6	..	..	5.9	..	..	..
NSW	1997	14.5	14.3	..	..	10.0	..	..	..
NSW	1999	19.7	10.2	..	..	5.6	24.9	..	..
NSW	2006	9.3	..	10.2	29.2	5.0	..	15.9	36.8
VIC	1996	..	..	..	..	..	..	..	..
VIC	1998	..	..	..	..	..	..	..	..
VIC	1999	15.8	9.1	..	..	4.5	27.2	..	..
VIC	1999	..	..	..	..	..	..	..	..
VIC	2003	6.2	20.4	15.6	30.2	2.7	31.3	33.0	48.7
VIC	2008	4.1	..	9.0	25.8	1.6	..	16.4	35.4
ACT	1999	24.3	8.5	..	..	4.6	18.5	..	..
ACT	2001	9.9	19.4	..	..	5.2	22.5	..	..
QLD	1999	16.6	6.0	..	..	4.1	14.7	..	..
QLD	2001	..	..	..	..	..	..	..	..
QLD	2003	..	..	..	..	4.3	..	7.2	23.4
QLD	2006	6.8	..	4.9	15.8	3.9	..	7.3	19.6
QLD	2009	5.6	..	5.7	19.4	3.5	..	6.8	23.0
NT	1999	11.4	8.6	..	..	2.9	39.5	..	..
NT	2005	..	14.3	8.5	26.9	9.1	..	..	..
SA	1996	..	..	..	..	..	..	..	..
SA	1999	15.9	14.2	..	..	3.7	14.6	..	..
SA	2001	18.1	10.4	..	..	4.4	..	..	..
SA	2005	9.4	..	3.8	13.8	3.3	..	7.4	20.6
Tas	1996	..	..	..	..	1.7	..	..	..
Tas	1999	12.2	..	..	..	0.7	15.9	..	..
Tas	2000	6.4	..	..	..	2.2	..	..	..
Tas	2005	5.7	..	..	..	1.8	41.0	31.0	45.0
Tas	2007	7.5	..	6.9	18.0	1.6	..	19.3	26.9
WA	1994	16.3	3.4	..	..	..	..	..	..
WA	1999	16.1	2.6	..	..	0.6	0.0	..	..
SA	2007	..	..	..	..	..	..	9.3	25.5

^a Regulars are defined as weekly players on at least one non-lottery form of gambling (including scratchies). However, in some cases, regulars include people whose cumulative frequency of gambling on non-lotto forms was 52 times or more per year, or who spent over a certain (high) threshold.

Source: Based on PC calculations and data from Australian prevalence studies.

Indeed, in the most recent Australian prevalence survey, undertaken in Victoria in 2008, only 21.5 per cent of adults played gaming machines in the last year (Hare 2009.) And, only around 4 per cent of Australian adults play weekly or more.

Accordingly, weekly gaming machine gambling is rare (albeit a substantial source of revenue for clubs and hotels).

Yet, depending on the survey source, problem gambling rates among regular EGM players lie between 7 and 31 per cent (an average of over 15 percent).²¹ And, if moderate risk gamblers are included, the range is between 20 and 45 per cent (an average of 30 per cent). Given the current Australian adult population, this implies around 600 000 regular EGM players, with around 95 000 problem gamblers among this group, and a further 95 000 people at moderate risk. This highlights a continuing theme in this and the last chapter — risks should be appraised for the most exposed groups.

There is one important qualifier to these prevalence estimates. They suggest that the numbers of problem gamblers playing regularly on gaming machines is around the same as moderate-risk gamblers playing regularly on gaming machines. In contrast, there are around twice as many moderate-risk gamblers as problem gamblers when overall prevalence estimates are considered.

- this mainly appears to reflect the fact that one set of estimates relate only to regular gaming machine play, and the other to all gambling. Someone can be a problem or moderate-risk gambler and not play regularly on gaming machines.
- the estimates of the prevalence of problems among regular gaming machine players are derived from a smaller group of studies, reflecting data limitations. However, this effect does not appear to be large.

Another corollary of the problem gambling prevalence rates among regular EGM players is that there is high likelihood of encountering problem gamblers in gaming venues — an issue partly explored in the preceding chapter. This is because there is a higher likelihood of encountering a regular player in a venue and regulars have a higher propensity to be problem gamblers. In other words, while problem gamblers may account for only 0.7 per cent of the total adult population, they may account for between 10 and 40 times this among gaming venue patrons at any one time. This has been borne out by the prevalence rates found when venue-based surveys are conducted (Blaszczynski et al. 2001; Caraniche 2005).

It should be emphasised that the above figures do not necessarily mean that gaming machines caused the problem gambling in all cases. For instance, a person might have gambling problems associated with racing, and yet play gaming machines regularly. However, drawing on strands of evidence from many sources suggests that gaming machines *are* the likely source of most gambling problems in Australia:

²¹ With the range based on the 10 and 90 percentile values.

-
- the evidence from counselling agencies shows that around 80 per cent of presentations relate to problems on gaming machines
 - the available evidence on help services suggest that problem gambling rates are lower in Western Australia (which has only destination gambling) than other jurisdictions and lower problems among women in particular
 - the greater the extent of the problem, the more likely it is related to EGMs. For example, in the Queensland 2008-09 prevalence survey, 38 per cent of non-problem recreational gamblers played gaming machines; 69 per cent of low risk gamblers; 80 per cent of moderate risk gamblers and around 90 per cent of problem gamblers. Similarly, in that survey, less than 40 per cent of recreational EGM gamblers played EGMs more than six times a year. The comparative rates were, respectively, around 60, 85 and more than 95 per cent for low risk, moderate risk and problem gamblers who played EGMs. Association is not proof of causation, but these patterns are suggestive
 - around 85 per cent of problem gamblers identified in the 2003 Victorian prevalence survey (using the CPGI 8+ criterion) spent most of their money on gaming machines — consistent with this being the problematic gambling form for them. The corresponding figure in the 2008 Victorian prevalence survey was 64 per cent for problem gamblers overall, and 80 per cent for severe problem gamblers (those with a CPGI of 12 or more). The more problems people experienced the more likely were they to specify EGMs as the gambling form on which they spent most (figure 5.3)
 - the 2007 Tasmanian prevalence study asked people about the source of their gambling problems. Sixty two per cent nominated gaming machines, 17 per cent racing, 11 per cent casino table games (with the remaining 10 per cent spread across a range of gambling forms)
 - statistical analysis by the Commission suggested that the odds of having problems when people played gaming machines were significantly higher than racing or casino table games (and all, many times more than lotteries), after controlling for the fact that people often gamble on multiple gambling forms (box 5.3)
 - even if a person has developed a problem on another form of gambling, that makes them vulnerable when gambling on gaming machines, and, in any case, further increases their financial losses from gambling. For example, in the 2007 Tasmanian survey, 93 per cent of problem gamblers who played EGMs made their biggest loss on EGMs

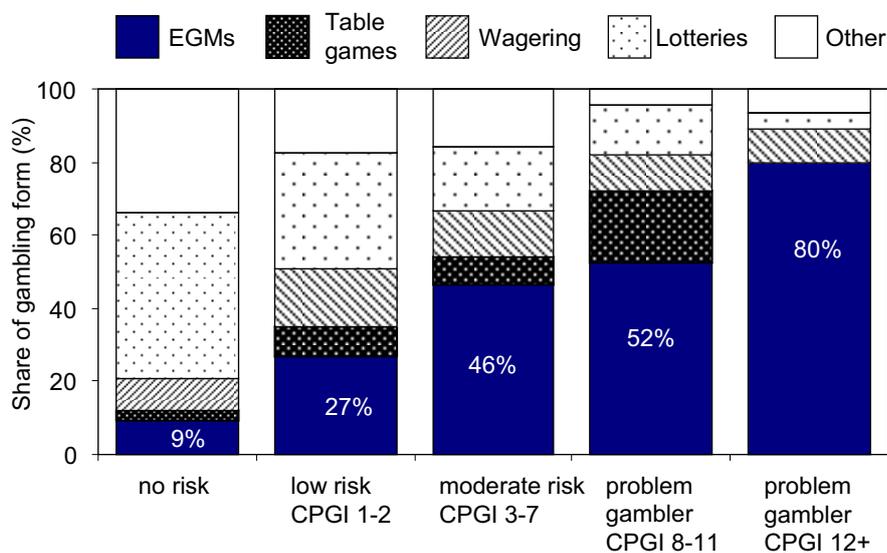
Certain features of gaming machines — the capacity to play alone, the fast pace of gambling, their conditioning impacts, and the much greater tendency for players to

lose contact with reality while playing (chapters 4 and 11) — are likely to explain the greater extent of problems observed for this gambling form.

Notwithstanding the cumulative evidence provided above, Clubs Australia (DR359, attachment, p. 4) argued that there was no objective or empirical evidence that problem gambling is caused by EGMs.

Figure 5.3 Gaming machines are associated with greater problem gambling risks

Victoria 2008^a



^a Based on Commission analysis of unit record data from the Victorian 2008 prevalence survey (described in Hare 2009). Problem gambling is attributed to the form on which gamblers spent the most money over the last year. For example, 80 per cent of those gamblers with a CPGI score of 12 or more (severe problem gamblers) spent the most on gaming machines. In contrast, less than one in ten gamblers with no risk spent most of their money on gaming machines.

Data source: 2008 Victorian prevalence study.

The implications

The much higher public safety risks posed by gaming machines warrant more active community awareness, prevention and harm minimisation measures targeted at this form of gambling than safer forms, such as bingo or lotteries.

In response to the potential for stricter regulations of gaming machines, some parts of the gambling industry have downplayed the need for more policies given the relatively small adult prevalence rate.

Clubs Australia Acting CEO Anthony Ball said while governments have a duty to help the 1% of Australians that gamble irresponsibly, it can't be at the expense of the 99%

of adults who gamble within their means and as a form of entertainment (Media Release, Clubs Australia, 21 October 2009)

The 99% of Australian adults who gamble responsibly as a form of entertainment again will be disadvantaged by the 1% who choose not to seek help with their personal problems. (Terry Condon, Club Managers' Association of Australia, Executive Officer 2009)

Box 5.3 Gaming machines pose more risks

The Commission has sought, where possible, to triangulate results by using a variety of methods, especially in the light of small relevant sample sizes in some studies. So, in addition to the data on counselling presentations and evidence about certain risky characteristics of gaming machines, the Commission statistically analysed the risks of developing problems on different forms of gambling.

This approach exploited the fact that different people make different gambling choices. Some play on just one form of gambling, others on a few and some on many. If gaming machines pose a particular risk, then problems should be significantly higher for someone who gambles on racing *and* gaming machines than someone who only gambles on racing. Logistic and ordered logistic models were run by regressing the CPGI categories (no risk, low risk, moderate risk and problem gambling) against dummy variables that indicated whether a gambler played gaming machines, lotteries, racing, tables games (or other gambling types, which was reflected in the constants in the regression).

In the three datasets used, playing gaming machines (at all frequencies) had between a 7 and 17 fold higher risk of problem gambling (using the CPGI 8+ rating) than lotteries. These relative risks are considerably greater than that found between other gambling forms and lotteries. The relative risk, while still high, is lower in Queensland than the other two states, with the reason for this unclear.

Gambling form	Risk of CPGI 8+ from playing this form alone compared to playing lotteries only		
	South Australia	Queensland	Victoria
	Risk ratio	Risk ratio	Risk ratio
<i>Gaming machines</i>	17.5	6.9	13.5
<i>Casino table games</i>	1.9	2.1	1.8
<i>Racing</i>	1.9	1.4	0.6
<i>Lotteries</i>	1.0	1.0	1.0

Source: PC calculations using the 2005 South Australian, 2008–09 Queensland and 2008 Victorian prevalence surveys.

However, the statistics presented are inconsistent with each other. The one per cent estimate relates to the adult prevalence rate, which, in turn, would mean that 99 per cent of the adult population do not have problems. It does not mean, as asserted,

that 99 per cent of *gamblers* do not face problems. Moreover, the overwhelming source of revenue for clubs is gaming machine revenue (chapter 2) and the policy proposals to which the club movement was responding applied to gaming machines. In that case, the relevant figure to consider is the prevalence rate of problems among their clients — EGM players — which is around three times higher than the adult prevalence rate.

Furthermore, *regular* EGM gamblers are the single most lucrative group for clubs — their ‘best’ customers. (For example, analysis of the unit record data from the 2006 NSW prevalence survey suggests that around 75 per cent of revenue is from EGM players who play weekly or more often.) Among the group of regular EGM players, the relevant prevalence rate is not 1 per cent, but rather 15 per cent (and, to the degree that moderate problems are regarded as policy relevant, 30 per cent for moderate and problem gamblers).

Amity Community Services (sub. DR388, p. 3) also pointed out that it can be important to look at particularly susceptible people and communities when assessing the importance of problem gambling:

The prevalence rate of 1–2% fails to adequately describe the complete picture of problem gambling. In addition, this prevalence rate does not address the higher incidence of problem gambling in vulnerable populations.

Moreover, they noted that, given the ripple effects of problem gambling among a problem gambler’s family, friends and employers, the number of people affected is significantly greater than the number of problem gamblers.

Other data supports this. For example, in the 2007 Tasmanian prevalence survey (SACES 2008b, p. 65):

- 50 per cent of people said they personally knew someone who was experiencing serious problems with gambling
- 6.2 per cent of people identified a close relative with problem gambling, and a further 6.6 per cent identified other relatives, so that 12.8 per cent of the population identified at least one family member with a serious problem. This was similar to results obtained in 2005 (12.2 per cent) and 2000 (12.3 per cent).

The majority of their problems related to gaming machines.

When a full range of prevalence measures and the other measures of harm discussed in chapter 4 are considered, there are grounds for more stringent regulation of less safe forms of gambling, reflecting the changed balance of the benefits to recreational gamblers and the costs to others. Gaming machines are a particular concern — they have a high level of risk if played *and* have higher participation

rates than racing or table games. This is why EGMs figure prominently as a source of problem gambling.

FINDING 5.2

About 4 per cent of adults play gaming machines weekly or more often. Around 15 per cent of this group would be classified as problem gamblers, with around an additional 15 per cent experiencing moderate risks.

5.6 Comparison of gambling problems with other public health concerns

While gambling is a serious social concern, its prevalence is lower than some other contemporary public health concerns, such as smoking, excessive alcohol consumption, and obesity (table 5.6). On the other hand, problem gambling has a higher adult prevalence than heroin use or hospitalisations resulting from traffic accidents.

The fact that gambling problems are more widespread than some other problems and less so than others is not the only consideration when allocating (scarce) resources to help people experiencing difficulties. The key issue is where an incremental dollar delivers the best outcome, which will depend on the costs of the problems being mitigated, the costs of the policies themselves and the effectiveness of the policies. A large and intractable problem warrants fewer resources than a smaller, tractable one.

Electronic gaming machines can be likened to motor vehicles in the sense that changes to technology have the scope to reduce harms cost-effectively. Successful outcomes in some other areas of public health require changes in behaviours, which are often difficult to achieve (such as binge drinking or unhealthy eating practices).

5.7 How much do problem gamblers spend (lose)?

Many of the problems experienced by gamblers stem from them spending (losing) more than they, or their households, can afford, without the usual capacity for self-control that might quickly correct this. In this context, it is not surprising that problem and moderate risk gamblers spend more than people with low or no risks, and, as a result, the share of total spending accounted for by the higher risk group will obviously be greater than the prevalence rate of problem gambling.

Table 5.6 The prevalence and incidence of public health concerns and selected crimes in Australia

<i>Health concern</i>	<i>Relevant population prevalence rate</i>	<i>Source ID</i>
	per cent	
Public health concerns		
Obesity ^a	25.0	ABS 2009
Regular smoker ^b	19.0	ABS 2009
Consumption of alcohol at levels considered a high risk to long-term health ^c	3.4	AIHW 2008
Recent use of illicit drugs in last 12 months ^d		
Recent use of ecstasy	3.5	AIHW 2007
Recent use of meth/amphetamines	2.3	AIHW 2007
Recent use of heroin	0.2	AIHW 2007
Gambling problem (CPGI 8+)	0.7	This chapter
Moderate gambling problems (CPGI 3–7)	1.7	This chapter
Hospitalisation rates for road vehicle traffic accidents ^e	0.16	AIHW 2009
Crime in last 12 months^f		
Household break-in	3.3	ABS 2006
Motor vehicle theft	1.0	ABS 2006
Robbery	0.4	ABS 2006

^a Proportion of population aged 18 and over with a BMI over 30. ^b Proportion of the population aged 18 and over that smokes daily. ^c Proportion of the population aged 14 or over drinking 43 (males) or 29 (females) standard drinks or more per week. The Alcohol Use Disorders Identification Test (AUDIT) provides a more conservative estimate of high risk alcohol consumption. A recent local area survey of Australian women found around 0.4 per cent were rated with AUDIT 13+ or high risk (Daly et al. 2009). ^d Relates to proportion of the population aged 14 and over. ^e Crude rate for population. ^f Proportion of households reporting at least one case of the relevant crime in the past 12 months.

Source: ABS 2009, *National Health Survey: Summary of Results, 2007-2008 (Reissue)*, Cat. no. 4634.0; ABS 2006, *Crime and Safety, Australia*, Cat. no. 4509.0; AIHW 2008, *2007 National Drug Strategy Household Survey, First Results*; Henry G. and Harrison J. 2009, *Serious Injury Due To Land Transport Accidents, Australia, 2006-07*, Injury Research and Statistics Series Number 53, Cat. No. Injcat 129, December, AIHW.

The magnitude of gambling expenditure (losses) relative to the income of problem gamblers is relevant to the harms caused to them and their families, and therefore relevant to the design of effective harm minimisation measures to reduce that spending.²²

²² There is no contemporary Australian evidence on this, but a recent Finnish population survey found that people with a SOGS score of 5+ spent around 35 per cent of their personal net income on gambling, while those with a score of 3–4 spent around 30 per cent. The Commission's 1999 survey found that the ratio of expenditure to *household* income for SOGS 5+ gamblers was 22 per cent.

Moreover, the share of total gambling expenditure accounted for by the higher risk group has several additional implications.

As discussed in the Commission's 1999 report (pp. C.18–C.26), spending by recreational gamblers reveals the positive value of gambling to them — this is the main source of the considerable benefits associated with gambling. However, this is not so for problem gamblers, who regret their spending and find it hard to control their gambling. Their large losses — combined with the adverse social costs of their problems — significantly reduce the net benefits of gambling. This increases the size of the gains from effective policy, provides stronger grounds for more stringent regulations, and may justify the reversal (or weakening) of the usual burden of proof when introducing new regulations (chapter 3).

Two researchers in Canada put it more bluntly:

To our minds, the very legitimacy of government-sponsored gambling hinges on the assumption that a large portion of the revenue does not come from an addicted and vulnerable segment of the population. (Williams and Wood 2004, p. 35)

Moreover, a high spending share by higher risk groups also affects the behaviour and incentives of gambling businesses (and governments as well), which need to be factored into policies and institutional arrangements. A high spending share by problem gamblers:

- weakens the incentives for venues to deal with problem gambling if they are a significant source of their revenue. It is important to emphasise that this does not mean that venue managers are unethical, an issue we take up in chapter 12. However, it implies that the normal ethical imperatives of venue owners and managers need to be buttressed by regulation
- may also weaken the extent to which governments act to aggressively limit problem gambling or its adverse financial effects for gamblers, since gambling taxes and licence fees are an important source of revenue. Again, this does not mean that Australian jurisdictions explicitly set out to 'milk' revenue from problem gamblers. Rather, in the face of the uncertainty about the numbers of problem gamblers and the effectiveness of harm minimisation measures, governments have incentives to be prudent in undertaking radical actions, knowing that policy mistakes would have adverse effects on their budgets.

Most do not contest that the expenditure share is policy relevant. What many contest is its size (Clubs Australia, sub. 164, pp. 80ff; Novak and Allsop, sub. 72, p. 21; Livingstone and Woolley, sub. 259).

The Commission examined the issue on many fronts, given the need to triangulate evidence across different jurisdictions' data sets and methods (appendix B).

Triangulation provides a test of the credibility of the results, especially since each method (and dataset) has limitations.

The overall evidence for a large expenditure share seems robust and persuasive.

First, data from prevalence surveys on individual playing styles on gaming machines show that problem gamblers play more sessions and for longer than other (recreational) gamblers. There is also some evidence that they are more likely to stake more on each button push, but the evidence here is more equivocal. An in-venue observational study (Blaszczynski et al. 2006) has also found longer duration sessions for problem gamblers, little variation in lines played, and some difference in credits wagered. The inevitable consequence of this playing style is that annual spending by problem gamblers will be a multiple of that of recreational players — many of whom, in any case, play only a few sessions a year.

Second, unit record data from prevalence surveys confirm the implications that frequent and longer duration playing result in very large annual expenditures by problem gamblers — averaging around \$21 000 annually — depending on the method and the year of the study.²³ However, the most important numbers from these surveys are the expenditure shares for different risk groups, which are large for the higher risk groups for all of the estimates produced by the Commission (appendix B and figure 5.4).

The share of total spending accounted for by:

- problem gamblers (those rated as CPGI 8+) was 41 per cent (with the range from the minimum to maximum being 22 to 60 per cent, and with 80 per cent of the estimates being between 27 and 54 per cent)
- moderate risk gamblers (CPGI 3–7) was 19 per cent (with the range from the minimum to maximum being 7 to 27 per cent, with 80 per cent of the estimates being between 10 and 25 per cent)
- higher risk gamblers (the two measures combined or CPGI 3+) was 60 per cent. Even if the lowest estimate for higher risk groups was seen as the most reliable, the share would be 42 per cent. It is important to emphasise that the maximum value of CPGI 3+ is *not* the sum of the maximum values for CPGI 8+ and CPGI 3–7.

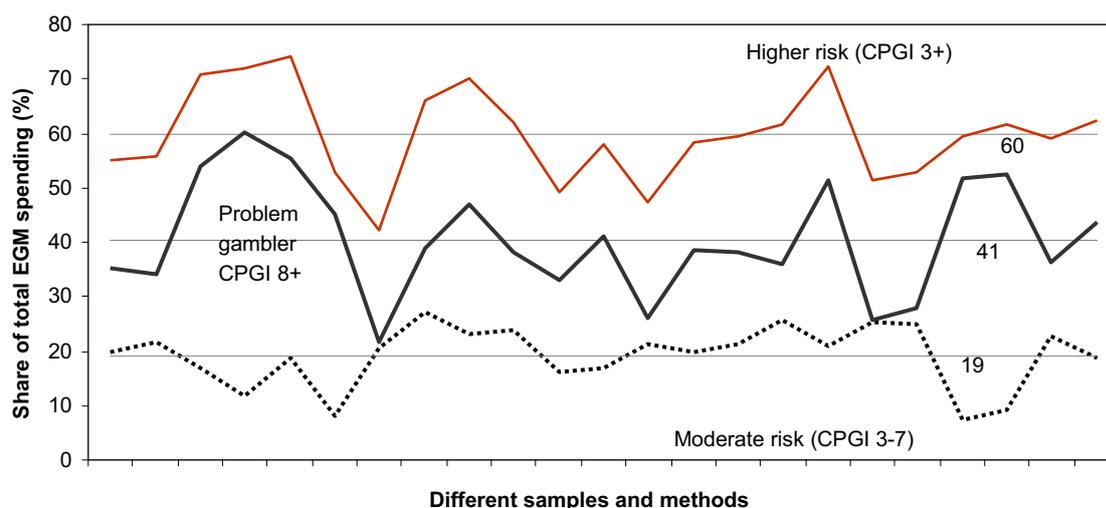
These expenditure shares are broadly in line with a range of other estimates. Prevalence studies for the Australian Capital Territory (2001) and the Northern

²³ The results are not based on the Commission's National Survey of 1999 — these do not appear in the table from which the average is calculated (contra Clubs Australia, attach, sub. 359, p. 95 which asserted that the estimate was drawn from the 1999 study).

Territory (2005) found that problem gamblers (SOGS 5+) accounted for 48.2 and 43 per cent of total gaming machine expenditure respectively, with the Productivity Commission’s national estimate in 1999 being 42.3 per cent.²⁴

Figure 5.4 Higher risk gamblers account for a large share of gaming machine revenue

Australian jurisdictions 2003–2009^a



^a The results are from analysis by the Commission of unit record data from seven recent prevalence surveys from South Australia, Victoria, NSW, Queensland and Tasmania. The results update those presented in the draft report — including some minor methodological modifications and the use of data from the 2008–09 Queensland and 2008 Victorian prevalence surveys.

Data source: Appendix B.

In their submission to this inquiry, Livingstone and Woolley (sub. 259) produced indicative numbers suggesting that the CPGI 8+ and CPGI 3+ groups could account for around 29 per cent and 44 per cent of total gaming machine revenue respectively. Using the same underlying dataset, Clubs Australia (sub. 164, pp. 84-85) estimated that the share of spending accounted for by the CPGI 3+ group would be at most around 23 per cent. Both assessments make strong assumptions about a dataset not well suited to such share calculations (appendix B), but those underpinning Livingstone and Woolley’s calculations appear to be more realistic.

Several Canadian studies provide useful insights, since they employed careful methods for recording spending. Williams and Wood (2007) found that about 35 per cent of Ontario gaming revenue was derived from problem gamblers (defined as CPGI 3+) and around 60 per cent of gaming machine spending. (A study in Alberta found similar results — Williams and Wood 2005.)

²⁴ Based on prevalence surveys by Tremayne et al. (2001, p. 114); Young et al. (2005, p. 46) and PC (1999, p. 7.46).

Some suppliers have said that the ‘80-20’ rule (80 per cent of the income comes from 20 per cent of the customers) applies to gambling, as it apparently does for many other goods and services. Indeed, data from one major club’s loyalty player data suggested that less than 1 per cent of loyalty card holders — the ‘premium’ players — accounted for around half of the loyalty card gaming turnover. So, the evidence supports considerable concentration in spending. By itself, that would not be symptomatic of spending by problem gamblers.

Indeed, the Australasian Gaming Council (sub. DR377, p. 14) indicated that it is important to acknowledge that recreational gambling is not categorised by low spend alone. The Commission agrees that this is the case and on that basis, we used the CPGI, not spending, to classify recreational gamblers. However, we note that the average spends by recreational gamblers are fractions of those experiencing some level of risk as defined by the CPGI. As spending rises, so too does the risk of problems (appendix B). That implies that while an individual heavy gambler may not be a problem gambler, there is likely to be many problem gamblers among a group of heavy spenders.

Expenditure shares for gambling as a whole

Estimates of the share of *total* gambling revenue accounted for by problem gamblers are smaller than those found for gaming machines. For instance, the three Australian studies that have attempted such calculations estimate shares of 29 per cent (the Northern Territory 2005), 37.3 per cent (the Australian Capital Territory 2001) and 33 per cent (Australia 1999) for SOGS 5+ groups.²⁵

Williams and Wood (2004) found expenditure shares for all gambling in a range of Canadian provinces in the early 2000s ranging from 18.9 to 33 per cent, with an unweighted average of around 28 per cent (based on the CPGI 3+ criterion for problem gambling).²⁶ A recent Finnish prevalence survey found that the SOGS 5+ group accounted for around 12 per cent of gambling spending and SOGS 3–4, a further 20 per cent (Oy 2007). While the screen used is different, the latter implies a significantly lower share than the Canadian results.

²⁵ From Tremayne et al. (2001, p. 114); Young et al. (2005, p. 46) and PC (1999, p. 7.46).

²⁶ The paper considered a range of other estimates, but these included a measure based on SOGS and a lifetime measure of problem gambling, neither of which was comparable with the other estimates, and have accordingly not been included).

FINDING 5.3

It is estimated that problem gamblers account for around 40 per cent of total gaming machine spending (the average of a range of estimates as high as 60 per cent and, most conservatively, as low as 20 per cent). Moderate risk gamblers account for a further significant share.

5.8 Has problem gambling prevalence declined?

Some participants suggested that problem gambling prevalence rates have declined, while others disputed this. For example, Clubs Australia (sub. 164, p. 85) considered that:

... the latest empirical data shows that the incidence of problem gambling has reduced since 1999. Clubs have contributed to this result through the implementation of responsible gambling programs (Clubs Australia sub. 164, p. 85)

In their submission responding to the draft report, Clubs Australia (attach. sub. DR359, p. 131) claimed that a downwards trend was ‘certain’. The Australasian Gaming Council (sub. 230, p. 33) and UnitingCare Australia (sub. 238, p. 18) were more cautious, suggesting that prevalence rates have probably fallen.

A series of prevalence studies — summarised in table 5.2 — form the basis for the assessment that problem gambling prevalence rates have declined. Unfortunately, these data suffer some limitations for that purpose and need to be carefully interpreted.

Sample surveys provide inexact measures

Prevalence surveys infer the properties of a whole population from a sample of that population. While sample sizes in more recent studies have been much larger than earlier studies, estimates of problem gambling prevalence remain imprecise because the target group is only a small proportion of the population.

For example, the Queensland 2006–07 study was based on a large sample of 30 000 people, but this still meant considerable statistical uncertainty about the prevalence rate. The study found that there was a 95 per cent chance that the prevalence rate of problem gambling (CPGI 8+) was between 0.3 to 0.6 per cent of the adult population (centred around 0.47 per cent) or in approximate number terms, somewhere between 9 000 and 18 000 gamblers — a sizeable margin. In 2003-04, the prevalence rate was estimated at 0.55 per cent — on the face of it, indicating that problem gambling had declined. However, the 95 per cent confidence level on

that estimate is 0.4 to 0.7 per cent, so that it is possible that the true prevalence rate has remained much the same or potentially even risen (This point has also been made by Doughney 2007 in relation to Victorian prevalence estimates.)

An illustration of this principle is as follows. Take a coin and toss it 10 times, recording the cumulative number of tails. Then do it again and get a new sum. It is likely the totals will be different, even quite different. Clearly that does not mean that the coin tossed the first time around is different from the one tossed in the second case. Yet making that presumption is exactly what is entailed in simply looking at the point estimates from prevalence surveys. That is why it is critical to take account of sampling error.

Each jurisdiction has 'done its own thing'

Even where the same screen has been used, different jurisdictions have applied it to different sub-samples (all gamblers, two weekly gamblers, weekly gamblers), and the questionnaires have varied in their content and the order of the questions. Even within the same jurisdiction, different survey methodologies have been used at different times. This may not lead to systematic biases in estimates across time, but it adds non-sampling variation to any estimates.

The screens used to test prevalence have changed

Early studies used the SOGS screen, with the definition of a problem gambler as SOGS 5+. More recent studies have used the CPGI screen, with problem gamblers defined as CPGI 8+. Even on an identical population, the two screens give different prevalence estimates (as demonstrated by the three studies that have applied both). Consequently, comparisons over time that fail to distinguish their different scale and bases for measurement are not meaningful. Doing so would be somewhat akin to concluding that the temperature in Australia fell dramatically when measurement switched to Celsius from Fahrenheit. In that context, using unadjusted data (as in figure 4.1 in *Clubs Australia*, sub. 164, p. 86 and repeated in attach., sub. 359, p. 131) to demonstrate a 'certain' downward trend is not valid.

So can anything be inferred?

Notwithstanding these various limitations in comparing studies over time, on balance, the Commission's assessment of the evidence suggests that prevalence rates *have* fallen.

The Queensland data are based on a consistent screen, carefully applied by an expert statistical agency. The data show a steady fall in prevalence rates from 0.83 per cent in 2001 to 0.55 per cent in 2003-04, to 0.48 per cent in 2006-07 and 0.37 in 2008-09. While each of the discrete reductions may not be ‘statistically significant’, the likelihood of finding three successive falls when, in fact, none has really occurred, is low. At least for that state, the evidence for falling prevalence rates is plausible.

The 2008–09 NSW Health survey (which included a gambling module) also shows that problem gambling prevalence may have dropped by around 50 per cent in that state. However, the Commission has been advised that the difference between the prevalence rates is not statistically significant, so the apparent fall may be a statistical quirk. Nevertheless, it adds weight to the possibility that adult prevalence rates may have fallen.

Moreover, the usual test of statistical significance is based on an acute aversion to erroneously concluding there has been a reduction (or a rise), when in fact there has been none. The conventional significance test means that the statistician is only willing to tolerate a five per cent chance of such an error. Nothing says that five per cent is the right threshold test. Therefore, on the basis of the existing estimates and their imprecision, it is *likely* that prevalence rates have fallen in Queensland, even though there remains a possibility that they have not. Without corroboration using an additional and larger survey, or some other sources of evidence, the extent of any change in the NSW problem gambling prevalence rate is much less certain.

Adjusted prevalence measures also support declining prevalence rates

By examining the three prevalence studies where both SOGS and CPGI were used, it is possible to estimate the relationship between them. This means that a common measure of problem gambling can be derived, which can be used to assess prevalence trends using a broader set of information than just the Queensland surveys. The adjustment of prevalence rates reflects that CPGI 3+ measures a bigger group of people experiencing problems than SOGS 5+, while CPGI 8+ measures a smaller group.

The adjusted data suggest a downwards trend (figures 5.5 and 5.6).²⁷ There is even stronger evidence of a decline in the prevalence of problematic gambling if only CPGI measures are considered.²⁸ Some uncertainty remains because there are

²⁷ The adjustment method is explained in the notes to the table.

²⁸ More formal modelling based on pooling the (more limited) CPGI data suggested that trends in CPGI 3+, CPGI 3–7 and CPGI 8+ were all negative and statistically significant (at the 0.05 level).

multiple sources of potential error: misspecification of the procedure used to adjust CPGI scores; and sampling and non-sampling errors in the original prevalence data.

Other indicators of trends in the prevalence of specific problematic behaviours are more ambiguous. Table 5.7 shows results for six indicators for five jurisdictions. While the data are incomplete for some jurisdictions, in 8 of the 16 cases there is an upward trend in the presence of problems and a downward trend in the other half. Pooling data from all available prevalence studies provides larger samples. The evidence suggests that self-assessments of whether gamblers have a gambling problem (the one item screen discussed in chapter 7) shows no trend over time (figure 5.7). However, over time there appears to be a lower prevalence of people reporting being criticised about their gambling (or being told they have a problem).

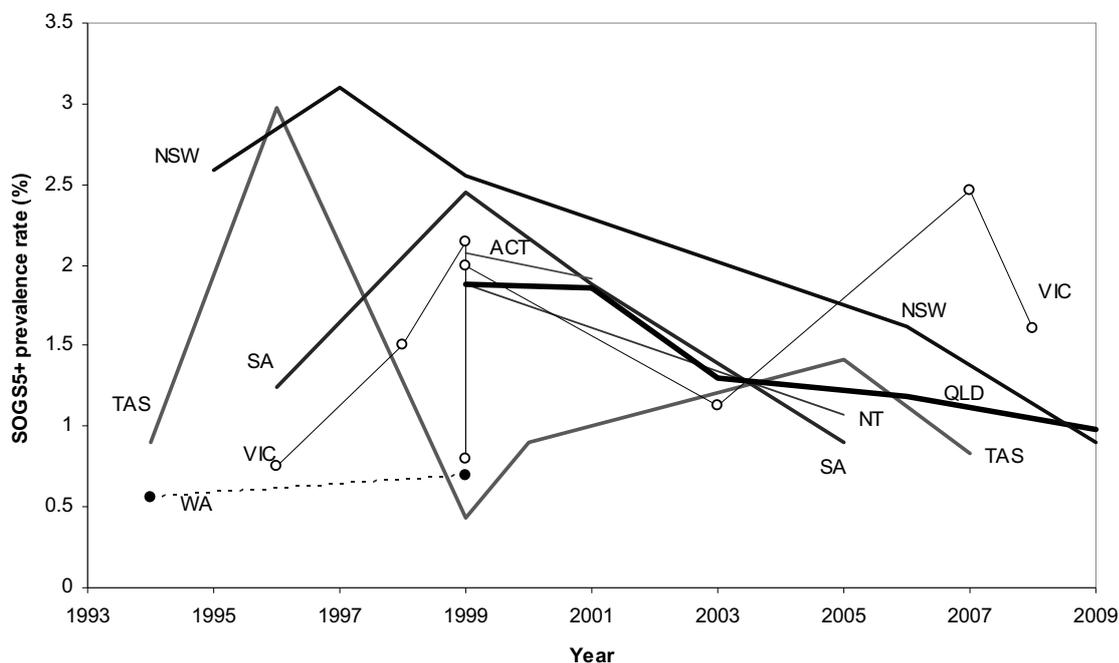
There are other grounds to expect that the adult prevalence rate of problem gambling would fall in the wake of the significant and rapid liberalisation of gaming that occurred in the early 1990s:

- almost all Australians were suddenly exposed to a new form of gambling (gaming machines), and it could be expected that some of these would develop problems
- governments and venues have introduced some prevention and harm minimisation measures, which are likely to have reduced risks of problems for gamblers
- over time, people adapt to gambling and the novelty wanes (as shown by declining participation rates), lowering the proportion of exposed adults. In Queensland, the share of people gambling has fallen, and there has been a more significant reduction of regular EGM playing (the biggest source of problem gambling). As governments and venues make people aware of the problems through community awareness programs, people may also adapt to reduce the risks of their gambling
- many of those who initially developed problems resolve these, and are less likely to repeat the experience — ‘innoculation’ (box 5.4 and figure 5.8).

There is some evidence supporting this model. For example, longitudinal data from New Zealand showed that of those classified as serious problem gamblers in 1991, only one third experienced problems of that severity in 1998 (Abbott 2006).

However, even in the simple model shown in figure 5.8, little is known about the magnitude, stability or determinants of the parameters that lead to the observed prevalence rate. The model suggests that prevalence rates should fall before reaching a floor. But even that ‘floor’ is subject to continuing influences.

Figure 5.5 Problem gambling prevalence rates^a



^a Problem gambling was measured using the SOGS 5+ criterion. There was only limited data where both CPGI and SOGS were used (three studies in Australia and seven in Canada, and so only a simple adjustment was feasible. The Australian SOGS 5+ prevalence rate was estimated as $CPGI\ 8+ + 0.394\ CPGI\ 3-7$ (reflecting the fact that all people categorised as CPGI 8+ will be categorised as SOGS 5+, while only a share of those rated as CPGI 3-7 (a looser categorisation of problems) would be rated as SOGS 5+.

Data source: Commission estimates based on prevalence estimates from table 5.2.

Changes in gaming technologies and their accessibility, to harm minimisation policies and to the vulnerabilities of the population may further depress it, or, in fact, increase it. As noted by one major researcher in the field: ‘agent, environment, and ‘host’, like rust, never sleep’ (Abbott 2007, p.3). The Victorian longitudinal survey of gambling will help understand these processes better,²⁹ as may other research targeted at environmental risks and incidence.

²⁹ The baseline study was conducted in 2008.

Table 5.7 Other indicators are more ambiguous

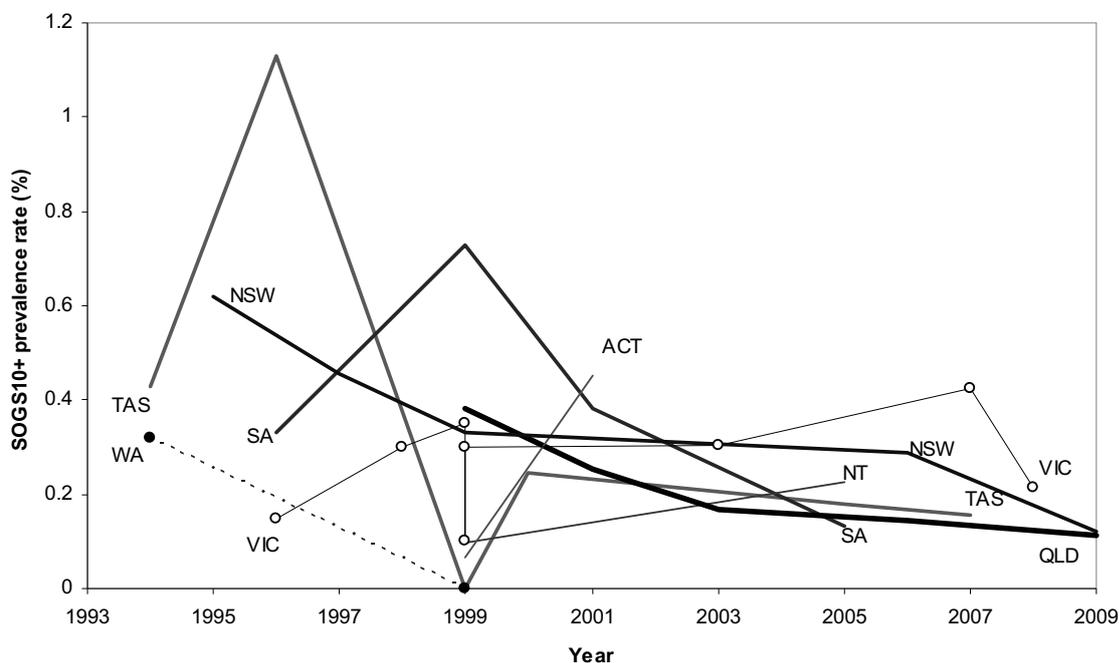
Share of gamblers^a

		<i>Share of gamblers with gambling issue</i>					
		Wanted help for gambling problems ^b	Tried to get help ^b	Tried to be excluded from venue ^b	Rarely to always felt might have a problem with gambling	Sometimes to always criticised by others for gambling	Often or always Felt guilty
		%	%	%	%	%	%
NSW	1995	..	..	..	2.71	1.89	0.45
NSW	1997	..	..	..	4.46	2.71	..
NSW	1999	..	..	..	2.04	2.50	1.92
NSW	2006	..	..	1.34	2.82	2.01	1.07
VIC	1999	..	..	..	0.93	1.59	0.86
VIC	2003	..	..	..	0.79	0.48	1.27
VIC	2007	..	..	..	..	..	..
VIC	2008	0.51	0.37	..	2.55	0.47	1.22
QLD	1999	..	..	..	0.98	0.59	2.32
QLD	2001	..	..	..	2.47	..	..
QLD	2003	0.50	0.20	0.90	2.10	0.90	0.64
QLD	2006	0.55	0.28	1.14	2.08	1.11	0.66
QLD	2009	0.41	0.23	0.66	1.80	1.07	0.73
SA	1999	..	..	..	1.43	1.31	1.80
SA	2001	..	..	..	0.86	1.73	1.37
SA	2005	..	..	..	1.87	1.01	0.72
Tas	2000	..	..	..	1.22	..	..
Tas	2005	..	..	..	1.52	..	..
Tas	2007	..	..	..	1.49	..	..

^a These are based on the prevalence studies used in table 5.2, but using answers to specific questions. The advantage of this strategy is that some questions are common to SOGS and the CPGI, allowing easier comparison over time. However, some subtle differences in the questions remain, such as variations in the CPGI and SOGS screens and the sample frame, which will partly affect comparisons between jurisdictions and over time. As an illustration, the Victorian 2008 CPGI asked about people who never, rarely, often, always found themselves criticised (one question in the orthodox CPGI), whereas some other surveys used a five item scale that also included 'sometimes'. In the Victorian case, we used 'often to always' for the response to this question. ^b These questions relate to people who scored at least one on the CPGI.

Source: State and territory prevalence surveys for these years.

Figure 5.6 Severe problem gambling prevalence rates^a

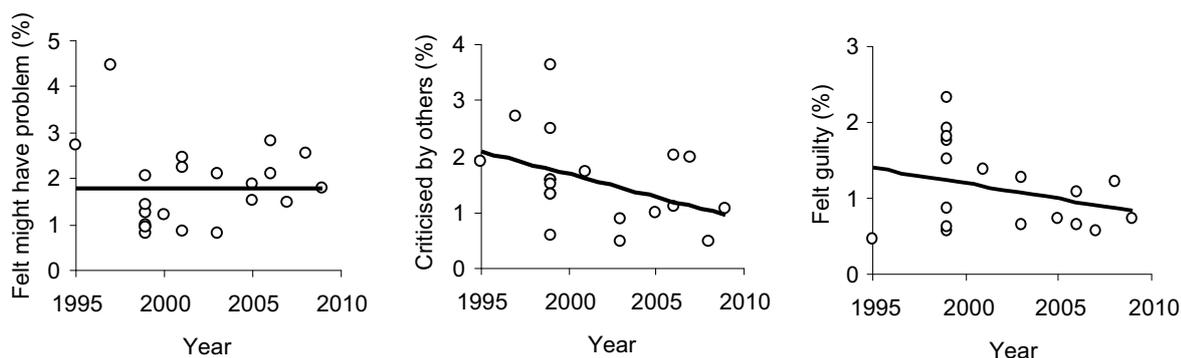


^a Severe problem gambling rates were measured using SOGS 10+ as the criterion. The SOGS 10+ prevalence rate was estimated as 0.304 CPGI 8+ (reflecting the fact that SOGS 10+ relates to more severe gambling problems than CPGI 8+). The adjustment was only based on the three Australian studies, since the Canadian studies described in the above table did not report a SOGS 10+ score.

Data source: Commission estimates based on prevalence estimates from table 5.2.

Figure 5.7 Pooled data evidence is ambiguous

Data pooled from Australian prevalence studies, 1995 to 2009^a



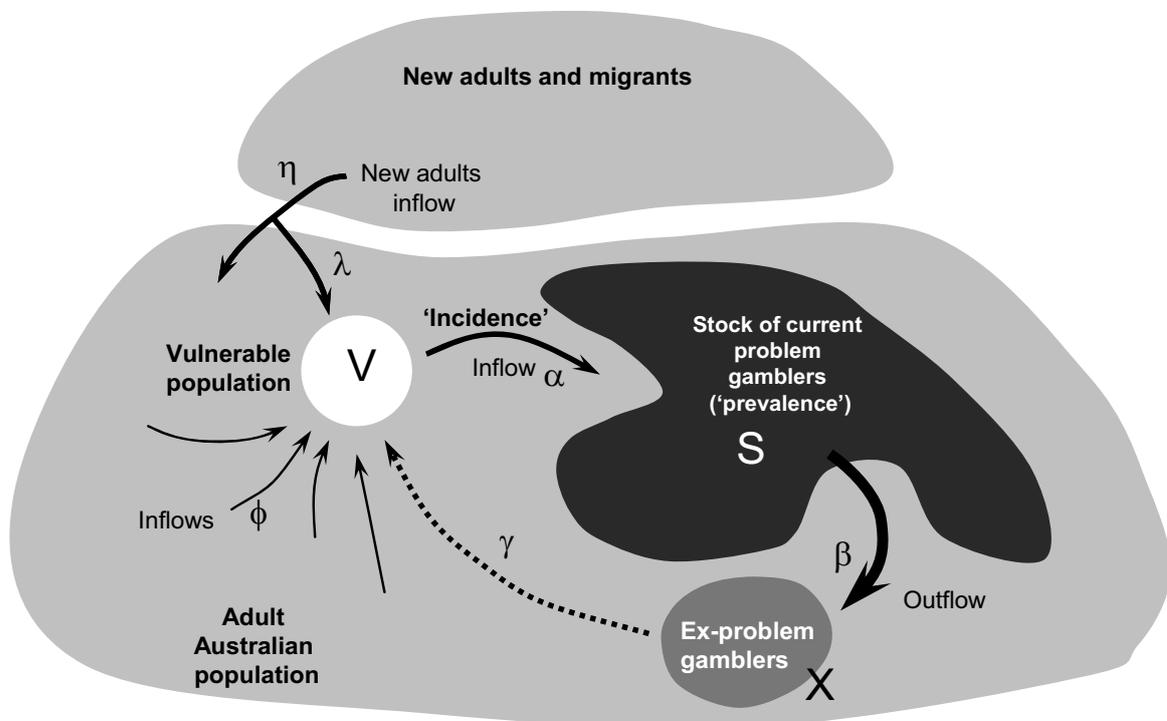
^a These scatter plots are based on pooled data from all jurisdictions' prevalence surveys, with the exception of data relating to Western Australia (where the gambling environment is quite different from other jurisdictions). The t statistics for the slopes are, from left to right, 0.07, -1.87 and -1.22. This suggests a reasonable probability that the extent to which people are criticised by others (or told they have a problem) has declined over the last 15 years, though the actual precision in the relationship is probably less than shown due to the subtle differences in the survey designs underlying the data.

Data source: State and territory prevalence surveys for these years.

While some indicators point to an increase in prevalence rates of problem gambling, the balance of evidence (and theory) suggests that prevalence rates of problem gambling have fallen. However, it is important not to misinterpret this:

- it exaggerates the reduction in risks for the population actually gambling, since some of the reduction in the adult prevalence rates stem from lower participation in gambling generally (section 5.5). The surveys that provide the most compelling evidence for declining adult prevalence rates show minimal declines in problem gambling rates among regular EGM gamblers (Queensland surveys from 2003 to 2009)
- the share of spending accounted for by problem gamblers appears to be very high — with no apparent downward trend
- while harm minimisation and other government policies — such as improved access to counselling services — have probably had an impact, it is hard to assess their importance compared with adaptation
- it does not say anything about the broader sets of problems besetting gamblers more generally (chapter 4), though some evidence suggests these might be falling too — box 5.4

Figure 5.8 **Stocks and flows suggest falling prevalence rates**



Source: Productivity Commission.

Box 5.4 People and communities adapt to exposure

Gaming machines are the prime source of problem gambling in Australia. In most jurisdictions, gaming machines were only liberalised in the 1990s, and even though they were legally available in NSW for many years prior to that, the modern 'high intensity' electronic gaming machine was also a recent innovation for that state. As such, the majority of Australian adults were exposed to a new form of gambling. In that context, there would be a large population of vulnerable people (shown as V in figure 5.8). These would include people unfamiliar with the risks of gaming machines, people aged under 30 years old, those with mental health problems, facing boredom, with faulty cognitions, or simply people more likely to respond to conditioning.

At that time, V would have been a sizeable proportion of the Australian adult population. A certain share of this group could be expected to develop gambling problems — becoming part of the stock of people with problems observed at that given time. The stock (S) could be expected to rise over time. First, inflows would increase as participation in a new form of gambling rose, and as there would be likely to be a lag between exposure and development of severe problems (which is what low and moderate risk gambling aims to measure). In addition, the outflow from the stock of problem gamblers would be initially small because problems take some time to resolve (and for some are never resolved).

However, at some point, people could be expected to adapt to gaming machines, reducing the size of the group that is vulnerable and the inflow rate (α).

- people would find them less novel and participation rates would fall (which is corroborated in chapter 2). Non-gamblers clearly face no risks
- some people would adapt to the risks or overcome faulty cognitions. (For instance, the Queensland prevalence surveys suggest that there was a significant reduction between 2001 and 2006-07 in beliefs that systems work and that wins and losses come in cycles.)

At the same time, the outflow rate could be expected to rise as people overcome their gambling problems. As a result, the prevalence rate would fall.

Policy and venue practices might contribute to such a lower prevalence rate in several ways. It could:

- accelerate outflow rates (β) by providing high quality and accessible counselling and treatment services, and by introducing measures such as self-exclusion
- reduce inflow rates into the vulnerable population by making people aware of the risks (ϕ) and by reducing the inflow rate (α) of the vulnerable through harm minimisation measures that address the environmental and contextual risks (for instance, through changes to gaming machine design).

The prevalence rate would not be expected to fall to zero. Each year there would be newly minted adults (a high risk group) and new migrants to Australia who may not have been exposed to as risky a gambling environment. And many people in the population remain or become vulnerable (including relapsing ex-problem gamblers).

Moreover, the problems that remain are still significant and warrant continued policy action. The absolute numbers of people affected by significant problems are still large — and, as discussed above, larger still when the ripple effects of problem gambling on relatives and friends are considered. Given the framework set out in box 5.4, reductions are unlikely to continue without environmental changes.

FINDING 5.4

While problem gambling prevalence rates for the adult population as a whole have probably fallen, in relation to the more relevant indicators for policy, there is:

- *no reliable indication of a significant decline in the rate of problem gambling among regular EGM players*
- *no evidence that the share of total spending accounted for by problem gamblers has fallen.*

The Commission's assessment of prevalence surveys undertaken in Australian states and territories over the past few years is that, notwithstanding debates about the exact numbers affected and the likelihood that adult prevalence rates have fallen, there continue to be significant problems experienced by gamblers. This is not isolated to 'problem gambling' though that is the main thrust of research into prevalence. These problems provide a compelling case for regulatory and other measures aimed at reducing these problems.

6 The benefits of gambling and some implications

Key points

- Gambling provides significant enjoyment for many Australians and is an important revenue source for governments. Gambling venues are often seen to be friendly, secure and accessible by people in the community.
- Gambling venues, particularly clubs, also make significant social contributions. However:
 - many of these benefits are to members, not to the public at large
 - the claimed benefits of gambling revenue on sporting activities and volunteering do not appear strong. Indeed, the presence of gambling may adversely affect volunteering rates
 - the (gross) value of social contributions by clubs is likely to be significantly less than the support governments provides to clubs through tax and other concessions
 - given this, there are strong grounds for the phased implementation of significantly lower levels of gaming revenue tax concessions for clubs, commensurate with the realised community benefits.
- Many people are employed in the gambling industry. However, most are highly employable and would be in demand in other parts of the service sector were the gambling industry to contract. In that sense, the gambling industries do not create *net* employment benefits, because they divert employment from one part of the economy to another.
- While it is not possible to be definitive about the costs and benefits of gambling, the Commission estimates that in 2008-09:
 - the benefits from tax revenue and the enjoyment of gambling for recreational gamblers ranged between \$12.1 and \$15.8 billion
 - the costs to problem gamblers ranged between \$4.7 and \$8.4 billion
 - the overall net benefits ranged between \$3.7 and \$11.1 billion.
- The net benefits could be much larger if governments reduced the costs through effective harm minimisation and prevention policies.

This chapter addresses the nature and scale of benefits of gambling, what they mean for policy and how they compare with the costs. In part, the chapter responds to the calls by participants to address the benefits of the gambling industry to a fuller extent than undertaken in the Commission’s draft report, as well as to the evident confusion about how the benefits should be assessed. Section 6.1 to section 6.9 are organised around the main types of benefits identified by the gambling industries:

- demand-side benefits through entertainment for consumers
- social benefits from the contributions made by the industries to community organisations and local infrastructure
- supply-side economic benefits, such as employment creation.

Section 6.10 brings the benefits (including those associated with tax revenue) and costs into a single cost-benefit framework, explaining why the most relevant numbers for policymakers are not the aggregate benefits and costs of the industries as they are at a point in time, but the *changes* in those costs and benefits arising from new policies. This section also provides some numerical estimates of costs and benefits, which indicate the scope for significant gains from well-targeted policies.

6.1 The benefits to consumers of gambling

While the gambling industry accentuated the social and employment benefits of gambling, the most important benefits are gains to consumers.

Many people enjoy gambling and the associated activities in the venues where it takes place (box 6.1). Moreover, prohibition would erode people’s freedom and would risk the criminality and corruption associated with the provision of illicit gambling. This provides the rationale for one of the most important policy stances of government in relation to gambling — simply allowing it to be legally supplied.

Australians spend billions on gambling across all of its multiple forms — the most simple indicator of the collectively high value they place on it. While people express ambivalence about gambling, that does not usually relate to their own gambling. And indeed, as shown in chapter 2, most Australians do gamble to some degree. With the exceptions of those with control problems or significant faulty cognitions, people’s willingness to pay for gambling over alternative products reveals their underlying preferences.

The extent of that benefit is measured by what economists call ‘consumer surplus’. For each consumer, this is the difference between how much they value a service and what they pay for it. The total consumer surplus is the sum of the surpluses of

individual consumers. Note that the consumer surplus is not equal to consumer spending. Some people might spend \$10 on buying a particular good, but only value it at \$11 (a surplus of just \$1), whereas others spending this amount might value it at \$100 (a surplus of \$90). To understand the magnitude of the consumer surplus requires knowledge about how much demand changes with rising prices — the ‘demand function’ and the ‘price elasticities’ of demand.

Box 6.1 Gambling is enjoyable for many

As shown in chapter 2, most Australians participate in at least one form of gambling each year. The high participation rates suggest that many people enjoy gambling. A survey of EGM and TAB punters found that around 90 per cent were motivated to gamble because it was an entertainment or something to do (McDonnell-Phillips 2006, p. 7).

A similar survey found that around 70 per cent of regular Victorian gamblers were motivated to gamble because it was a hobby or favourite recreational activity; and 60 per cent were motivated by the thrill of winning (Centre for Gambling Research 2004a).

For some people the entertainment values are high. For instance, a 2007 survey found that around 2.5 per cent of Tasmanian gamblers thought gambling had made their lives a ‘lot’ more enjoyable (SACES 2008b, p. 54). A further 20 per cent thought it had made life a ‘little’ more enjoyable’. Not surprisingly, regular players found gambling more enjoyable than non-regular players. (On the other hand, around 74 per cent of gamblers thought it had made no difference to their lives over the past year, while 2.3 and 1.3 per cent considered it had made life a ‘little’ and a ‘lot’ less enjoyable respectively.)

A survey by ClubsConsulting of club goers in 2006 (cited in Clubs Australia, sub. 164, p. 51) found that nearly 35 per cent of patrons thought keno was an important or very important source of club enjoyment. The comparable figures for gaming machines and TAB services were just under 30 per cent. Surprisingly, given the importance of gambling to club revenues, gambling was subjectively rated as 17th, 19th, and 20th out of 22 items. A good atmosphere, friendly staff and bistro/restaurants were rated as important or very important by nearly 100 per cent of patrons. But it should be noted that gambling and such services are complementary, often seen as part of a package of services by patrons.

It might be thought that the net gains from liberalising gambling should be close to zero (as they are for employment, section 6.8), because other forms of consumption would have been displaced. However, that is not true. The values that recreational gamblers place on gambling already take account of the fact they could spend their money elsewhere, as discussed further in the Commission’s 1999 report (PC 1999, p. C.3). As shown below, given reasonable assumptions, the implication of this is

that the majority of Australians who do not experience problems with their gambling would lose an entertainment worth billions of dollars to them collectively were they no longer able to gamble.

Benefits from taxes on consumers?

As shown in chapter 2, gaming taxes provide significant revenue to state and territory governments. These taxes are included in consumer's expenditure, but are not included in measures of the consumer benefits of gambling. Rather, like all taxes levied on consumption, these taxes represent a transfer from consumers to the community at large, and their benefits must be separately included in any cost-benefit analysis (section 6.10). Nevertheless, it remains the case that the most significant source of social benefits originates from consumers' enjoyment of gambling.

6.2 What are the perceptions of social benefits to communities?

While hotels and casinos also provide community benefits (box 6.2), clubs particularly emphasised their community support role. The Commission received around 200 submissions from clubs, peak bodies representing clubs, or the beneficiaries of club contributions, outlining the benefits to local communities of contributions ultimately underpinned by gaming revenue (box 6.3). Clubs' list of direct contributions to the community included:

- *donations to sporting teams, charities and community organisations* (cash and in-kind support, such as free access to office space and club rooms, courtesy transport services)
- *sporting and recreational facilities*. Clubs provide members and their guests with a range of amenities such as restaurants, bars, entertainment and sporting facilities including fitness centres, swimming pools, golf courses, bowling greens. While club members and their guests are usually charged for sporting facilities and other recreational services, they are typically charged at less than commercial rates, with the difference being made up from income earned elsewhere in the club (notably gaming revenue)
- *promoting volunteering*. Clubs provide a supportive community hub for promoting volunteering, as well as using volunteers in their own right as club directors, sporting team coaches and in welfare services (such as hospital visits and transport assistance for elderly members).

Box 6.2 Hotels and casinos also make community contributions

Casinos and hotels are subject to a range of (usually) mandatory 'Community Benefit Levies' directed at various community uses. In 2007-08, these taxes totalled \$33 million for casinos (Allen Consulting Group 2009b). For example, the casino in NSW pays a levy of 2 per cent on gaming revenues. Such contributions are really hypothecated taxes and should be distinguished from voluntary contributions made by casinos and hotels.

Apart from these legislated requirements, casinos and hotels make considerable community contributions. Casinos provide funding to community groups, cultural and sporting events and charities. In 2007-08 these contributions totalled \$10.9 million, of which \$4.6 million was directed to sponsorship of sporting and cultural events and \$1.8 million went to charities (ACA 2009). In-kind support is also provided to the community, including by donating accommodation and facilities for use by community fundraising activities.

Hotels contribute to their local communities for a mix of civic and commercial reasons. Financial and other support is commonly provided to sporting teams, community groups, health and social services organisations, education groups, emergency service organisations and religious groups. Support to sporting groups is the primary purpose of contributions. Over 60 per cent of hotels surveyed by PricewaterhouseCoopers indicated that they provided support to sporting groups, over 50 per cent gave to community groups and one-third made contributions to health and social services (PwC 2009). They also found that hotels with EGMs were more likely to provide support than those without.

Of those hotels contributing to sporting and community groups, an average of \$8792 and \$4733 was provided respectively to these purposes, and around \$29 000 was provided on average per hotel across all community purposes. PricewaterhouseCoopers extrapolated their survey findings across all Australian hotels and estimated that \$75 million is provided to communities in support and sponsorship each year, with about half of this amount provided to sporting groups (excluding in-kind contributions).

Clubs also pointed to a range of indirect or intangible benefits they provide to local communities, including improved quality of life for the elderly, secure environments for community members to socialise, and greater social cohesion. Clubs Australia, for example, said 'club goes value more than just the services' (sub. 164, p. 64), while others described clubs as the 'social fibre' or 'hub' of their community. RSL Victorian Branch said they were a 'home away from home' for some of their members. It was also noted that clubs are often the focal point of towns and surrounding areas in regional and rural areas (box 6.4). This applies to many hotels as well.

Box 6.3 Clubs and sporting groups provided details of community support

Leagues Clubs Australia

Member clubs of the Association play a vital role in fostering the sport of Rugby League at all levels in NSW and Queensland. They provide substantial support in the form of funding, equipment, infrastructure and facilities to more than 400 000 seniors and juniors that play Rugby League across these states, and bring untold joy to the many fans that support the game. Our members also provide similar substantial support for a wide range of other sporting activities — rugby union, soccer, cricket, hockey, netball, swimming, athletics, cycling, tennis, Australian rules, and a number of indoor sports. ... As well Member Clubs provide financial and in-kind support for numerous organisations, charities, schools and support groups within each of their communities. (sub. 159, p. 1)

Returned & Services League (Vic Branch) Inc

We make a significant contribution to local communities across Victoria in terms of both our veteran welfare activity and our support for the broader community. In addition to the tangible benefits, RSL Sub-Branches also provide a host of intangible benefits such as fostering social inclusion, improving the quality of life for the aged, and embracing younger generations. (sub. DR368, p. 3)

RSL & Services Clubs

Virtually all NSW RSL and services clubs offer a range of quite sophisticated amenities for members including food and beverage, entertainment, social sporting clubs, snooker facilities, ten pin bowling, fitness centres, swimming pools, golf courses, bowling greens and aged care in addition to gaming. In many cases it can be said that clubs provide what Government's don't or cannot afford to provide either in provision of their core facilities or their more diversified activities such as gymnasiums or age/veteran care. (sub. DR374, p. 2)

NSW Institute of Sport (NSWIS)

ClubsNSW, as the Principal Partner of the NSW Institute of Sport, has annually provided over \$1 million a year in sponsorship support since 1995, This annual contribution helps ensure that the NSWIS remains one of Australia's leading sporting Institutes. Through this affiliation, ClubsNSW has contributed over \$13 million to elite sport across NSW and the benefits of the financial support are wide spread. (sub. 46, p. 2)

Recreational, Sports and Aquatic Club

Recreation, Sports and Aquatics Club is a registered charity that provides sport, recreation, vacation, carer support and personal development activities for people with disabilities across ten local government areas of Sydney. ... Registered clubs have supported RSAC since before the inception of CDSE and continue to support to this date. ...In addition Bankstown Sports Club has provided free office space and club rooms for our organisation, giving us a rent-free space accessible by public transport. (sub. 30, p. 1)

Clubs Australia

A further measure of clubs' contribution to social capital is through the level of volunteering. ... Clubs act as an important catalyst and organising force for people to find 'causes' to which they can devote themselves. ... The Allen Consulting Group estimated that in 2007 there were 44,000 club volunteers in NSW, committing over 6.3 million hours of their time as club directors, assisting with trading activities or organising sporting and community events. This contribution is estimated to be worth approximately \$126 million. (sub. 164, pp. 193-4)

Box 6.4 'Club goers value more than just the services'

Alligator Creek Bowls and Recreation Club Inc

... like other small clubs, we're not just a club — we're a community who care about each other — something money can't buy. (sub. DR399, p. 2)

Tuncurry Bowling Club

A large proportion of the Great Lakes region consists of retirees. Without the large club many of these people would lose the main focal point of their lives. The club is their place to meet, have lunch or dinner, play a game of bowls or bingo and enjoy a drink in comfort and safety. (sub. DR405, p. 2)

Caboolture Sports Club Inc

... many clubs are the social fibre of their communities. (sub. DR334, p. 5)

Mittagong RSL Club Ltd

Does the Commission understand that the community organisations that our Club industry supports are at the heart of the social fabric of Australia and assist in making the communities in which we live a better place? (sub. DR312, p. 15)

RSL Victorian Branch

... RSL Sub-Branched also provide a host of intangible benefits such as fostering social inclusion, improving the quality of life for the aged, and embracing younger generations. ... Many of the older community members — whether ex-service or not — use their RSL as a social hub. They eat, drink, play sport, participate in day clubs, attend organised outings/excursions and in general, see their RSL Sub-Branch as a 'home away from home'. And it is gaming revenue that has allowed this 'home away from home' to offer the services and facilities it does today. (sub. DR368, p. 3)

Clubs Australia

Clubs, in their entirety and by virtue of their very existence, provide social benefit. In an era of increasing social isolation, the internet, home theatre and 'gated' communities, the Club Movement stands out as one of the few institutions that encourages, facilitates and nurtures community connectedness. (sub. 164, p. 165)

Clubs Australia, quoting UMR Research Pty Ltd (2009)

If you're in the country, quite often the club in the country is the heart of the town ... everyone is a member of the club and everyone uses that club. It's a real hub for that town. Social and business network. It's used for everything. (sub. 164, p. 158)

Measuring social contributions — some context

Measuring social contributions is difficult. Community benefits reported by clubs include expenses not usually seen as genuinely arms-length community benefits. For example, in Victoria, licensed clubs are required to provide annual Community Benefit Statements (CBS) detailing the activities and expenditures they are claiming as community benefits (and thus avoiding a tax applied at 8.33 per cent). While arrangements were tightened after implementation of a ministerial order in July

2008, capital expenditure, financing costs, operating costs, retained earnings, the cost of most plant and equipment with a value of \$10,000 or more (with the exception of purchases of gaming machines) continue to be allowable as community class B benefits. Subsidised meals (but not alcohol) and wages of gaming room staff are also still allowable items.¹

Using these criteria, in the commercial sector, many employment and investment decisions aimed at maximising shareholder interests could be seen as encompassing ‘community’ contributions.

More generally, annual reports of clubs often fail to disclose detailed information about expenses or revenue sources (Con Walker 2009), making it difficult to determine the genuine magnitude and form of community contributions or the role that gaming machine revenue may have played in funding them. In some instances, financial accounts are not disclosed to non-members, which is problematic for public scrutiny of finances that can include considerable implicit tax subsidies.

This suggests that considerable care needs to be taken in regard to the value assigned to these contributions.

6.3 Empirical evidence about community impacts

The testimonies of individual clubs and of recipients of their contributions strongly suggest that clubs play an important community role. The key questions are how much, in what form and the nexus between these contributions and gambling.

Surveys of club members provide one perspective (Clubs Australia, sub. 164, p. 51). They reveal that, in addition to low prices and good food, the key sources of enjoyment for patrons are intangibles — friendliness, safety, and a pleasant atmosphere.

Other research substantiates this. In summarising an extensive literature, Moore et al. (2008) and Thomas (2009) also found EGM venues were attractive because they provided amenities to people that might otherwise not have been available in their local environments. They were accessible, open for long hours, offered a pleasant and safe social environment, were appropriate for people on their own and provided a retreat from stresses and problems — an ‘oasis’. However, this was a two-edged sword. While some features, such as the venue atmosphere and entertainment facilities, appealed to all gamblers, being attracted to venues that provided an

¹ Notably, hotels cannot represent such claims as community benefits and pay 8.33 per cent of their revenue into a Community Support Fund, administered by the Victorian Government.

escape was positively related to gambling problems. This particularly applied to community venues, and much less to casinos (which were seen as destinations for a special night out).

Hospitality clubs without gambling may also provide some of the benefits of community gaming venues. The crucial difference is that gaming machines are so profitable to clubs that they provide a large surplus (table 6.1 and figure 6.1) that must be spent elsewhere, providing the scope for more facilities to members in clubs with gaming machines.

Table 6.1 Identifying cross-subsidies?
NSW Clubs 2007^a

	<i>Share of total revenue</i>	<i>Share of total expenses</i>	<i>Contribution to profits</i>
	%	%	%
Membership	1.4	2.4	2.0
Food	7	8	-1.7
Bar	14.8	14.3	17.0
Facilities & venue rental	0.8	1.1	0.4
Gaming machines	68.4	32.9	174.6
Other gaming	1.9	3.3	0.0
Sports	1.3	3.7	-6.3
Ancillary business and other	4.5	34.4	-85.8
Total	100.0	100.0	100.0

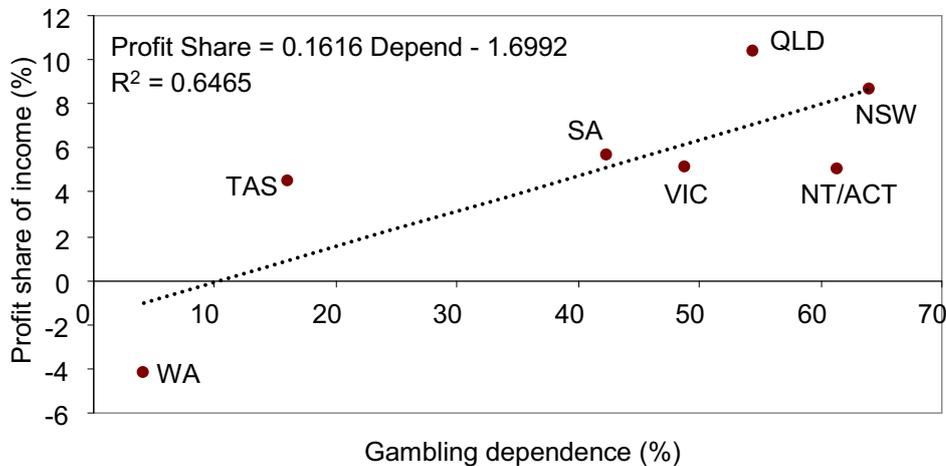
^a Other includes short and long-term rental accommodation, aged and child care facilities, promotional activities and donations and cash grants. Sum of items may not add to 100 due to rounding.

Source: Clubs Australia (sub. 164, pp. 37, 95 and 113).

Notwithstanding some perceptions about how gaming machine surpluses are allocated, the accounts in table 6.1 suggest that alcohol is a profit centre for clubs, and that food is not substantially subsidised. However, other data from Con Walker (2009, p. 45) suggest that accounting methods may conceal larger subsidies to food, and there is compelling evidence that at least some clubs do significantly cross-subsidise food sales for their members. That said, the largest source of cross-subsidisation is in sports facilities and the 'other' category, which is revealed as substantial losses on operating costs for accommodation, aged and child care, and a range of general expenses, such as promotion.

Figure 6.1 Profits and gambling

2004-05^a



^a Depend is gambling dependence, defined as the share of income from gambling. The data relate only to 'hospitality' clubs, those that generated income predominantly from sales of alcohol, gambling, meals and other hospitality services. Clubs whose main activity was the provision of sporting services were not included within the scope of this industry.

Data source: ABS 2006, *Clubs, Pubs, Taverns and Bars, 2004-05*, Cat. No. 8687.0.

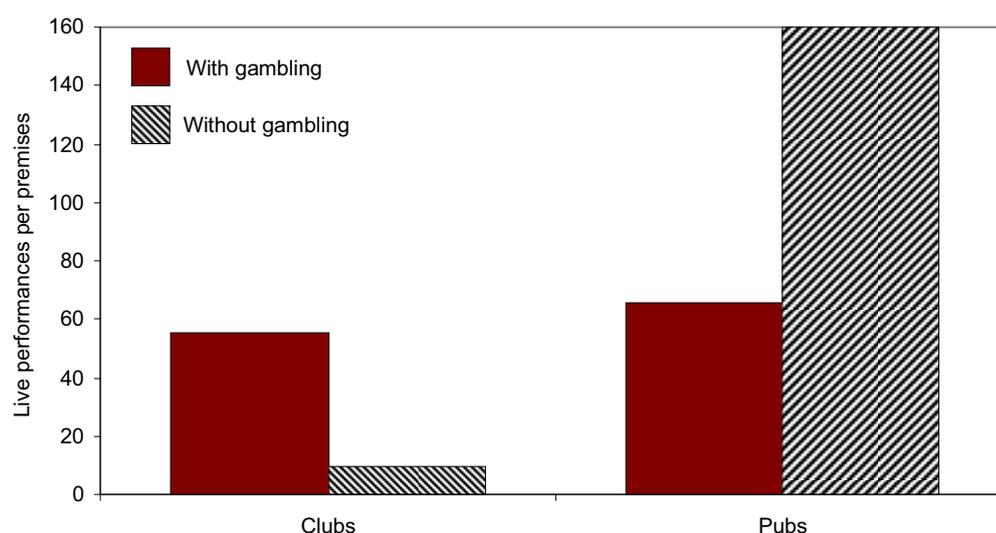
The allocation of surpluses in these ways may provide members with benefits, but:

- it is notable that a 2009 survey by the ACT Planning and Land Authority found that the main reason for patronage was eating, drinking and associated socialisation. Relatively few people (12 per cent) noted their provision of sporting, recreation or other form of community facility and only 8 per cent noted 'support for local sports teams' as important (Beer 2009, p. 11). On the face of it, subsidies for operating subsidies may not always be directed at functions highly valued by members
- they also raise issues of competitive neutrality, since cross-subsidised facilities compete with private sector facilities and may distort investment decisions
- the surpluses from gaming provide a buffer against losses on investments that a commercial entity with a focus on returns to shareholder may not have undertaken. As noted by IPART (2008, p. 39), clubs provide assets that would be uneconomic in a commercial setting (such as the provision of bowling greens on high value land).

Nevertheless, surpluses are also frequently used to invest in club premises and such investments may be highly valued by members. One manager of a large club in a lower socio-economic area pointed out that few people in the area would otherwise have had access to what amounted to a five star hotel in its appearance and quality of facilities.

Regardless of the exact allocation of gaming surpluses in clubs, other indicators suggest that clubs with gambling are more entertainment-oriented than clubs without gaming. In part, this is definitional, since gaming machines themselves are a form of entertainment. But clubs with gambling extend such entertainment to other areas, underpinned by the revenue of gaming machines and the capacity for gaming machines to attract patrons into the premises. For instance, on average, there was more than one live performance per week in clubs with gambling and only around one a month in venues without gambling (figure 6.2). (Notably, in pubs the reverse held, with pubs with gambling providing significantly fewer live performances). So, gambling has broadened and altered the roles of clubs from their historical functions and, given patronage numbers, consumers have revealed that they value this transformation.

Figure 6.2 Clubs with gambling are more likely to offer live entertainment, 2004-05^a



^a Club data relates to hospitality clubs only.

Data source: ABS 2006, *Clubs, Pubs, Taverns and Bars, 2004-05*, Cat. No. 8687.0

The IPART review is seen as the most influential empirical study

The IPART (2008) review of the registered clubs industry in NSW has been widely cited as the most authoritative empirical study of the social benefits of clubs. They took a narrower interpretation of community contributions than that used in the Community Benefit Statements above. (Indeed, beyond the IPART study, little systematic analysis of the social contributions of clubs has been conducted, which is why much of the discussion below relates to clubs in NSW.) The review estimated

that clubs in that state provided social infrastructure and services to the value of around \$811 million in 2007. This estimate included:

- the value of *direct, cash* contributions made by clubs to charities, community and sporting-related activities
- an estimated value of *direct, in-kind* provision and maintenance of community and sporting facilities and infrastructure, calculated using a market value approach
- an estimated value of *club volunteer labour* not already included in the estimate of direct, in-kind contributions (table 6.2 and box 6.5).

Table 6.2 IPART’s estimates of the value of NSW clubs direct social contributions

	<i>\$ million</i>
Direct cash contributions to the community	91
Direct in-kind contributions ^a	
Market value of services from facilities	1244
Less revenue received by clubs for their facilities	568
The value of volunteer hours	44
Total value of social contribution	811

^a Data from the Allen Consulting Group’s survey of clubs suggests that around \$20 million of this were in-kind contributions to the community (around half to sport and the rest to various community services, such as health and education). The remaining value of in-kind contributions relates to benefits for members.

Source: IPART (2008) and Allen Consulting Group (2008b).

The above exercise, however, is a valuation exercise, rather than a cost-benefit analysis of clubs’ social contribution (IPART’s terms of reference only asked it to identify the value of the clubs industry’s provision).

From a policy perspective, a better way of considering the contribution of clubs is by determining their gross value compared with the gross value that would have been realised under counterfactuals where:

- clubs had no, or reduced, gaming revenue and/or
- clubs did not receive sizeable concessions, such as lower gaming taxes.

These are the relevant counterfactuals in the present context because clubs cited IPART’s estimates of social benefits as an important reason not to change gaming machine regulations or existing tax arrangements benefiting clubs.

The next three sections explore the three sources of benefits identified by IPART and their connections to gambling.

Box 6.5 IPART's methodology for valuing the clubs' social contribution

IPART's terms of reference required it to review the existing contribution of the registered club to the provision of social infrastructure and services (not to undertake a cost-benefit analysis of clubs' social contribution). IPART calculated the value of total direct social contribution as the sum of:

1. Direct cash contributions made to charities, community and sporting activities
2. Direct in-kind contributions through provision and maintenance of community and sporting facilities and infrastructure
3. Contributions from club volunteers for activities not accounted for in direct in-kind contributions.

Indirect contributions were acknowledged qualitatively.

IPART used a market value based approach to determine the value of direct in-kind contributions — the opportunity cost in revenue a club foregoes through its provision of these contributions (based on the difference between commercial value of the product less the price charged by clubs). The methodology involved five key steps:

- developing representative club types (RCTs) — 40 RCTs were used to represent the variations of four club types (bowling, golf, RSL and others), five size categories (gaming machine revenue (GMR) as a measure of club size) and either a country or metropolitan location, e.g. RCTs were developed for country-based clubs that generate between \$200 000 and \$1 million GMR and metropolitan-based RSL clubs that generate between \$5 and \$10 million GMR
- calculating the value of direct social contribution by each RCT
- calculating the value of direct in-kind social contribution by each RCT
- summing the value of direct and direct in-kind contributions for each RCT to obtain an estimate of the total value of clubs' contributions for each RCT
- scaling up the results of the total social contribution for each RCT based on appropriate weightings to obtain a value for the total industry social contribution.

IPART used data from a survey conducted by the Allen Consulting Group on behalf of ClubsNSW.

Source: IPART (2008).

6.4 Volunteering

While it is a relatively small component of the total contribution of clubs (5.4 per cent), volunteering is crucial to a well-functioning society and to the creation and sustenance of social capital. But by how much would volunteering fall

if clubs did not have as much gaming revenue or if they lost concessions on machine numbers and gambling taxes?

The answer appears to be ‘not that much’.

One strand of evidence is that there are around six times more volunteers per employee in small venues with no or low gaming profits than in ‘super’ clubs (table 6.3). This is not surprising. The large surpluses from gaming in large clubs means that they can afford to pay for staff, and probably are expected to do so. That has its own advantages, but it appears to displace volunteering.

Table 6.3 The greater the gaming machine revenue, the less the role played by volunteers

NSW clubs 2007

<i>Clubs size by gaming machine revenue</i>	<i>Volunteers per employee</i>	<i>Volunteers per FTE employee</i>
\$0-200,000	2.9	5.4
>\$200,000-\$1 million	1.3	2.7
>\$1-\$5 million	1.3	0.9
>\$5-\$10 million	0.5	0.9
>\$10 million	0.5	0.9
Total	1.0	1.3

^a FTE is full-time equivalent employment, taking account of the variations in hours worked by employees.

Source: IPART (2008, p. 51).

The other sources of evidence are the relationships between gambling and volunteering at the jurisdictional level. Prima facie, finding any kind of relationship would be surprising given the small scale of volunteering through hospitality clubs compared with volunteering generally (6.3 million hours from clubs in NSW compared with 235.2 million hours for all volunteers in that state — or 2.7 per cent of the total).² That said, jurisdictions with club cultures may stimulate greater social capital in their local communities, having indirect, ‘ripple’ benefits on volunteering — there is a difference between where volunteering takes place, and mobilising volunteering in the community.

However, none of the indicators shown below support a positive link between the existence of gambling and volunteering.³ The results (figure 6.3) showed there was

² Based on IPART (2008, p. 50) and ABS 2007, *Voluntary Work, Australia 2006*, Cat. No. 4441.0.

³ None of the results were statistically reliable, in that the relationships observed could have arisen from chance. In no case did statistical significance approach 5 per cent.

-
- a negative relationship between a jurisdiction's level of gambling (per capita) and volunteering participation rates
 - a negative relationship between a jurisdiction's level of EGM gambling (per capita) and volunteering participation rates. This was the least unreliable of the regressions, but it could still easily arise with chance
 - a negative relationship between the extent of club dependence on gambling and volunteering participation rates
 - a positive relationship between the share of gambling accounted for by clubs versus hotels.

The last result suggests the possibility that, for any given level of gambling per capita in a jurisdiction, volunteering rates might be higher than otherwise if the gambling is concentrated in clubs rather than hotels. Further analysis that took into account both EGM spending per capita *and* the extent of concentration in gambling in clubs versus hotels suggested a more robust relationship than that shown in figure 6.3.⁴ That analysis suggested that, all other things being equal:

- for every additional \$100 of EGM spending per capita in community venues, volunteering rates were 0.9 percentage points lower
- for every 10 percentage points increase in the share of gambling accounted for by clubs versus hotels, volunteering rates were 0.7 percentage points higher.

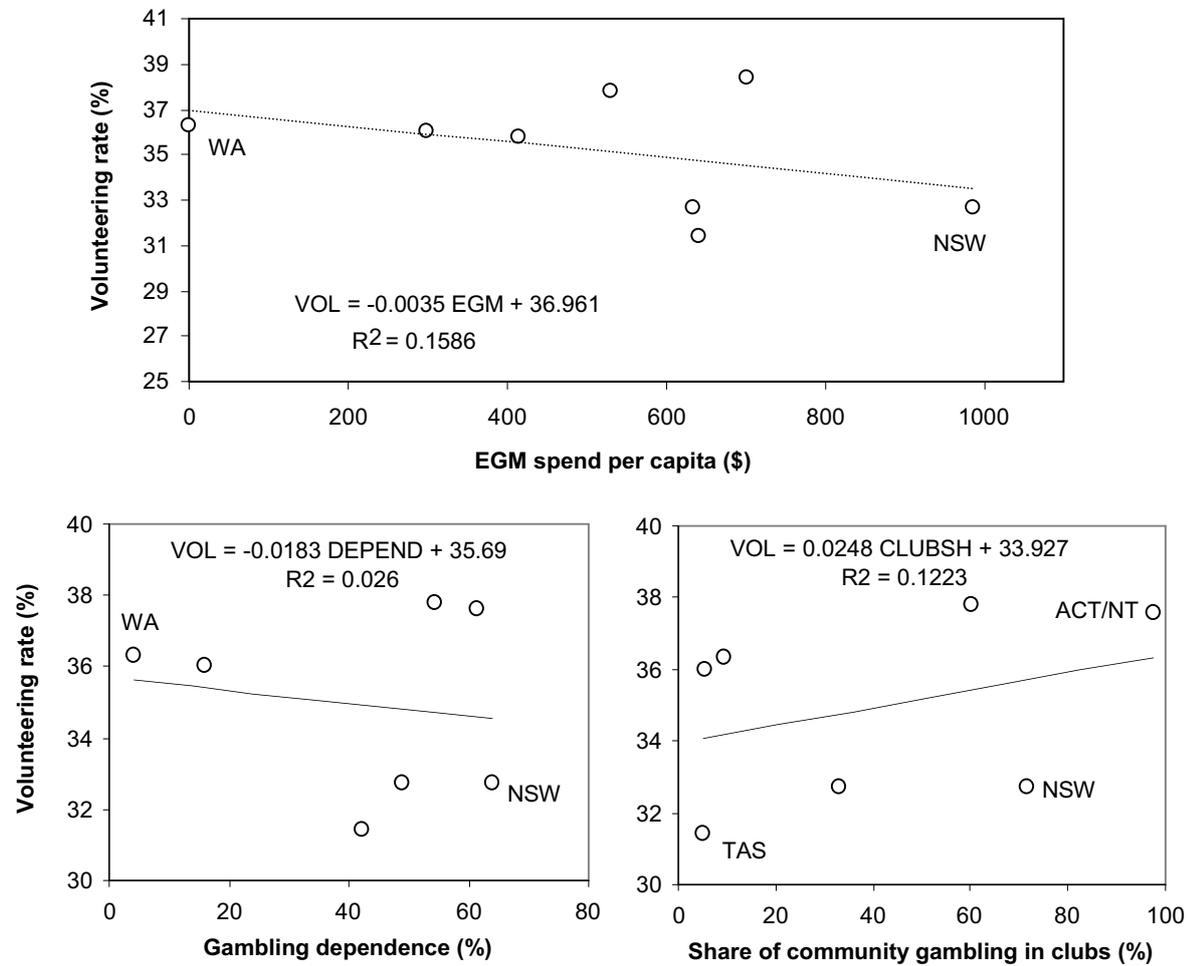
This suggests that community gambling may lead to broader cultural changes that undermine volunteering, and that this effect is even greater if gambling is concentrated in hotels rather than clubs. But given sample sizes and concerns about causality, the relationship should not in itself be used as a basis for shifting EGMs from hotels to clubs. On the same grounds, it would also not be a sufficient basis for reducing gambling revenues in clubs. Regardless, the results do not support a positive impact of club-based gambling on volunteering.

Some might argue that this finding *cannot* be right. They point to the host of dedicated volunteers in their club (or indeed, those that can be mobilised by hotels or casinos), and argue that if the club were to close or reduce in size, these volunteers would be lost to society. However, this ignores the fact that there is an almost inexhaustible demand for volunteering — community services, local

⁴ The regression found that Volunteer participation rate = 36.8 – 0.0087 per capita EGM spend + 0.066 Club share of community gambling. The two latter results were significant at close to the 1 per cent significance level respectively. The relationship explained 84 per cent of the variation in volunteering rates. While significance rates take account of small samples, the result should be seen as fairly weak evidence.

sporting activities, the environment and political activities — and that individuals' capacity for volunteering is neither limited nor restricted to just one outlet.

Figure 6.3 Volunteering and gambling, by jurisdiction^a



^a Club dependence on gambling is estimated as the share of club revenue in any given jurisdiction accounted for by gambling revenue. The club share of community gambling is the share of gambling in any jurisdiction accounted for by clubs compared with hotels, pubs and taverns.

Data source: ABS 2007, *Voluntary Work, Australia 2006*, Cat. No. 4441.0; ABS 2006, *Clubs, Pubs, Taverns and Bars, 2004-05*, Cat. No. 8687.0; and Office of Economic and Statistical Research 2008.

6.5 In-kind contributions

The margin identified by IPART between the market value of goods and services provided to members and the revenue sourced from these (a net \$676 million) comprise a large share of the total social contributions of clubs (83 per cent). An example is the provision of a sporting oval for a nominal fee (\$100), when the normal commercial charge for its use was \$2500. In that case, the apparent value to

the community would be \$2400, and this would have been entered as one element of IPART's social contribution balance sheet shown in table 6.2.

Prima facie, clubs indeed make significant social contributions in this way. However, there are several factors that offset the *net* value of these contributions.

Distorted prices

People make choices based on the prices of competing activities. If one activity is subsidised and another not, then people will tend to increase their demand for the subsidised activity. So if playing football is subsidised, then, at the margin, it would become more attractive than some other pursuits (running, bushwalking, going to the beach, playing chess). The people whose decision is changed by the subsidy do not value the subsidised activity as much as people who would have participated anyway. The method for calculating the social contribution does not reflect this.

The funding for social contributions crowds out alternative uses

The more fundamental issue is the funding source for these kinds of social contributions and the implications this has for measuring the benefits. As emphasised by clubs, and shown in the analysis above, the capacity for cross-subsidies is underpinned by surpluses on gaming machines. That then poses the question, why are there such large surpluses on gaming machines for clubs? Four factors are influential:

- 1) clubs are concessionally taxed on their gaming revenue (PC 2010, pp. 220ff). Gaming revenue tax rates for registered clubs are around half those that apply for NSW hotels (IPART 2008). IPART estimated that the value of the lower rates of gaming machine revenue tax rates for registered clubs in NSW in 2007-08 equated to approximately \$484 million. And, in NSW, the Community Development and Support Expenditure (CDSE) Scheme provides clubs with gaming machine revenue over \$1 million with a tax rebate of up to 1.5 per cent of their gaming machine profits for providing financial support to community support and development activities (box 6.6)
- 2) mutual income, which includes gaming machine revenue, is exempt from income tax. As registered clubs are not-for-profit mutual entities (formed for the mutual benefit of members rather than as profit-making commercial enterprises), member contributions and income from transactions with club members are not treated as taxable income
- 3) in some jurisdictions, clubs get concessions on the caps on machines compared with hotels, which gives them greater access to a lucrative source of revenue

4) competition does not appear to affect the price of playing gaming machines to any great extent. (In competitive markets, large surpluses on individual products are bid away through price reductions.) This probably reflects the reality that consumers do not always understand or know the price of playing a gaming machine; gambling venues cannot advertise their prices to attract customers away from competitors (an ad proclaiming the ‘cheapest pokies in town’ would not be legal — chapter 8) and some rigidities in setting prices arising from gaming machine technologies. While machines can come with a variety of pricing options, these are part of the gaming software and only a limited menu of prices are available. In comparison, most prices on goods and services can be quickly and inexpensively changed, and marketing can make consumers aware of this.

Factors (1) and (2) represent transfers from government — the community as a whole — to those people who benefit from the surpluses of clubs. These might be people in a football club, members who enjoy the quality of a club’s premises, or someone accessing a club sports facility at a lower price, with the decision about who will benefit based on the governance arrangements of the clubs themselves.

Factor (3) also represents a transfer from governments to clubs, but in a less obvious way. An entitlement to gaming machines has a value (as is apparent when trading of gaming machines is permitted). In Victoria, under the (now completed) duopoly arrangements, the Victorian Government sold the right to own gaming machines through a bidding process, realising significant government revenue.⁵ In effect, such a bidding arrangement entails businesses paying for the capacity to secure ‘excess profits’ from consumers at a later time. If the market for bidding were perfectly competitive, then all the excess profits would be bid away. However, in general, governments have not attempted to extract all future excess profits by selling rights to machines at market prices — and so this again represents a transfer.

Factor (4) is akin to the excess profits earned by a firm with market power. In commercial environments, the profits are returned to shareholders, who can use them however they wish. In clubs, the rents are distributed to members or to projects chosen by the club management. In public policy terms, neither would be desirable outcomes. Public policy would usually attempt to address the market power to achieve lower prices for consumers. So (4) should be seen as a transfer from heavy users of gaming machines to those members of clubs or the community who benefit from the club contributions. If for some reason, it was not appropriate

⁵ The new arrangements for allocating gaming machines in Victoria provide clubs with entitlements based on their existing number of machines at a price equal to a percentage of retained revenue per machine for each venue, rather than a market price. In contrast, hotels will bid in a competitive market for their quota of machines.

to lower prices, then government could levy an excess profit tax. In that case (4) would be yet another instance of forgone tax revenue.

Box 6.6 Community Development and Support Expenditure Scheme (CDSE)

The Community Development Support Expenditure Scheme (CDSE) provides registered clubs in NSW with tax rebates (up to 1.5 per cent of their gaming machine profits over \$1 million) when they spend an equivalent amount on community development and support. The scheme was established in 1998.

The *Gaming Machine Tax Act 2001* outlines the legislative arrangements for the granting of a rebate of gaming machine tax levied on registered clubs. In the Act, a distinction is made between two classes of expenditure:

- *Category 1* — expenditure on specific community welfare and social services, community development, community health services and employment assistance activities.
- *Category 2* — expenditure on other community development and support services.

To qualify for the gaming tax rebate of 1.5 per cent, clubs must contribute at least 50 per cent of those funds to Category 1 purposes, with the remainder allocated to Category 2 purposes. Category 1 expenditure in excess of 50 per cent may be used to cover shortfall in Category 2, but the reverse does not apply.

Under the scheme, NSW clubs allocated \$62.2 million in 2008. This was \$26.6 million more than required under the scheme.

Source: http://www.olgr.nsw.gov.au/reg_clubs_sect_cdse.asp.

Essentially, the excess profits that clubs use to finance their social contributions represent transfers from government. So the quid pro quo for community contributions for clubs is a reduced capacity for government to lower taxes, reduce public debt or provide more services to the community (infrastructure, health and education).

The policy relevant question then is not the *gross* value of clubs' community contributions — as large as they may be — but the extent to which they are larger than those government could obtain were it to have the funds instead.

Some participants argued that direct funding of services and infrastructure by government would result in inferior outcomes. The Community Clubs Association of Victoria (CCAV), for example, said:

CCAV doubts the general community would trust governments to deliver services at the same level and may be wary that over time, such tax revenue might be re-directed

to other areas. This argument also takes the power and decisions away from local communities to create their own recreational facilities. (sub. DR366, p. 3)

Clubs Australia also argued that, as local community organisations, clubs are able to fulfil roles that governments are unable to fill:

Clubs in some way fulfil roles and needs that are unmet by Government. A typical comment in focus groups conducted by Ucomm in July this year was:

- Government... does not know we exist out there. We know that our local hospital needs support for the bus which takes people from the retirement home around. We know what they want, because they're asking us, they're telling us. If they were to ask the government, because they are such a little organisation, they would miss out completely and that's my greatest concern in country areas in particular that they would be the ones that miss out. And we could provide that for them. (p. 156)

However, even if it were accepted that clubs might have superior local knowledge about where to spend money for sport and recreation, the conventional government outsourcing model when hundreds of millions of dollars were at stake would involve appropriate budgetary controls, public scrutiny and transparency, including:

- capped amounts (determined by the priority given by government for sports and recreation or whatever other local community activities were seen as appropriate)
- appropriate governance arrangements
- proper process, such as clear understandings about who was to make the allocation decision, criteria for doing so, full documentation of spending and the reasons for decisions.

Some participants made the broader point that there were other more pressing community needs beyond sport and recreation. The Council of Social Service of NSW (NCOSS) in a submission to the IPART review also said:

... it is important to ensure the that nature of support (direct or in kind) and its targeting (members vs general community) is appropriate to local needs. The CDSE scheme provides some scope for the necessary needs analysis to be undertaken, however, other forms of support are discretionary and determined solely by the club. This may lead to some skewing based on the internal preferences of the club's board members, historic patterns of support or other factors that may not deliver best outcomes.

Local community groups, particularly those working with emerging communities or unpopular causes such as drug and alcohol, teenage mums, or ex-prisoners may not always be an easy fit for a club's traditional priorities (NCOSS 2007, p. 7)

Professor Jan McMillen made a broader point about the tendency for community contributions to be 'highly selective' and 'skewed', based on club preferences and

history, and foregoing opportunities for spending in many other areas of critical need:

Voluntary community contributions tend to be highly selective, often directed to recipients that promote the venue with various forms of ‘badging’ (e.g. sponsorship of sports teams and equipment, courtesy buses to the venue, physical infrastructure). In many cases the recipient groups have become dependent on that funding. For example, when the Carr Government tried to increase EGM taxes to fund the state’s acute health and transport infrastructure needs, the ClubsNSW’s vigorous campaign against the proposal was supported by public rallies of sports associations and well organised community groups, including a targeted protest at the launch of the National Rugby League season (sub. 223, p. 13)

Governments are by no means perfect decision makers. They can also make mistaken spending allocation decisions — not enough for infrastructure or hospitals, too much for iconic projects. But they have a wide portfolio of spending options well beyond sports, recreation and subsidies to club members, and their decisions are publicly accountable through the political and budgetary process and a wider range of requirements for probity and disclosure. In that context, the \$676 million of in-kind benefits identified by IPART for NSW clubs is likely to have displaced an alternative set of social contributions worth more than this.

Even under the most optimistic (and unrealistic) scenario that the ‘social’ contributions made by clubs are better than government, it would be hard to argue that government would entirely waste the funds if they disbursed them. So, at best, the *net* social value of clubs’ in-kind contributions would be a fraction of the gross value.

6.6 Cash contributions

IPART identified an additional \$91 million of direct cash contributions by NSW clubs to the community. Direct cash benefits have the advantage that they are easy to value and fully identify the beneficiaries, which is not always true for in-kind contributions. But, they still raise many of the other problems discussed above. Moreover, they represent a small share of the value of the total implicit tax subsidies given to clubs. In NSW, the subsidy equivalent of tax concessions was equal to \$518 million in 2008-09 (and an additional \$206 million in other jurisdictions — PC 2010, p. E.9).

The situation appears to be considerably better in Queensland, with a survey by Dickson-Wohlsen Strategies estimating direct cash donations, grants and sponsorships of \$222.77 million across the state in 2008-09 (Clubs Queensland, sub. 257, pp. 6–7). In that state, tax concessions were \$121 million. However,

determining whether the residual \$100 million reflects a genuine net social benefit would need to consider that the ultimate source of the funding are people playing gaming machines at prices higher than would normally be found in a competitive market (as discussed above).

Contributions to sporting and physical activities

Sport and recreation forms a significant component of community contributions by clubs. Sporting contributions include funding provided to the National Rugby League and the Australian Football League. In NSW alone, professional sport accounted for \$25 million of the \$91 million of cash contributions to the community.⁶

But clubs are also a significant source of funding for non-professional sport. Including in-kind contributions of around \$8 million, overall contributions to non-professional sports amounted to around \$35 million (or just over \$5 for every person in NSW). In many cases, clubs provide sporting facilities for their members. Allen Consulting (2008, p. vi) found that sports facilities are offered by 96 per cent of the NSW clubs surveyed. Peter Turnbull of League Clubs Australia noted:

Our member clubs also provide substantial support for a wide range of other sporting activities: cricket, hockey, netball, swimming, athletics, cycling, tennis, ice skating and more. This financial support and the provision of facilities gives everyday Australians — whether they are senior citizens, adults or children — affordable and accessible sporting options, thereby contributing significantly to the overall fitness, wellbeing and good health of our nation. (trans. p. 480)

While there is little question that clubs actively support sport, it is less clear what role gambling plays in this and, in particular, its impact on encouraging greater sporting participation in the wider community or to the sporting facilities available to members. Data from the Allen Consulting Group's survey of clubs suggest that the clubs with the lowest revenue accounted for 31 per cent of the value of sports facilities across all clubs, but only around 9 per cent of total club employment and 2 per cent of total clubs' EGM assets (table 6.4). The smallest venues also weighted their own investments to sports — with around one quarter of their total assets in sports facilities. By contrast, sporting facilities accounted for around 3 per cent of the assets of the largest, and most gambling-dependent, venues. Moreover, there is a very strong negative relationship between EGM revenue dependence and sporting facilities per employee (figure 6.4).

⁶ Around \$40 million was provided to non-sporting activities, such as health and social services.

Table 6.4 The smallest, least gambling-oriented, clubs are more sports-focused

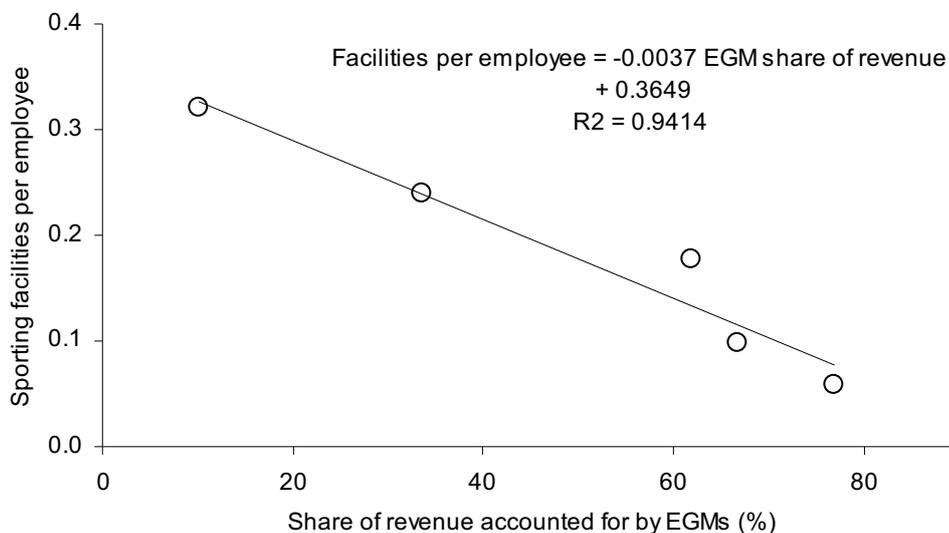
Asset values of facilities, NSW 2007

Club revenue category	Sports facilities as share of total club assets	Share of total all clubs' sports assets	Share of all clubs EGM assets	Sports to gaming machines assets	Employment share
	%	%	%	ratio	%
0 –200K	24.3	31.4	2.0	11.72	8.6
>200K – 1M	11.0	18.7	12.4	1.11	13.6
>1M – 5M	5.3	21.8	32.1	0.50	27.3
>5M – 10M	3.4	7.3	15.4	0.35	15.6
>10M	3.3	20.8	38.2	0.40	35.1
All club sizes	6.4	100.0	100.0	0.74	100.0

Source: Allen Consulting Group 2008, Socio-Economic Impact Study of Clubs in NSW (2007), Final Report to ClubsNSW, p. 24; p. 34.

Figure 6.4 Sporting facilities per employee fall with gambling dependence

NSW 2007



Source: Allen Consulting Group 2008, Socio-Economic Impact Study of Clubs in NSW (2007), Final Report to ClubsNSW, p. 17; p. 45.

As noted above by Peter Turnbull of Leagues Clubs Australia, a major purpose for supporting sport is to encourage good health (and to foster social capital). However, there is no clear link between sporting participation by children and EGMs. The proportion of children aged 5 to 14 years who participated in organised sport outside of school hours in 2009 was higher in Western Australia (no community

gaming) than New South Wales (which has the highest spending on EGM per capita and where clubs are pre-eminent — table 6.5).

Table 6.5 Children participating in organised sport^a, April 2009

	<i>Males %</i>	<i>Females %</i>	<i>Persons %</i>
New South Wales	70.4	49.8	60.3
Victoria	72.5	64.3	68.5
Queensland	65.1	55.1	60.2
South Australia	69.4	63.2	66.3
Western Australia	71.2	54.4	63.1
Tasmania	60.1	54.8	57.5
Northern Territory ^b	68.4	47.9	58.6
Australian Capital Territory	71.5	71.1	71.3

^a Children aged 5 to 14 years who participated in organised sport outside of school hours in 2009. ^b Only 72 per cent of children in the Northern Territory were surveyed as children from remote areas were not included.

Source: ABS Cat 4901.0 Children's participation in Cultural and Leisure Activities, Australia

Participation in organised sport or physical activity by people aged 15 and over was also higher in Western Australia (43.1 per cent) than in New South Wales (40 per cent), Victoria (42.1 per cent) and Queensland (38.9 per cent) in 2008. The ACT recorded the highest participation rate in organised sport or physical activity (45.5 per cent). While participation in club-based physical activity in Western Australia was lower than that in New South Wales, Victoria, Northern Territory and ACT, participation in fitness, leisure or indoor sports centres and other organised activities was higher in Western Australia than all other jurisdictions, except the ACT, suggesting a substitution effect (table 6.6).

Table 6.6 Participation in organised activity by type of organisation and by jurisdiction^{ab}, 2008

	<i>Sports recreation club or association</i>	<i>Fitness, leisure or indoor sports centre</i>	<i>School</i>	<i>Work</i>	<i>Other</i>	<i>Total</i>
NSW	25.9	14.1	4.3	1.3	8.0	40.0
Victoria	25.8	16.4	3.8	1.1	8.2	42.1
Queensland	22.8	15.7	3.8	1.4	6.8	38.9
South Australia	25.0	16.1	4.3	1.3	7.8	40.4
Western Australia	25.7	17.8	4.5	1.9	9.1	43.1
Tasmania	26.7	12.4	4.5	0.8	8.0	40.4
Northern Territory	27.9	14.0	2.8	2.6	6.8	41.4
ACT	28.1	20.3	3.9	2.3	7.2	45.5
Australia	25.3	15.6	4.1	1.3	7.9	40.8

^a 'Organised physical activity' is physical activity for exercise, recreation or sport undertaken through, or organised by, an organisation. ^b Relates to persons aged 15 and over participating at least once annually in organised physical activity.

Source: Standing Committee on Recreation and Sport, *Participation in Exercise, Recreation and Sport*, 2008.

6.7 Clubs with greater dependence on gambling serve different market segments

The different orientation to sports (and volunteering) by clubs with different levels of gambling reflects the heterogeneity of the club movement — it is not appropriate to generalise. Clubs come in many forms, from small bowling clubs with a few gaming machines to large clubs with hundreds of machines. Such clubs have different goals from each other and occupy different market segments. So, small clubs with relatively weak dependence on gambling tend to centre on social and sporting activities for their members. In contrast, while the 'super' clubs are often affiliated with the AFL or NRL, for their members they are large, high quality, entertainment complexes. In that context, IPART considered that clubs' growing emphasis on gaming activity may be changing clubs their traditional role:

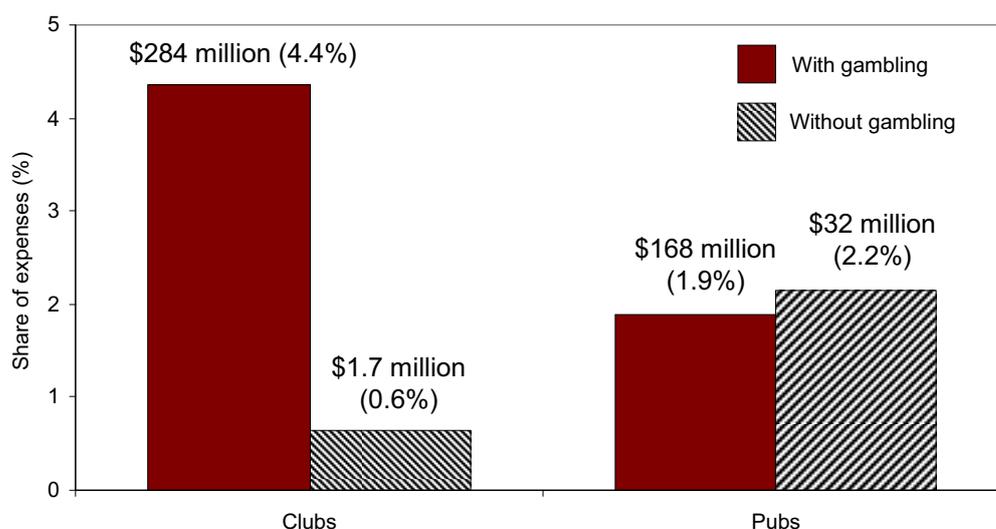
Clubs have traditionally played an important role in providing a place for people to meet and socialise, but the growing emphasis on gaming activities may be changing this. (IPART 2008, p. 45).

It is also notable that clubs with gambling operate in a more commercial manner, akin to private enterprise — in keeping with their different function. For instance, hospitality clubs without gambling spend a tiny fraction of their resources on advertising, marketing and promotion, whereas this is a major cost centre for clubs with gambling (figure 6.5) — indeed, more than for hotels (with or without

gambling). Indeed, were the cost share of marketing identified for (gambling) clubs throughout Australia to apply across New South Wales, it would amount to expenses of \$183 million in advertising, marketing and promotion, around double the direct cash community contributions made by clubs in that state.

Figure 6.5 Advertising, marketing and promotion increase with gambling

Clubs and pubs, Australia, 2004-05



Data source: ABS 2006, Clubs, Pubs, Taverns and Bars, 2004-05, Cat. No. 8687.0.

6.8 Employment and business benefits

As shown in chapter 2, there are many people employed in the gambling industry. There is also a clear relationship between employment size of enterprises (in at least clubs) and the extent of their gambling dependence (figure 6.6).

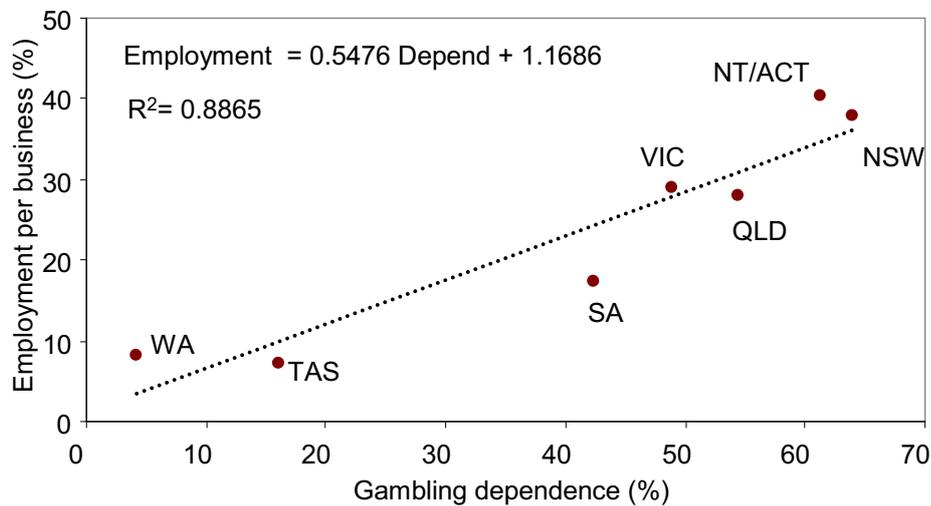
However, the presence of jobs *in* an industry does not mean that those jobs are additional in a net sense, since most if not all the people concerned would have been employed in other industries were the gambling industries smaller. It is often not well understood that unemployment and labour force participation — and therefore jobs — are not determined by the industry structure or technology of a country, but by more aggregate factors, such as the wage determination process and the business cycle. This is evidenced by the fact that different countries can have quite different industry structures without any differences in their employment rates. Similarly, industry structures have changed radically in Australia over the last century, without any lasting effect on unemployment rates.

At the heart of this is the question: would the bar and gaming staff, accountants, entertainers and cooks employed in the gambling industry be unable to find a job in the absence of the gambling industry? Were they unemployed before the growth of the gambling industry? Are such people currently unemployed in Western Australia?

As the industry often points out, their staff are a key to their business — they are hired because they are competent and good communicators, but these skills are in high demand in many industries, including in other parts of the service sector.

Figure 6.6 Enterprises are bigger in jurisdictions where clubs get more gambling revenue

2004-05



^a Businesses may have more than one premises. The data relate only to ‘hospitality’ clubs, those that generated income predominantly from sales of alcohol, gambling, meals and other hospitality services. Clubs whose main activity was the provision of sporting services were not included within the scope of this industry.

Data source: ABS 2006, *Clubs, Pubs, Taverns and Bars, 2004-05*, Cat. No. 8687.0.

There can be exceptions to this degree of labour flexibility. People might have highly specific skills or be trapped in depressed regions with large barriers to mobility. And people with lower skills in labour markets with inflexible wages can get trapped in unemployment and lose job confidence and skills (‘hysteresis’). Some of the persistent unemployment in ‘rust belts’ in the United Kingdom and the United States falls into this category, and in some regional areas in Australia. However, the people employed in the gambling industries mostly live in major urban areas and have highly portable skills that are sought after across the service sector generally.

Indeed, there are looming skills shortages in the hospitality sector. Service Skills Australia (SSA), a not-for-profit, independent organisation considered:

National and international data indicates that there is a continuing shortage of suitably qualified and skilled workers for the tourism and hospitality industry. The tourism and hospitality industry is forecast to experience continued strong growth in the years to come. To support the industry's success, and facilitate this projected growth, industry must work together to ensure we have access to suitable skilled labour. (ServiceSkills Australia 2009, *Tourism and Hospitality Workforce Development Strategy*, p. 1)

Clubs Australia, the Australian Hotels Association, the Australasian Casino Association, other peak bodies in the hospitality industry, and the SSA developed the Tourism and Hospitality Workforce Development Strategy to address these impending shortages. The excess demand for hospitality employees suggests that contractions in the gambling industry would reverse the process that occurred when there was phenomenal growth in the gambling industry after liberalisation, shifting employees to other industries that value their skills.

The distinction between the gross and net employment impacts of the gambling industry is a common feature of analyses that take account of the economy-wide feedbacks. The 2008 report by Allen Consulting for Clubs ACT on the social and economic impacts of clubs⁷ noted the important distinction between the net employment effects associated with the expansion of an industry, and the effects of such an expansion on the industries and occupations where people are employed.

... it is important to consider that the approach [input output analysis] lacks broader credibility ... For example, input-output analysis can provide an estimate of the total employment 'created' from an increase in expenditure in the club industry. This is quite different from estimating the net effect on the economy/employment as the increased activity in the club industry may displace workers from the 'food and beverage supply' industry. (p. 31)

Another analysis of clubs noted that:

... empirically, while many clubs in Australian cities do provide certain services that are unlikely to be provided by for-profit firms, they nonetheless also have a very clear place in many geographic markets in providing goods and services that would almost certainly be otherwise provided by for-profit firms (Beer 2009 p. 5)

The modelling undertaken by the CIE on behalf of the gaming industry for this inquiry incorporated this well-known feature of labour markets. Their model showed no long-run effect on national employment from even full prohibition of the gambling industries (Centre for International Economics 2009). A similar study undertaken by PricewaterhouseCoopers (2009, pp. 58ff) on behalf of the Australian Hotels Association found similar results.

⁷ Allen Consulting Group 2008, *Socio-Economic Impact Study of Clubs in The Australian Capital Territory*, March, Final Report To ClubsACT, p. 31.

Of course, abrupt changes in industry structures associated with regulatory changes can cause unemployment over the shorter run. The principal way of addressing this concern is through the gradual implementation of reforms, which would mean that:

- reductions in employment would be more readily met by labour turnover and the retirement of older employees
- there would be no sudden outflow of people into the local labour market, which would make it quicker for them to find new jobs
- employees would be able to pre-search for other job opportunities and to develop their skills, if needed, to make them more marketable in those jobs.

The Commission has recommended a more gradual implementation of harm minimisation than proposed in the draft report. (And phasing of reduced tax concessions would equally be needed.) It has also recommended temporary exemptions for smaller venues — many of which will be in regional labour markets. The proposed, more gradual, changes to policy changes will reduce what are already likely to be small community and economy-wide employment effects of a contraction in some parts of the gambling industry.

Other impacts?

There can be benefits from gambling if, at the margin, employees in the gambling industries get higher wages than they would have had were they employed in other businesses. The statistical evidence suggests that employees in gambling venues earn more than those in venues without gambling, with an average premium of around 25 per cent.⁸ However, it is uncertain how much that reflects the higher productivity of gambling venues, or the fact that venues with gambling require higher level social and other skills than those without gambling.

Similarly, business owners may make greater profits and taxpayers may get higher tax receipts from foreigners. In particular, there are likely to be some national income benefits for specific gambling ventures, such as casino complexes that form major entertainment and accommodation hubs, and that attract overseas tourism.

Nevertheless, the overall (incremental) supply-side gains are small fractions of the observed wages, profits and taxes associated with the industry, because the resources used by the gambling industry have productive uses elsewhere in the economy. That said, it should be acknowledged that there are likely to be some

⁸ Based on analysis of labour costs per estimated full-time equivalent employee.

benefits of this kind, and poorly targeted policy intervention could adversely affect these.

6.9 The bottom line on the benefits of gambling

Like many other businesses, clubs, casinos and hotels play important roles in their local communities beyond those that are purely commercially motivated. However, the real size of genuine community benefits are a fraction of those recorded — most particularly for clubs. This mainly reflects the fact that ordinary business expenses are sometimes deemed to be community benefits and that the alternative social uses of the large implicit tax subsidies to clubs are disregarded in the analysis.

As the Commission pointed out in its parallel inquiry into the not-for-profit sector (PC 2010, p. 224) there are also strong grounds to significantly lower tax subsidies for clubs on competitive neutrality grounds. The Commission said:

... the fact that clubs provide donations and other support to the community in general is not a prima facie argument for providing clubs with substantial tax concessions in relation to gaming income, especially given the cost of the concessions is considerably greater than the size of the donations. For competitive neutrality purposes the issue is not whether public benefits may be generated but rather whether the way in which government support is delivered creates distortions. The Commission concludes that present tax concessions on gaming income provided to clubs by governments breach competitive neutrality principles. However any change in the taxation of club gaming revenue would need to be phased in over some years to allow time for adequate adjustments.

Accordingly, there are strong grounds for governments to significantly reduce gaming tax concessions. This would address the inequity and inefficiency of current arrangements. The changes would provide governments with a revenue source that they could distribute through accountable budgetary processes to the community at large. To the extent that any subsidies remain, they should be commensurate to the benefits, and there should be improved disclosure of, and accountability for, community contributions.

Given the magnitude of these subsidies, their immediate removal would necessitate significant adjustments for clubs, particularly large ones that are highly dependent on gaming revenue. A phased adjustment would allow such clubs to diversify their activities and to plan their transition.

There is little question that members of clubs with the greatest EGM dependency would face higher prices for their services were government subsidies removed, but the quid pro quo is likely to be improved funding of high priority community

projects in health, infrastructure and education, among others. Adverse impacts on community sporting participation and volunteering are unlikely, illustrated by the fact that jurisdictions without much of a club presence or EGM gambling have at least as high a rate of participation in these activities.

In this inquiry, clubs have raised their ‘social’ and employment contributions as a major consideration in determining policies for harm minimisation. In essence, the claim is that stronger harm minimisation measures would undermine the capacity to deliver these contributions. However, as the analysis above shows, the *net* social and supply-side benefits are much smaller than the gross ones. Indeed, they are sometimes negative when the existing policy distortions and flawed social accounting methodologies are taken into account. That particularly holds for ‘super’ clubs. The evidence shows that these place a relatively low weight on volunteering and members’ sporting facilities compared with smaller, less gambling-dependent traditional clubs. There are, therefore, not many genuine net social and supply-side contributions at risk from improving the efficacy of harm minimisation measures.

In any case, pursuing the goal of maximising the wellbeing of the community at large — the Productivity Commission’s charter — often involves adverse effects on particular industries. This was true for the reform processes that reduced barriers to trade, created competition in infrastructure services and de-regulated certain professions. From a community-wide perspective, it is sometimes appropriate for an industry to experience revenue and employment losses if there is a sufficient public good. Were the policy criterion to maintain or stimulate business revenue, then there should be no liquor laws or bans on smoking in premises. Industrial history is replete with instances in which certain economic interests — tobacco, coal mining and asbestos — have suffered from regulated increases in safety standards.

The more justified concern is not the adverse impacts of harm minimisation (or reformed tax arrangements) on the industry *per se*, but whether the policies are sufficiently well-designed and effective to target the problems, without collateral damage to the most valuable aspect of the industry — the recreational value to its consumers. The design of targeted measures has been a major consideration by the Commission in making its recommendations.

FINDING 6.1

The gambling industry makes various contributions of value to local communities, including through the provision of secure, accessible venues.

The large tax concessions on gaming revenue enjoyed by clubs in some jurisdictions (notably New South Wales) cannot be justified on the basis of realised community benefits. There are strong grounds for these concessions to be significantly reduced, though this would require phased implementation to facilitate adjustment by clubs.

6.10 The size of the ‘prize’ from more effective harm minimisation

Understanding the magnitude of the benefits and costs of the gambling industry provides an indication of the size of the benefits from effective harm minimisation policies and the risks from poorly targeted measures.

As discussed above, the main benefits from gambling are gains to recreational gamblers, while the main costs relate to the harms experienced by gamblers (putting aside the distortions associated with large implicit subsidies to the industry).

Gambling problems impose many costs, including burdens for family members from the financial and social impacts of problem gambling behaviours, and costs for society generally from increased fraud, provision of help and welfare services and other impacts. Some of these costs are discussed in chapters 4 and 5. Delfabbro (2009) recently summarised their nature and qualitative importance, and they were partly quantified in the Commission’s 1999 report.

The framework

To assess the likely contemporary aggregate costs and benefits of gambling, the Commission used the same conceptual framework developed in its 1999 report, but updated the values to reflect:

- changes in demand. In nominal terms, gambling expenditure (player losses) has nearly doubled.
- the likely reduction in the adult prevalence rate of problem gambling
- changes in the adult population. The adult population has grown from around 14 million to nearly 17 million over this period

-
- increased real household income per capita. The value of avoiding adverse social and health outcomes rises with real income,⁹ suggesting that the social costs of gambling would have risen in proportion with that income.
 - inflation, which, with real household income changes, will have increased the costs faced by problem gamblers. The Commission's cost and benefit estimates are in 2008-09 prices.

Consumption by recreational gamblers

Recreational gamblers are assumed to derive large consumer surpluses from their gambling. The extent of these benefits depend on the assumptions about elasticities spelt out by the Commission in its 1999 report (appendix C).

Dollery and Storer (2008) point out that the Commission's 1999 approach has been the dominant method for appraising benefits and costs associated with gambling, but dispute the methods for calculating the benefits. In particular, they contest whether the consumer surplus would be as large as shown in table 6.7 below. They cite two concerns, of which the most important is that the consumer surplus of recreational gamblers is not clearly defined when many consumers make poorly informed decisions.¹⁰

The Commission accepts that to the extent that people have faulty cognitions about the prospects of winning (as discussed in detail in chapter 4), there is potential for 'excess' spending. Theoretically this is a cost that should be taken into account in calculating consumer surplus, though doing so in practice would involve significant difficulties.

Taxes

Gambling is heavily taxed. These taxes represent a transfer from consumers to government (and ultimately to the community as a whole). The consumption benefits above exclude this transfer, so it must be separately accounted for in cost-benefit analysis. As shown in chapter 2, around \$5 billion of taxes were collected by state and territory governments in 2008-09. However, those taxes exclude some tax revenue (box 6.7), most importantly the GST on gambling. Using the method

⁹ For example, see Bellavance et al. (2007) and Costa and Kahn (2003).

¹⁰ The other related to whether one minus the rate of return represents the 'price' of gambling. The Commission still considers this the best measure of price. It is proportional to the expected amount of money someone would spend for a given period of time and playing style. This is consistent with prices for many other entertainment services.

described in box 6.7, the Commission has estimated overall tax revenue of around \$6.3 billion for 2008-09.

The costs for problem gamblers

Many products involve the potential for costs. It is often assumed that people rationally factor those costs into the decision to purchase the product — in effect, these are simply part of the price. In those instances, it would be inappropriate to count those costs again when estimating the overall value of the product. However, problem gambling is characterised by lack of control and faulty cognitions (chapter 4). The assumption that problem gamblers take into account all the problems associated with their gambling when making spending decisions is not consistent with what they say, their attempts to constrain themselves through self-exclusion, or their efforts to seek help. As in the Commission's 1999 report, this inquiry includes harms like depression, suicides and relationship breakdown as genuine social costs, though they mostly fall onto the person making the decision to gamble.

Using the results from its 1999 study, the Commission estimates that the value of the costs per problem gambler would approximately lie between \$10 000 and \$30 000 (in current price terms). (These costs do not include the financial costs of gambling, which are discussed below.) This estimate reflects the combined effects of changes in real household disposable income per capita and inflation. The Productivity Commission (1999, appendix J and chapter 9) spell out the nature and value of the harms that underlie these estimates.

It should be emphasised that the Commission recognises that some of the problems that gamblers attribute to gambling may reflect co-morbidities. In addition, there is a risk that some costs are clearly linked, and should not be valued separately. For example, the emotional costs associated with suicide attempts and depression are associated. In some instances, perceived costs include some transfers (as in theft of money). The cost estimates have been adjusted to address the impacts of co-morbidities, double counting and transfers. (The Commission used the adjustment approaches described in the 1999 report.) Some costs are not included in the above estimates, such as suicide.

There is an important complication arising from the use in the present inquiry of recalibrated costs from the Commission's 1999 study. In that study, the average costs per problem gambler were estimated by:

- measuring the number of problem gamblers experiencing particular kinds of harm

-
- multiplying these numbers by the costs of the relevant harms
 - summing the costs over all problem gamblers and dividing by the number of problem gamblers.

However, the South Oaks Gambling Screen (SOGS) was used to define problem gambling, whereas the CPGI has been used in recent surveys. As discussed in chapter 5, the SOGS categorises more people as problem gamblers than the CPGI. The extent of harm experienced by those people who would meet the SOGS, but not CPGI, criteria for problem gambling, would be less than the harms experienced by those people who would meet the CPGI criteria alone. This has the implication that the cost per ‘problem gambler’ using the SOGS criteria would be lower than the one that would apply for someone identified as a problem gambler using the CPGI. As a result, the multiple of the PC 1999 costs per problem gambler and the CPGI estimate of problem gambling would underestimate aggregate costs significantly.

Accordingly, to place the studies on a comparable basis, the Commission needed to identify the number of people in 2009 that would be categorised as problem gamblers using the SOGS instrument. (The alternative would be to apply an ‘uplift’ factor for the smaller population identified by the CPGI, but the information needed to do that is not available). The Commission has used the approach described in chapter 5 to estimate the relevant number of problem gamblers based on SOGS.

To be conservative, the Commission has used the lower of the estimates of problem gambling (0.48 per cent for CPGI 8+ and 1.36 per cent for CPGI 3–7) in undertaking the above calculation.

‘Consumption’ by problem gamblers

The usual assumption that spending confers benefits on consumers is not warranted for problem gamblers, given the presence for that group of widespread harms and control problems. Nevertheless, as in the Commission’s 1999 report, the Commission has assumed that problem gamblers still receive a consumer surplus associated with part of their spending (the level of spending characteristic of recreational play), but the residual or additional amount of spending is treated as a cost.

The size of this cost depends on the share of spending accounted for by problem gamblers. In the 1999 study, the problem gambling spending share for all gambling was 33 per cent and 42 percent for EGM gambling. The evidence suggests that the latter proportion has not fallen (appendix B). However, in order to err on the side of conservative (low) estimates of the costs of problem gambling, in its base case estimates, the Commission has used an expenditure share of 25 per cent for EGMs

and 20 per cent for all gambling. The value of using conservative measures is that they demonstrate that there are still very large dividends from policies that address the harms from gambling.

Costs for others

The Commission has not included any social costs experienced by recreational gamblers — who include all those classified as experiencing no or low risk, and a significant share of those categorised as experiencing moderate risks. In fact, non-problem gamblers can experience harms, such as those arising from adverse employment and health outcomes relating to their gambling (chapter 4).

Calculating the costs described above would be complicated, though they may be appreciable given the findings in chapter 4. Their exclusion further accentuates the point that the cost estimates in this chapter are highly conservative (under-estimates).

Some see distributional issues and community impacts as paramount in assessing costs and benefits, and in framing regulations. In responding to a set of questions posed by SACES (2009) concerning the Productivity Commission's 1999 cost-benefit methodology, the New Zealand Department of Internal Affairs (DIA) indicated that they did not look at gambling policy in terms of benefits to consumers or as a source of tax revenue. Instead, they were primarily concerned about impacts on different communities and the inequalities that could arise. As a result, local government has significant powers in relation to many aspects of gambling and all profits of non-casino gaming machines are allocated to community purposes. To some extent, the distinctions between the Commission's and the DIA's perspectives are semantic (given that the Commission acknowledges the relevance of harms and benefits to communities). Nevertheless, the approaches reflect different paradigms and, implicitly, the DIA's model would suggest less net benefits from the Australian form of gambling provision than the Commission's modelling results.

The net cost-benefit picture

Reflecting the uncertainty over the costs per problem gambler and the elasticities of demand for gambling, the cost-benefit range presented here is necessarily wide (table 6.7). The results for 2008-09 suggest:

- large tax and consumer benefits from gambling, lying in the range between \$12.1 and \$15.8 billion
- large social costs associated with gambling, lying in the range of \$4.7 to \$8.4 billion

-
- indicating overall large net social benefits from gambling of \$3.7 to \$11.1 billion.

Unlike the Commission's 1999 study, the range of net costs and benefits do not include the possibility of a net loss. This is a result of the conservative approach used on this occasion to estimate the costs.

If 'average' estimates for prevalence rates and spending shares (as shown in chapter 5) are used, the results suggest the possibilities of net social costs (table 6.8). This is entirely a reflection of the harms associated with EGMs, where the prospects of a net loss in that scenario are greater. That said, the estimates suggest that those prospects are considerably lower than was the case in 1999.

The figures in tables 6.7 and 6.8 are for one year only. In practice, the benefits of gambling and its associated costs will stretch into the future. Moreover, the population is growing, and so is household income. These influences will increase the numbers of problem gamblers (though not the prevalence rate), raise gambling expenditure and produce greater social costs per problem gambler and bigger benefits. Given that people care less about costs (and benefits) tomorrow than costs (and benefits) today, these long-run future numbers have to be discounted to their 'present value'. Taking all these factors together, the 'present value' of the costs and benefits of gambling in constant 2008–09 prices would be many multiples of those shown in tables 6.7 and 6.8.

'Incremental' analysis

There is an important distinction between assessing the benefits and costs associated with a particular proposed policy change and assessing the benefits and costs of a whole industry, as represented by the figures shown in the tables above. The latter 'aggregate' analysis would be useful if the only option before government were to allow or prohibit the existence of an industry. That would be rare. The former 'incremental' approach is the usual focus of cost-benefit analysis, because it helps inform practical decisions as to whether and how much change should occur.

Box 6.7 Gambling taxation

Gambling is subject to a range of direct taxes, such as those levied by state and territory governments on gaming machine revenue. There are several implicit taxes:

- license fees. In some cases, license fees represent a one-off payment for exclusive access. For instance, Star City casino paid \$100 million for an exclusivity agreement for the 12 years from November 2007. Annual taxation data excludes such arrangements, though there are arguments to calculate the annuity they represent over the exclusivity period and to include this annuity in estimates of the tax take
- mandatory community contributions (such as the requirement for the casino to make contributions through a responsible gaming levy in NSW).

The Australian Government also charges GST on domestic gambling expenditure, but returns it to state and territory governments. (The GST rate is 1/11 not 10 per cent on gambling.)

There is no single source that collates such taxes. Various sources give differing estimates, reflecting their coverage of taxes and levies. In 2004-05:

- the Australian Gambling Statistics recorded government revenue of \$4.5 billion levied on total gambling revenue of 16.9 billion, which is equivalent to an implicit tax rate of 26.3 per cent. This excludes any GST component and some levies
- an ABS gambling publication recorded tax and levy income for governments of \$5.6 billion on net takings (revenue) of \$15.5 billion, which is equivalent to an implicit tax rate of 36.4 per cent (ABS 2006, *Gambling Services, Australia 2004-05*, Cat. No. 8684.0). This includes the GST component of taxation and accounts for levies
- an ABS tax publication recorded gambling tax revenue of \$4.3 billion (ABS 2009, *Taxation Revenue, Australia, 2007-08*, Cat. No. 5506.0). This excludes the GST. This number is used by the Grants Commission.

In the absence of a single source, the Commission has used the following approximation. The ABS estimate for tax revenue inclusive of the GST and levies in 2004-05 (\$5.6 billion) is 26.5 per cent greater than the revenue estimate given in the Australian Gambling Statistics (\$ 4.5 billion). That uplift factor is used to gross up the state and territory budget figures for gambling revenue. That gives a total tax take of \$6.3 billion. This is used in the Commission's cost-benefit estimates. A similar method is used to estimate the tax revenue associated with EGMs in clubs, pubs and casinos.

Table 6.7 Gambling benefits and costs: the conservative estimates^a
(\$ million, 1997-98 and 2008-09)

	1997-98		2008-09	
	High elasticity	Low elasticity	High elasticity	Low elasticity
<i>All gambling</i>				
Tax and recreational consumer benefits	8 772	7 057	15 770	12 146
Problem gambling cost				
High	8 282	8 278	8 427	8 422
Low	4 496	4 492	4 669	4 665
Net social benefits				
High	4 276	2 565	11 101	7 481
Low	490	-1 221	7 344	3 724
<i>EGM gambling</i>				
Tax and recreational consumer benefits	4 652	3 773	9 186	7 073
EGM gambling - problem gambling cost				
High	6 405	6 402	6 308	6 305
Low	3 524	3 521	3 627	3 624
Net social benefit				
High	1 128	252	5 558	3 449
Low	-1 753	-2 629	2 878	768

^a The results are presented in a different way from the 1999 report (PC 1999, p. C.25, p. J.37). In particular, in this presentation of the data, the tax and consumption benefits for recreational gamblers are shown separately from the consumption losses of problem gamblers. The latter losses are included in the overall social costs. This presentation of the data makes no difference to the net social costs, but is relevant to understanding the impacts of policy. It should be noted that the results are based on a low estimate of a spending share by problem gamblers, the lowest range of problem gambling, and exclusion of all costs that might affect recreational gamblers.

Source: Productivity Commission calculations.

The fact that the gambling industry has net social benefits, therefore, is neither surprising nor necessarily policy relevant. The key issue is whether policy changes could achieve better outcomes. This could involve improved harm minimisation measures that target the harm (the main thrust of this report), but also changes to competition arrangements to increase the consumption benefits of gambling.

Table 6.8 Gambling benefits and costs: the ‘average’ results^a
(\$ million, 1997-98 and 2008-09)

	1997-98		2008-09	
	High elasticity	Low elasticity	High elasticity	Low elasticity
	\$m	\$m	\$m	\$m
<i>All gambling</i>				
Tax and recreational consumer benefits	8 772	7 057	14 672	11 470
Problem gambling cost				
High	8 282	8 278	9 771	9 765
Low	4 496	4 492	6 013	6 007
Net social benefits				
High	4 276	2 565	8 659	5 463
Low	490	-1 221	4 901	1 705
<i>EGM gambling</i>				
Tax and recreational consumer benefits	4 652	3 773	8 087	6 397
EGM gambling - problem gambling cost				
High	6 405	6 402	7 720	7 715
Low	3 524	3 521	5 040	5 034
Net social benefit				
High	1 128	252	3 047	1 363
Low	-1 753	-2 629	367	-1 318

^a The results are presented in a different way from the 1999 report (PC 1999, p. C.25, p. J.37). In particular, in this presentation of the data, the tax and consumption benefits for recreational gamblers are shown separately from the consumption losses of problem gamblers. The latter losses are included in the overall social costs. This presentation of the data makes no difference to the net social costs, but is relevant to understanding the impacts of policy. It should be noted that the results are based on a low estimate of a spending share by problem gamblers, the lowest range of problem gambling, and exclusion of all costs that might affect recreational gamblers.

Source: Productivity Commission calculations.

The estimates above show that even using the most conservative estimates, there are likely to be large gains from even modestly effective policy. Taking the lowest estimate of the social costs associated with gambling for 2008-09 across tables 6.7 and 6.8, suggests that a 10 per cent reduction in harm would produce an annual gain of around \$470 million (\$360 million relating to gaming machines only). There would be some offsetting losses of benefits:

- some tax revenue would be lost. However, spending diverted from gambling would still be taxed, so the actual loss in revenue would not be equivalent to the apparent loss in revenue. In addition, to the extent that policy measures effectively target revenue from problem gamblers, the value of any accompanying revenue losses must be less than the harm posed by excessive gambling by this group.
- some recreational gamblers may be affected by new regulations, though the Commission has proposed highly targeted measures, usually with a gradual

transition, which will allow both businesses and recreational gamblers to adapt to them (as they seem to have done with the smoking bans).

On the latter score, the subsidiary goal of limiting any negative impacts on recreational gamblers does not mean there will be no such impacts, and indeed, in some cases a policy that had a larger impact on the industry and the benefits enjoyed by recreational gamblers may still be preferred to the one that does less, so long as there are commensurately greater gains from effective harm minimisation. Gambling experts have also highlighted this tradeoff:

... [harm minimisation strategies] should have a minimal impact on the satisfaction of recreational gamblers. However, this should not be the predominant variable that determines the acceptability or utility of any harm minimisation intervention. The predominant factor would be the potential for the protection against, and reduction of harm associated with, problem gambling (Blaszczynski et al. 2001, p. 19)

This is illustrated by the hypotheticals in table 6.9. Policy 1 is poor because, while it produces some reduction in harms, that reduction is not worth the collateral damage to consumers and other parties. (Indeed, policy 1 would not pass a cost-benefit test). Policy 2 is far superior because it has the same level of adverse effects for consumers and others as policy 1, but with a more than offsetting dividend from a reduction in harms. Policy 3 has no adverse effects, on recreational consumers or others, but produces only small reductions in harm. Policy 4 is superior to all other policy positions, even though it has worse outcomes for recreational consumers and others than policies 1, 2, 3 or the status quo.

In practice, with careful targeting and appraisal, there are good prospects of avoiding ‘collateral damage’ on recreational gamblers from harm minimisation measures. It should also be emphasised that some harm minimisation measures are likely to improve outcomes for recreational gamblers, and may indeed enhance their enjoyment.¹¹

¹¹ For example, McDonnell-Philips (2006, p. 321) found that some non-problem gamblers thought that various harm minimisation measures would *increase* their enjoyment.

Table 6.9 Ranking policies

	<i>Recreational consumer gains</i>	<i>Tax and business gains</i>	<i>Harm</i>	<i>Net benefits</i>	<i>Ranking</i>
	A	B	C	A+B-C	
Status quo	100	20	70	50	4
Policy 1	95	18	66	47	5
Policy 2	95	18	60	53	2
Policy 3	100	20	68	52	3
Policy 4	90	15	45	60	1

FINDING 6.3

While it is not possible to be definitive about the costs and benefits of gambling, the Commission estimates that in 2008-09:

- the benefits from tax revenue and enjoyment of gambling for recreational gamblers ranged between \$12.1 and \$15.8 billion*
- the costs to problem gamblers ranged between \$4.7 and \$8.4 billion*
- the overall net benefits ranged between \$3.7 and \$11.1 billion.*

The net benefits could be much larger if governments reduced the costs through effective prevention and harm minimisation policies.

FINDING 6.4

Even under conservative assumptions, a sustained 10 per cent reduction in the costs associated with problem gambling is estimated to generate benefits to society of around \$450 million a year in 2008-09 prices, and longer-term benefits amounting to several billion dollars. This implies that even harm minimisation measures with modest efficacy may produce worthwhile net benefits so long as they do not also involve disproportionate costs.

7 Counselling and treatment support services

Key points

- Only a small proportion of people experiencing problems with their gambling seek professional help. The available data suggests that around 17 500 people attended gambling help services in 2007-08.
- Most clients of help services have either 'hit rock bottom' or are coming close.
- Social stigma associated with having a problem, denial of a problem or believing they can handle it themselves, are the main reasons why gamblers do not seek professional help.
- Interventions need to cover the full continuum of gambling problems and not just focus on 'treatment'.
 - Governments should place greater emphasis on community awareness, to dispel common myths about gambling, tell people how to gamble safely and encourage earlier help-seeking and interventions by family and friends.
 - Pathways for referral would be improved by better informing general practitioners and other front-line professionals.
- People experiencing problems with gambling can recover without professional help, and the evidence suggests that many do. Relatively low cost interventions have the capacity to increase self-recovery.
- Outcome studies show that the majority of clients who seek professional help benefit from treatment (irrespective of its form). And, while cognitive behavioural therapy has the most empirical support, no one style of intervention is necessarily best practice.
- There would be benefits in having an agreed minimum standard of specific training for problem gambling counsellors.
- Funding sources for gambling help services currently are too narrow in their coverage of gambling forms.
- Nationally consistent data is much needed. Common evaluation processes and coordination of the collection of data would be highly desirable.

A main element of the policy response by governments to problem gambling is to provide counselling and treatment support to people experiencing problems with gambling, as well as to family or friends who may be affected. All state and territory governments in Australia provide free treatment services, including:

- 24 hour gambling helplines (a national 1800 number) offering counselling, information and referral services
- websites providing information, online counselling, self-help material and tools
- face to face counselling, including intensive clinical therapy, financial and relationship counselling, and group support.

The states and territories also fund community education and research activities (appendix J).

The key question for this chapter is whether these services achieve their objectives and the extent to which there is scope to improve them. Help services are important to achieving good outcomes, but are also costly for governments (and therefore taxpayers). In 2007-08, around \$48 million was spent on specialist gambling counselling and support services, community education and research.

This chapter assesses:

- the capacity of the services to reach problem gamblers and what governments can do to enhance this (section 7.1)
- the effectiveness of the ‘treatments’ used to assist problem gamblers, and whether there are preferred approaches (section 7.2)
- whether there are benefits in increasing the qualifications or training of counsellors (section 7.3)
- the adequacy of funding arrangements (section 7.4).

The need for better evidence as a basis for decision-making about help services is a key theme (section 7.5).

7.1 Reaching the target population

A first step in improving the reach of services is an understanding of:

- how many people seek help (or do not)
- their motivations for doing so (or not)
- the nature and extent of their problems.

Relatively few people with problems seek help

Only a small share of people experiencing problems with gambling seek formal help from counselling and treatment services. While it is difficult to know the 'exact' number, client data collected by the states and territories suggest that around 17 500 people attended gambling counselling and treatment services in 2007-08 (appendix J). The data, however, are not strictly comparable (some jurisdictions collect data on 'all' clients, others on 'new' clients, some include clients attending gambling financial counselling). This estimate also excludes people seeking help from privately provided or voluntary gambling help services (such as Gamblers Anonymous and private psychiatrists) and those seeking help from generic community services as well as financial and relationship counselling agencies.

Based on there being around 80 000 and 160 000 Australian adults suffering significant problems from their gambling, and excluding clients seeking help for someone else's gambling problem (around 4000 people), this suggests a help seeking rate of between 8 and 17 per cent.

Low rates of help-seeking by people experiencing problems with gambling are not unique to Australia. Internationally, around 6-15 per cent of people experiencing problems with gambling are reported to seek help from problem gambling services (Slutske 2006, Suurvali et al. 2008).

Who does seek help?

Data collected by the states and territories suggests that:

- Most of those seeking formal help are primarily experiencing problems with electronic gaming machines (EGMs), or they identify EGMs as the principal preferred form of gambling activity.
- Most people seeking help have been experiencing problems for some time. Data collected in both New South Wales and Tasmania, show the most commonly reported length of time experiencing problems with gambling is 2 to 5 years (25 per cent in New South Wales and 32 per cent in Tasmania). Seventeen per cent of males and 12 per cent of females in New South Wales report having experienced problems for more than 15 years.
- Most clients do not receive prolonged periods of treatment. New South Wales, for example, reported a session-to-client ratio of 4 in 2007-08, with 30 per cent of problem gambling clients and 49 per cent of financial counselling clients receiving only one counselling session during the reporting period.

-
- Many people seeking help for gambling problems also have co-morbidities. In New South Wales, for example, of those clients presenting for counselling, 43 per cent reported having at some stage been diagnosed with anxiety, 55 per cent with depression, 29 per cent with alcohol problems and 19 per cent reported problems with other drugs.

Additional client profile information is provided in appendix J.

What triggers help-seeking?

People experiencing problems with their gambling often do not seek professional help until a ‘crisis’ occurs — financial ruin, relationship break down, court charges or attempted suicide — or when they hit ‘rock bottom’. As one gambler said:

Recognition that I had a gambling problem came the day I went to buy some groceries and found there was no money in my account. The trigger ... was serious threats by my family to quit dealing with me. (quoted in McMillian et al. 2004, p. 155)

The evidence from counselling services is consistent with this:

... those clients who do seek help often do so some considerable time after they first recognise the problem, by which time gambling and its associated problems have reached crisis point and much damage has been done. (DoJ 2008, p. 8)

By the time people experiencing harm as a result of their own or someone else’s gambling find their way to counselling they are usually in a very distressed state. Of 249 Gambling Care clients whose files were active in the 07/08 financial year, 87 (34 per cent) had indicated they had seriously considered suicide and 17 (7 per cent) that they had attempted suicide as a result of their problems with gambling. A small but steady number found themselves before courts for the first time as a result of offences related to their problem gambling and we usually have at least one client serving a custodial sentence. (Gambling Care, Lifeline Canberra, sub. 123, p. 1)

Studies looking at reasons for seeking help for gambling consistently find ‘hitting rock bottom’, financial and relationship difficulties, negative emotions, work and legal difficulties and physical health, as the main reasons for seeking formal help (Suurvali et al. 2010, table 7.1). For example, Evans and Delfabbro’s study of 77 problem gamblers (61 had sought professional help), found help seeking to be largely crisis-driven rather than being motivated by a gradual recognition of problematic behaviour. They observed:

The majority of gamblers interviewed only sought help when they were on the verge of physical or psychological breakdown, and/or when they were facing financial ruin. This was evident not only in the nature of motivational items endorsed, but also in the range of items endorsed, indicating that the negative effects of gambling had already affected multiple areas of the person’s life. (2005, p. 149)

Table 7.1 Studies looking at help-seeking behaviour of people experiencing problems with gambling

<i>Study</i>	<i>Method</i>	<i>Results</i>
Evans and Delfabbro (2005), Australia	77 gamblers — 61 had sought professional help, 16 relied on self-help strategies. A questionnaire (with both open and closed-ended questions) was used to find out what factors motivated professional help seeking and self-help methods. Gamblers were also asked to rank key barriers to help seeking.	Help seeking found to be largely crisis-driven rather than being motivated by a gradual recognition of problematic behaviour. The main obstacles to seeking help were found to be psychological. Problem gamblers consistently endorsed two issues — (i) they were in denial, or were embarrassed if friends or family found out, and (ii) believed they would eventually regain control on their own, or would be able to gamble their way out of difficulties. Factors such as a lack of awareness of services and dissatisfaction with services were endorsed by relatively few.
McMillian, et al. (2004), ACT, Australia	Semi-structured interviews with representatives from a variety of cultural communities and a small sample of problem gamblers and their families.	A variety of factors prompted help seeking. For the majority, a problem was recognised as serious when it impacted on finances and relationships. Found 'shame and stigma' and 'failure of others to understand the problem' as obstacles to seeking help. Inadequacy of services on offer was also reported as an obstacle.
New Focus Research (2004), Victoria, Australia	Longitudinal study of problem gamblers, loved ones and providers of problem gambling services.	Main reasons for seeking help — 'hitting rock bottom' financially (36 per cent) and emotionally (15 per cent), pressure by family member/loved one (17 per cent).
Rockloff and Schofield (2004), Australia	1203 central Queenslanders (598 women, 605 men) aged 18+ completed a telephone survey.	Identified 5 potential barriers to treatment — availability, stigma, cost, uncertainty and avoidance. People with greater gambling difficulties were more concerned with the availability, effectiveness and cost of treatment.
Hodgins and el-Guebaly (2000) Calgary, Canada	Comparison of resolved (n=43) and active pathological gamblers (n=63).	Obstacles — embarrassment/pride (50 per cent), no problem/no help needed (50 per cent), unable to share problem (49 per cent) and stigma (53 per cent). 82 per cent of gamblers said that wanting to handle the problem on their own was moderately important. Ignorance of available treatment/lack of treatment options were also identified as obstacles.
Pulford, et al. (2009a,b) New Zealand	Structured multi-modal survey — users of a national gambling helpline + gamblers from general population.	Financial concerns most frequently reported reason for seeking help, also psychological distress, problem prevention, rational thought, physical health, relationship issues. Barriers included pride (78 per cent of help seeking (HS) and 84 per cent of non help-seeking (NHS) participants), shame (73 per cent HS, 84 per cent NHS), and denial (87 per cent NHS).

A study of problem gamblers who employed largely self-help methods to overcome their difficulties, also found that the only significant predictor of professional help seeking was the degree of severity of gambling problem. The help seekers' DSM-IV score was significantly higher than for those receiving minimum or no professional treatment (Hodgins and el-Guebaly 2000). These findings are consistent with the Commission's previous national gambling survey (PC 1999) — 1 in 5 gamblers with SOGS scores of 10+ had sought help, compared with 1 in 14 gamblers with scores in the 5-9 range.

In terms of the evidence as to why people experiencing gambling problems *do not* seek formal help, the main reasons appear to be:

- feelings of guilt, shame and embarrassment
- denial and
- believing that they can resolve their gambling problems without professional help (table 7.1).

Issues and dilemmas about help seeking

Given what we know about *when* people experiencing problems with their gambling seek professional help and the reasons *why* they do not seek formal help, key policy questions are:

- Is it possible to identify and help people experiencing problems with their gambling earlier? Can we do better than having an 'ambulance at the bottom of the cliff'?
- Can policy measures lessen the stigma attached to having a gambling problem?
- Are there ways by which government action can help people help themselves?

Can we do better than the 'ambulance'?

A number of participants argued that a 'treatment' focus is inadequate and that devoting more resources to addressing prevention and early intervention will improve the harm minimisation effort. For example:

Over the past decade, most focus on reducing gambling harm has been through the provision of tertiary level services focussed on individuals with gambling problems. These services are very important. However, improved use of primary and secondary responses, including public education and other risk reducing strategies will increase the reach, timeliness and effectiveness of the overall harm minimisation effort. (UnitingCare Australia, sub. 238, p. 7)

A treatment focused intervention regime is inadequate. ... The Council encourages the Commission to consider the scope to intervene at the community resilience and capacity building end of the spectrum as well as enhancements to early intervention approaches. (Council of Gambler's Help Services, sub. DR326, p. 1)

Clubs Australia, however, questioned the value of alternatives to treatment.

While some simplistically refer to treatment as the 'too late' option, in the absence of certainty about how to identify someone likely to become a problem gambler, the alternative to treatment (prevention) poses potentially enormous costs and uncertain outcomes. (sub. DR359, p. 27)

As discussed in chapter 4, gambling policy-relevant problems are much broader than 'problem gambling'. A central tenet of the public health model is not just assisting those currently experiencing harm, but to prevent or minimise the risk of future harm (in contrast to the medical approach which focuses on the *treatment* of the relatively small group of people suffering severe harm from gambling). It includes an inclusive notion of prevention.

- *Primary prevention* activities are aimed at preventing individuals in the general population from developing gambling problems (such as public awareness-raising campaigns promoting responsible gambling).
- *Secondary prevention* activities seek to limit harm in the early stages of problem development (such as through intervening early), with a focus on at-risk groups.
- *Tertiary prevention* activities are about treating or reversing the effects of problem gambling (figure 7.1).

The Ottawa Charter for Health Promotion defines health promotion as 'the process of enabling people to get control over, and to improve, their health' (WHO 1986, p. 1). The five key areas of the health promotion framework which have become the focus of public health approaches include — building healthy public policy, creating supportive environments, strengthening community action, developing personal skills and re-orienting health services.

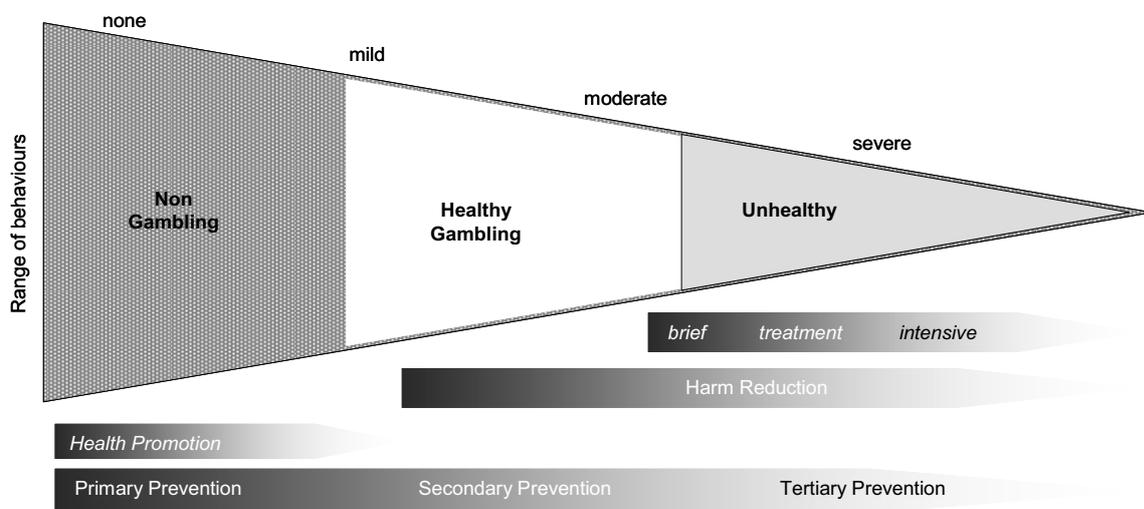
New Zealand has adopted a public health approach to gambling. The *Gambling Act 2003* requires that a public health focus be taken in addressing gambling harm, in recognition of the importance of prevention and addressing the determinants of health. A number of jurisdictions in Australia have also adopted a public health approach to gambling. For example:

- The Victorian Government said it 'believes there is compelling evidence to support programs for effective prevention, early intervention and treatment' (sub. 205, p. 11). Victoria's *Taking action on problem gambling* incorporates public health and social regulation into problem gambling policy responses (sub.

205, attachment 2). It provides an integrated approach to consumer protection and the prevention, early intervention and treatment of gambling related harm.

- Queensland's *Responsible Gambling Strategy* covers early identification and prevention, consumer protection and rehabilitation initiatives (sub. 234).
- Tasmania's Gambling Support Program develops programs within a public health model.

Figure 7.1 **Gambling problems lie on a continuum**



Source: Korn and Shaffer (1999).

Raising community awareness about gambling and help services

All states and territories have in place strategies for raising community awareness about gambling and help services (including media campaigns, gambling websites, problem gambling material, school education material, see appendix J).

But, as illustrated in chapters 4 and 8, faulty cognitions are widespread (such as thinking that on games of chance outcomes can be influenced by a certain system or strategy), and many people have problems controlling their gambling. The Victorian Government also argued that community learning about gambling is still at an early phase.

Unlike many areas of health where there is high community awareness (eg. smoking and lung cancer, seatbelts and accidents), problem gambling is a relatively new health issue for many members of the general public and health and community services. The community is only just starting to understand how gambling can become a health and well-being issue and concepts such as 'responsible gambling' are still being learned

(eg. setting limits, leaving ATM cards at home, working out the affordability of expenditure, avoiding chasing losses, minimising consumption of alcohol while gambling). ... community recognition of problem gambling as a public health issue is a key priority at this early phase of community learning. (DoJ 2009, p. 16)

Community awareness campaigns have the advantage of reaching a large proportion of the population. They can play an important role in addressing knowledge gaps in the community about gambling (debunking common myths) and the consequences of gambling consumption decisions. Campaigns can also inform people about how to avoid getting into trouble with gambling, how to recognise ‘at-risk’ behaviours and where to access help (they can also reduce shame and stigma associated with having a problem with gambling).

But, the impact of such campaigns may not be evident for several years, and as campaigns are often aimed at changing awareness and attitudes, it can be difficult to assess effectiveness. What is evident from interventions targeting general populations in other areas (such as tobacco), is that sustained campaigning over an extended period of time is generally required before population-wide changes in behaviour become evident. In the case of tobacco, behavioural changes took over 40 years to occur.

While improving awareness about responsible gambling can be an important part of building community resilience to problem gambling, in order to reduce harm associated with gambling, awareness campaigns need to induce behavioural change. This is very difficult to do. The relationship between being better informed about gambling and subsequent behaviour is not straightforward. Knowledge about gambling, for example, can be overridden by irrational beliefs (such as luck). Gambling awareness campaigns also have little impact if people are not obliged to attend to the information or have no intrinsic interest in it (Williams et al. 2008). This suggests targeting campaigns at ‘at-risk’ groups so they are better able to adopt control strategies and know where to access help.

The Victorian Government’s *Problem Gambling Community Awareness and Education Strategy* identifies target community segments at risk of developing a gambling problem to include: people with health issues (eg. mental health and co-morbid conditions), people in socio-economically vulnerable communities, people who are socially isolated, people with intellectual disability/cognitive impairments, people of Indigenous backgrounds, seniors, people on community services or corrective orders, people of CALD background and young people (sub. 205, p. 79).

However, community awareness campaigns should not be relied upon as a ‘panacea’ (a point made by the Council of Gambler’s Help Services, sub. DR326, p. 11), as they have only limited content. Information provided to the community

via other forms (such as websites, in-venue warning, posters, community educators, information provided in different languages) can play an important role in reinforcing community campaign messages about gambling and tailoring messages to at-risk groups. In-venue warnings and school-based gambling programs are discussed in chapters 8 and 9, respectively.

Messages to encourage gamblers experiencing problems to seek help earlier

Because financial loss is one of the main reasons gamblers seek help, Pulford et al. (2009b) suggest that campaigns that demonstrate increasing levels of financial loss and hardship over time could be particularly valuable as viewers/readers/listeners could conceptualise a continuum of financial loss. A recent review of help-seeking studies also found ‘fear of future consequences’ and a desire to prevent gambling problems from becoming more serious, to be key reasons for gamblers quitting or reducing their gambling (Suurvali et al. 2010). This suggests that gamblers are able to see where their gambling is leading them and to take action before they reach ‘desperation point’. Suurvali et al. suggested that:

Awareness and educational messages could feature, in addition to information meant to support and assist gamblers in crisis, positive statements about the benefits of reduced gambling involvement targeting heavier gamblers who have not yet experienced or acknowledged serious harms from their gambling. Inclusion of a preventative message is also a good idea, alerting gamblers to signs that their gambling might be becoming excessive or problematic and providing several clear, simple alternative suggestions (including sources of help) as to what they can do to nip the problem in the bud. (p. 30)

In another recent study where recovered problem gamblers were asked what would help active problem gamblers to cease or reduce gambling, one third suggested awareness-raising strategies, such as pointing out the negative consequences of problem gambling and the difference between what the individual wants to achieve and what continued gambling would lead to (Toneatto et al. 2008). Relationships Australia SA also said:

Focussing on financial losses will be an effective message to people at risk. We also believe that campaigns should emphasise the direct, harmful effects on the children and families of problem gamblers — highlighting not simply the risk of losing your family but the likelihood of harming your family. (sub. DR419, p. 1)

The evidence on the effectiveness of in-venue warnings is that to invoke a change in behaviour, warnings need to have an emotional impact (chapter 8). Personal stories (where gambling led people to, the effects of gambling on other family members and the effectiveness of their treatment) can be effective in this regard.

A number of participants (sub. 150, DR388, DR369) noted the importance of awareness campaigns and education being conducted in consultation with relevant community groups (particularly culturally and linguistically diverse groups) to ensure effectiveness. For example, Gordon (an Indigenous man and trained gambling counsellor with extensive experience in Indigenous community education and program development and delivery) said:

To begin addressing Indigenous Australians and gambling, we must understand Aboriginal people, their culture and communities. (sub. 76, p. 5)

The evidence suggests that cultural differences can affect how gambling and gambling help are perceived which points to the importance of culturally appropriate messages and forms of providing information (box 7.1).

Awareness of problematic behaviours

As a number of participants pointed out, it is not always obvious when people are experiencing problems with gambling. One participant observed:

... when you're an alcoholic, you can't hide it, everyone notices you're staggering around. When you're a drug addict, you can't hide it. But when you're a gambler, you can hide it well, and that's the sad thing. (Exodus Men's Group, trans., p. 208)

The parent of one individual experiencing problems with gambling also said:

... what distinguishes a recreational from a problem pokie player? Guidelines have been established for problem drinking. Data on what is considered normative or non-problem gambling, would help delineate this issue. (sub. DR313, p. 1)

Because of the 'invisibility' of the symptoms of problem gambling, campaigns that make the community aware of the sorts of behaviours that are indicative could promote earlier help seeking. People in contact with those experiencing problems with gambling may not know what they can do to help and what services are available. Again, this suggests targeting, this time at those likely to encounter people showing early signs of distress (partners, friends, colleagues, general practitioners and financial counsellors).

There is evidence that family and friends can play an important role in:

- identifying problematic behaviours (they are often aware of gambling problems, but not always the extent of the problems)
- helping those concerned with strategies to control their gambling
- referring those concerned to help services (box 7.2).

Box 7.1 **A culturally appropriate approach for Indigenous communities**

While there is little published data about gambling in Indigenous communities, available evidence and consultations with Indigenous community members suggests that gambling is a common activity in these communities. Card playing in communities is a traditional social activity, 'with benefits associated with extended families playing together and sharing their winnings' (Charles Darwin University 2009, sub. DR408, p. 2). With Indigenous people now also participating in regulated forms of gambling, money lost leaves the communities.

While problems can arise from both community-based and regulated gambling, these are 'accentuated with regulated gambling because there are no community mechanisms to mitigate the harm'. Commonly cited problems include financial hardship, the needs of children being overlooked, family arguments, tensions when gamblers ask for money for food, tobacco and rent and contact with the criminal justice system (sub. DR408, p. 7, AH&MRC 2007).

Having a problem with gambling is often seen as a weakness and seeking help as shameful – 'Aboriginal people keep it in their own backyard, don't like people to know about problems' (DOJ 2005b, p. 5). This results in people being reluctant to discuss and seek help for gambling problems (particularly people who work in professional roles or who are respected elders in the community), and points to the importance of encouraging discussion and acknowledgement of gambling problems within Indigenous communities. Some suggestions from key individuals in *Yolnu Matha* included:

... governments could set up more programs like Alcoholics Anonymous in our communities, not in the main centres but on our communities.

We're not just being, or just looking at the problem, one-sided. We have to look at it holistically, and then work our way around to help people in an appropriate manner.

The government must work with the people, talk to the elders of the community and everybody, come to an 'agreed issue point' a new base that will help for individuals, the families and the community. (sub. DR408, pp. 15-16)

Indigenous community members consulted as part of an Aboriginal Health and Medical Research Council of New South Wales project also suggested incorporating 'gambling issues in general Aboriginal community events and activities and health promotion activities such as family camps' (AH&MRC 2007, p. 47) as well as providing a wider range of recreational activities for Aboriginal people (particularly for young people). Other strategies identified (and found to be used by service providers successfully working with Aboriginal clients and organisations) included:

- working in partnership with Aboriginal community organisations
- employing or working with Aboriginal workers
- visiting community settings to engage Aboriginal clients
- developing and providing specific Aboriginal resources and programs, and
- educating staff in working cross culturally with Aboriginal people.

Box 7.2 Family and friends can play an important role

- In a Victorian longitudinal study of problem gamblers, families, friends and service providers, the majority of problem gamblers stated that their families were aware of their gambling problems, although they were not aware of the extent of the problems (New Focus Research, 2004).
- Client data on referral to counselling services also shows that family, friends and neighbours are an important referral source to gambling help services. For example, 16 per cent of clients in New South Wales services reported family/friend/neighbour/partner as the most recent referral source. In Victoria and Queensland, around 8 and 6 per cent respectively, were referred to counselling services by family and friends in 2007-08 (appendix J).
- A study of problem, recovering and recreational gamblers across Glasgow found that close friends and family often played a key practical role in identifying services, applying pressure of various kinds and accompanying gamblers to counselling sessions (Anderson et al. 2009). Friends and family were also found to take an active role in helping participants stop or control their gambling including accompanying them when they went out, taking control of the gambler's finances (holding credit cards, managing and allowance), reminding gamblers what there was to lose by gambling (holidays, treats for children).

Evidence that community awareness campaigns increase demand for help

There is some evidence that campaigns to raise awareness of problem gambling issues and help services lead to increases in the number of calls to gambling help lines and in the number of clients accessing counselling services. For example, an evaluation of the Gambling Hangover Campaign in New South Wales (targeted at young males and friends/family of young males with gambling problems), showed that:

- there was high awareness and approval for the campaign among the target group. Half of the young men surveyed recalled the advertisement as 'attention getting', 'modern' and 'thought provoking'
- calls to G-line were up by an average of around 5 per cent and an estimated 85 new clients sought RGF-funded face-to-face services, citing the campaign as the reason for seeking help then (RGF, sub. 38, p. 5).

An evaluation of public awareness initiatives undertaken during *Responsible Gambling Awareness Week* in Victoria found that over 27 per cent of gamblers had heard about the week and all of them could recall the key messages. There was also a 50 per cent increase in visits to the problem gambling web site the following week and a 6 per cent increase in the number of calls to the Gambler's Help Line during

the week (Victorian Government, sub. 205, attachment 3). Similarly, an evaluation of a Gambling Awareness campaign undertaken in Tasmania in 2003 found that there was an increase of 52 per cent in first time callers to Gambling Helpline Tasmania and a significant increase in awareness of gambling support services.

Commenting on awareness campaigns internationally, Abbott et al. also concluded that they can be effective in raising awareness and increasing the number of gamblers seeking help (evidence also supported by awareness campaigns for tobacco and alcohol):

Evidence suggests that effective problem gambling awareness campaigns targeting adults can lead to measureable increases in awareness of community services, in the number of calls to help lines and in the number of first-time clients seeking help. Systematic reviews of mass media campaigns for tobacco and alcohol support the effectiveness of such approaches, particularly in combination with other strategies at the national and local levels. (2004, p. 23)

Overall, community campaigns can build community resilience to problem gambling by dispelling myths about gambling and making people aware of strategies to control their gambling. Awareness of how to gamble without getting into trouble is critical to people making rational choices, minimising harm and encouraging earlier help seeking. The evidence suggests that campaigns that focus on the threat of future consequences (financial loss, relationship breakdowns) could promote earlier and increased rates of formal help seeking. There is also evidence of a relationship between social marketing aimed at raising awareness about common signs of problems and help available, and increased help-seeking behaviour and interventions by family and friends.

Early intervention requires improved pathways for referral

An important component of a public health approach is the adoption of an integrated (whole-of-community) approach to prevention and early identification of gambling problems. Improving referral pathways between gambling counselling services and other professionals and services who are likely to encounter people experiencing problems with gambling — such as general practitioners, financial counsellors and community groups — is a way of encouraging earlier help seeking and intervention. As Morgan, Multicultural Problem Gambling Services, said:

We also need to work with the health services and their intake systems. Clients ring up presenting with problems like depression or psychosomatic symptoms, they don't ring to say they have a gambling problem. (New South Wales Problem Gambling Roundtable, 2008, p. 9)

Abbott et al. also said:

The majority of health and related professionals who have contact with problem gamblers are probably unaware that they do so. This is because practitioners who have most frequent contact with members of the community, including problem gamblers, are medical doctors, nurses and other professionals working in primary health and community settings. (2004, p. 51)

The evidence suggests that a high proportion of people presenting for help with gambling are also dealing with other health or behavioural issues. A Victorian survey found that the majority of problem gambling clients experienced between four and seven other issues in addition to their gambling (KPMG 2008). A study by the Problem Gambling Research and Treatment Centre in Victoria into the risk and protective factors associated with problem gambling, also found that in the problem gambling group:

- 36 per cent had a ‘severe mental disorder’
- the rate of ‘likely hazardous alcohol use’ was 50 per cent
- the risk of depression was 71 per cent
- the rate of daily smoking was 57 per cent (Thomas and Jackson 2008, p. ix).

People experiencing problems with gambling also often require services in addition to therapeutic counselling to address the impacts of gambling on their finances and relationships. A study of service users of the Western Australian Gambling Helpline found that people with gambling problems seek help from a wide range of specialist and generic services (including financial counsellors, Gamblers Anonymous, general practitioners, drug and alcohol use, criminal justice, legal agencies, ethnic community organisations, Matrix Consulting 2002).

This points to the importance of educating other health and welfare professionals about problem gambling and the help services that are available. As Westphal and Johnson (2007) said:

An awareness of co-occurring behaviours inspires an obvious targeting strategy for gambling disorder prevention, early intervention and screening efforts. The provision of these types of services at correction facilities, substance use and mental health treatment programmes should be a priority in jurisdictions with a public health perspective. (p. 91)

Health professionals and community services who could routinely be encountering people experiencing problems with gambling should be able to recognise and refer the person to gambling counselling services. But, the evidence suggests that few health professionals screen for problem gambling (Tolchard et al. 2007). Equipping

professionals with information, a screening tool and appropriate referral options (including where to access self-help material and online counselling) could increase opportunities for earlier intervention among people who are not actively seeking formal help for gambling.

Some states already have in place strategies to assist health and welfare workers in identifying gambling problems and appropriately referring clients (box 7.3).

Box 7.3 Information for health and welfare workers — some examples

- The *Early Intervention Prevention Community Engagement Strategy for Problem Gamblers in NSW, A Communication Framework 2009-2011*, includes strategies such as presentations at key seminars and conferences of partner members by problem gambling experts, the distribution of kits to partner members that contain information about problem gambling and gambling help, and articles in partnership newsletters.
- The Office of Problem Gambling has undertaken a project to engage with the South Australian Division of General Practice and their member GPs to identify, design and test resources to assist GPs in identifying high and medium risk gamblers and engage with them in confidence and offer therapeutic responses (SA Government, sub. 225, p. 50).
- The Victorian Government has developed a *Health Promotion Resource Kit* as a guide to assist health and welfare workers who encounter problem gambling issues. The kit is designed to assist in identification of gambling problems, support health and welfare workers in making effective referrals and other interventions on behalf of their clients.

Internationally, medical associations have devised policy statements and toolkits to guide medical practitioners in the treatment of problem gamblers and their families. In 2007, the British Medical Association released protocols for the treatment of gambling addiction within the United Kingdom National Health Service. Some jurisdictions in the United States have also provided clinical protocols to help health professional screen for and treat problem gamblers.

Thomas et al. (2008) argued that the standard diagnostic tools for problem gambling are too time-consuming for routine use in primary care practice (a New Zealand study where a practice review activity was trialled found ‘time’ to be an issue, Sullivan et al. 2006). Thomas et al. suggested a one-item screening test — ‘Have you ever had an issue with your gambling?’ — for use in primary care practice. They found that answers to this question closely predicted answers to the full Canadian Problem Gambling Index, and recommended screening patients

presenting with anxiety and depressive symptoms or high drug or alcohol use (because of the high co-morbidity of these conditions).

At the Ministerial Council of Gambling meeting in July 2009, the Ministers agreed to develop a national screening tool to help gamblers and service providers identify risky gambling behaviour before it becomes too entrenched. The screening tool is to contain questions to help individuals self assess and enable doctors, financial counsellors and other support services to be able to identify if a person is at risk of becoming a problem gambler (MCG 2009b). The Ministers also agreed to work together to provide better linkages between front-line Commonwealth and state-based gambling support services, to better support problem gamblers (MCG, 2009b). The Commonwealth funds a range of services which problem gamblers access, including Emergency Relief, Supported Accommodation Assistance Program and Commonwealth Financial Counselling and income support payments.

Overall the evidence suggests that equipping health professionals, counsellors and other community services with information and a brief problem gambling screening test (for inclusion in general mental health and financial risk assessments), would be a relatively low cost strategy that could result in earlier intervention. Screening could be targeted towards at-risk groups (such as those presenting with anxiety, depression, high drug or alcohol use).

Improved knowledge and awareness around screening, however, needs to be supported by clear referral pathways. As Relationships Australia SA said:

A screening test for health and community services workers to use is a very positive strategy to identify problem gamblers as they present for other issues. ... Screening is however, no use without action. Training on how to utilise and then follow through with referrals or support will be required. (sub. DR419, p. 1)

Clear referral pathways point to the importance of collaborative practices between providers of gambling services and other health and community service providers.

Integrating and coordinating care

Greater collaboration between problem gambling services and other health and community services was also considered important by a number of participants because of the need to provide a 'holistic' approach for clients presenting with multiple and complex needs.

... our clients present with mental health, housing, relationship, financial, parenting, drug and alcohol and grief issues that are significantly entwined with their gambling habits, and require attention as part of an holistic (successful) intervention. (Relationships Australia, SA, sub. 203, p. 18)

Services to assist people affected by problem gambling (individual gamblers, their families and communities) need to go beyond psychological or financial counselling to address the multitude of contributing factors which precipitate different experiences of problem gambling. It is encouraging that gambling support services in Victoria, for example, will be located in community centres with a range of health and social professionals. (McMillen sub. 223, p. 7)

In Tasmania, the Gambling Support Program is located within the Department of Health and Human Services. In Victoria, gambling services sit outside the health department, but are co-located with other health and community services. Victoria has also sought to better integrate gambling help services with the broader health and care sector, via Primary Care Partnerships (PCPs) and Integrated Health Promotion (IHP).

Working within PCPs enables Gambler's Help to liaise with relevant agencies in a cohesive and coordinated way so that problem gamblers receive a seamless and integrated service. Service coordination elements include initial contact, initial needs identification, assessment and care planning.

... IHP provides a framework for achieving collaborative partnerships across sectors that can facilitate the delivery of individual and population wide health promotion interventions for problem gamblers. (Victorian Government, sub. 205, p. 79)

Central to this collaborative approach is alignment of practices, process, protocols and systems, including the collection of a consistent set of information and the use of secure electronic systems to share consumer health and care information between agencies (box 7.4).

But, as noted by the Victorian Government, clients with complex needs are unlikely to seek specialist problem gambling services due to the level of disability experienced and referral to help services tends to result in non-attendance and/or early drop out. To address this, Victoria has also set up a specialist portfolio service program with dedicated specialist positions that work in collaboration with mental health services, alcohol and drug services and family services. The portfolio workers seek to develop strong links across services to enable greater coordination of care and the integration of specialist service responses for problem gambling clients (sub. 205, p. 81).

The Council of Gambler's Help Services, while supporting the Victorian approach, also indicated that it can be 'time consuming, complex and at times challenging', particularly where other service systems require convincing of the merits of closer collaboration (sub. DR326, p. 13). Measures aimed at facilitating more integrated care need to be evaluated in terms of improved outcomes for clients and earlier presentation to help services.

Box 7.4 The Victorian Primary Care Partnership Strategy

The Victorian Primary Care Partnership Strategy is focused on building relationships between agencies, better co-ordination and an integrated approach to health promotion. Membership of PCPs include hospitals, community health, local government, divisions of GPs, mental health, drug treatment and disability services. Central to achieving better coordination of services is the use of secure electronic systems including:

- Service Coordination Practices — the manual gives service providers agreed sharing practices for coordination of services and sharing of consumer health and care information.
- Service Coordination Tool Templates are used to document consumer information, identify consumer needs, coordinate care planning and make referrals.
- Agencies are able to access information about other services using electronic service directories.
- Electronic referral means that, with consent, consumer health and care information can be shared quickly and securely.

Source: www.health.vic.gov.au/pcps/about/index.htm#strategy

Given that a significant proportion of clients with gambling problems present with multiple needs, and those with the most complex needs typically present to other services, establishing strong relationships between specialist problem gambling services and other health and community services is critical. Aligning practices, processes and protocols between specialist gambling services and other health and community services is also likely to strengthen partnerships and the co-ordination of clients care. As such, dedicated funding should be provided to gambling help services to facilitate ‘formal’ partnerships with mental health services, alcohol and drug services and family services and enable individually tailored integrated treatment for clients (irrespective of where clients present for help).

Partnerships between counselling services and venues

Partnerships between counselling services and venues could also be strengthened. Given that people experiencing problems with their gambling are most likely to be found in venues, this is an obvious place to be providing gamblers with information about counselling. Garvin from Star City Casino suggested that observing people’s behaviour is more effective than brochures and signs:

Brochures, signs on the wall, et cetera, aren’t necessarily the best way to cut through. The best way is to observe behaviour and make direct contact, and then offer the

assistance that people need. (New South Wales Problem Gambling Roundtable, 2008, p. 16)

The industry has sought to better equip venue staff to identify problem gamblers and provide them with appropriate information about help services (chapter 12). The national principles for the conduct of responsible gaming machine activity in clubs and hotels state that information and support should be provided to patrons seeking help and those that have been identified by staff as potentially having a problem with gambling. Also that:

- venues should act promptly to assist persons to self-exclude if requested
- venues should display problem gambling help information in the gambling area and venue more broadly
- venues have a responsibility to train their staff in problem gambling issues
- specifically trained contact officers should be available in venues to provide referral information or assist with undertaking exclusion
- venues should monitor suspected problem gamblers and take reasonable steps to offer them assistance
- venues should not knowingly allow problem gamblers to gamble in their venues (MCG 2009b).

While venues are required to ‘monitor suspected problem gamblers and take reasonable steps to offer them assistance’, there are no penalties or consequences for ‘knowingly’ allowing problem gamblers to continue to gamble in venues. The Hunter Council on Problem Gambling said:

Occasions of contact with the local gambling industry (eg Clubs and hotel managers, venue staff) have suggested that there is an attitude amongst some in the industry that gambling treatment services are a threat to their business and revenue. This leads us to wonder if the responsibility, awareness and commitment for responsible gambling practices is truly being communicated, supported and displayed by all staff within gambling venues. (sub. 111, p. 4)

Nevertheless, inaction by venue staff may often reflect the difficulties with intervention in cases of suspected problem gambling. This was supported by first hand experiences of the Commission. Visits were made to several venues to understand gaming machines better and to observe venue environments and player behaviour. People were observed displaying behaviours typical of problematic play (as identified by Delfabbro). However, given certain aspects of those behaviours in some cases, there would have been a risk to venue staff and other patrons from immediate intervention. That said, such gamblers may be more approachable at particular times/places, such as when at the cashier or claiming a cheque.

In addition, Delfabbro, while acknowledging the difficulties associated with identifying and approaching gamblers in venues, noted that:

There is nothing to prevent staff members from providing information, advice, or support to patrons in an informal way, e.g., information packs could be provided to all gamblers in the venue whether they were showing warning signs or not, or staff members could post promotional information on notice boards that draws attention to the warning signs. ... Such information packs could include short gambling checklists such as the 8 Screen or SOGS, and counselling referral information, including the availability of counselling services on-site. (2008b, pp. 172-173)

The issue of incentives and challenges for venue staff to intervene is discussed further in chapter 12.

There is evidence that some clients learn about counselling services in the venues. Client data for G-line (New South Wales) shows that the most common means of learning about the help line is gambling venue notices/stickers. G-line was also the most commonly reported 'recent referral source' for government-funded counselling services in that state accounting for around 22 per cent of referrals in 2007-08. In Queensland around 8 per cent of callers to Gambling Help Line in 2007-08 nominated poster/venue notices as the source of referral and around 3 per cent said gaming venue/casino staff. Around 8 per cent of clients of counselling services in Queensland nominated venue staff as a source of referral of help services (appendix J).

Counsellors and community educators taking a more proactive approach in venues could be better than relying solely on venue staff to make information available. Counsellors do not face the same disincentives to intervene as venue staff. As one client of a counselling agencies said:

I would like counsellors to be more available when I felt I needed help (at the club). I would have sought help sooner. (PC survey of clients of counselling services)

There would appear to be value in involving problem gambling counsellors in interviews with individuals seeking self exclusion. This may improve formal help seeking and, where the gambler does not want formal help, there may be opportunity to provide brief intervention and self-help material (as discussed later there is some evidence that these work). Blaszczynski et al. (2007, pp. 60), while acknowledging that self exclusion does not constitute a formal treatment intervention, noted that it 'can be used to provide a gateway and referral pathway for adjunctive treatment'. They also pointed out the importance of an appropriate assessment being undertaken at the time a self-exclusion order is sought:

Gaming operators invested with the authority to complete a self-exclusion order in consultation with the gamblers generally do not have formal qualifications in behavioural health sciences or the requisite skills to undertake a competent clinical

assessment of the psychological status, specific needs of the gamblers, or the capacity to identify and respond to suicidal risk. Thus there is an imperative need for competent and comprehensive clinical assessment complementing the formal administrative/legal requirements to be conducted at the point of initiating self-exclusion. (p.65)

Under a pilot program in Victoria, gambling help staff attended self-exclusion interviews and assisted in the management, monitoring and ongoing support of people choosing to exclude from gaming venues. Around 60 per cent of those participating in the pilot elected to use the treatment pathway services. Self-help materials were provided to those not wanting to engage in formal help services. Betsafe also said that they had found referrals by gaming venues at the time of self exclusion to be an effective means of promoting counselling services to problem gamblers (sub. DR345, p. 2).

Funding for counselling and treatment services should allow for counsellors/community educators to take a proactive role in venues in conjunction with venue management, including being involved in interviews with gamblers seeking self exclusion, as this could facilitate earlier help seeking. Counsellors could also provide brief interventions and self-help material to people who do not want to engage in formal help services.

Lessening the stigma attached to having a gambling problem

On-line self-help services and internet therapy are strategies for getting around the reluctance of problem gamblers to seek face-to-face help for their problems with gambling. Further advantages of internet therapy are that clients can access counselling at any time or place convenient to them and such interventions are likely to be more attractive to young people. As noted by Monaghan, minimal therapist input is required and the limited evidence suggests that it is an effective form of treatment for people who would not otherwise have sought formal help:

Internet therapy has emerged as a new and innovative treatment option that enables clients to access a cognitive-behavioural therapy program, with minimal therapist input, at any time and place convenient to them. Although evidence in the field of Internet therapy is scarce, a review of the literature is being completed by myself and Professor Alex Blaszczynski, which suggests that this may be a very effective treatment intervention that is appropriate for those who would not otherwise seek treatment. (sub. 58, p. 6).

There is some evidence that problem gamblers will use interventions that do not require direct contact with a counselling agency (including computerised expenditure summaries and self-help books). In a study of 50 people using an online support group (known as 'GAweb'), 70 per cent said they had previously avoided

attending face-to-face programs because of concerns related to stigma. And, those in the group who were not attending a treatment program or Gamblers Anonymous appeared to have higher levels of concern about stigma than those receiving formal help (Cooper 2004).

In late 2008, the Ministers from each Australian jurisdiction signed a Memorandum of Understanding to undertake a three year trial of a national on-line gambling counselling service. The national on-line 24 hour gambling counselling service recently began operating (end of August 2009, www.gamblinghelponline.org.au). The new online program offers both live counselling and email support. The use of national on-line counselling services should be monitored and the program evaluated. On-line counselling is discussed further in chapter 15.

Some participants noted that the 'label' given to help services can influence whether people experiencing problems with gambling seek help.

... if you advertise yourself as a gambling counsellor, you will not see people. ... If you advertise yourself as a men's group, you will get the people. (Exodus Men's Group, trans., p. 208)

... people could come through the door of a community health centre and they could be there for anything. (The Gambling Impact Society of NSW, trans., p.129)

Given the stigma associated with experiencing problems with gambling, the labelling of help services could indeed make a difference to whether or not people experiencing problems use help services. Victoria has a 'no wrong door' approach to help services (expanding service reach with alternative access strategies). They offer problem gambling counselling and financial counselling, group work, on-line self help and self exclusion programs (Victorian Government, sub. 205).

Placement of help material also matters

Where gambling help service material is placed within venues also matters. Visits to venues by Commission staff found that it was not unusual for help service material to be only placed in prominent locations within venues (such as the front counter), although in some venues pamphlets and contact cards about help services were more discretely located (such as in bathrooms). A recent evaluation of gambling warning signs in Queensland found that a high proportion of survey participants recalled seeing help posters in bathrooms at gambling venues (see chapter 8). Locating information on gambling help services discretely would be more effective, would not impact on the recreational gambler and involve no additional cost.

Encouraging recovery without formal treatment

While not a lot is known about the ‘natural recovery’ of problem gamblers, what is known is that:

- more people experiencing problems *do not* seek formal help than those who do
- greater problem severity and co-existing problems increase the likelihood of using treatment. Natural or untreated recovery is the pathway chosen by gamblers with less severe problems (Hodgins and el-Guebaly 2000, Toneatto et al. 2008 and Suurvali et al. 2008)
- people experiencing problems with gambling can recover without professional treatment. Slutske (2006), for example, using data from two large US surveys, found that around one-third of gamblers recovered without formal treatment (box 7.5). As Suurvali et al. (2010) said ‘formal treatment ... is not a prerequisite for resolution, even among gamblers with severe problems’.

Given the importance of natural recovery, it is essential that those gamblers who choose to resolve their own problems have access to self-help material and support. The evidence suggests that self-help material and brief treatments can indeed be effective in reducing the severity of gambling (box 7.6).

Self-help and brief interventions are less expensive than extended periods of counselling and likely to appeal to a much wider group of problem gamblers. Such interventions also have the advantage of avoiding the perception of stigma associated with dealing with others. As Hodgins, et al. said:

For individuals not willing to seek formal treatment, brief interventions may be an attractive and nonthreatening effective alternative. Moreover, they are easily adopted for use by telephone gambling helpline service to provide immediate help for callers and are relatively inexpensive and time efficient. Materials can be readily provided to problem gamblers in remote areas without gambling treatment resources. (Hodgins et al. 2009, p. 950)

Relationships Australia SA also indicated that self-help approaches can bring people to formal treatment or counselling:

Self-help approaches (such as ‘bibliotherapy’, self help kits, or literacy tools) not only resolve problems in many cases but for some people act as engagement strategies to bring them into direct treatment or counselling. We would like to see more materials specifically for partners and friends of problem gamblers to assist them to encourage their loved one beyond the pre-contemplation state to actually accessing help. (sub. DR416, p. 2)

Box 7.5 Recovery without formal treatment

The few studies that have looked at 'natural recovery' have found that many people experiencing problems with gambling recover without formal treatment from counsellors.

- One Canadian study found that four out of six people reporting gambling problems recovered without treatment (Hodgins et al. 1999).
- A more recent US study looking at the rates of recovery, treatment seeking and natural recovery, found that 36-39 per cent of individuals with DSM-IV pathological gambling disorders in two large and representative surveys (the Gambling Impact and Behaviour Study and the National Epidemiological Survey on Alcohol and Related Conditions), had not experienced any gambling-related problems in the past year, even though only 7-12 per cent had ever sought either formal treatment or attended Gamblers Anonymous. The author concluded that:

The finding that roughly one-third of individuals with a history of pathological gambling recover from the problems suggests that pathological gambling does not always follow a chronic or persisting course. (Slutske 2006, p. 301)

- The most common pattern found in the National Epidemiological Survey, characterised by just over 60 per cent of pathological gamblers was one episode of problem gambling lasting one year or less, although some gamblers reported several episodes of problem gambling across their lifetime.
- Another recent study found that untreated recovery defined the pathway chosen by the moderate or mild problem gamblers and this group more closely resembled the behaviourally conditioned problem gambler. Recovering gamblers were found to employ strategies that were generally practical, problem-focused and cognitive-behavioural in nature, including avoiding gambling venues, adopting gambling-incompatible lifestyles, reducing access to money and recall of gambling-related negative consequences. The authors concluded that:

The development of easily accessible resources (e.g. books, tele-counseling, manuals, work-books, online, CDs/DVDs, chat rooms) for gamblers interested in self-recovery may be necessary to assist the vast majority of problem gamblers, who will never seek formal or professional assistance. (Toneatto et al. 2008, p. 119).
- A review of five prospective studies of gambling behaviour among non-treatment samples found *no* evidence to support the assumptions that:
 - individuals cannot recover from disordered gambling
 - more severe gambling problems are less likely to improve than individuals who have less severe gambling problems
 - individuals who have some gambling problems are more likely to worsen than individuals who do not have gambling problems.
- The authors concluded that 'individuals with some gambling problems experience considerable movement in and out of more severe and less severe levels of gambling disorder, and, often, considerable movement out of more severe levels without a return to those levels' (LaPlante et al. 2008, p. 59).

Box 7.6 Some evidence that self-help and ‘brief treatments’ work

Self-help methods have been proven to be effective in reducing the severity of gambling.

- A study comparing gamblers provided with a self-help manual with a group provided with the manual plus a telephone interview found that the manual only group reduced their weekly gambling sessions and weekly dollars wagered for six months after receiving the manual while the manual-plus interview group showed the reduction for only three months (Dickerson et al. 1990).
- Hodgins et al. (2001), comparing outcomes of a group that received a self-help book with a group that received a self-help book and a motivational interview, found that at the 12 months follow-up there were no significant group differences. In both groups, 25 per cent of gamblers reported abstinence and an additional 58 per cent reported a significant reduction in their gambling.
- A 24 month follow-up of the same groups found both groups doing well — 77 per cent were improved and 37 per cent reported 6 months of abstinence. The motivational intervention group, however, were found to have gambled fewer days, lost less money and had lower South Oaks Gambling Screen scores compared with the group just receiving the workbook (Hodgins et al. 2004).

There is also some evidence that the length or intensiveness of treatment may not be important in terms of outcomes. A recent randomised trial of brief interventions (Petry et al.), where problem gamblers were assigned either to assessment only, 10 minutes of brief advice, one session of motivational enhancement therapy (MET) or one session of MET plus three sessions of cognitive behavioural therapy — found that relative to assessment only, brief advice was the only intervention that significantly decreased gambling behaviour between baseline and week six. Brief advice was also associated with clinically significant reductions in gambling at nine months. The authors concluded:

These results suggest the efficacy of a very brief intervention for reduction of gambling among problem and pathological gamblers who are not actively seeking gambling treatment. (2008, p. 318)

While such interventions are currently available — for example, the new national online gambling help service provides self-help material and email support — there would appear to be scope to further develop and promote these options. The Council of Gambler’s Help, while seeing merit in self-help options, also argued that the ‘comprehensiveness and level of sophistication of many current approaches merits close attention’ in order to maximise positive outcomes (sub. DR326, p. 11).

Health professionals, counsellors and venue staff could refer gamblers not only to face-to-face counselling, but also make them aware of other help options. Awareness campaigns promoting help services could also promote the full range of help options available.

Where does that leave us?

Given that only a small share of people experiencing problems with gambling seek professional help, and most clients have either ‘hit rock bottom’ (or are coming close) when they seek help, there is a compelling case for interventions to cover prevention and early intervention activities and not just focus on ‘treatment’.

The available evidence suggests value in governments placing greater emphasis on community awareness about gambling to educate the community and encourage earlier help-seeking and interventions by family and friends. Improving knowledge around screening and developing stronger pathways for referral and relationships between problem gambling services and other health and community services is also likely to facilitate earlier intervention. The evidence also suggests that people experiencing problems with gambling can recover without professional help. Relatively low cost interventions have the capacity to increase self recovery.

RECOMMENDATION 7.1

Building on existing initiatives, governments should:

- *work to establish stronger formal linkages between gambling counselling services and other health and community services, including by:*
 - *ensuring that health professionals and community services have information about problem gambling and referral pathways*
 - *providing a one-item screening test, as part of other mental health diagnostics, for optional use by health professionals and counsellors. Screening should be targeted at high-risk groups, particularly those presenting with anxiety, depression, high drug and alcohol use*
 - *providing dedicated funding to gambling help services to facilitate formal partnerships with mental health, alcohol and drugs, financial and family services*
- *promote self-help and brief treatment options, as such interventions can be cost-effective ways of achieving self-recovery of people experiencing problems with gambling*
- *place greater emphasis on campaigns that (i) dispel common myths about gambling and tell people how to gamble safely (ii) highlight potential future consequences (financial losses, relationship breakdowns) associated with problem gambling and (iii) make the community aware of behaviours indicative of problem gambling, to encourage earlier help-seeking or interventions by family and friends.*

7.2 Effectiveness of treatment and support

What treatments for problem gambling?

A number of different factors are thought to come into play in how and why people develop gambling problems. The main theoretical models for understanding problem gambling include the mental disorder or medical addiction model, cognitive, behavioural and escape theories of gambling, and problem gambling as a social problem. Three treatment modes emerge from these theoretical models:

- The *medical model*, which sees problem gambling as an addiction, or as an impulse-control disorder which needs to be treated as an illness.
- The *behavioural model*, which interprets gambling as a learned behaviour, motivated and/or reinforced by the personal experiences and social context of the gambler. The treatment focus is on ‘unlearning’ bad habits and learning how to minimise the harm arising from gambling through controlled gambling.
- The *cognitive model*, which posits that problem gambling behaviours can be explained by irrational beliefs and attitudes about gambling. The gamblers think erroneously that they will win money and recoup losses despite personal experience. Problem gamblers have heightened expectations of winning and illusions of control over the outcome of a game (Jackson et al. 2003, IPART 2004).

There has been a move away from focusing on one aspect of gambling behaviour towards diverse approaches to explaining how and why gambling problems develop. Blaszczynski and Nower said:

At the moment, there is no single conceptual theoretical model of gambling that adequately accounts for the multiple biological, psychological and ecological variables contributing to the development of pathological gambling. (2002, p. 487)

Blaszczynski and Nower’s (2002) pathways model of problem and pathological gambling seeks to integrate the complex array of biological, personality, developmental, cognitive, learning theory and ecological determinants of problem and pathological gambling. It contends that there are three distinct subgroups of gamblers manifesting impaired control — behaviourally conditioned problem gamblers, emotionally vulnerable problem gamblers and antisocial, impulsivist problem gamblers. The model further assumes that the different subtypes require different types of interventions:

From a clinical perspectives, each pathway contains different implications for choice of management strategies and treatment interventions. (Blaszczynski and Nower 2002, p. 496)

The main therapeutic approaches used for problem gambling include behavioural therapy, cognitive therapy and cognitive-behavioural therapy (CBT). Other approaches include pharmacotherapy and brief interventions. Multimodal approaches to treatment are commonly used. Shaffer and Korn said:

Although it has unique elements, pathological gambling has many signs and symptoms shared with other disorders (e.g. anxiety, depression, impulsivity), consequently, disordered gambling is best thought of as a syndrome. From this perspective, the most effective treatments for gambling problems will reflect a multimodal ‘cocktail’ approach combined with patient-treatment matching. These multidimensional treatments will include combinations of psychopharmacology, psychotherapy, and financial, educational and self-help interventions, such treatment elements are both additive and interactive to deal with the multidimensional nature of gambling disorders. (2004, p. 198)

Overall, the evidence suggests that there are subtypes of gamblers with varying treatment needs. This is reflected in a variety of treatment techniques employed by counsellors (box 7.7). A survey of Victorian counsellors (Jackson et al. 2000) found that 83 per cent adopted an eclectic approach. The Commission’s 1999 survey of counselling services found that a high proportion of agencies used cognitive and CBT techniques.

What works?

As counselling and treatment support are the main interventions for people experiencing problems with gambling, a key policy issue is whether the interventions work. Do they have a positive effect on gambling behaviour? Are some interventions more effective than others? This section looks at what is known about the efficacy of the various support and treatments for problem gambling from the literature.

The evidence base on what makes for effective treatment of problem gambling is not strong. Toneatto and Ladouceur, reviewing the literature of treatment for pathological gambling, said:

Although the history of gambling treatment extends for several decades, there is a surprising lack of reliable knowledge of what constitutes effective treatment for problem gambling. (2003, p. 284)

In part, this is because many of the studies of gambling treatment outcomes suffer from methodological flaws, including:

- small sample sizes

-
- poorly-defined criteria and procedures for the inclusion of gamblers into treatment programs
 - varying levels of motivation among treatment populations, making generalisation of results problematic
 - a lack of standardised measures for gambling diagnostic criteria and outcomes measures
 - variable training of counsellors
 - treatments involving multi-disciplinary approaches (particularly where there are issues of co-morbidity). It can be difficult to distinguish between impacts of primary interventions when other interventions are being used simultaneously
 - lack of clear outcome measures (abstinence, reduced gambling)
 - variations in follow-up intervals (many studies cover relatively short periods, three-six months after treatment) and a lack of long-term outcome data (Walker 2005, Blaszczynski 2005, Battersby et al. 2008).

Box 7.7 Counsellors employ a variety of treatments

South Australian Government

The Statewide Gambling Therapy Services provides treatment using a CBT approach and a graded exposure program to treat people with gambling problems. This approach enables clients to overcome their urge to gamble and return to a normal life without gambling. ... Cognitive therapy is usually offered in combination with behavioural strategies including problem solving, social skills training, self-monitoring and stimulus control. (sub. 225, p. 48)

Tasmanian Government

Counselling is based around cognitive behavioural therapies although counsellors can utilise other therapies they deem appropriate. (sub. 224, p. 34)

Jackson et al.

The review of Gambler's Help program counselling practice and theories in use revealed that a broad range of theoretical perspectives underpin the delivery of the Victorian problem gambling program. Counsellors incorporate a variety of therapeutic strategies and theoretical perspectives to inform their counselling practice with problem gamblers, with the majority of counsellors adopting an eclectic approach to counselling. (2003, p. 7)

Psychological treatment

Most gambling treatment outcomes studies, irrespective of the type of treatment provided (behavioural, cognitive, or a combination of treatment) report that the majority of people receiving treatment respond to and benefit from treatment (with abstinence or controlled gambling). Pallesen's meta-analysis review of

psychotherapeutic treatments of pathological gambling (covering 22 studies involving 1434 subjects) concluded that:

The results from the present meta-analysis indicate that psychological interventions for pathological gambling are associated with favourable outcomes, both on a short-and long-term basis, and that the results seem robust. (Pallesen et al. 2005, p. 1421)

Treatment is also often reported to be accompanied by more general improvement in psychosocial functioning (Jackson et al. 2003). What is less clear is for how long clients benefit from treatment. That said, the studies generally show that the probability of relapse increases with time. It is also unclear how treated clients compare with comparable problem gamblers who do not receive professional treatment.

There is a lack of evidence from randomised clinical trials with good follow-up assessments. As Delfabbro, commenting on the quality of evaluations of gambling treatments puts it:

Very few meet the gold standard criteria set out by the American Psychological Association; namely, the use of a randomised design with a control group. (2008b p. 186)

Reviews of the controlled treatment literature (Pallesen et. al 2005, Oakley-Browne et al. 2000, Toneatto and Ladouceur 2003, Toneatto and Millar 2004, Korn and Shaffer 2004), while noting methodological flaws in many of the studies, find behavioural interventions (imaginal desensitization strategies) and cognitive-behavioural interventions to be effective treatments for problem gambling in the short term (table 7.2). The best evidence and support, however, is for cognitive-behavioural treatment approaches (even when it is delivered via manuals and involving only minimal therapist contact, Toneatto and Ladouceur 2003). The results on CBT for gambling are consistent with the evidence for the efficacy of CBT for other clinical conditions.

That said, most of the studies using controlled interventions have been for cognitive and behavioural therapies. As Korn and Shaffer said:

... the existing randomized clinical trials have limited their focus to cognitive and behavioural therapies. ... the absence of a randomized trial does not mean that other treatment approaches have little or no utility. Rather, this evidence simply is the best available research supporting these methods. (2004, p. 17)

Table 7.2 Reviews of psychotherapeutic and pharmacological treatments of pathological gambling

<i>Study</i>	<i>Method</i>	<i>Findings</i>
Pallesen, et al. (2005)	A quantitative meta-analytical review of psychotherapeutic treatments of pathological gambling. 22 studies including involving 1434 subjects.	At post-treatment, psychological treatments were found to be more effective than no treatment, an overall effect size of 2.01. At followed-up (averaging 17 months), the corresponding effect size was 1.59. Effect sizes were found to be higher in randomised controlled trials.
Oakley-Browne, Adams and Mobberley (2000)	4 randomised controlled trials of psychological treatments were identified (Echeburúa, Baez, & Fernandez-Montalvo 1996, McConaghy, Blaszczyński & Frnakova, 1983, McConaghy et al 1988, Sylvain, Ladouceur & Boisvert, 1997). The data were entered into the Cochrane Review Manager software. Relative risk analyses were conducted for the dichotomous outcome of controlled vs. uncontrolled gambling.	The experimental interventions, behavioural or cognitive behavioural therapy were found to be more efficacious than the control interventions in the short term (relative risk 0.44, 95 per cent confidence interval 0.24-0.81). Also long-term treatment with BT/CBT to be more efficacious than the control treatments, but statistical significance sensitive to statistical model used for meta-analysis.
Petry, et al. (2006)	Randomly assigned gamblers to 3 groups (1) referral to Gamblers Anonymous (GA), (2) GA plus a CB workbook, (3) GA + 8 sessions of individual. Assessments at baseline, 1, 2 (post treatment), 6 and 12 months later. Large sample (n=231), reasonable follow-ups.	Gambling reduced in all 3 groups, but benefits of CBT emerged both during the treatment with some effects maintained through follow-up. Individual CBT improved some outcomes compared with CB workbook.
Toneatto and Ladouceur (2003)	Criteria was randomisation to an experimental group and at least 1 control group, included 11 studies.	Cognitive-behavioural studies received the best empirical support.
Toneatto and Millar (2004)	Review of controlled clinical trials where subjects were randomised to either psychological or pharmacologic treatment.	Cognitive-behavioural and pharmacological treatments possibly efficacious, but specific treatment modality still limited. Cognitive-behavioural treatments found most effective. Found no compelling evidence for the efficacy of any drug except naltrexone.
Pallesen et al. (2007)	Qualitative review on studies of pharmacological interventions from 1966-2006. 16 studies met criteria, total of 597 subjects.	Pharmacological interventions found more effective than no treatment, overall effect size of 0.78% (95% CI 0.64-0.92). Effect lower in studies using placebo/control conditions. No differences in outcome between antidepressants, opiate antagonists, mood stabilizers.

Some recent studies, however, have found conflicting results with CBT failing to produce superior outcomes compared with other less costly methods such as gamblers anonymous and brief interventions (Toneatto and Dragonetti 2008).

Treatment with medication

The pharmacological approach to treating gambling problems is relatively new and includes three main classes of drugs: opiate antagonists (naltrexone and nalmefene); antidepressants and mood stabilizers. A recent meta-analysis involving 16 pharmacological treatment studies found that pharmacological treatments were more effective than no treatment/placebo (Pallesen et al. 2007). The magnitude of effect sizes at post-treatment, however, was found to be lower in studies using a placebo-control compared with those without controls. No differences in outcomes between the three classes of drugs were found.

While the authors concluded that pharmacological interventions for pathological gambling ‘may be an adequate treatment alternative in pathological gambling’, they also noted that psychological interventions appear to yield greater improvements than pharmacological ones (overall effect size of 0.78 for pharmacological treatments compared with 2.01 for psychological interventions, Pallesen et al. 2005, p. 357). But, because of differences in the use of control conditions and the outcome measures between non-pharmacological and pharmacological treatment studies, the authors concluded that it was unclear whether non-pharmacological treatments were really more effective than pharmacological treatments for pathological gambling (Pallesen et al. 2007).

FINDING 7.1

Gambling treatment outcome studies report that, irrespective of the type of treatment provided, most clients benefit. Although cognitive behavioural therapy is the approach with most empirical support, no one style of intervention can yet be recommended as best practice.

Outcomes from government-funded gambling counselling services

While limited, client outcome data collected from gambling counselling services show that the majority of people who seek formal help are able to better manage their gambling problems following counselling and treatment. For example, telephone follow-up surveys conducted by G Line (New South Wales) of clients of counselling services found the proportion of respondents saying they ‘can now manage their gambling’ in the affirmative to be 84 per cent at one month,

93 per cent at three months and 90 per cent at six months. Results from a number of counselling agencies in New South Wales also show significant decreases in clients' involvement in gambling, and in gambling-related problems, following treatment. The following are two examples:

- The University of Sydney Gambling Treatment Clinic (therapy is an intensive form of cognitive therapy involving 10 one hour sessions on average) reported the following outcomes, based on a sample of 190 problem gamblers treated by counsellors:
 - 54 per cent of clients were abstinent from gambling
 - 94 per cent of clients had decreased gambling significantly
 - 100 per cent of clients no longer met DSM-IV criteria for pathological gambling.

These results were maintained for two years after treatment and were based on data for the 60 per cent of clients that could be followed up (RGF 2008).

- Follow-up data collected by the Hornsby Drug, Alcohol and Gambling Services, in relation to gambling clients seen between October 2005 and November 2006 — at an average of nine months after initial presentation — found that:
 - SOGS scores had reduced from 9.61 to 3.75
 - average weekly gambling expenditure had fallen from \$1677 to \$262
 - there was an improvement in measures for depression (5.6 to 3.5), anxiety (5.6 to 4) and stress (6.8 to 4.4) (New South Wales Government, sub. 247).

Results from an earlier longitudinal evaluation of the Gambler's Help program in Victoria, also found high resolution levels among clients — the number of 'pathological gamblers' falling from 76 to 37 per cent (box 7.8).

FINDING 7.2

Outcome and client follow-up data for support services, while limited, show significant decreases in clients' involvement in gambling and their gambling-related problems following treatment.

Box 7.8 Some evidence from counselling and treatment services

A Longitudinal Evaluation of the Gambler's Help program in Victoria found:

- 43 per cent of clients had full or satisfactory resolution levels (clients received the highest level of full problem resolution in relationship and physical health problems)
- 46 per cent of clients experienced partial problem resolution
- 71 per cent of clients felt attending counselling impacted on their gambling in a positive way, 45 per cent indicated the impact as 'a great deal'
- the mean number of counselling sessions attended was low — 2.32 for non-resolved primary problem, 3.47 for partially resolved, and 4.15 for fully resolved
- 69 per cent rated their emotional wellbeing as being 'very poor' when commencing counselling; 78 per cent rated themselves as 'very good' at the end of counselling
- counselling had a positive effect on maladaptive behaviours — on the DSM-IV criteria for pathological gambling between 21-29 per cent improvement on clients in 8 of the 10 behaviours. The number of 'pathological gamblers' reduced from 76 to 37 per cent according to pre and post counselling measures
- the therapeutic relationship was the process variable that most consistently predicted positive outcomes (Jackson et al. 2000).

A more recent Victorian study (New Focus Research 2004) found that of the problem gamblers who sought help:

- 90 per cent were satisfied with the service. Between 88-95 per cent were satisfied with the ease of contacting the service, the frequency of contact provided, the waiting time and length of sessions and treatment
- the factors that made the service effective were thought to include the availability of group and individual counselling, ease with which counsellors could be contacted in an emergency, and the quality of the relationship with the counsellor.

7.3 Counsellors' qualifications and service standards

The effectiveness of counselling and treatment services obviously also depends on the training and experience of counsellors. Some participants raised concerns about the qualifications of problem gambling counsellors and variability among counsellors in their knowledge about the nature of gambling activities and technologies. For example:

Many counsellors are holding minimal qualifications. The counselling field of problem gambling has attracted those from a range of welfare sectors and whilst not belittling their interest or expertise in the welfare sector this area of work requires considerable skills in working with mental health, and other co morbid issues. It is not an area of

work for those with minimal qualifications or skills and the failure to recognise this places both staff and clients at risk. (Roberts, sub. 89, p. 2)

Counsellors providing gambling treatment services have a range of qualifications — from diploma to postgraduate qualifications in social work, mental health, drugs and alcohol, psychology and psychiatry. Some counsellors also have specific training in problem gambling.

Because of high co-morbidities among people experiencing problems with gambling, counsellors need skills in clinical diagnosis. The Gambling Treatment Program, St Vincent's Hospital said, 'complex presentations require specific interventions delivered by appropriately qualified health professionals' and training should be at the level of a clinical psychologist so that individually tailored integrated treatment programs can be offered to clients (sub. DR331, p. 1). The University of Sydney Gambling Treatment Clinic, in a submission to the IPART report, also argued that 'best practice' involves employing clinical psychologists in the treatment of problem gambling (box 7.9).

Base level training for counsellors, however, need not include specific training in gambling. Given the key role that counsellors play in correcting misconceptions that problem gamblers may have, it would seem essential that counsellors understand how gambling works. As Abbott et al. said:

Whilst most of the cognitive-behavioural techniques used in the treatment of problem gambling are shared with other addiction treatment approaches, treatment of problem gambling does include some unique elements. (2004, pp. 21-22)

This suggests that counsellors providing gambling help services (regardless of their base level qualifications) should also have a minimum level of training specific to problem gambling. A Massachusetts think tank (Massachusetts Council on Compulsive Gambling 2001) concluded that entry level staff should have problem gambling specific training regardless of other credentials. A further suggestion was a requirement of at least 24 hours of relevant gambling-specific continuing education every two years.

Some states and territories already have in place a minimum level of training specific to problem gambling. New South Wales, for example, has recently developed a minimum qualification — the Diploma of Problem Gambling Counselling — for problem gambling counsellors working in Responsible Gambling Fund (RGF) funded services. The Diploma consists of 13 units that are nationally accredited general community service competencies and 3 specially developed problem gambling competencies. In September 2008, the Diploma of Problem Gambling Counselling was accredited for five years by New South Wales Vocational Education and Training Accreditation Board.

Box 7.9 Comments on the appropriate qualifications for counsellors

Gambling Treatment Program, St Vincent's Hospital

While some anxiety and depression may respond to therapy offered by generalist gambling counsellors, more complex presentations may require specific interventions delivered by appropriately qualified health professionals. Poorly informed treatments, no matter how well intentioned, can occasionally exacerbate mental health problems. It is vital that treatment for vulnerable individuals who have sought to escape their problems by gambling is provided by those who are suitably qualified such as Clinical Psychologists or Psychiatrists. The addition of a few mental health units in the minimum qualifications for problem gambling diploma is no substitute for the extensive training involved in post-graduate mental health qualifications. (sub. DR331, p. 1)

The University of Sydney Gambling Treatment Clinic

Since many individuals with gambling problems also have other clinical problems, it is essential to assess the nature of these problems and to determine whether the gambling is the primary problem or secondary. Accurate clinical diagnosis depends on supervised training of the kind provided in postgraduate clinical psychology programs. (Walker et al. 2003, pp. 9-10)

Clubs Australia

A key requirement for counsellors should be an understanding of co-morbid disorders (depression, drug and alcohol dependency, mental disorder) and how those conditions manifest as problem gambling. Counsellors must also be empowered to make interventions if required. This additional power should only be granted to individuals who are qualified and accredited to determine which interventions are appropriate. (sub. DR359, p. 29)

Council of Gambler's Help Services

The Council is concerned that a low entry requirement to this field as accepted in some jurisdictions may not be appropriate. A minimum undergraduate degree with relevant experience and preferably a post graduate qualification with relevant experience should be the target standard. The Council supports a stronger emphasis on service standards, and consideration of worker accreditation. (sub. DR326, p. 2)

Betsafe

Gambling counselling is challenging work that is best conducted by skilled professionals. There is a place for theoretical training, but the reality is that gambling counselling is most effective when conducted by experienced addictions counsellors who understand gambling issues. (sub. DR345, p. 3)

The RGF also funds a state-wide training service, the Centre for Community Welfare Training to provide training for workers in RGF-funded gambling counselling and support services:

The service provides gambling-specific training plus generalist courses dealing with mainstream topics relevant to the work undertaken in gambling counselling services such as 'measuring client outcomes in problem gambling services and 'cognitive therapy for excessive poker machine play'. It also provides generalist courses dealing with mainstream topics relevant to the work undertaken in gambling counselling

services such as ‘alcohol and other drugs’, ‘counselling and therapy’ and ‘management and governance’. (New South Wales Government, sub. 247, p. 66)

Victoria’s Centre for Problem Gambling Treatment and Research also provides training for new and existing staff working in gambling services (Victorian Government, sub. 205).

Many participants supported a national minimum level of training for counsellors, with a number supporting an undergraduate degree as the minimum (box 7.9). Internationally, problem gambling treatment is generally provided by counsellors who have received gambling-specific training and a graduate degree or advanced certificate in the behavioural health field.

The minimum level of training for counsellors should be based on the evidence on the efficacy of treatment based on staff qualifications. However, this is an area where the evidence base is thin. That said, given the need for clinical knowledge for the application of therapies — including the ‘unique elements’ involved in treating problem gambling — and for dealing with co-morbidities, there appears to be grounds for a level of competency training for problem gambling counsellors that is equivalent to that required in other human service areas. As pointed out by some participants, exceptions to minimum standards might be required in particular circumstances. Amity Community Services, for example, argued that:

- training should be adaptable to the needs of remotely based or culturally diverse counsellors.
- training should be made available to generalist counsellors who work with problem gamblers as well as gambling specific counsellors.
- content be tailored to meet the needs of the community the counselling is made available to. For example, remote communities may require a community development focus given that some communities may not be accustomed to utilising traditional counselling services. (sub. DR388, p. 2)

RECOMMENDATION 7.2

Governments should work together to establish a national minimum standard of training for problem gambling counsellors.

Service standards

Participants also raised questions about the service standards that are in place, suggesting that under current arrangements the result is inequitable services for clients and a lack of confidence in service competencies. The Australian Casino

Association, for example, recommended a national system of accreditation for problem gambling service providers (sub. 214).

Accreditation is an approach that is adopted in other health and community service policy areas and is aimed at achieving minimum standards of performance. As noted by IPART (2004), accreditation does not of itself guarantee quality, but it does provide a useful framework for encouraging the development of a quality culture. New South Wales is currently rolling out an accreditation system for RGF-funded counselling services (as recommended by IPART):

The purpose of the accreditation process is to ensure that a continuous quality improvement cycle is incorporated into the management and dealing of services, resulting in better outcomes for service users. ... Many funded services have achieved, or are nearing the point of achieving, accreditation with all on track to achieve accreditation by 2009. (New South Wales Government, sub. 247, p. 66)

While a number of jurisdictions have formal service standards in place, a national accreditation system would provide a consistent standard of service across Australia and a national framework for continuous improvement. A number of participants supported a national accreditation system (sub. DR355, sub. DR326), however, others saw value in allowing flexibility at the local level. UnitingCare Australia, for example, said:

... a strong relationship that allows funders and service providers to use a solution focused approach to developing improved quality of service outcomes provides the best environment to achieve high standard services.

A key concern regarding a national accreditation process is that accreditation programs need to be linked to a specific set of Standards. When considering the diversity of client groups and site locations for problem gambling support service delivery, there is the very real risk that a standards set would be based on a one size fits all approach and end up with a minimum set of service standards as opposed to encouraging and supporting services that provide an optimal response to people accessing services and local conditions and work towards a best practice approach. (sub. DR387 p. 3)

The Gambling Support Program, Department of Human Services, Tasmania also suggested that:

A national accreditation scheme would have to recognise state and territory differences in terms of legislation, industry and help services. (sub. DR370, p. 1)

A national accreditation system would also not come without costs to service providers (and ultimately tax-payers). UnitingCare Australia expressed concern that it would involve duplicate processes, something that should be avoided (sub. DR387). The Gambling Support Program, Department of Human Services, Tasmania also expressed concern about costs for generalist counsellors working with gambling clients in a small town (sub. DR370).

The Commission is of the view that the same objectives of a national accreditation system are likely to be achieved by way of funding arrangements, a national minimum level of training for counsellors, and requirements for initial assessments, evaluations and follow-ups linked to the collection of a minimum national data set (section 7.5).

7.4 Funding of gambling help services

Funding for problem gambling services generally occurs through mandatory levies and voluntary contributions. While funding arrangements for problem gambling vary, in a number of jurisdictions levies are imposed on only parts of the gambling industry (appendix J). For example:

- in New South Wales, the Responsible Gambling Fund derives its income from a levy (set at a rate of 2 per cent of the casino's gaming revenue) paid by the operator of the Sydney Casino.
- in Victoria, under the *Gambling Regulations Act 2003*, net gaming revenues from hotels with gaming machines are subject to an additional tax of 8.33 per cent. The additional tax payable by hotels does not apply to club venues provided clubs make a community benefit contribution of at least 8.33 per cent of their net gaming revenues (Victorian Government, sub. 205).

A number of submissions raised the issue of the 'narrowness' of funding sources and supported all gambling forms contributing to gambling help services:

... we suggest that all gambling venues (Clubs, pubs, TAB agencies) should be directed to contribute part of their gambling revenue to their local gambling treatment services as an acknowledgement of where this revenue comes from, and also to demonstrate recognition of problem gambling as a serious issue affecting our communities. (Hunter Council on Problem Gambling, sub. 111, p. 4)

Since 1999 there has been a commitment to provide specialist treatment services to those affected by problem gambling in NSW. This is funded from \$12 million provided by the Star City Casino revenue (2%). Unlike our neighbours in NZ, StarCity is the only contributor to this fund and all other gambling activities are not required to make contributions. (Roberts sub. 89, p.1)

In NSW, the gambling venues that most problem gamblers patronise do not contribute to the fund that finances problem-gambling treatment services. Harm minimisation measures and treatment services should be increased by spreading the cost across the industry. (The Public Interest Advocacy Centre, sub. DR389, p. 5)

Others, however, pointed to jurisdictional differences for variations in funding bases.

... different funding mechanisms have evolved in each state and territory that are appropriate for each jurisdiction. The current system works. (Australasian Casino Association, sub. DR365, p. 26)

... the EGM tax regime in Victoria that funds gambling support services cannot be equated to that in other states where clubs enjoy major advantages over hotels. The lower tax contribution in Victoria from clubs acknowledges their community services and benefits. (Community Clubs Association of Victoria, sub. DR366, p. 7)

Despite differences in the way funding arrangements have evolved in the various jurisdictions, as all gambling forms contribute to the need for problem gambling services, the whole industry should contribute to the funding of gambling counselling and treatment support services. That said, given that gaming machines are the main source of gambling problems, they should be a proportionately large source of funding, regardless of venue type.

New Zealand has a problem gambling levy, set under the *Gambling Act 2003*, to reimburse the government for the costs of delivering problem gambling services. The problem gambling levy is collected on the profits of the four main gambling operators and is calculated using rates of player expenditure (losses) on each gambling subsector and rates of client presentations to problem gambling services attributable to each gambling subsector (box 7.10).

Client presentations are considered a ‘reasonable indicator of the proportion of responsibility each gambling sector should carry for the individual harm of problem gambling’ (Ministry of Health 2009a, p. 63). The reason for also basing the levy on rates of gambling expenditure on each gambling subsector is to reflect the fact that the funding in New Zealand is not only for problem gambling treatment services, but for an integrated problem gambling strategy (based on a public health approach and including research).

... Gambling expenditure also needs to be considered. The Ministry believes that gamblers’ expenditure in each gambling sector also represents the degree of responsibility of the respective industry for the broader harm likely to be occurring in communities.

Presentations only represent a small subset of gambling harm, as they are a measure of the demand on problem gambling intervention services from each sector of the gambling industry, and tend to represent the more severe end of the problem gambling spectrum. (p. 63).

Box 7.10 Problem gambling levy — New Zealand

Problem gambling services in New Zealand are funded and co-ordinated by the Ministry of Health. The problem gambling levy is set under the *Gambling Act 2003*. The purpose of the levy is ‘to recover the cost of developing, managing, and delivering the integrated problem gambling strategy’. The problem gambling levy is collected on the profits of New Zealand’s four main gambling sectors — non-casino gaming machine operators, casinos, the New Zealand Racing Board and the New Zealand Lotteries Commission.

The levy is calculated using rates of player expenditure (losses) on each gambling sector and rates of client presentations to problem gambling services attributable to each gaming sector. The levy rates are set every three years. The Act specifies that the Ministry ‘must take into account the latest, more reliable, and most appropriate source of information’ to use in the formula for calculating the levy.

For the 2007–08 to 2009–10 levy period, a weighting of 10 per cent on expenditure and 90 per cent on presentations was applied to determine the relative shares for each gambling sector. For the 2010–11 to 2012–13 levy period the Ministry of Health proposes a weighting of 30 per cent on expenditure and 70 per cent on presentations. The Ministry of Health considers the levy rates should continue to apply a heavier weighting to presentations over expenditure because presentations are a reasonable indicator of the proportion of responsibility each gambling sector should carry for the individual harm of problem gambling occurring in New Zealand.

Levy rate = $((A*W1) + (B*W2))*C/D$, where:

- A = estimated current expenditure in a sector, divided by the total estimated current player expenditure in all sectors subject to the levy
- B = the number of customer presentations to problem gambling services that can be attributed to gambling in a sector, divided by the total number of customer presentations to problem gambling services in which a sector that is subject to the levy can be identified
- C = the funding requirement for the period
- D = forecast players
- W1 and W2 are weights, the sum of which is 1.

Source: Ministry of Health (2009a).

The forms of gambling causing greatest harm as reported by clients presenting to help services provides a reasonable basis for apportioning funding contributions by gambling forms. Most clients who call gambling helplines and access counselling and treatment support for gambling are experiencing problems with gaming machines or identify these as their main form of gambling (appendix J, tables J.3 and J.4). And, given the Commission’s support for a public health approach

(including prevention and early intervention strategies), contributions could also be based on gambling expenditure by gambling type.

RECOMMENDATION 7.3

Governments should ensure that existing funding mechanisms for gambling help services be based on greater contributions from those gambling forms found to involve the greatest social harms:

- ***with the gambling types causing greatest harm, as reported by clients presenting to help services, used as the basis for determining these contributions.***

Where funding is also used for prevention and early intervention strategies, contributions should be based on expenditure by gambling type.

The *adequacy* of funding was also a concern for some participants. For example:

... there is still very minimal funding going towards problem gambling services when compared to the taxation revenue collected by state governments. ... Counsellors have expressed concerns to me about the lack of funding available to them to service the needs of people in the community with a gambling problem. Given that so little is received by each individual service provider by way of grants, agencies often lack the resources to advertise their services in a way that adequately reaches the community. (Xenophon, sub. 99, p. 6)

And some participants considered the need to expand funds to cover prevention and early intervention measures. Relationships Australia (SA), for example, said:

... in the pool of funds currently directed to managing gambling here in SA needs to be larger to adequately meet the primary, secondary and tertiary public health needs. ... It may be that Gambling Rehabilitation Funds are directed to tertiary and some secondary responses, and that primary interventions are funded through different, Health or Welfare funding. (RASA sub. 203, p. 28)

If governments are to place greater emphasis on prevention/early intervention strategies, establishing stronger partnerships with other health and community services and developing better evaluation systems and data collections (section 7.5), additional funding for problem gambling services will be required (at least initially).

Some participants considered that there was a conflict of interest in funding arrangements.

The counsellors who treat gamblers and their families receive funding from the Responsible Gambling Fund or equivalent. Open criticism of the industry that funds their work is not likely. The counsellors prefer to work with the situation and do what they can. (David, sub. 56, p. 12)

The GRF also has a strong industry presence on its Committee — apparently to reflect the co-contribution funding arrangements. This is akin to the tobacco industry directly funding lung cancer research and having a role in the scope and direction of that research (Xenophon, sub. 99, p. 5)

Given the potential for competing incentives with industry involvement in funding arrangements, there is merit in an independent body having responsibility for the funding of counselling and treatment support services and for evaluating the effectiveness of the services (governance issues are discussed further in chapter 17).

7.5 Building a better evidence base

A better evidence base is needed to answer basic questions about the effectiveness of prevention and early intervention strategies and counselling and treatment services. Better monitoring and evaluation also ensures that government funded services are accountable, funds are appropriately allocated between prevention, early intervention and treatment activities, as well as providing a basis for future policy direction. A number of participants were also of this view (box 7.11).

The thin evidence base on the most cost-effective ways of preventing the onset and progression of problem gambling is partly because evaluating such strategies is not easy. It can take years for the benefits of social marketing campaigns to become evident and many of the benefits are manifested as a ‘non-event’ (for example, enhancing protective factors or reversing or reducing risk factors). As noted in an OECD paper on health promotion and prevention:

Medical or public health-driven preventive interventions struggle to fit into a broad health care resource allocation framework alongside curative, diagnostic and palliative interventions, because of the somewhat uncertain and distant nature of their outcomes. This places them in a league of their own and often makes governments (and, indeed, health insurance organisations) uncomfortable about diverting resources away from uses that have a more immediate and certain return, particularly in a tightly resource-constrained health care system in which it is not even possible to fund all potentially available curative interventions. (Sassi and Hurst 2008, p. 47)

Evaluations of social marketing campaigns are typically assessed by message recall and increases in the number of clients presenting for help at specialist gambling services. As noted in chapter 4, evaluations of the effectiveness of community awareness campaigns need to take into account the impact on the full spectrum of ‘harm’ and not just focus on the effects on prevalence rates of problem or moderate risk gamblers or presentations at gambling help services. While preventative measures may have a small effect at the individual level, at a population level the effect can be significant. Taking the full spectrum of harm into account in

evaluations is particularly important when comparing the cost effectiveness of prevention strategies with treatment.

Box 7.11 The need for a better evidence base — participants' views

Clubs Australia

ClubsAustralia supports community campaigns that provide information and general assistance to problem gamblers. However, it is not known to what degree such campaigns represent value for money compared with more targeted approaches. (sub. DR359, p. 28)

Counsellors should have to account for how their grant money is spent, through regular reporting with independent oversight. Such reports should detail how many people have been treated over the period, the proportion of people whose treatment is deemed successful, and other relevant information. This information could be used by government to help assess whether new problem gambling measures are effective over time, and would assist in identifying areas that are under-or-over serviced. (sub. DR359, p. 31)

The Australasian Casino Association called for

... the development of a comprehensive national data set to be used as a tool that is utilised by problem gambling service providers as well as being a means of providing feedback to counselling services, industry and the community on a regular basis. (sub. 214, p. 4)

Relationship Australia (SA) said

RASA is constantly looking to improve our data collection. We have found that we are interested in data that is not required to be collected for reporting purposes and are thus mid process updating our data collection categories and processes. A state or national integrated framework that agencies could input to and access from would be very useful, particularly in relation to client outcomes and methodologies used. (sub 203, p. 29)

UnitedCare Australia

... there is limited formal evaluation of gambling help services to quantitatively determine service effectiveness. The valuations need to be undertaken to determine effectiveness and to identify areas of improvement. (sub. 238, p. 8)

Senator Xenophon

The efficacy of gamblers' rehabilitation services needs to be assessed on a rigorous and systematic basis and this could best be carried out by a national research body that is independent of governments, industry and any other vested interests. In particular it needs to be established how many people with a gambling problem are currently receiving help, and of those, how many have been helped to break free of their problem. (sub. 99, p. 6)

Differences in evaluation processes across jurisdictions suggests that a consistent conceptual framework for evaluating preventative strategies would help build the evidence base. The Commission's proposed national centre for gambling policy research and evaluation (chapter 18) could establish a consistent set of methodologies and evaluation processes for preventative strategies. There would also be value in evaluations being made publicly available (to overcome a lack of transparency in evaluation findings), so that jurisdictions can learn from each other.

Gambling help client data

The Commission's attempts to gather data about clients seeking help across Australia also revealed the absence of a *nationally consistent* data set for gambling help services. The Commission's 1999 report, pointed to the need for a national minimum data set that collected data on clients of problem gambling counselling agencies using an identical set of definitions across the jurisdictions. While there has been agreement among jurisdictions on the need for more consistent data (a number of jurisdictions have sought to improve their data sets and the jurisdictions have agreed to a data dictionary), Australia is still a long way off having a national minimum data set.

Because data are not collected in a common format (if collected at all), aggregation of client numbers and characteristics is difficult, as is undertaking comparisons across jurisdictions. Greater compatibility in terms of what data are collected and recorded would build the evidence base on clients attending help services and allow a more robust comparison of clients across problem gambling services in Australia. There is also variation in the extent to which jurisdictions make data publicly available — and thus available to assist service providers, researchers and the community more generally.

A national data set would not preclude jurisdictions and service providers from collecting data specific to their needs, but it would ensure that minimum uniform data are available nationally. The Commission's proposed research and evaluation centre ideally should coordinate the collection of a national dataset on gambling help services (chapter 18).

Outcome data and follow-ups

Client data also provide only limited outcome and follow-up information needed to assess the effectiveness of interventions in reducing gambling problems. To allow for an accurate measure of client change following counselling, a standardised interview should be conducted both pre and post treatment. Follow-up assessments should be routinely carried out at regular intervals after counselling is completed (for up to two years). Data should also be collected on:

- the nature and severity of the problems with which gamblers present, including co-morbidities
- the type of interventions provided
- the number of treatments provided to individual clients
- the level of counsellor training.

In some jurisdictions, outcome measures are already collected. In South Australia, pre and post measure testing has been required by services since 2004. Victoria has recently put out a revised approach to Gambler's Help Performance Management that involves collecting baseline client data, performance outcome measures and client satisfaction surveys, and all RGF-funded counselling services in New South Wales are required (since July 2008) to conduct structured client follow-ups. However, a more structured approach to evaluating outcomes and conducting follow-ups from counselling and treatment support services within and across jurisdictions would help build the evidence base on the effectiveness of gambling counselling services. A set of outcome measures (agreed to following consultation between the jurisdictions) should form part of the national data set.

New Zealand's service-user statistics provide a guide in terms of outcome measures that might be used (Ministry of Health, 2008a). Three measures — SOGS-3M score, a measure of how much money is spent, and a test of the client's assessment of the degree of control they have over gambling — are collected at assessment and repeated at follow-up. The Gambling Treatment Clinic at the University of Sydney has also developed a Structured Clinical Interview for Problem Gambling that uses the DSM-IV criteria, and measures time and money spent on gambling and assesses the level of debt of the client.

The collection of assessment data and information on treatment variables, such as the type of interventions provided, the number of sessions and counsellors qualifications, should be routinely undertaken by counselling agencies. There may, however, be value in an independent body undertaking follow-ups. In New Zealand, the telephone counselling service conducts the follow-ups of clients and assesses progress against outcome criteria. This model has also been used in New South Wales. This model avoids any possible problems associated with counselling services following up their own clients and has the added advantage that it ensures funding is made available specifically for follow-up of clients.

RECOMMENDATION 7.4

Governments should cooperate to:

- ***create a nationally consistent and publicly available dataset on gambling help services, including measures of their effectiveness***
- ***develop national guidelines, outcome measures and datasets for prevention and early intervention measures.***

The collection of data and evaluations of help services and prevention measures should be coordinated through the Commission's proposed national centre for gambling policy research and evaluation (recommendation 18.3) or by another agency with expertise in public health analysis.

There is also currently very little tracking of clients. Jackson et al., looking at new clients and those presenting again concluded that:

... distinguishing between first treatment contact and subsequent entry to treatment is clinically relevant, and that the examination of problem gambling from a treatment career perspective is deserving of further attention. (2008, p. 618)

This suggests that there would be value in having individual identifiers to link records and to reactivate a closed case if a client re-presents for help. Such linkages would provide more information about relapses and could also mean better case management of clients. The use of individual identifiers, including issues around confidentiality, warrants further investigation.

Areas for further research

There are a number of areas where further research is required to address gaps in knowledge about interventions to assist problem gambling. There is a particular need to know more about the effectiveness of early interventions in:

- preventing or reducing the likelihood of groups at risk from developing gambling problems and ensuring they have the information to make informed choices
- educating the public about the visible signs of problem gambling.

Essential questions about the efficacy and effectiveness of treatment for gambling problems — including self-help and brief interventions and the types of treatments that are most effective for different sub-groups of gamblers experiencing problems (such as adolescents and culturally and linguistically diverse groups) — still need to be answered. The Problem Gambling Research and Treatment Centre (a joint initiative of the University of Melbourne, Monash and the Victorian Government) is currently developing evidence based clinical guidelines for the screening and assessment and treatment of problem gambling. The guidelines will identify, appraise and summarise the best available evidence. They will be based according to the Australian National Health and Medical Research Council (NHMRC) clinical

guidelines development process (the guidelines will be submitted for NHMRC endorsement upon their completion) and the Cochrane review protocol.¹

To further strengthen the evidence base, however, more standardised randomised controlled trials with extended follow-up periods are required. Future outcome evaluations should attempt to overcome the methodological issues that have weakened the evidence base and have sufficiently long follow-up periods. The critical period in judging whether the effectiveness of treatment for problem gamblers is considered to be two or more years after the completion of treatment. Walker recently said:

If we are serious about helping problem gamblers, it has to be help, not for six months or twelve months, but for life. We need research to determine approaches to helping people to quit gambling for life. The available evidence suggests that we help problem gamblers quit for six months; we need to do better than that. (NSW Problem Gambling Roundtable, 2008, p. 17).

Longitudinal research on clients and problem gamblers more generally could shed further light on the effectiveness of counselling, natural recovery and relapse. Long term effectiveness is also critical in terms of assessing cost effectiveness.

Further research is also needed to establish what clinical variables have an impact on treatment efficacy.

¹ Cochrane reviews are considered the most rigorous way of assessing research evidence. The reviewers require training and support from the sponsoring Cochrane centre which is chosen from an international network of centres.

8 In-venue information and gambling advertising

Key points

- Warnings and notices within venues are important referral sources for gambling help lines
 - given their low cost, these tools are generally also cost effective
 - but there is potential to improve their performance by using visual images and improving the messages.
- There are grounds for changes to gaming machines and their networks that permit the electronic provision of:
 - player information statements
 - information and warnings that are periodically displayed to gamblers while they are playing ('dynamic' warnings)
 - disclosure of the expected hourly cost of play based on each customer's pattern of play
- Advertising has the potential to encourage harmful gambling behaviour, but most gambling advertising regulations are consistent with a harm minimisation approach. The exceptions are:
 - gambling advertisements during children's television viewing periods and sporting telecasts
 - advertising rules for wagering and sports betting.

Warning messages and material about gambling within venues are an important component of a harm-minimisation strategy. Warnings can inform individuals of the potential risks of gambling and behaviours indicative of problem gambling and encourage safer gambling practices. They can also inform people about where help may be obtained and how to access self-exclusion programs.

Gambling advertising — which aims to stimulate demand — on the other hand, has the scope to undermine efforts to educate people about gambling.

This chapter looks at:

- in-venue warnings, posters and information pamphlets (section 8.1)

-
- player information (section 8.2)
 - gambling related advertising (section 8.3).

Certain key elements of information and education are dealt with in other chapters, notably:

- community education programs (chapter 7)
- school based gambling education programs (chapter 9)
- restrictions on venue based promotions (chapter 12)
- warnings and messages on automatic teller machines (chapter 13) and
- warnings, information and advertising provided by online gambling sites (chapter 15).

8.1 Warning messages

The key objective of warning messages and the provision of in-venue problem gambling material is to reduce harm by changing, reducing or avoiding problematic behaviour. A successful program should result in:

- people ceasing or reducing risky gambling behaviour
- an increase in people seeking assistance from gambling help services
- a reduction in the average amount of time between people developing and resolving a gambling problem. (This reduced timeframe for behavioural change would probably also reduce problem gamblers' accumulated losses).

Requirements for in-venue warnings and information

All jurisdictions require venues to display warnings. Different variations of material, however, are used across jurisdictions. For example, New South Wales and Victoria have developed formats to attract gamblers' attention, and Victoria and Queensland have rolled out a series of warning messages that include prominent visual components (some examples are shown later in the chapter).

Most jurisdictions have a number of approved warning messages that are placed on electronic gaming machines. South Australia has a unique approach, with warning signs being rotated over time (table 8.1).

Table 8.1 Warning messages are rotated in South Australia

<i>Message</i>	<i>Date to be displayed</i>
Don't chase your losses. Walk away.	Dec 08 to end May 09
Don't let the game play you. Stay in control.	Jun 09 to end Nov 09
Stay in control. Leave before you lose it.	Dec 09 to end May 10
You know the score. Stay in control.	Jun 10 to end Nov 10
Know when to stop. Don't go over the top.	Dec 10 to end May 11
Think of the people who need your support.	Jun 11 to end Nov 11

Source: Office of the Liquor and Gambling Commissioner (2008).

Licensing requirements or industry codes of conduct also typically require gambling venues to provide problem gambling pamphlets and contact details for help services.

Placement matters

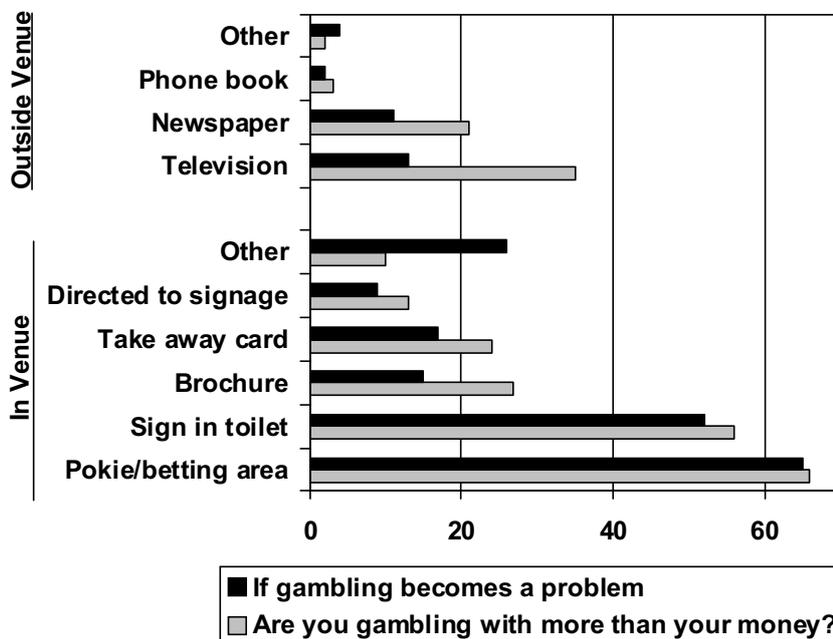
The presence of warning signs and pamphlets is one thing, but for warnings to have any effect, people need to *see* them. Where a sign is placed, its size and how well it stands out are important. During the course of this inquiry, the Commission visited a range of gambling venues, and it was sometimes difficult to find problem gambling related material.

Given the social stigma associated with having a problem with gambling, to encourage gamblers to pick up or read material about problem gambling and available help services, material should be placed in areas of relative privacy, such as bathrooms. Evaluations of gambling warning signage recently undertaken in Queensland highlight the importance of placing gambling warnings and help materials in areas away from the gaming floor. A high proportion of survey participants recalled seeing help posters in bathrooms at gambling venues (figure 8.1), and a sample of problem gamblers thought that they would be more likely to respond to material placed in bathrooms than to those in gaming rooms.

Gamblers recognise the value of having messages in bathrooms when gamblers are taken away from the gambling environment. They believe it is a good place for gamblers to reassess their gambling situation. (ACNielsen 2005, p. 25)

Figure 8.1 Where people remember seeing gambling warning signs

Percentage of survey participants who recalled seeing warning signs in different locations

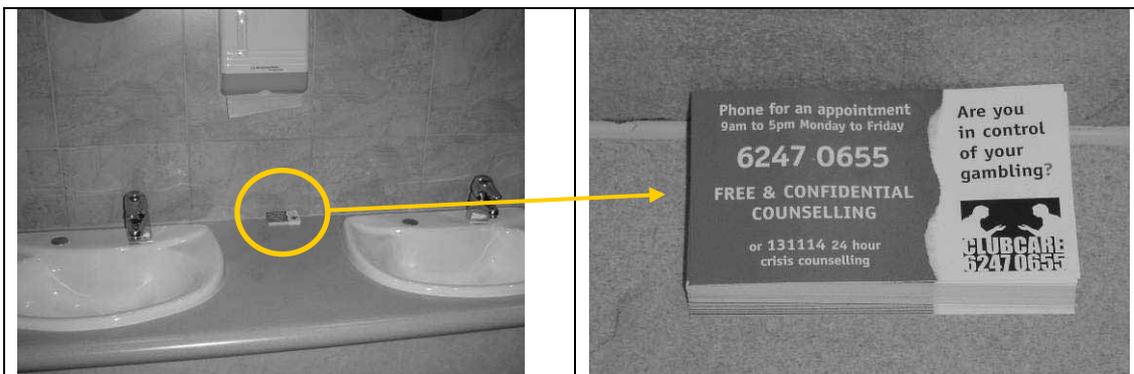


Data source: ACNielsen (2006).

Warning notices and pamphlets should also be displayed in parts of the venue where patrons are likely to take a break from gambling, as people may be more receptive to information when they are not actively gambling. Even if people don't pick up literature in these locations, having gambling related information in bar and meals areas could prompt patrons to obtain help. A novel approach used as part of the *Gambling Hangover* campaign in New South Wales was to provide a problem gambling pamphlet in a plain white cover. Because the cover gave no indication of the contents, people could pick it up without identifying themselves as having a 'gambling problem'.

Another important source of information is gambling counselling contact cards — which contain details of counselling services. That information is normally printed on a business sized card that allows gamblers the opportunity to discreetly take a card from a gambling venue. One participant (The Western Riverina Murray Gambling Forum, sub. 226) noted the lack of contact cards for counselling services in some gaming areas. In one venue visited by the Commission, counselling contact cards were available in the bathrooms and could quickly and discreetly be accessed by gamblers (figure 8.2).

Figure 8.2 Counselling contact cards available in an ACT venue



Warnings are relatively cheap and easily updated

When assessing the desirability of implementing any policy, the relative cost of the program obviously needs to be considered. The cost of printing and placing warnings is relatively low compared to other policy interventions such as modifying existing electronic gaming machines (see chapter 11) or changes to in-venue placement of automatic teller machines (see chapter 13). In addition, if a warning campaign is found to be ineffective, the cost of removing the warnings is also low. As such, the estimated benefits from warning messages do not need to be very high to justify implementing a program.

There may be a need to use innovative and flexible approaches when assessing warning campaigns. The costs of the most common policy assessment techniques can be prohibitively large for many low cost policies. Assessments of warning campaigns must be capable of determining the effectiveness of the policy against the stated objectives (messages could be designed to prevent problems occurring or make people aware of hazardous styles of play or to encourage people experiencing problems to seek help), while also ensuring the cost of assessment is proportionate to the benefits that could be expected.

How effective are warnings in venues?

Available evidence about the effectiveness of gambling warning messages in venues is relatively thin. Studies examining the effectiveness of gambling-related warning messages have assessed the impact of the 'message', the size of messages and the relative impact of static or dynamic messages. Most of the studies are recent and, as a result, there are no critical reviews or meta analyses across different approaches.

Constrained by ethical considerations from studying gamblers using their own money in an actual venue, many of the studies have been undertaken in a laboratory setting. Two of these studies (Steenbergh et al. 2004, Cloutier et al. 2006) found that exposing people to warning messages generally changed participants' understanding of the odds of winning, but didn't result in any significant change in their gambling behaviour. However, one laboratory study found that people exposed to warnings before playing roulette spent the same amount of time gambling as people not provided with warnings, but had more money left at the end of the gambling session (Floyd et al. 2006).

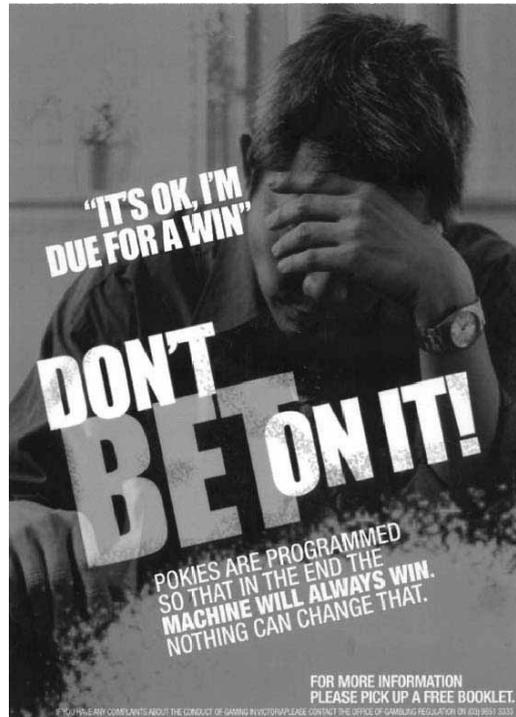
Two venue-based analyses of warning messages in Australia — one commissioned by the Victorian Government (Sweeney Research 2007), the other by the New South Wales Government (Riley-Smith and Binder 2003) — assessed the impact of existing warning messages compared to possible alternative messages. Both used a focus group approach.

- The Victorian study, which grouped participants by problem gambling risk level, tested warning messages with different combinations of length and placement of text, colour schemes and visual imagery. While the views of the two groups about the messages were generally similar, problem and at risk gamblers responded more strongly to a warning sign containing a picture of a distressed person (figure 8.3). Low risk gamblers, on the other hand, considered the warning irrelevant to them because they could not relate their own gambling behaviour to the emotions depicted.
- The New South Wales study was limited to examining the effectiveness of different 'text-only' warnings. No conclusions on visual imagery could therefore be made, but they found that low risk gamblers reacted differently to people with gambling problems to some messages (Riley-Smith and Binder 2003).

Another evaluation of responsible gambling signs in venues in Queensland involving interviews with 12 problem gamblers, found that the existing in-venue signs had lost their effectiveness (message fatigue). Problem gamblers cited a need for more provocative signs that 'spoke' directly to them. Based on these findings, a further evaluation of 16 'refreshed' signs was undertaken. (107 questionnaires were completed, 30 'problem gamblers' and 77 'at risk' gamblers). Many of the signs were variants of other ideas that were also tested (figure 8.4). Again the evaluation found that messages that 'speak to' gamblers and that were targeted towards 'problem gambling' behaviour were most effective (AC Nielson 2006). After testing the concepts, the Queensland Government introduced new warning messages based on the findings and tried different formats for delivering messages. For example, the 'try this simple test' concept depicted in figure 8.4 was transformed into a take away card (figure 8.5).

Figure 8.3 **Pictures evoke different responses from high and low risk gamblers**

Warning tested in Victorian review



Source: Sweeney Research (2007).

What the evidence points to then is that warnings need to contain more than factual information. To invoke a change in behaviour (particularly for those experiencing problems with gambling), warnings need to have an emotional impact. This point was also made by Delfabbro (2008b):

There is a need to consider images and messages that engage people's cognitive, emotional, and motivational faculties. The message will have more effect if it makes people think about their gambling and its consequences, if it engages them emotionally, and is consistent with their desires (eg being free of gambling-related problems is something that may be very appealing to a person). ...Factual information is usually not enough in these campaigns, because many gamblers are aware of the odds of gambling, but do not believe that these odds apply to them because of beliefs about personal luck. (p. 140)

Brochures and notices at gambling venue are also nominated by people seeking help for gambling as an important referral source. For example, almost a third of people calling G-line in New South Wales in 2007-08 nominated gambling venue notices as the main referral source (appendix J). While only a fraction of problem gamblers ever seek help, given that people who seek help for gambling problems clearly use in-venue information to contact help services, the benefits of providing such information would appear sufficient to warrant the small cost of providing it.

Figure 8.4 **It can be useful to test variations of an idea**

Warnings tested in Queensland

TRY THIS SIMPLE TEST

DO YOU PREFER TO GAMBLE ALONE?

DO YOU BELIEVE YOU'LL WIN BACK YOUR LOSSES IF YOU KEEP GAMBLING?

DO YOU SET LIMITS, THEN GAMBLE BEYOND THEM?

ARE YOUR FRIENDS CONCERNED ABOUT YOUR GAMBLING?

HAVE YOU EVER GAMBLLED WITH MONEY SET ASIDE FOR OTHER PURPOSES LIKE RENT OR GROCERIES?

DO YOU THINK YOU DON'T HAVE A GAMBLING PROBLEM?

IF YOU ANSWERED "YES" TO THREE OR MORE OF THESE QUESTIONS PLEASE CALL. THE ONLY THING YOU HAVE TO LOSE IS YOUR GAMBLING PROBLEM.

If you've got a problem paying your rent

FINAL NOTICE

you've got a problem all right.

gambling helpline 1800 222 050

Queensland Government Treasury

Gambling Helpline 1800 222 050

Queensland Government Treasury

Source: AC Nielsen (2005). 'Try this simple test' poster developed by the advertising agency BCM.

The Commission's survey of the clients of problem counselling agencies also found some positive, albeit modest, impacts of in-venue warnings:

- most respondents (77 per cent) recalled seeing warning signs in venues
- of those respondents that saw the information, 16 per cent said they changed their gambling behaviour (that is, 12 per cent of the surveyed problem gamblers changed their behaviour).

To the extent that the self-reported data are accurate, this suggests a potentially high level of cost-effectiveness of this approach given the low cost of introducing in-venue warnings.

Of those respondents that reported that in-venue warning signs had no impact, some of the reasons given for this included that warning signs, 'didn't tell me anything I didn't already know', 'because I didn't think my gambling was a problem', 'I thought I could win' and one gambler admitted, 'I wasn't ready to change'.

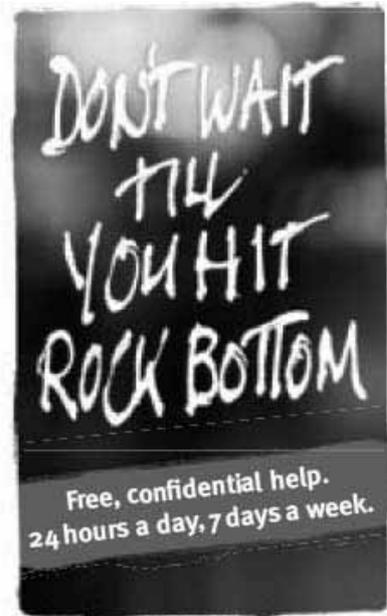
Figure 8.5 Using an idea in a different way

Part of a take away card developed from the 'Try this simple test' poster

- *Spending more time or money than you planned?*
- *Arguing with family & friends after gambling?*
- *Need to return as soon as possible to win back losses?*
- *Feeling guilty or remorseful about gambling?*
- *Gambling with money set aside for other things?*
- *Borrowing money or selling assets to gamble?*
- *Missing work/study/other commitments to gamble?*
- *Hiding the extent of your gambling?*

If you answered yes to 3 or more of these questions, you may have a problem with gambling.

**Don't wait any longer.
There is help available.**



Evidence on effectiveness of messages from related fields

The literature on the effectiveness of alcohol and tobacco warnings is more extensive than that for gambling (it includes a large number of critical reviews and meta analyses) and provides some insights that may be useful for gambling-related messages. That said, tobacco and alcohol warnings have had a chequered history (evidence of uneven effectiveness). And, in the case of tobacco, the warnings complement the social groundswell of public opinion against tobacco use.

Tobacco warnings

Tobacco warning campaigns have been among the most effective campaigns in public health. In general, changes to tobacco warnings have seen increases in the overall size of the warning and text, and the inclusion of more striking colour schemes and visual components. However, even though there has been a consistent change in direction of tobacco warnings, the research has found resulting behavioural change to be inconsistent, and even the more successful messages have resulted in behavioural change in only a minority of smokers.

In terms of text size of warning message, the evidence suggests that warning have to achieve a certain threshold of prominence to be effective. For example:

-
- a multi country study found that changes to the text size of warning messages were only effective if the final text size was sufficiently large (Hammond et al. 2007).
 - Kaiserman (1993) found that changing a small font size to only a somewhat bigger font had no impact.

In a gambling context, such findings could be applied to the size and location of the warnings and to the visual contrast between the warning and the surrounding images.

Evaluations of tobacco warnings also suggest that the type of text message used can influence the effectiveness of warnings. The literature highlights that people undertaking risky behaviours often look for any excuse to reject or discredit warnings and information campaigns so they can justify continuing their behaviour. For example, if people do not display the particular behaviour depicted in a warning, they can disregard the warning on the basis that it is not relevant to them (Strahan et al. 2002).

The differential impact of warning messages that emphasise the negative impacts of risky behaviours and positive impacts of ceasing or reducing risky behaviour has also been examined in the context of warning messages for tobacco. Strahan et al. (2002) made a number of observations that are relevant to gambling:

- the inclusion of information on the positive impacts of ceasing a risky behaviour tends to improve the effectiveness of a warning message campaign
- focussing on negative impacts of risky behaviour is usually more effective as a preventative measure or to encourage early detection, such as with ‘fear based’ public health campaigns (p. 184)

In a gambling context, these findings suggest ‘horse for courses’ with different messages according to the objective of a program. In-venue warnings could be targeted at the full range of gamblers.

Confronting images also appear to assist message effectiveness, at least in some areas of public health. Cross-country studies have found that tobacco warnings that include confronting visual imagery (and larger warnings) are more successful in reducing smoking (Hammond et al. 2007, Strahan et al. 2002).¹ For example, over 10 per cent of survey participants from the United Kingdom reported a link between seeing new warning labels and not smoking for at least six months after the warnings were changed (Hammond et al. 2007).

¹ The most effective warnings covered at least 30 per cent of the tobacco packages (Hammond et al. 2007).

While it is easy to use striking visual imagery in smoking warnings, it is less clear what type of imagery could be appropriately used for gambling. That said, Victoria (figure 8.6) and Queensland (figure 8.7) have taken initial steps in developing gambling related visual imagery. Given the potential for behavioural change, further exploration of gambling related visual warnings is warranted.

The other relevant finding from analysis of tobacco warning labels is that the effectiveness of warning messages decreases over time (Hammond et al. 2007, Strahan et al. 2002). Even highly effective warning campaigns experienced declining behavioural responses after a few years (Hammond et al. 2007). This has also been found to be the case for gambling messages, indicating the importance of ‘refreshing’ such material.

Figure 8.6 Examples of Victorian warnings



Source: Victorian Commission for Gambling and Regulation: Minister's standards
[http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/9F15EBAB79B09296CA25743B0003697C/\\$File/Std_Minister2008Talkers.pdf](http://www.vcgr.vic.gov.au/CA256F800017E8D4/WebObj/9F15EBAB79B09296CA25743B0003697C/$File/Std_Minister2008Talkers.pdf)

Alcohol warnings

Reviews of alcohol warnings appear to offer less guidance for the effectiveness of warnings about the risks of gambling as the evidence on alcohol warnings suggests limited behavioural change. As Stockwell (2006) concluded:

Reviews of the evidence supporting the full range of available alcohol policy strategies spanning legislative, regulatory and educational have mostly concluded that there is little or no measurable change in drinking behaviour and related harms as a result of introducing warning labels. (p. 4)

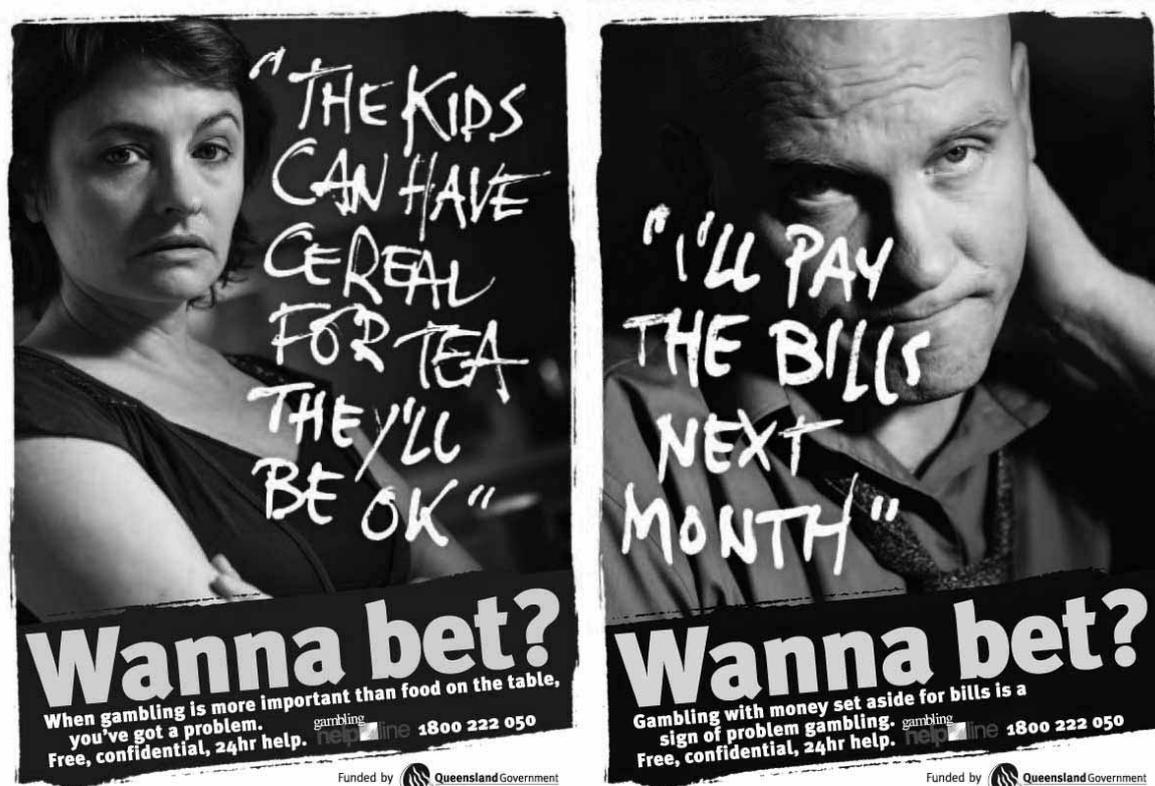
That said, alcohol warning messages have been shown to have some impact on behaviour when directly targeting health risks — such as the risks associated with drink driving and the risks of drinking alcohol while pregnant (Stockwell 2006, Anderson and Baumberg 2006, Argo and Main 2004).

On the other hand, some characteristics of alcohol warnings that have been regularly associated with poorly performing programs include where:

- the warnings are targeted at experienced users of the product
- the warning messages are too small to be seen. For example, in Thailand, the text of alcohol warning messages need only be two millimetres in height.
- the language used is inappropriate for the target audience (Argo and Main 2004).

As with many other areas of public health initiatives, recent public awareness programs for alcohol have adopted some of the more effective components from tobacco campaigns. However, there is a lag between implementing and reviewing such programs. It is possible that existing campaigns targeting responsible alcohol use could be more effective than previous campaigns. As reviews of these programs are undertaken, they may also provide additional insights for gambling campaigns.

Figure 8.7 Examples of Queensland Warnings



Dynamic warnings show some promise

There is some evidence that gaming machine players are more likely to respond to 'dynamic' warning messages. These are messages that are periodically displayed while people are actually gambling, usually on the screen itself.

- Cloutier, Ladouceur and Sévigny (2006) found that a group receiving dynamic warning messages showed a larger reduction in erroneous beliefs than those receiving static warning messages. The behavioural effects of the different forms, however, were found to be identical.
- Monaghan and Blaszczynski (2007) found that students playing an electronic gaming machine (in a laboratory setting) had substantially higher recall of warning messages if those messages were dynamically delivered via the screen.

The Allen Consulting Group (attachment to sub. DR365) presented a contrary view, arguing that venues are already cluttered with messages and information, and that dynamic messages and player information displays could simply augment that clutter, making it harder to provide high impact, conspicuous messages. However, an important feature of on-screen warnings and information is that they cannot

readily be avoided by a player — making it more likely that the message will be read regardless of the amount of clutter in the venue. In fact, the use of dynamic warnings could allow reduced clutter if they replace other information.

Simple dynamic warnings could be implemented soon

The simplest form of dynamic message would be a generic warning which did not take account of gamblers' playing styles. Simple messages of this kind could be implemented relatively quickly in Queensland, Tasmania and the Northern Territory using existing gaming machines and monitoring protocols in those jurisdictions. An additional benefit of using monitoring systems to provide warning messages is that as messages lose their effectiveness, they could be replaced almost instantaneously and at no cost to venues. However, additional functionality would need to be built into central monitoring systems to generate the messages.

Intelligent dynamic warnings could be deployed over the longer run

Dynamic warnings could, in time, be tailored to the style of play during a gambling session — so that gamblers who are playing at very high intensity for prolonged periods, or whose behaviour was consistent with 'chasing' losses or other problematic playing styles, could be warned specifically. Such 'intelligent' warnings would only be provided to such players, while those playing in a 'recreational' style would face no interruptions.² Such warnings were supported by Australian gaming machine manufacturers (Gaming Technologies Australia, sub. DR344, p. 16).

There are several possible methods for delivering intelligent warnings to players, including through the networks that link gaming machines to the monitoring system, through software on the machines or both. Altering the existing stock of machines would be costly and unlikely to pass a cost-benefit test. Accordingly, in the short-run, the capacity for delivering such dynamic warnings would need to be incorporated into the software of new machines at production. This would involve

² Dynamic warnings of this kind would need to establish when a session commenced and ended. This is straightforward. A session could be defined by a continuous period of a positive balance on the credit metre or, where the metre returns to zero, a short elapsed time between button pushes. (The latter would take account of circumstances when a gambler inserts more money into the machine when their credits have been exhausted.) This method is used to identify sessions of play in New Zealand. It is not fool proof — for example, a player may let their credits be exhausted before entering more money or a person may take a short break, reserving the machine for their subsequent continued use.

low incremental cost, but would mean that the diffusion of this harm minimisation measure would depend on the rate of retirement of older machines.³

It may be possible to implement such intelligent dynamic warnings as part of the Victorian pre-commitment system scheduled to begin in the next few years, which would provide a useful trial of their design and effectiveness. In the longer run, more sophisticated networks could allow more flexible intelligent warnings, in which regulators and gaming machine providers could update the nature of the warnings remotely without any need to change each machine separately. Machines would have to be compliant with the network protocol to permit this. Such sophisticated warnings could be introduced for online gambling in the shorter run.

Implications for policy

Overall, the evidence suggests that some gamblers do change their behaviour based on in-venue information, as well as it being an important source of referrals for gambling help services. This suggests that the benefit of in-venue information warrants the small cost of producing and disseminating static material. That said, warnings that are deliberately designed to obscure the message, placed in locations that are hard to find or produced in a form that makes identification difficult are unlikely to work.

The evidence on warning materials in both gambling and other related fields indicates that warnings could be made more effective by:

- using more effective language
- highlighting common problematic behaviours and the benefits of changing them
- using visual images that reinforce the message
- changing messages as their effectiveness wains.

Recent changes to arrangements for warning messages in Victoria and Queensland are consistent with many of these principles. Given the *ex ante* evidence from the qualitative research undertaken by Sweeney Research and AC Nielsen and the findings in parallel areas of public health, there is a strong *prima facie* case for other jurisdictions to make use of the Victorian or Queensland models.

Research indicates that intelligent, dynamic on screen warnings are likely to be more effective than static warnings. While it would be prohibitively expensive to

³ Indeed, for the reasons discussed in chapter 19, intelligent warnings may have to lie dormant for several years before they are switched on.

retrofit existing EGMs to generate such warnings, it could appear that introducing the capacity into new machines would involve little cost.

A critical policy requirement for delivering that capacity is the development of standards for those messages. Governments have tested the effectiveness of new warning messages by considering whether there were ‘spikes’ in calls to help services after introduction of the messages. (In general, there have been such spikes.) This is a relatively simple evaluation method, with some deficiencies (Monaghan, sub. DR296, p. 1), but is cost-effective and timely. It should be emphasised, however, that while a major goal of warnings is to encourage people with problems to seek help, they can also serve a potentially important preventative function. Warnings may help avert problems by making people aware of hazardous styles of play or faulty cognitions. (Evaluations of the effectiveness of warnings in this context would have to use different methodologies than for warnings intended to initiate help seeking.)

RECOMMENDATION 8.1

Governments should draw on the Victorian and Queensland models for gambling warnings:

- ***making them conspicuous on machines and in other areas of venues***
- ***using imagery that has been demonstrated to be effective***
- ***highlighting the behaviours that are indicative of problem gambling and the benefits of altering these***
- ***including contact details for help services.***

New warnings should be market-tested for effectiveness prior to their introduction, and their impacts assessed, including by monitoring help-line services before and after implementation. They should be periodically changed to maintain their effect.

RECOMMENDATION 8.2

There should be a capacity for gaming machines to display warnings electronically when the style of play is indicative of significant potential for harm, with:

- ***this capability incorporated into all new gaming machines by 2012 and switched on for these machines in 2014***
- ***all gaming machines required to have this feature by 2016, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue***

-
- *the messages to be displayed and the rules for triggering each message configured in such a way that they could be changed remotely via a monitoring system (including for new machines sold in jurisdictions where existing monitoring systems would not yet be capable of making those changes).*

In the interim, where their monitoring systems are already capable of sending messages to EGMs, jurisdictions should require gaming machines to periodically display simple warnings (unrelated to a gambler's playing style) by 2011.

Some common misconceptions

Lack of understanding about how EGMs work is behind some of the erroneous beliefs held by some gamblers and contributes to their problems. Common beliefs are that machines run 'hot' and 'cold' and are less likely to pay out after a prize has been won (box 8.1). In addition:

Players may believe that a given machine will return the set percentage of the money that they invest. Players may also believe that in the long run, the game return percentage also holds true across sessions and days. ... players typically believe that various factors influence the likelihood that the machine will pay out ... the cognitive error that is common to a range of erroneous beliefs is the failure to understand properly the meaning of randomness across independent events. ... (Walker et al. 2007, pp. 25–26)

The primary cognition underlying problem gambling is the misconception that one can win on a long-term basis, encouraging players to chase losses in the belief that the longer one plays, the more likely one is to win. Research suggests that 'a sizeable percentage' of both problem and non-problem gamblers hold these views:

..., highlighting the need to tailor informed choice information to common misconceptions. (Blaszczynski et al. 2008, p. 113)

Similar evidence is revealed by large-scale population surveys (chapter 4).

As shown in chapter 4, while such misconceptions can influence the gambling behaviour of any player, regular gamblers are more likely to hold erroneous beliefs than occasional gamblers, and problem gamblers more so than other regular gamblers. Nevertheless, given their sheer numbers, most gamblers affected by faulty cognitions are ordinary recreational players. The core feature of gamblers' faulty cognitions is underestimation of the real price of gambling, with the likely consequence that people spend more than they would had they been better informed. This suggests that there could be widespread benefits for all consumers from policy measures that improve their understanding of the risks and costs of playing EGMs.

Information on the chances of winning

Cognitive behavioural therapy (CBT) is a common method for addressing gamblers' misconceptions and irrational beliefs. It involves discussions with the gambler that help them to understand how EGMs actually work. There is some evidence that CBT is one of the more effective approaches for treating problem gamblers (chapter 7). However, addressing misconceptions is not straightforward. Many people do not have a clear understanding of the nature of probability and random events:

Irrational beliefs about gambling may be difficult to falsify, are often highly idiosyncratic and context-bound, and may stem more from the selective misuse of information than from a lack of knowledge about gambling activities. (Delfabbro 2004, p. 1)

Moreover,

During the process of gambling, specific idiosyncratic beliefs (e.g., that one can control the outcomes, or that certain numbers are luckier than others) come to over-ride more objective considerations, and this appears to occur to a much greater extent amongst problem gamblers. (Delfabbro, Lahn and Grabosky 2006, pp. 188–189)

Prima facie, providing better information in venues or on EGMs about how machines function and their 'price' could reduce gamblers' faulty cognitions and provide a better basis for informed consent when people play EGMs. (In some instances, such information might be relevant to other gambling forms). However, while the percentage return to player is variously displayed or made available on request in venues (FaHCSIA 2009, p. 25), it is not clearly-understood (box 8.1). Livingstone, Woolley and Borrell argued that the basic structure of EGM technology is not understood by gamblers:

... particularly in relation to 'common sense' ideas about 'the law of averages' and the average return to player ratio provided by EGMs. (2006, p. xvi)

For example, it is not clear that players are aware that a higher return to player implies a lower expected cost of play per hour, and that the differences can be significant. An EGM that pays 87 per cent return to player costs 13 per cent of turnover on average to play and is therefore 60 per cent more expensive to play than one that pays 92 per cent (where the cost is 8 per cent). Thus the return to player percentage can make a substantial difference to the cost of play and the amount of time that a given stake will last.

Box 8.1 Gamblers' perceptions about the likelihood of winning

Counselling agencies and others consistently report that problem gamblers misunderstand the return to player and the true likelihood of winning on an EGM:

Anyone who has worked with people who gamble come to realize that they often have a number of erroneous beliefs and attitudes about control, luck, prediction and chance. ... The basic problem is that people who gamble often believe they can beat the odds and win. Even those who know the odds still believe they can win. (Centre for Addiction and Mental Health in Canada)

Delfabbro notes that many gamblers report having a number of beliefs about how to, and when, to play the machines in order to increase their chances of winning:

The cognitive theory of gambling is based on the idea that people over-estimate the probability of winning because of irrational-thinking or erroneous views about the odds of winning, and the nature of random events. (2008, p. 127)

For example, it is commonly thought that there are certain times of the day when machines are more likely to pay out because they were 'due for a win' or 'full of money'. Similarly, Walker observed that:

Players may believe that a given machine will return the set percentage of the money that they invest. Players may also believe that in the long run, the game return percentage also holds true across sessions and days. (Walker 2007, p. 25)

Drawing on the work of Schellink and Schrans in Nova Scotia (1998), he added that:

Other commonly held misconceptions are that the chances of winning are influenced by the size of the bet, the type of machine or game they are playing, the time of day or day of the week, and skill of the gambler in pressing the button ... Problem gamblers are more likely to hold these beliefs than other regular gamblers. (Walker 2007, p. 26)

Delfabbro concluded that all of these reported behaviours and beliefs were generally consistent with previous research undertaken in Australia (Delfabbro 2008, p. 127).

Delfabbro observed that telling players that they will get back 87 per cent of the amount they insert into an EGM is unlikely to be informative, because it is a long-run expected (statistical) return, and therefore unlikely to be relevant for a given gambling session:

Although gamblers can obtain short-term profits if outcomes go in their favour, the most probable outcome when people gamble on slot-machines and reinvest their returns is for them to lose all their money, or obtain a small profit. This fact should be emphasised so that people do not enter venues in the mistaken belief that they will consistently lose around 13%. (Delfabbro 2008, p. 141)

He added that:

This view was also endorsed by the Australian Gaming Machine Manufacturers Association⁴ ... who point out that providing odds might only serve to confuse players, or lead them into the false expectation that this return will be maintained consistently,

⁴ Now the Gaming Technologies Association.

and that the machine will constantly self-correct in order to maintain the required return. This seems a very likely possibility given people's tendency to fall victim to the gamblers' fallacy. (Delfabbro 2008, p. 141)

Nevertheless, it is clear that some gamblers continue to see EGM playing as a way to make money (or are not fully aware of how much they can lose). But the EGM manufacturing industry emphasises that players should *expect* to lose money in the long run:

It is important to understand that these machines are NOT designed to make you money on any regular or long term basis. Winning sessions may occur but you should expect that the long term outcome will be to lose money – otherwise the venue that provides you the opportunity to play could not afford to keep the machines! (Gaming Technologies Association, *Responsible Gaming Machine Play*⁵)

In an attempt to convey information about odds in a more understandable way, the Queensland OLGR, provides the following example under a heading of '*What are the odds of winning a top prize on a gaming machine?*'. To envisage the odds of getting five symbols in a row — which can be up to one in 52 500 000 — it asks the reader to imagine 152 road trains parked nose to tail along the highway:

Each truck has three containers. This gives a total of 456 containers. Each container is packed with 3 800 slabs of drink cans. There are 114 027 cans per container, making 51 996 312 cans in total. One of these cans is cold — the rest are warm. You want to find the one cold can. (OLGR 2009)

However, there remain doubts about the capacity of EGM players to absorb and understand accurate information about the probabilities, odds and payout structures of EGMs. In addition, there is some evidence that even where people do understand these matters, this can be overridden by irrational beliefs when gambling (what Sévigny and Ladouceur 2004 call 'cognitive switching', cited in Delfabbro, Lahn and Grabosky 2006, p. 189). As one study observed:

Knowing something and having this knowledge alter your behaviour are often two different things. (Williams, West and Simpson 2007, pp. 10–11)

Moreover, erroneous beliefs that some EGM players have about their capacity to win money overall tend to be reinforced by the winning of prizes. Notwithstanding that they lose in the long run, high intensity players such as problem gamblers do win cash or credits along the way because of the sheer volume of bets they make. Indeed:

... persistent gambling is incorrectly perceived as a descent into debt. Rather, it is a trend into debt interspersed with relatively large wins. It is likely that these occasional

⁵ http://www.gamingta.com/pdf/responsible_gaming_machine_play.pdf accessed February 7, 2010.

wins strengthen the erroneous beliefs that the gambler already holds about the activity. (Walker et al., p. 31)

Another way of approaching the issue of player information is to more explicitly portray EGM play as a form of entertainment that players should expect to pay for, with the caveat that part of the entertainment is the possibility of winning a range of prizes in the form of cash or game credits. Such a view is broadly consistent with the views of the gaming industry:

All forms of gaming are for entertainment purposes and provide a statistical advantage (or ‘edge’) to the house. (GTA, sub. 34, p. 5)

But rather than just focusing on the odds of winning particular prizes, such an approach would instead seek to focus players’ attention on the expected cost of play.

For most other services supplied in the economy, the price is set in dollar terms, as a flat amount, or as an amount per hour or per unit of activity, or some combination of these. While the buyer may not know the full price in advance, they are aware of the parameters by which the total cost will be determined. In the case of EGMs, the total cost of play varies enormously with the denomination of the EGM and the intensity of play. There would be value in attempting to convey this by way of a summary or indicative dollar amount per hour.

Conveying to consumers the cost of playing an EGM

As noted earlier, the average cost of play can vary, depending on the parameters of the machine and the player’s chosen intensity of play. Thus the average cost of play is heavily player-dependent, and can vary between a dollar or so per hour and hundreds of dollars per hour (tables 11.1 and 11.2).

A straightforward way of conveying this information would be to indicate the *expected* hourly loss based on a person’s playing style. The dollar cost per hour conveys a more useful message than a percentage ‘return to player’. However, the statistical term ‘expected’ may have to be explained to gamblers, because, given the volatility of returns, they are unlikely to experience the actual losses posted on the machine.⁶

Notwithstanding this shortcoming, there would be clear benefits in providing information in this form. It would:

⁶ An observation made by AGMMA to IPART on this issue (IPART 2004, p. 11).

-
- indicate to consumers that the choice of higher credit/line choices, faster play and higher denomination machines will substantially increase their likely losses
 - reveal the ‘price’ of individual machines in a more readily understandable and less misleading form
 - be more consistent with the normal way of conveying information to consumers about the cost of goods and services
 - convey the idea that an EGM is an amusement device designed to incur a cost (albeit, a likely or ‘expected’ cost), rather than a means of making money.

Such information might not influence the thinking of some patrons, particularly if they experience a run of wins and take some money home. But with repeated exposure, being advised about the average potential cost of an hour’s play could be expected to have a conditioning effect. It might also help some gamblers overcome the ‘gambler’s fallacy’. That is, if they understand ahead of time that playing a particular EGM will on average cost them say, \$500 per hour, it may deter the chasing of losses.

Dynamic player information displays

Ideally, information on the cost of play would be incorporated into player information displays (PIDs), which are increasingly becoming available. In Victoria, for example, players can get access to information on a machine’s return to player percentage and track their playing session by the use of second screens.

After consulting with gaming machine manufacturers and regulators, the Commission understands that it would be technically feasible for all new machines to include a dynamic PID that indicates the expected cost of playing a machine based on an actual customer’s style of play. For example, a gaming machine would calculate that the expected hourly cost of play was \$72 if someone is playing on a 2 cent machine with a 90 per cent player return, choosing 10 lines, 5 credits per line and taking 5 seconds between button pushes. If the gambler ramped up spending by selecting 25 lines and 20 credits, while accelerating the rate of play to 3.5 seconds per button push, the expected cost per hour would be shown as \$1029.

The Commission also understands that such dynamic price disclosure could be achieved at a relatively low cost if there is agreement on a uniform national standard for displaying that information on new machines and if existing machines are not upgraded to include this feature.

Static cost of play information

Consumers need not wait for the existing stock of EGMs to be replaced before being informed of the hourly cost of play. A (static) notice or sign could still provide players with an indication of the hourly cost of play for existing machines, though this need not directly relate to each individual's style of play. As noted earlier, the average cost of play can vary enormously, depending on the parameters of the machine and the player's chosen intensity of play. For this reason, the Commission proposes that such information be in the form of a range, from very low intensity (say, a dollar per hour) to the average (expected) cost of high intensity play, to warn the player of maximum possible losses.

A straightforward way of conveying this information would be to indicate that, at a given rate of play, the expected cost would be of the order of \$X per hour. For example, it could say: 'at 10 lines and 10 credits per line, this machine will cost you \$X per hour on average to play'. Or it could specify the expected cost of play at maximum intensity.

Arguments can be mounted for different approaches for calculating the expected loss, and it would be useful if a consensus approach can be agreed across jurisdictions, based on some market testing (see below). However, such agreement need not be reached before static signs can be introduced. In fact, the early introduction of static signs indicating the hourly cost of play could usefully guide the development of both future static messages as well as on screen provision of the expected cost of play.

Information on the 'return to player'

As the average cost figure would still be a statistical 'expected' cost that few would experience in a single session, it would need to be supplemented with other information.

To compare the costs of playing different EGMs with different parameters, players need to know the 'price' of playing one machine compared to another. The proposed dollar cost of play does not provide this information, as a \$900 per hour EGM may be more expensive to play than a \$1200 EGM in the sense that it has a lower return to player setting. So players should also be advised of the percentage *return to player* expressed as a percentage *cost to player* — for example, a 92 per cent return to player involves an 8 per cent cost to player. In the short-run, this could be posted on machines by a sticker — without substantial cost. And, over time, the percentage cost to player would be included as a feature of the player information displays discussed above.

The return to player information also needs to be supplemented with better consumer information in the form of readily available pamphlets that players can read at their leisure, or on a secondary screen. These could explain how EGMs work, the caveats about the long term nature of the average dollar cost, how that figure is calculated and the possible range of costs that players are likely to experience in practice.

Whatever form of disclosure occurs, it should be clearly visible to the consumer and, in line, with recommendations made in the Commission's report on consumer policy, be evaluated for its comprehensibility, and altered if warranted (PC 2008, p. xxv). (This could involve testing players' understanding of this information, assessing how they use it in game play and the implications it has for gambling sessions, choice of EGMs etc.)

RECOMMENDATION 8.3

Governments should ensure that gaming machine players are informed about the cost of playing through disclosure of the 'expected' hourly expenditure and the percentage cost of play.

- ***Initially, this should be achieved with a sign fixed to all EGMs, showing the percentage cost of play and the expected hourly cost of play on that EGM, based on some customary styles of play.***
- ***By 2011, all new gaming machines should display electronically the cost of playing based on an individual's style of playing, and provide information on the percentage cost of play.***
- ***By 2016, all gaming machines should be required to have this feature, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.***
- ***The percentage cost should be calculated as 100 minus the return to player percentage.***

Information on players' actual losses

Proof of purchase (a receipt of expenditure) for gaming machine players could have several *potential* benefits.

Proof of purchase could better inform gamblers about the actual cost of playing machines. Nower and Blaszczynski (2010) found that 'problem gamblers were more likely than all other groups to indicate they lost track of money' (p. 8). This difficulty in tracking losses has potential consequences for overconfidence and lack of awareness of the real costs of playing (appendix B).

It could also improve the capacity of gamblers to seek legal redress under state and territory fair trading laws if some aspect of the supply of the service is deficient (Duty of Care, sub. 151, Gambling Impact Society NSW, sub. 59). For instance:

Duty of Care remains deeply concerned with the lack of consumer protections afforded to gambling machine consumers. Where gambling machine providers breach codes of practise or when machines malfunction and gambling machine consumers are disadvantaged as a result, those same consumers are unable to prove to a court's satisfaction that they were even in the venue at the time the breach or malfunction occurred let alone how much they are out of pocket as a result. This is totally unacceptable. (sub. 151, p. 17)

However, while the issuing of receipts for the purchase of goods and services is a standard business practice, the right for a customer to obtain a receipt is not currently included in consumer protection legislation in most Australian jurisdictions. (However, an Australia-wide right to proof of purchase is being considered as part of the new Australian Consumer Law.) Only in Victorian fair trade legislation is the right to a receipt or other means of proof of purchase explicitly stated (*Fair Trading Act 1999* s 161A). It is accommodated in gambling by allowing a patron the right to request a receipt, but not the obligation for the supplier to automatically provide one. In fact, receipts are rarely requested in Victoria — although the cumbersome and slow process apparently involved may well deter patrons. For example, Mitchell (sub. DR 378, p. 7) indicated the substantial length of time it took to obtain receipts in Victoria (from 22 minutes to 90 minutes).

Mitchell recommended that this problem be resolved by having EGMs *automatically* issue receipts to players. This would more adequately address consumer misconceptions about the cost of playing than a discretionary receipt. However, to achieve this in the short run would require the replacement of most EGMs and some central monitoring systems — costing some hundreds of millions of dollars. This could only be justified if it were associated with some other requirement to replace machines, which the Commission does not consider desirable.

The Commission's medium term recommendations for:

- dynamic cost disclosure would address people's misconceptions about losses more cost effectively.
- the inclusion of the option for gamblers to access player information statements with any pre-commitment scheme would address any need for more detailed records of past play. Notably, however, such past transactions histories are often not requested even where current loyalty schemes include them as a feature (Nisbet 2005b.) However, the Commission understands that the costs of

providing player information statements for play on all EGMs is low in the long run, since that capability could be built into new machines and turned on when compatible monitoring systems and pre-commitment systems are developed. Retrofitting this capability would involve large costs which could not be justified.

8.2 Advertising

Advertising is typically seen as a legitimate commercial strategy for promoting a business's products. However, in the gambling arena, there are significant concerns that it can reinforce highly prevalent consumer misperceptions about gambling, inappropriately attract children to gambling, and exacerbate problem gambling. Reflecting these concerns, jurisdictions regulate most aspects of gambling advertising (appendix K). Nevertheless, there are several potential gaps raised by participants that may warrant policy action.

Competitions

Some quizzes, competitions and auctions have a gambling element, but may be marketed in a way (or assume a form) that misleads consumers. Yet regulations in this area are not comprehensive, and existing state and territory regulations do not fully address problems arising from services marketed across jurisdictional boundaries. Cooperative approaches by states and territories are likely to be the most effective policy model, with the Tasmanian Department of Health and Human Services (sub. DR370, p. 5) endorsing their practicality.

In theory, an alternative regulatory approach could involve a national body as the regulator. However, for existing state and territories, there are complementarities between the regulation of such gambling competitions and other gambling forms, and these regulators are a known point of contact for consumers wanting to make a complaint. All the more so given the Commission's recommendations for enhanced state-based complaint processes (chapter 12). In contrast, it would not be cost effective to create a new national regulatory body just to address gambling advertising, and existing Australian Government agencies with some responsibilities for gambling, like ACMA, do not have the broad capacity of state and territory regulators.

The Ministerial Council on Gambling should develop a consistent national approach for regulating gambling-based quizzes, competitions and auctions operated or marketed through television, mobile phones and the internet:

- ***those arrangements should not cover gambling or gaming activities already regulated by state and territory governments.***

Accurate and sufficient representation of gambling services

Currently, most jurisdictions explicitly prohibit gambling suppliers overstating the chances of winning, and, more generally, trade practices law prohibits misleading and deceptive conduct. Nevertheless, some participants remain concerned that advertising does not accurately portray gambling, by accentuating wins and enticing new customers through clever marketing without representing the risks of the products (appendix K).

While there are strong grounds for prohibiting misleading marketing or advertising that accentuates winning, it is not clear that the severity of the remaining problems warrant strengthening of existing regulations or additional regulations.

In particular, exaggeration is a common feature of marketing generally and most consumers are aware of this. The ACCC refers to such exaggeration, fanciful or vague claims for a product as ‘puffery’, and in most instances it is not outlawed under trade practices law because people could not reasonably be misled. It is a fine judgment about when claims such as ‘scratch me happy’ (cited as problematic by Hunter Council on Problem Gambling, sub. 111, p. 3) are legitimate forms of marketing or ones that might support false prospects of winning. The practicalities of ensuring a *completely* balanced portrayal of the prospects of winning may be difficult to achieve.

The Commission does not consider that further regulatory action is a high priority, though the practical experiences of codes that attempt to constrain overly exuberant marketing — such as the Queensland gambling advertising standard — would be worth assessing.

On a lesser note, some gambling suppliers — notably some state lotteries — implicitly depict wins as non-random events when in fact, they are random (appendix K shows some examples). That might not involve harm for lottery customers, but the faulty cognitions it encourages or reinforces may carry over into

other contexts, such as gaming machine play, where its effects are more problematic. This practice should not continue.

RECOMMENDATION 8.5

Governments should ensure that gambling suppliers do not provide information to consumers that can create the false impression that future winning numbers can be inferred from past results. This should apply to all gambling suppliers, including government-operated lotteries.

Gambling advertising and minors

Empirical evidence suggests that gambling advertising can have adverse effects on susceptible people, even if not for many others (appendix K). A particular concern is the exposure of children to advertising. In part, this concern stems from a view by some that gambling is not a socially legitimate pursuit, a contention that most Australians would probably contest. A more justified concern is that it may prompt underage gambling or establish faulty cognitions early in life. (Appendix K discusses the limited empirical findings in this area.)

There are already many regulatory arrangements and codes in place to limit exposure of children to gambling — and which may address many of these concerns. That said, there are several inconsistencies in these arrangements.

- The code applying to lotteries specifically prohibits advertising to minors, yet the *2010 Commercial Television Industry Code of Practice* (to be implemented in March 2010) provides an advertising exemption for lotteries (and some other forms of gambling) during time slots when children would often be watching television.
- An exemption also applies to commercial broadcasts in a news, current affairs or sporting program, which appears to be inconsistent with the general principles concerning exposure to gambling by children. That inconsistency may be becoming more marked as the frequency of in-commentary gambling promotions during televised sport increases (through, for example, continuously posted odds and the conspicuous identification of betting agencies).

There are grounds to re-assess these exemptions.

It would be possible to go further — with more sweeping prohibitions on advertising that *might* reach children — including coverage of more subtle forms of marketing, such as the visibility of logos on the clothing of sporting figures. However, arguably the main thrust of policy should be to address inappropriate content, being mindful of the difficulty of more generally limiting exposure to

children of gambling without inadvertently eliminating the capacity for legitimate television marketing of gambling.

The case — based on existing evidence and judgment — that advertising per se (not just inappropriate content) causes harm to minors is too weak to invoke the precautionary principle in favour of far reaching changes to the current restrictions. The decision about the scope of the restrictions must therefore give significant weight to the applicability of social norms — an issue best left for political judgement.

RECOMMENDATION 8.6

The Ministerial Council on Gambling should review the 2010 television industry code of practice to determine whether the current exemptions relating to the promotion of lotteries, lotto, keno and sportsbetting during key children’s viewing periods are appropriate.

Consistency in advertising restrictions

Some participants were concerned about the differences in advertising regulations applying to different forms of gambling (appendix K). However, from a cost-benefit perspective, regulations should only apply where the problems are big enough to warrant regulation. Some forms of gambling cause more harms than others (particularly gaming machines) and stricter forms of regulations are warranted for these forms. That does not constitute an ‘inconsistency’, just an appropriately targeted application of regulation.

In every jurisdiction except Tasmania, the most stringent gambling advertising regulations are applied to EGMs (appendix K). This is appropriate given the relatively large scope for gambling related harm relates to their play. The Tasmanian government intends to introduce similarly stringent regulations for EGM advertising in the near future.

A further concern was that in wagering, the Betfair high court decision had encouraged inappropriate advertising — out of kilter with past practices. For example, Tabcorp referred to an ‘advertising onslaught’ by corporate bookmakers (sub. 229, p. 14) in the aftermath of the decision. However, as noted earlier, part of the function of advertising is to facilitate competition and, in the wagering arena, aggressive marketing may well have contributed to a more competitive wagering market and better outcomes for punters (chapter 16).

Overall, the general approach to regulatory variations for advertising across gambling forms — geared to the potential for harm — appears appropriate.

9 School-based gambling education

Key points

- There are high rates of gambling among teenagers. Many people reporting gambling problems as adults began gambling as a teenager.
- Evaluations of school-based education for gambling, while limited, mostly find improved understanding of gambling, but not positive behavioural change.
 - The richer evidence base for education aimed at other risky activities — alcohol, drugs and road safety — shows similarly modest impacts and, in some cases, increased risk-taking behaviour.
- This suggests caution in adopting school-based gambling education
 - the risks may be moderated by appropriately timing interventions and by presenting more than mere factual information about gambling.
- Existing school-based programs should be rigorously evaluated and either modified to address risks or abandoned if they are found to actually promote harmful gambling behaviours.

This chapter looks at the issue of school-based gambling education which has been strongly advocated by the Australasian Gaming Council (AGC). The existing approach to school-based gambling education is discussed in section 9.1. Section 9.2 looks at what is known about children and adolescents and gambling. The evidence on the effectiveness of school-based gambling education is examined in section 9.3. Section 9.4 looks at the evidence on school-based education aimed at other risky activities, such as alcohol and drugs, and road safety. The evidence is drawn together in section 9.5.

9.1 Existing approach to school-based gambling education

School-based gambling education programs, aimed at informing children and adolescents about gambling and equipping them with skills to make informed choices about gambling, have been developed in a number of jurisdictions in Australia (box 9.1).

Box 9.1 School-based gambling education programs

In *New South Wales* the focus is on addressing harms from gambling. A *Guide for Problem Gambling; Children and Young People*, has been developed for distribution to schools and TAFE colleges. The kit provides counsellors with the tools to identify and respond to a student developing a gambling problem. While no elements of the NSW curriculum explicitly relate to gambling, in mathematics, students have opportunities to explore chance and statistical probability. (sub. 247, p. 59)

In *Victoria*, the focus is on equipping students to make well-informed choices, including an awareness of the risks of gambling and the development of coping and problem resolution skills when faced with high pressure gambling situations (sub. 205, appendix 3, p. 12). The materials are mainly focused on high school, and include components designed to alter underage gambling behaviour.

Queensland has developed a *Responsible Gambling Teaching Resource Kit*, with several education modules covering a range of subjects across most school years. The materials, designed to be taught by the children's usual teachers, are intended to assist children make well-informed decisions about issues they will face as adults (OLGR Queensland, sub. 234, pp. 35–36, 45).

South Australia has two school-based approaches to address gambling education, delivered by teachers and integrated into the overall curriculum. *Dicey Dealings*, aims to teach children about gambling related-harm and factors contributing to gambling problems through 'a diverse range of simulated experiences'. The second approach is part of a broader program on health and financial literacy. (sub. 225, p. 51).

Western Australia does not have an education program explicitly relating to gambling. However, schools have scope to address problem gambling within a financial literacy framework, aimed at providing students with the skills and knowledge to make sensible financial decisions (Curriculum Council 2009).

Tasmania has a program called *What's the real deal?* aimed at students in years 7 and 8. The program explores society's attitude to gambling, the existence of gambling fallacies and how fallacies can contribute to gambling problems. The program presents information on the odds of winning, including the effect of the house edge, but does not promote gambling. It is an optional component, delivered by existing teachers (Department of Health and Human Services 2009).

In the *ACT*, gambling-related education is part of several 'essential learning achievements' relating to life skills in the new curriculum framework for ACT schools (ACT Department of Education and Training, 2007). Training is provided to address teachers' lack of knowledge about gambling.

The *Northern Territory* does not have a program specifically dealing with gambling, but it covers the concepts of odds and independence of events, financial literacy and making informed choices in their current curriculum framework (DET 2009a and 2009b).

While some jurisdictions don't have specific 'gambling' education programs, curriculums generally cover financial literacy and statistical concepts of odds and independence.

The Australasian Gaming Council (AGC), noting the variation in gambling education programs across the jurisdictions, called for the development of a nationally consistent approach to gambling education (within existing national curriculum frameworks), linking gambling education and financial literacy education as a prevention strategy for problem gambling. The AGC has developed a responsible gambling schools program (sub. 230, p. 79). The Australian Hotels Association (AHA) also supported a national approach to gambling education:

At present, schools throughout Australia teach students about safe sex, the dangers of smoking and drugs and the responsible consumption of alcohol. However, to adequately prepare students for life after school, gambling education needs to be included in the national school curriculum. The AHA strongly believes the Commonwealth Government has an important role to play in the co-ordination and implementation of a national approach to gambling education. (sub. 175, p. 79)

Other participants identified education as an important preventative strategy aimed at improving community resilience by dealing with faulty perceptions of gambling, developing students financial and skills to manage gambling behaviour, and more generally, to reduce future occurrences of problem gambling (box 9.2). Some participants pointed to the students reliance on the internet and exposure to 'increasingly sophisticated form of gambling delivered through an expanded array of media' as a key reasons for equipping students with skills to manage gambling (sub. DR326,p. 15, sub. DR382).

There was however, no consensus among participants supporting school-based gambling education in relation to the best approach and content. For example, the Women's Christian Temperance Union of Western Australia (sub. 6) proposed a focus on gambling problems, an approach opposed by the AGC (sub. 230, p. 79). A number of the jurisdictions are currently reviewing their curriculum materials, including the approach taken to problem gambling education.

Other participants questioned the value of gambling education programs in schools and warned about the danger of education encouraging adolescents to gamble. For example, Dr Livingstone said:

... I think education campaigns look good, they make people feel that they're doing something; whether they actually achieve anything is very doubtful, certainly in other areas of public health. I don't think an education program in schools about the dangers of gambling is likely to do anything other than to encourage risk-taking kids to have a go. That's, bluntly put, what the literature would suggest. (trans. p. 628)

Box 9.2 Some participants supported school-based gambling education programs — but different kinds

Women's Christian Temperance Union of Western Australia:

Our organisation would like to see an educational module introduced into the curriculum of school children at both upper primary and secondary schools so that the problems which can arise for some susceptible people can be addressed, and hopefully, more can avoid becoming problem gamblers. More education on the results of this addiction could assist young people in better understanding that this could happen to them unless they are aware and can take appropriate steps before there is a problem. (sub. 6, p. 2)

Betsafe:

Educative strategies and the provision of information and warnings about gambling products could be more effective. This should begin at school age and continue on into adult education. The focus of gambling marketing should be on the entertainment value of gambling rather than the prospect of winning or paying for living expenses with gambling winnings. (sub. 93, 17).

Australian Hotels Association:

It is an unfortunate reality that many young people do not understand the odds when gambling and overestimate their chance of success. ...there is a real need to include in the Australian school curriculum an education program delivering factual information on all forms of gambling to students before they reach legal age. (sub. 175, p. 76).

ClubsAustralia:

ClubsAustralia has no reservations in supporting the efforts of state and territory jurisdictions in funding school-based education programs: education in life skills is, in our view, always preferable to no education at all in this critical area. Further, it would be desirable if such programs became fully integrated into schools' Health and Personal Development curricula, rather than as isolated or oneoff studies. (sub. DR359 , p. 34)

Council of Gambler's Help Services Incorporated

... the Council supports the introduction of an effective, evidence based schools program that contributes to both broad community resilience through addressing risk and protective factors and specific gambling harm minimisation through targeted education with respect to gambling forms and behaviour. Exposure to increasingly sophisticated forms of gambling delivered through an expanding array of media suggests there is an enduring need to equip future generations with the skills to effectively manage their gambling behaviour. (sub. DR326, p. 15)

Leagues Club Australia:

This issue needs to be reviewed as a matter of urgency, especially with the reliance of today's youth on the internet, and their potential exposure to overseas gaming sites. Virtually every google search on anything relating to gaming or gambling has sponsored links to overseas gambling sites such as playpokiesforfree.com. Serious consideration should be given for the provision of school-based educational programs and be based on the successful drug and alcohol awareness programs currently being conducted (sub. DR382, p. 7).

Uniting Care Australia also expressed some apprehension about aspects of school-based education for gambling:

We are highly suspicious of school education programs for gambling which are being actively promoted by the gambling industry, particularly the Australian Gaming Council. The more students know about gambling, the more they will want to experiment with it. Students are already conditioned to gamble on the plethora of trade promotion lotteries. It is an easy step to try the gaming machines when they make their first visit to the hotel and this could be exacerbated by an ill-conceived education. (Uniting Care Australia, sub. 238, p. 43)

9.2 Youth and gambling

This section looks at what is known about when children and adolescents begin gambling and what that means for gambling practices longer-term.

A reality — adolescents already gamble

Definitive evidence is not available to show when people first experiment with gambling, and there are inconsistencies between surveys that ask adults to recall when they commenced gambling, and surveys of children's current behaviour. The latter suggest earlier participation than the former, which may reflect recall biases or generational effects. Despite the inconsistencies, some clear patterns emerge. A substantial proportion of people begin gambling by the time they are 15 years old, with further significant increases in participation rates in the next few years of age (box 9.3). Given this age-related pattern, it is likely that some children begin gambling while at primary school, and evidence from Canada supports this (Gupta and Derevensky 1998).

This suggests that education programs need to be targeted at the first two years of high school, when children commence (generally illegal) experimentation with gambling. Experimentation with more hazardous forms of gambling, such as EGMs, accelerates in older children, suggesting that any 'booster' sessions might be best delivered around the final two years of school.

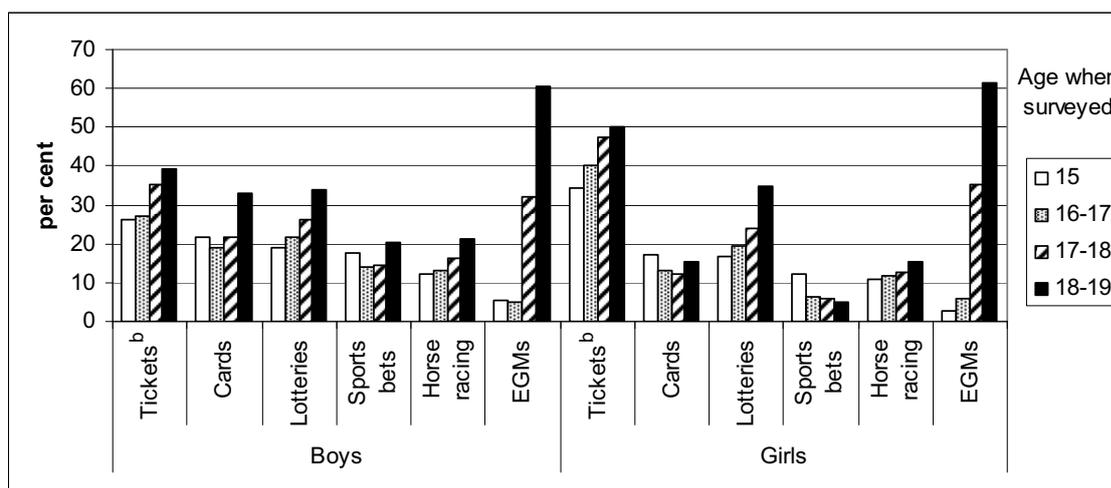
Box 9.3 Adolescents' participation in gambling

Surveys of adolescents show high rates of gambling. A study of gambling behaviour among students at five secondary schools in Melbourne showed that less than 12 per cent of students surveyed had never gambled (Moore and Ohtsuka 2001). A recent study that tracked the gambling activities of teenagers in South Australia over a number of years also found high rates of underage gambling across a range of gambling activities (Delfabbro et al. 2009). In fact, data collected for that study shows that over 60 per cent of those surveyed participated in at least one form of gambling before they were 18 years of age.

The Delfabbro et al. (2009) study also found many teenagers had experimented with gambling by the time they were 15 (figure below). But it is not clear how common gambling is among children under the age of 15. Moore and Ohtsuka (2001) included children as young as 13, but the gambling activity of those youngest students was not separately addressed. There is evidence that many people reporting gambling problems as adults commonly began gambling in their early teenage years or earlier (Volberg 1994, Ladouceur 1991, Delfabbro and Thrupp 2001).

In younger age groups, gambling on card games and instant lottery tickets appears to be the most common forms of gambling. But children appear to transition from playing these games to gambling on EGMs in older adolescence — with 60 per cent playing EGMs by the time they are 18. There is also a strong link between underage gambling and EGM play — as most of the people playing EGMs when 18 (87 per cent) had experimented with gambling while underage.

Adolescent participation rates in gambling by age^a



^a Relates to gambling in past year. The sample only includes people aged 15 years during the first survey. The survey does not indicate the age at which adolescents first gambled, just their gambling activities in the year before each survey. As such, it is possible that a higher proportion of adolescents have experimented with gambling than indicated by these figures. All participants are from South Australia.

^b Tickets include scratch lottery tickets and instant lottery tickets.

Data source: Delfabbro et al. (2009).

A number of industry participants correctly pointed out that a significant amount of underage gambling is occurring in unregulated environments (AGC sub. DR377, ClubsAustralia, sub. DR359). But underage gambling is not just restricted to unregulated environments. Some of the forms of gambling that underage students are participating in are only offered by licensed venues (box 9.3). This indicates that some of the underage gambling must be occurring illegally in regulated venues in Australia.

Another reality — many adolescents already have gambling problems

A major orientation of education programs is to provide children with knowledge that may subsequently help them as potential adult gamblers and to ‘immunise’ them from future problem gambling. However, the evidence in Australia and elsewhere consistently shows that young people experience difficulties when they gamble, though the long-run impacts are less clear:

- Most prevalence studies that include adolescents show that they have much higher rates of problem gambling than adults (Delfabbro and Thrupp 2001, Lambos et al. 2007, Delfabbro et al. 2005, Winters et al. 2005, Shaffer and Hall 2001).
- The fact that adult prevalence rates are lower, suggests that there is a process of ‘natural’ recovery. This is borne out by (limited) longitudinal evidence. A very small longitudinal study in the United States explored the link between adolescent and adult problem gambling (Winters et al. 2005). Of the 19 people identified as problem gamblers in adolescence, only seven were so classified in the final year of the study — potentially indicating that only a fraction of adolescents with gambling problems manifest as adult problem gamblers. Notwithstanding natural recovery, there would still be strong *prima facie* grounds for assisting young people with problems to reduce their harm to them or to accelerate their recovery — though the role that education could play in this is unclear.
- There is also evidence that risky gambling behaviour in adolescence increases the likelihood of problem gambling as adults. The longitudinal study described above found that of the twelve people identified as problem gamblers as adults, seven had been identified as adolescent problem gamblers and four had been classified as ‘at risk’ gamblers while adolescents (Winters et al. 2005). Similarly, many problem gamblers indicate that they began gambling as children (Volberg 1994, Ladouceur 1991) — with some even beginning as young as ten years old (Delfabbro and Thrupp 2001). This further bolsters the case for early interventions, though again this does not necessarily suggest that the form of that intervention should be education. What it does suggest is that any education

program may need to address, or at least recognise, the current problems faced by many adolescents, including information about where to seek help.

9.3 Evidence on the effectiveness of school-based gambling education programs

Evaluations of two Australian school-based education programs are publicly available.

In South Australia, the *Dicey Dealings* gambling education program was developed to allow school students to consider and understand the potential consequences of gambling-related choices. The evaluation of the education program (a program initially trialled in 2004 in eight middle schools) compared the views of students participating in the trial with those of students who did not. Metrics were also developed to assess how the attitudes of students changed after their participation. The evaluation showed that students who participated in the program:

- had improved understanding of the chances of winning money from gambling
- were more likely to know about gambling support services than students who had not participated
- displayed fewer erroneous beliefs about gambling (Glass and Williams 2007).

An evaluation of a Queensland school-based gambling policy — the *Lighthouse Project* — found that children had a better understanding of their chances of winning at gambling and understanding addictive behaviour after attending the program (Curtin and Honeyfield 2002). While *Dicey Dealings* and the *Lighthouse Project* reported changes in attitudes and knowledge, the evaluations of these projects did not examine changes in current or future gambling behaviour among students. This is obviously problematic. As Williams et al. (2007) said:

Knowing something and having this knowledge alter your behaviour are often two different things. (pp. 10–11)

Evaluations of school-based gambling programs undertaken in Canada and the United States also found that school-based gambling education can improve knowledge about gambling. For example:

- An evaluation of a gambling prevention program conducted in five high schools in Québec (134 participants participated in the program and 155 served as a control group) found the experimental group scored significantly higher on knowledge and skills, but there was no significant change identified in gambling participation or attitudes. At a six month follow-up, the experimental group

maintained significantly higher scores on knowledge about gambling and problem gambling, but not on skills (Gaboury and Ladouceur 1993).

- A US study looking at the rate of gambling-related cognitive errors, and applying a gambling screen to students before and after an education program, found that knowledge of gambling fallacies and awareness of gambling problems could be reduced through the program (Taylor and Hillyard 2009).

Two studies evaluating the use of a video to increase gambling knowledge and correct inaccurate knowledge about gambling also found this format effective in improving participants knowledge and correcting misperceptions. Video was chosen as a medium because it was thought to be able to capture students' attention and interest, is an inexpensive tool and allows standardization of information presented.

- Ferland et al. (2002) conducted a controlled study with 424 students from grades 7 and 8 and found that the video significantly improved participants' knowledge about gambling and corrected their misperceptions about the notions of chance and randomness.
- Lavoie and Ladouceur (2004) tested a video on 273 students in grades 5 and 6. Three classroom conditions were used — discussion and video, video only and a control group with no information or video — the results being that a video alone was as effective as the video and discussion. The authors concluded that the video was an effective medium for modifying students' knowledge and attitudes towards gambling. The long-term effect of increased knowledge and modified attitude were not examined.

The evidence from gambling studies is that the relationship between being better informed about gambling, and subsequent gambling behaviour, is not straightforward. Even when people are provided with good information, this can at times be overridden by prior irrational beliefs when they gamble (see chapter 11). Accordingly, the key evaluation issue is whether educational programs reduce current and future gambling related harm, not whether they merely inform. This point was also made by Dr Allcock:

Of course evaluation can show positive gains in education and has done in the case of Queensland with its gambling education program. Tell people about drugs; quiz them later on their knowledge and you hope they score highly on tests that show they understand the effects and dangers. But does that keep the prevalence of problems down? Only time, community surveys (which are costly), analysis of telephone helpline call numbers and visits to counsellors can show if this all works. Commonsense would say however, that education has to be more likely to assist than no education or information at all. (Australasian Gaming Council and Melbourne University School of Social Work 2007, Foreword).

One Canadian study that evaluated gambling attitudes, fallacies and behaviour, before and after separate gambling education programs were delivered to university and high school students in Alberta, found some evidence of behaviour change. Both the university and high school-based programs were found to improve students understanding of gambling odds, and there was a reduction in fallacious gambling beliefs (based on follow up surveys — six months after the university program and three months after the high school program). At the time of the follow up, a significant reduction in the time and money spent on gambling was found for the high school students, but not the university students (Williams et al. 2003).

By using data from the two programs, the authors modelled the effectiveness of different elements of gambling education programs. The five key findings of the study were:

- Teaching people about gambling odds is perhaps not that important in the prevention of problem gambling, and should never be used as the sole intervention.
- The factor that most strongly predicts decreased gambling behaviour is when students develop a negative attitude towards gambling after attending the program.
- Improving people’s knowledge about problem gambling appears to be important and is perhaps a mechanism by which attitudes change.
- Teaching people about cognitive errors underlying gambling fallacies appears to be important for some people in changing their gambling behaviour.
- Trying to improve generic decision making, problem solving, and coping skills is very difficult to do and is not necessarily needed to decrease gambling behaviour (in non problem gamblers). (Williams et al. 2003, p. 255)

Given the pioneering nature of this study, subsequent studies on school-based gambling regulation that explicitly tested these conclusions would be valuable. Such follow-up is important not only to assess the robustness of the conclusions, but also the relevance of the findings to other education systems. Unfortunately, no follow-up studies appear to have been conducted (or at least made public).

The challenges in assessing the effectiveness of school-based gambling programs

Measuring the effect of school-based gambling programs on behaviour is not without challenges, but given the thin evidence base, is an area requiring further research. Monaghan also made this point:

There is some empirical support for the effectiveness of educational campaigns in modifying youth gambling-related thoughts and behaviours. However, further research is necessary. It is essential that any education campaign be empirically tested during all phases of implementation, including follow-up effects to prevent unintended

consequences, assess whether the aim is being achieved and avoid misuse of funds on an ineffective program. (sub. 58, p. 5)

Some participants, however, raised concerns about the practicality, time scale and cost of assessing the behavioural impacts of school-based gambling education programs. For example, the AGC said:

Schools constantly review and evaluate all school programs for learning outcomes. This is not about measuring behavioral change but about assessing understanding.

To appropriately measure behavioral change a cohort of students gambling in unregulated environments would need to be followed through to adulthood. Their gambling experiences in venues once they reach eighteen and beyond would need to be monitored and examined for problem gambling behaviour. An unwieldy and, the AGC would suggest, unlikely piece of research. (sub. DR377, p. 17)

Given that the objective of school-based gambling education programs is to reduce the likelihood of future gambling related ‘harm’, evaluations should attempt to assess the impact of programs on behaviour. As Rundall and Bruvold (1988) said, in the context of school-based smoking and alcohol prevention programs, ‘programs should possess sound, explicitly stated theoretical bases for their expected knowledge, attitudinal and behavioural influences; and as much attention should be devoted to implementing and evaluating programs as is paid to their design’ (p. 330).

That said, the Commission acknowledges that it can be expensive and time consuming to evaluate behavioural change, particularly if the behaviour being modified is not observable for several years after the education program is implemented. But evaluations of behavioural change need not be resource intensive. Measures that could indicate the success of a gambling education program include:

- delayed onset of first gambling experimentation
- less acceleration of gambling expenditure compared with those not involved in the program
- lower likelihood of developing gambling problems (Messerlain et al. 2005)

Asking students involved in gambling education programs to self report their gambling behaviour before attending the program and at a suitable follow up interval — such as three or six months after of a program — would provide an indication of behavioural change. This is one of the approaches used in the behavioural assessment of the Canadian gambling program (Williams et al. 2003).

A recent study (Delfabbro et al 2009) showed that the proportion of children gambling and the frequency of their gambling increases with age. While decreased gambling activity may indicate the effectiveness of a school-based gambling

education program in the short run, to test longer term effectiveness the gambling behaviour of students attending a gambling education program need to be compared with students not participating in the program (a control group). This approach was also used by Williams et al (2003).

As discussed above, the AGC suggested that to measure behavioural change appropriately, a cohort of students would need to be followed through to adulthood. The Commission is not recommending that such a longitudinal study to be used to test individual school-based education programs. However, South Australia is already undertaking a longitudinal study of gambling behaviour, including people who were below the legal age for gambling when the study began. The study examines gambling behaviour and applies a gambling screen to identify participants with gambling problems. If similar studies are undertaken in the future, the inclusion of a survey question asking participants if they received any school-based gambling education, could provide the basis for a longitudinal study which could assess the effectiveness of school-based gambling education generally.

9.4 Lessons from other school-based education programs?

Given the lack of evidence on behavioural effects of school-based gambling education programs, a key question is whether it is possible to draw some insights for gambling policy from other school-based social education programs.

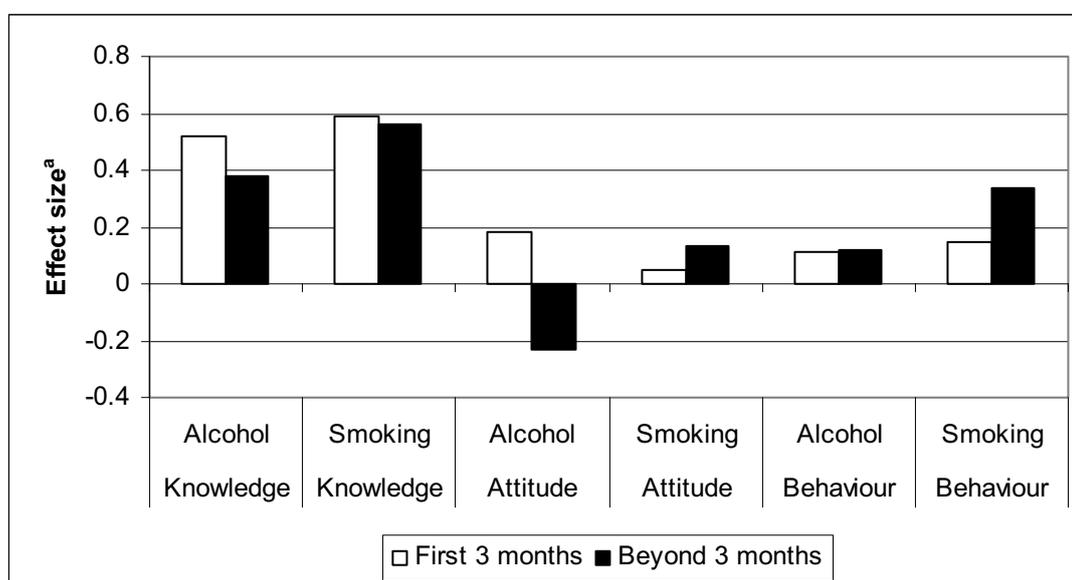
The evidence base on the effectiveness of school-based social education programs in areas such as drug and alcohol use and driver education is richer than that for school-based gambling education programs. It includes a number of meta analysis — studies which systematically analyse the relevant literature in the field using a strict study criteria which typically results in more robust analyses. And, there are many similarities between gambling and activities such as drugs, alcohol and driving, including:

- they are all activities where potential harm can arise for the individual and for society more widely
- uptake of all these activities is influenced by the attitudes of both peer group and the broader community
- the clear objective of education in these areas is to reduce the harm caused by individuals' decisions.

The findings of one study — covering 47 smoking prevention programs and 29 alcohol school-based programs — were that it is easier to change people's

understanding through school-based education programs than to change behaviour or attitudes (Rundall and Bruvold 1988). The results from the studies was pooled to create a measure of average effectiveness of the programs on knowledge of the risks, attitude to the risks and behaviour of students (figure 9.1). An effect size of 0.5 indicates that those who participated in the education programs had an average score that was half a standard deviation higher than students who did not participate. A negative effect size indicates that people who participated in an education program had a lower score on average than those not involved in the program.

Figure 9.1 Effectiveness of school-based smoking and alcohol prevention programs



^a Effect size is calculated as the difference in the mean rate between people in the treatment and control group divided by the standard deviation of the control group. The effect sizes are averages over a number of studies — some programs will have had higher than average change and others lower than average change.

Data source: Rundall and Bruvold (1988).

As shown in figure 9.1, the largest average effect size was for participants’ knowledge of smoking and alcohol and these average changes could only be considered moderately successful. Attitude and behavioural changes — particularly for alcohol programs — were far from encouraging. As the authors concluded:

The immediate and long-term pooled effect sizes for school-based alcohol interventions are also modest. While most program outcomes are in the desired direction, there are many instances where this is not true. It is particularly noteworthy that only one half of long term alcohol behavioural outcomes are desirable. (Rundall and Bruvold 1988, p. 329)

Adverse behavioural impacts have also been found in other education initiatives. Students attending a federally funded after school program in the United States, aimed at improving anti-social behaviour and academic performance, were found to have more behavioural problems in school than non participating students, and there was no measurable or noticeable difference in academic performance (James-Burdumy et al. 2005). The adverse behavioural impacts were only found after a comprehensive review was undertaken.

School-based driver education classes are another area where adverse outcomes have been found. For example:

- A review of three driver education programs in Australia, the United States and New Zealand found that students who attended the courses were more likely to be involved in accidents than students who had not participated. Students who attend the driver education courses appeared to have the same probability of being involved in accidents as people who did not attend, but because those attending the course began driving at an earlier age, they had more opportunities to be involved in accidents (Achara et al. 2001).
- Another systematic review found that school-based driver education programs were less effective than safety features and community health campaigns, but more importantly, that the programs actually resulted in increased crashes (Morrison et al. 2003).

Such findings suggest that increased knowledge of gambling in children and adolescents may have the unintended consequence of intensifying harmful behaviour, a risk that should be considered in the design (or even in considering the introduction) of school-based programs.

Nevertheless, several insights emerge from the drug, alcohol and driver education literature (McBride 2003; Rundall and Bruvold 1988) that may increase the effectiveness of any school-based gambling education programs and potentially reduce the risks of adverse behavioural responses:

- a school-based education program may be more effective if accompanied by a corresponding change in societal attitudes and a media campaign. For instance, Rundall and Bruvold (1988, p. 330) partly attributed the relatively greater success of school-based tobacco programs (compared with alcohol) to the fact that these were accompanied by ‘consistent anti-smoking messages in the general media and to the emergence of a strong anti-smoking social movement’
- the course is relevant to the needs and interests of participants and the students are enthusiastic and actively engaged in the program

-
- the course is followed up with ‘booster sessions’ particularly focussed on decision making skills
 - the programs occur at an appropriate time, either immediately prior to or during the initial experimentation phase or when students started undertaking an associated risky activity — such as driving and drug or alcohol use
 - the course presents more than factual information.

Mimicking these features may improve the effectiveness of gambling education. Doing so, however, requires knowledge about the actual gambling behaviour of children and, in particular, the age when children commence experimenting with gambling and any problematic behaviour they may then exhibit.

Evidence of beneficial school-based programs?

Two Australian school-based education programs that appear to have been effective in changing behaviour include the *Sunsmart* program and general financial literacy programs.

Evaluations of the *Sunsmart* program indicate a strong and sustained change in behaviour for preschool and primary school aged children. The education campaign was supported by a broad public awareness campaign and coincided with increased medical evidence on the risks of exposure to sunlight. However, older adolescents were less likely to implement *Sunsmart* behaviours than younger children, and behaviours such as wearing sunglasses and protective clothing appear to be reverting to the lower levels observed before the programs were introduced (Department of Education and Early Childhood Development 2009, Anti-Cancer Foundation of South Australia 2001).

There has been a focus on financial literacy education programs in Australia following evaluations showing that Australian studies had poor financial literacy (Australian Securities and Investment Commission 2003). Subsequent testing has shown that the financial literacy skills of Australian children have improved (Commonwealth Bank Foundation 2006).

9.5 Drawing together the evidence

While there are limited evaluations of school-based education for gambling, they find improved understanding of gambling, but little evidence of positive behavioural change. The evidence base on education aimed at other risky activities,

including alcohol, drugs and road safety, also shows modest impacts and, in some cases, *increased* risk-taking behaviour.

There are costs to consider

The costs, as well as potential benefits, of school-based education programs are relevant when drawing together the evidence on the effectiveness of these programs for gambling. On the face of it, education programs seem inexpensive. The monetary costs of implementing and administering school-based problem gambling programs largely relate to the development of curriculum material and teacher training. In this regard, the monetary costs are largely subsumed into the existing budgets of education departments and schools.

However, a less visible, yet potentially more significant cost of the programs is displacement — the use of teaching time and resource development that would otherwise be directed to other educational outcomes of greater value. It is hard to assess these costs, but it should not be assumed that they are zero.

Overall, there appears to be insufficient evidence to conclude that school-based gambling education programs are either cost effective or that they result in reduced gambling-related harm. That said, as noted in chapter 3, it is often hard to substantiate the effects of social programs before their implementation, and a crucial issue is balancing the costs of not introducing a potentially effective program as well as the costs of introducing an ineffective one.

Effective programs need not be overly delayed

Some participants expressed concern about young people not obtaining valuable information about the risks of gambling and what this meant for the prevention and early intervention of gambling problems in adolescents.

Lifeline Canberra believes that it is essential that young people have an understanding of problem gambling and know how to gamble responsibly if they choose to gamble, before they leave school. Young adults are overly represented in the numbers of people identified as having problems with gambling. Further, research indicates young people are more vulnerable to developing problems if they do gamble and are less likely to seek professional assistance. Whilst supporting the Commissions' view that school-based educational programs must be evaluated, we felt the Commissions' recommendation that further roll out of programs be stopped was too strong. (Lifeline Canberra, sub. DR393, p. 2)

The Council has concerns that a call for a moratorium on school based interventions will impede efforts at prevention and early intervention (Council of Gambler's Help Services Incorporated, sub. 326, p. 3)

Recommending inaction in this area may in fact continue to put at risk many young Australians and as such the draft finding and recommendation about school-based gambling education programs should be changed in the PC's final report. (AGC, sub. DR377, p. 18)

The Commission notes that gambling education programs are not the only form of education provided to children and adolescents about gambling. General life skills and financial literacy programs can provide students with valuable and relevant skills. In addition, public awareness campaigns and in-venue warnings can raise awareness about gambling, how to recognise 'problematic' gambling behaviour and where to seek help for gambling problems. As such, these other preventative measures mean that children and adolescents are not denied information about gambling and where to get help for gambling problems.

The AGC argued that school settings can mitigate any potential harm.

The PC warns of potential for adverse outcomes from teaching about adult activities. These statements overlook the experience and responsibilities of school leaders and their communities in delivering education programs in ways that are student focused ie: continually evaluated for both content and sensitivity of approach. (sub. DR377, p.18)

School-based gambling education programs were also seen as helping identify students affected by gambling and that this was a positive outcome.

In the course of teaching and learning exchanges teachers may find that some students are affected by gambling (or alcohol, managing credit or other experiences which carry some risk) through parents, family, peers or their own experimentation in unregulated environments (perhaps the internet or a poker game). Learning exchanges enable teachers and school counsellors to work together to provide assistance. These are positive, not perverse outcomes. School education programs are for all students. (sub. DR377, p. 18).

While the Commission acknowledges that the active involvement of the school community can influence the effectiveness of educational outcomes (including identifying students experiencing problems with gambling), it is difficult to overlook the body of evidence that some school-based life skills programs have resulted in deteriorating behaviour. Without any basis for assuming a lesser commitment from educators and parents in the various schools where those trials were conducted, the Commission considers that there is scope for adverse outcomes to occur from school-based life skills programs including gambling.

What role for evidence?

Other participants thought that the risks associated with not educating students about gambling outweighed any potential risk associated with better equipping students with knowledge and skills related to gambling safely. For example:

It is not clear from the information provided (other than some research conducted into driver education) why the Commission sees ‘risks’ in terms of possible harm that may be associated with such programs, as the risk — if indeed there is any — would appear to be by far outweighed by the positives that may flow from expenditure in this area. (Clubs Australia, sub. 359, p. 34)

To suggest a position that governments should almost put a halt on the educative process until a full assessment is done we feel is misguided. We feel the benefits are obvious. Should further assessment processes be undertaken to improve educative programs – the answer is obvious. (Ainslie Football Club, sub. DR300, p. 7)

But requiring little evidence of ‘benefits’ of school-based gambling programs is inconsistent with the views expressed by the gambling industry itself in relation to other proposals. In other areas of the inquiry, the gambling industry has sought incontrovertible evidence of net benefits before an initiative should be recommended. For example, the Community Clubs Association of Victoria said:

Many of these initiatives, such as minimum luminance levels, clocks, warning messages on machines etc., seem to have come from the ‘Why don’t we try...?’ school of thought, rather than from any evidence-based consideration. They have imposed costs without providing any quantifiable mitigation of problem gambling. (sub. DR366, p. 4)

The AGC went further and argued that there isn’t a lack of evidence that existing programs have changed behaviour.

... comments on gambling education in schools, including statements that there is lack of evidence that existing programs have changed behaviour, are flawed and evidence a basic misunderstanding of the role of schools. (sub. DR377, p. 3)

Also, that the relevance of the evidence base upon which the Commission suggested caution in relation to school-based programs was questionable:

... research and anecdotes chosen by the PC to support the Draft Report view on this matter are not relevant to school-based responsible gambling education programs or any other life skills programs. (sub. DR377, p. 17)

They indicated that they would provide evidence supporting the benefits of school based gambling education:

... we must have been looking at different evidence. We will present obviously different evidence that says that school-based gambling education programs while they are contentious they are becoming very, very critical (trans., p. 761)

However, no such additional evidence on school-based gambling programs was provided to the Commission.

Some lessons for school based programs

Where school-based gambling education is undertaken, the Commission believes that such programs are more likely to be effective if:

- both the students and teachers are keen to participate
- the program is delivered around the time students start to experiment with gambling (around years one and two of high school) with follow-ups in years 11 and 12, when riskier behaviours appear more common (box 9.2)
- the program attempts to modify both existing and future risky gambling behaviour
- there is a strong focus on the scope for harm to occur from gambling, and on the reasons why.

Many of the suggested approaches to school-based gambling education programs are already in place in at least one jurisdiction. The diversity of programs provides a good opportunity to evaluate their relative effectiveness. The main focus should be on the extent (and nature) of behavioural change attributable to the programs. A number of participants also saw value in independent evaluations of school-based gambling programs.

The ACA agrees with draft recommendation 6.2 that the impacts of current school-based programs should be assessed before there is any extension of these programs and with a focus on financial literacy. (Australian Casinos Association, sub. DR365, p. 4)

We support the independent and ongoing evaluation of school based programs as part of a long term public health based approach to gambling. (Council of Social Services, sub. DR369, p. 3)

The Taskforce shares the concerns about school-based programs ... without further evaluation of such programs, assessing both the benefits they deliver and the risks of increasing the likelihood that students will engage in risky or problematic gambling as a result of the school-based program (Victorian InterChurch Gambling Taskforce, sub. DR357, p. 2).

As discussed earlier, the Commission considers that it is possible to undertake some basic evaluations of existing programs relatively quickly and at relatively low cost. Programs that are found to be effective in promoting positive behavioural change should not be overly delayed.

What is the nature of the risk of harm?

ClubsAustralia questioned what type of risks school-based gambling education can pose. ‘It is not clear from the information provided (other than some research conducted into driver education) why the Commission sees “risks” in terms of possible harm that may be associated with such programs’ (sub. DR359, p.32).

The potential risks with school-based life skills programs are that instead of decreasing the frequency of the potentially problematic behaviour, children who attend such programs may increase the frequency or seriousness of their experimentation. In relation to gambling, this could include:

- children beginning to gamble at an earlier age
- children who already gamble increase the length or number of their gambling sessions and
- children increase the amount of money they bet when gambling.

Research indicates that many problem gamblers began gambling as children, and that an early gambling experience is typically influential in guiding adult gambling behaviour. Therefore, there is a risk that increased experimentation with childhood gambling could increase the chances that a child may develop gambling problems that impact on their health and happiness throughout a large portion of their lives.

The bottom line

School-based gambling programs may have potential, but they also have an Achilles heel — there is not just a risk that they would be ineffective when introduced, but that they could actually cause harm. This suggests caution in their adoption (or, as they are mostly already in place, in their continuation or diffusion).

FINDING 9.1

Little evidence has been collected about the effects of school-based gambling education programs on students’ gambling behaviour. However, evaluations of similar programs in alcohol and vehicle safety have found that, while they can raise awareness, they tend to have no, or even adverse, behavioural impacts.

RECOMMENDATION 9.1

Given the risk of adverse outcomes, governments should not extend or renew school-based gambling education programs without first assessing the impacts of existing programs.

10 Pre-commitment strategies

Key points

- Many gamblers find it hard to control the money spent on gambling. Yet, features of gaming machines mean that genuinely informed choice are often not present.
- Measures that allow gamblers to determine limits on their playing — known as ‘pre-commitment’ — provide a key mechanism for improving informed consent.
- Self-exclusion allows gamblers to prevent themselves playing at specified venues, but existing arrangements have deficiencies. These could be reduced by:
 - implementing jurisdiction-wide programs, supported by a database of self-excluded gamblers and by a requirement to check the identity of patrons against such a database when winning large prizes
 - making it is easier to self-exclude at venues and other places
 - setting non-revocation periods that ensure there is a balance between flexibility and allowing agreements to bind.
- More flexible pre-commitment systems that give gamblers the capacity to control their gambling, rather than cease it, are relevant to gamblers generally.
- A ‘partial’ system of pre-commitment with non-binding limits would produce some benefits, and provide lessons for a later, more comprehensive, system
 - but the capacity for gamblers to circumvent the limits they set represents a major deficiency.
- A ‘full’ pre-commitment system would allow players to set binding limits. This requires:
 - identification of all players (except for occasional gamblers making small bets), but with strict privacy arrangements
 - a system that applies to all machines and venues.
- To make the system work well, there would need to be ‘safe’ default settings with players able to choose to override these with other (including no) limits.
- Phased implementation would involve the development of standards and the earlier adoption of partial pre-commitment as the precursor to rolling out full pre-commitment in all jurisdictions by 2016.
- Some other regulatory measures for gaming machines may ultimately be modified or removed if pre-commitment proved sufficiently effective.

This chapter is about regulatory options that would give people the opportunity to constrain their behaviour when in gambling venues (pre-commitment), with limited potential for reversal. From a ‘normal’ consumer or business perspective, pre-commitment seems perplexing. As one researcher noted:

In 1989, a casino opened in Manitoba, Canada. No one was forced to gamble there, no one was compelled into being a customer – the usual story with businesses. But the Canadian casino went beyond non-coercion: it provided a mechanism that allowed customers – often the casino’s best customers – to commit to becoming non-customers. (Leitzel 2008, p. 1)

While, as discussed below, pre-commitment options are available for some goods (and to a limited extent in gambling already), they are typically market-based and rarely the norm. So why is government justified in taking a regulatory approach to pre-commitment? Section 10.1 addresses this issue.

Section 10.2 then assesses existing self-exclusion arrangements. This is a regulatory (and self-regulatory) approach to pre-commitment, targeted at those gamblers already suffering severe problems.

Sections 10.3 and 10.4 consider the appropriate design of arrangements with broader reach, flexibility and ambitions. There are two major forms that pre-commitment could take, whose fundamental difference rests on the extent to which gamblers are bound by their commitments. Section 10.5 considers how a ‘partial’ pre-commitment system (a system with non-binding pre-commitments) would work, and its strengths and weaknesses. Section 10.6 considers the ‘full’ pre-commitment model, which binds gamblers to their choices, and in doing so, requires consideration of a host of design issues that are not present for partial pre-commitment.

Pre-commitment represents a far-reaching change in the gaming environment, and its practical implementation requires the development of new standards, investments in new monitoring systems and trialing. While the details of the transition to pre-commitment are spelt out in chapter 19, some of the issues are discussed in section 10.7. Finally, section 10.8 considers the auxiliary functions such a system might have and their implications

10.1 Why should player choice and control be a policy issue?

Consumers have many choices apparently available to them when gambling. They can determine when, how long, how much, where, and on what to gamble. They can

also make decisions about their playing styles — such as the level of risk they wish to take, and choices about lines or credits played, first places or trifectas, and so on. Like any other consumer service, the market accommodates, reinforces and creates these choices, with a plethora of different gambling options spanning all of these consumer preferences.

Codes of conduct for many gambling providers define when such consumer choices would be trouble-free:

... responsible gambling in a regulated environment is when consumers have informed choices and can exercise a rational choice based on their circumstances. (ALH Group Code of Conduct June 2009, p. 2).

However, the conditions needed for such informed and rational choices are incomplete, so that the outcomes can be problematic in gambling. As discussed in chapters 4 and 5 (and below), players may:

- have faulty ‘cognitions’ underpinning their choices
- find it hard to stop playing
- fail to appreciate the risks to themselves (‘It might happen to someone else, but not me’)
- have their judgment impaired by alcohol (since the main venues offering gambling — casinos, clubs and hotels — also offer alcohol)
- be vulnerable, such as people suffering from emotional or mental health problems.

All of these factors serve as obstacles to genuinely informed choice and ‘safe’ gambling behaviours. (Chapters 8, 9 and 11 make recommendations that partly address these concerns.) A leading Australian researcher in this area has argued that a limited capacity for self-control while gambling is common and problematic:

Impaired ability to control cash and time expenditure during gaming is not about pathology, it is a typical human response that despite all the notices and warnings is commonly reported by almost every other regular player ... If this is taken as a common sense starting point then the obvious question is whether these regular consumers of gaming are getting a fair go? If any other product than gaming were involved then the answer would clearly be “no”. It would be entirely unacceptable for a product to be sold in an automated, emotionally distracting way that resulted in every other regular consumer buying more than they intended. (Dickerson 2003a, p. 2)¹

¹ Also see Dickerson (1998, 2003b, 2003c) and Dickerson and O’Connor (2006).

Gamblers will generally be aware of the risks that gambling poses — having realised their past difficulties to exert control. Accordingly, many gamblers want to be able to control their future behaviour.²

The desire to have control over one's future behaviour is not peculiar to gambling, being a much more common aspiration. Indeed, it has a classical heritage. In Homer's *Odyssey*, Ulysses has himself bound to the mast of his ship to avoid the temptations of the call of the Sirens.

In many cases, markets or individual arrangements have developed to allow people to make effective pre-commitments. People limit their short-term spending by committing money to retirement savings, fixed term deposits and Christmas clubs.³ More recently, market innovations have given people the scope to motivate their weight loss or to quit smoking by staking amounts they will lose if they fail to achieve self-designated targets (Volpp et al. 2008 and Giné et al. 2009). In these cases, it is possible for an outside party to verify that a person has achieved weight loss, met financial goals or stopped smoking or taking drugs (the latter through blood tests), and an incentive for those outside parties to act this way. The capacity for verification and the presence of incentives to do so by a third party is essential in any market solution for rewarding commitments (or punishing non-commitment).

However, in gambling, there are limited market responses and few individual arrangements that, in the absence of regulation, could act as effective pre-commitment strategies. In part, this is because it is hard for an outside party to verify that a person has controlled their gambling. In addition, it is unlikely that self-imposed monetary incentives to limit gambling would be effective, given that uncontrolled gambling already provides strong financial incentives not to gamble excessively. Gamblers' self-control strategies rely fundamentally on willpower (box 10.1).⁴ But, based on evidence of player behaviour, Dickerson observed:

... loss of control is the common and expected outcome of the interaction between human beings and contemporary forms of continuous gambling.

² Of problem gamblers receiving counselling, around 63 per cent said that, when they had a problem with their gambling, they often or nearly always wanted to control their gambling. Only 11 per cent rarely or never wanted to control their behaviour.

³ Though a weaker form of pre-commitment, people often use pre-paid mobile phone plans to limit their tendency to accumulate large mobile phone bills on 'pay as you go' plans. A similar example from the addiction area is the voluntary ingestion of the drug disulfiram (Antabuse) by dependent drinkers, who know they will feel very ill if they subsequently consume alcohol (Ross et al. 2006, p. 52).

⁴ Unfortunately, it is hard to assess the effectiveness of the individual strategies used by gamblers. McDonnell-Phillips (p. 246) does pose questions about how well various strategies work, but they are asked of all gamblers, not just those who actually apply those strategies.

So, while the combination of willpower and the strategies described in box 10.1 may indeed help many people, they will not work for many others.

Box 10.1 People do try to control their spending

EGM players use many strategies to control their gambling. For example, they try to:

- set themselves limits on money spent on gambling. Mostly, these limits were per session of gambling or per week, and for about one third of EGM gamblers were set after arriving at the venue. Gamblers less often set time limits, though problem gamblers did this much more frequently than lower risk gamblers
- using 'willpower' to limit their activities
- make themselves feel guilty if they exceed limits to discourage future excessive spending
- plan another diverting activity other than gambling
- play on low denomination machines and avoid making large bets
- avoid using ATMs or setting limits on their withdrawals from their accounts
- use ingenious strategies to control their entry to gaming venues. Problem gamblers reported to the Commission that they had used strategies like wearing thongs when going out so that they would fail dress standards for entry to the venues, or putting their debit and credit cards in the freezer, so that they literally have a self-imposed 'cooling' off period prior to gambling.

There is some evidence that non-problem gamblers commonly set target limits for their spending, but that this was less frequent among problem gamblers.

Source: McDonnell-Phillips (2006, pp. 95, 103, 107, 139, 150, 164, 222); Nower and Blaszczynski (2010); feedback to the Commission by gamblers.

This is because self-imposed limits are not commitments. People can reverse them without penalties. Accordingly, the capacity for such resolutions to create sustained control is incomplete, especially in some circumstances commonly encountered by players. EGM players reported a much higher likelihood of exceeding their spending limits when they were consuming alcohol, or when they were in certain emotional states, such as feeling bored, lonely, stressed or sad. There were greater responses to these emotional states in problem gamblers (McDonnell-Phillips, pp. 182, 193).

Second, people may not even be aware about the extent to which the environment in which they gamble may affect their decision-making, especially when that is combined with common faulty cognitions, vulnerability and poor recall of actual losses (chapter 4 and appendix B).

As a result, the strategies listed in box 10.1 have incomplete efficacy:

- Around 70 per cent of EGM players report that they at least sometimes exceed their spending limits, with 12 per cent doing so often or always. Higher risk gamblers exceed limits more frequently and report greater harm from doing so. Players reported greater problems limiting expenditure on EGMs compared to other recreational activities, like consuming alcohol, spending on tobacco and entertainment/leisure activities (p. 140).⁵
- As shown in chapter 4, while lower risk gamblers have a small probability of having control problems, there are so many low-risk players that the absolute number affected is large.

Reflecting their control difficulties, many gamblers also have persistent regrets about their past gambling behaviour (chapter 4).

Given that there are no effective pre-commitment options available to gamblers, and markets are unlikely to develop them, there are grounds for governments to create such options through regulation. In addition, the other problems besetting informed choice, as described earlier, may also justify default playing options that gamblers may override.

Whether pre-commitment measures are appropriate in practice depends on:

- the likely effectiveness of the measures
- the monetary and non-monetary costs of any proposals for venues and gamblers, including inconvenience and any erosion of people's autonomy
- privacy concerns and the receptiveness of gamblers to the options for control.

These questions cannot be answered without reference to specific models of pre-commitment. Some models are likely to be low cost, but of only partial effectiveness. Others may be difficult to implement, at least in the short run. Some measures — notably self-exclusion — are already in place in all Australian jurisdictions.

10.2 Self-exclusion

Self-exclusion is an extreme form of pre-commitment, in which gamblers can bar themselves from one or more gambling venues to prevent themselves from gambling, with legislation empowering venues to enforce their commitments.

⁵ McDonnell-Phillips (2006, pp. 139–140, 150 and 164).

There are significant benefits

Though the evidence is not comprehensive (appendix E), it suggests that this type of pre-commitment arrangement has significant benefits for problem gamblers and their families. These include:

- considerable reductions in spending. For instance, one assessment found that around 70 per cent of self-excluded parties had more than halved the amount they spent on gambling (Croucher et al. 2007). This finding was broadly echoed by a Macquarie University study in 2003 (sub. 175, p. 87)
- better family relationships — with the Macquarie University study finding that 65 per cent cited significant improvement in their personal relationships
- reductions in the urge to gamble, large perceived increases in control over gambling, and significant reductions in the negative consequences of gambling for social life, work performance and mental health (based on the overseas research discussed in appendix E).

There are also limitations

However, self-exclusion arrangements currently suffer from various limitations — most of them outlined by Betsafe in its submission to this inquiry (sub. 93).

Many who need it do not use it

The key deficiency is that the majority of problem gamblers do not use it. It is estimated that around 15 000 exclusion agreements are currently in place (appendix E), which represents only around 10 to 20 per cent of the problem gambling population (chapter 4). (However, the target population may also include people who had problems in the past and wish to continue to abstain from gambling. Lifetime rates of problem gambling are much higher than current prevalence rates — chapter 4). There is a clear need to reduce some barriers to self-exclusion, such as:

- limiting embarrassment in instigating the process, which can be heightened in smaller rural communities where everyone knows everyone (New South Wales Gambling Roundtable 2008, p. 26)
- removing any unnecessary complexities in the application procedures. For instance, the Multicultural Problem Gambling Service in New South Wales indicated that the complexity and wordiness of the self-exclusion forms were barriers for people with limited proficiency in English (New South Wales

Gambling Roundtable 2008, p. 9). Betsafe noted that it had developed a short and simple self-exclusion deed, but that:

... many venues use lengthy self-exclusion documents full of legal jargon that may require a legal explanation. Such documentation is another disincentive to problem gamblers seeking self-exclusion. (sub. 93, p. 18)

- providing a capacity for exclusion from multiple venues in one step. For example, in New South Wales a gambler must separately apply for self-exclusion for each club, whereas they can bar themselves from all hotels in one step using the Australian Hotels Association Game Care program.

Gamblers can circumvent their exclusion deeds

Despite the advantages and relief that self-exclusion provides to problem gamblers, it is relatively easy for people to circumvent it. In particular, people barring themselves from a hotel or club will generally find it easy to enter a venue where they have not been before, with little realistic prospect that staff can identify them (IPART 2004, pp. 77–8).⁶ The evidence is consistent with this, showing that relapse rates are relatively high, with many people breaching their agreements (for example, 45 per cent of male participants in the study by Croucher et al. 2007, with similar estimates from overseas studies and the Commission’s survey, table F.19).

The prospects of identification are greater for people with problems related to table games, since these games are only available at casinos. In addition, casino staff are highly trained and casinos undertake sophisticated electronic monitoring of the whole premises. However, even Star City Casino has acknowledged that detecting self-excluded gamblers can be very difficult given the sheer numbers of visitors to their venue (New South Wales Gambling Roundtable 2008, p. 16).

The effects are not enduring

In addition, the effects of self-exclusion are often not sustained. Many return to gambling after a short period of exclusion — some 75 percent in the study by Croucher et al (2007). The potential for an early return is exacerbated by the capacity of a gambler to renege on their agreement and to obtain a revocation before the time on the agreement has elapsed. Accordingly, while, in theory, people can elect to self-exclude for long periods (for example, two, five years or forever), these

⁶ Notably, the 2008 Victorian prevalence survey found that around 50 per cent of problem EGM gamblers gambled at four or more venues, compared with only 10 per cent of no-risk EGM players, indicating the ‘footloose’ behaviours of the highest risk group (Hare 2009, fact sheet 8, p. 5).

are more symbolic gestures than authentic pre-commitment, as the gambler can seek revocation in as little as three months after making the ‘commitment’.

It is inflexible

Moreover, while some venues have a more nuanced approach, self-exclusion is typically an extreme form of pre-commitment that only allows complete abstinence. Parke et al. (2008, p. 7) characterised it as potentially ‘a more extreme, rigid and possibly stigmatising option’. Many problem gamblers will prefer to reduce, rather than completely stop playing. Self-exclusion is also not a useful tool for recreational gamblers who may want to limit their time or spending on gambling.

It is often too late

Finally, people often decide to self-exclude only after they and their families have experienced severe financial losses and other adverse effects. It is a remedy that may come too late for many gamblers and their families.

Some solutions

The deficiencies of existing self-exclusion arrangements have been recognised for some time. IPART (2004) made a raft of recommendations for changes. However, in that instance, the Self-Exclusion Advisory Group⁷ — subsequently formed by the New South Wales Government — could not reach consensus on most of the key issues (Minister For Gaming and Racing 2007, pp. 28–9). The New South Wales Government is currently re-considering the issues (sub. 247, p. 37). Similarly, there is no clear resolution of all of the key issues in most other jurisdictions, and there is a diversity of arrangements across jurisdictions and, within jurisdictions, between venue types. This frustrates the development of a coherent approach. Casinos have the most developed set of arrangements (appendix E).

There is much scope for reform. Some of the flaws of the existing arrangements would be best addressed by the broader pre-commitment approach discussed below. However, implementation is some years off (chapter 19). In the meantime, governments and venues could address the deficiencies of the present approaches in several ways.

⁷ This comprised representatives of operators of schemes, counselling services, community groups and industry.

Reducing obstacles to self-exclusion

One avenue is to make it easier for people to self-exclude. People should have a variety of options for activating agreements quickly, either at the venue or outside the venue (for example, at a counselling agency). And forms should be in plain English, as would any material explaining the legal and other implications of the agreement.

Some participants argued that the current process involving an interview was highly desirable because it could be used provide advice about counselling or other assistance, and to explain the legal and other implications of the agreement (Australasian Casino Association, sub. DR365, attach. 3, p. 18; Clubs Australia, sub. DR359, p. 38). Given the value of interviews, the Commission considers that it should be the default option recommended by venues to parties requesting self-exclusion. However, gamblers should be offered the ‘simple form’ approach as an alternative if they want to avoid an interview.

In addition, given the embarrassment or shame many people naturally experience in seeking to exclude themselves, when practicable it would be desirable to introduce options that allow them to self-exclude without being physically present. One ‘remote’ option is detailed in box 10.2.

Many people would not be covered under this remote option, but so long as it was possible to reach a sufficient number of patrons, the investment in the software would be likely to be cost-effective.

In addition, it is important to allow relatively short periods for self-exclusion. Long minimum durations for self-exclusion may deter some people from self-exclusion altogether (an observation made by several participants in this inquiry).

Sustaining self-exclusion: revocations and extensions

While self-exclusion agreements specify some period for the agreement, they also usually allow parties to revoke their agreements prior to that time. A key question is the appropriate latitude for such revocations.

Box 10.2 Remote exclusion?

Since clubs are membership-based organisations, it would be possible to give any member a unique password, ideally incorporated into the club membership card. In hotels or casinos, loyalty cards might serve the same function if the gambler has one. If the card holder subsequently wanted to self-exclude, they could email the password to an email address indicating the desired period and terms of their agreement, without personal presentation or phone to activate an agreement.

To ensure that third parties did not activate self-exclusion without the consent of the gambler, the password selected by the gambler would be like a bank PIN — only known to the patron concerned. In addition, the software could automatically generate an SMS to the patron's mobile phone confirming self-exclusion (also a procedure used by banks in certain circumstances). Such a protocol would leave an electronic trail if someone other than the gambler concerned were to activate exclusion (which would then be a basis for immediate revocation).

There may be other innovative approaches for remote activation, noting that new technologies now allow remote access to many goods and services — including government services.

One possibility is that gamblers would have to honour their agreements in full. That implies that someone who self-excluded for life could never reverse that commitment, even if their gambling issues were fully resolved and they were capable of gambling in a controlled way. That approach would be too rigid, recognising that, just as people may make impulsive gambling decisions, they may also make impulsive decisions about self-exclusion that are unnecessarily restrictive.

Another would be to have a self-exclusion system that could be revoked at any time. The ACT Treasury (sub. DR338, p. 2) supported this position, arguing that any limits on revocation could be problematic due to concerns about contractual relationships and enforceability. They noted that a licensee could still initiate a 'licensee exclusion' if the patron remained at risk after revoking their agreement. In practice, the capacity for such 'licensee exclusions' would be limited. Licensees face mixed incentives to act and often would not have the full information to justify a licensee exclusion. In addition, typically other jurisdictions have minimum non-revocation periods supported by legislation, without the contractual or other problems identified by the ACT Treasury (appendix E).

Set against these two extreme options, there should be some balance between pre-commitment and revocation. The existence of some reasonable period of non-revocation (say six months) would make a self-exclusion arrangement a

genuine form of pre-commitment, without being overly rigid.⁸ The requirement for a reasonable non-revocation period could nevertheless permit a short cooling-off period (say 24 hours) after signing an agreement if people entered agreements impulsively.

In addition, as already applies in most Australian casinos, it would be appropriate that gamblers seeking to revoke their agreements demonstrate that they have received counselling. There should not be any requirement (as suggested in the draft report) to show that the problems have been sufficiently resolved. (Counsellors could not realistically provide such ‘proof’.)

While it is reasonable to create some barriers to revocation, there should be few barriers for people wanting to extend their self-exclusion agreements. Jurisdictions should introduce reasonably simple and accessible processes for persons with existing agreements to easily apply for their self-exclusion periods to be extended (where this extension is a new agreement incorporating another minimum non-revocation period).

Limiting the incentives and capacity to breach exclusion agreements

Existing arrangements mean that self-excluded gamblers have little capacity for exercising self-responsibility, since any resolution made when they have self-control can be trumped by moments when self-control is weak. In these moments, such gamblers can subvert self-exclusion arrangements by going to new venues where they cannot be identified. A more binding self-exclusion process would genuinely allow a gambler to exercise binding self-responsibility.

Current procedures for enforcing self-exclusion are based on venue staff either knowing the self-excluded patron (which would be typical in a small town) or being able to recognise them from photos distributed, sometimes to many venues, at the time that patrons sign self-exclusion agreements. The latter has significant deficiencies in crowded venues, where there are many new customers and where

⁸ An alternative to having a fixed non-revocation period is to have a rolling period. In such a situation, a party would have to wait some reasonable period (say six months) after applying for revocation before that revocation came into effect. For instance, someone who has been self-excluded for two months could request revocation, but would have to wait until eight months before actual revocation would occur. An even more elaborate option would be a combination of ‘fixed’ and rolling arrangements, which would mandate a minimum non-revocation period, followed by the rolling requirement (say three months and three months). The disadvantage of a fixed non-revocation period, by itself, is that even if someone has elected to have a one-year agreement, she or he could instantly abrogate the agreement at any time after the non-revocation period.

venue staff are required to familiarise themselves with the appearance of many self-excluded parties.

To overcome the difficulties of truly enforceable self-exclusions, Eadington (2003) has proposed a ‘licence’-based approach to self-exclusion. A person spending above some minimal amount would need to register and receive a gambling licence, such as a card, which would need to be inserted into a gaming device before play. If someone self-excluded, the licence would be revoked. This shares some features with full pre-commitment described in section 10.6 below, but without the capacity to gamble within self-imposed limits.

Prior to implementation of full pre-commitment, the Commission has proposed an alternative, less costly arrangement, to that of Eadington:

- a gambler wishing to self-exclude could elect to be self-excluded from one or a few venues using the current arrangements and/or they could elect to be placed on a state-wide database that would be accessible by nominated venue staff and with clear privacy guidelines
- the cashier or cheque-issuer would check a patron’s identification against the database when the patron was collecting a large prize.⁹ Problem gamblers tend to play at higher intensities, for longer session lengths and more times a year (appendix B). That necessarily means that they are over-represented among people winning large prizes, so checking a database at the time such cheques were issued would be a well-targeted measure. Some casinos already check their databases for self-excluded customers when issuing cheques for prizes.
- the Commission envisages that venue staff would only access the database when they issued such cheques.¹⁰ Venue staff would *not* use the database for haphazard attempts to detect problem gamblers in the venue — the thousands of people on the database would make that an onerous and unachievable goal. (Various participants misunderstood the Commission’s draft proposal as a general surveillance tool when it is not.)
- there would be forfeiture to government of prizes won by persons shown to be in breach of self-exclusion orders.¹¹

⁹ Identification requirements proved effective in achieving a high rate of compliance with self-exclusion in Dutch casinos (Leitzel 2008, p. 4). Swiss casinos have similar identification requirements (Thompson 2008).

¹⁰ Though a variant could include permission for staff to crosscheck patrons against the database based on certain problematic behavioural cues, such as requests by gamblers to strangers to lend them money.

¹¹ As already occurs in Victoria and supported by Betsafe in this inquiry (sub. 93, p. 15).

Forfeiture of prizes won by a self-excluded patron would reduce the incentive to breach, while a capacity to self-exclude from all venues offering the problematic form of gambling (for instance all clubs and hotels across a jurisdiction) would make it harder for gamblers simply to switch venues. Betsafe, which already has a forfeiture arrangement in place, noted that:

In practice, it has not been necessary to carry out the forfeiture, because the thought that a prize might be forfeit is enough to discourage most self-excluded patrons from trying to re-enter BetSafe venues. (sub. 93, p. 15)

The costs to venues of such an approach would be reduced by:

- allowing phone as well as internet access to the database. (The latter would be superior because it would potentially allow photographic identification, but may not be practicable for some venues.)
- ensuring that the prize was large enough to reduce the number of times staff would need to access the database.

Allowing others to act

As noted, self-exclusion can often occur too late — well after the gambler and their family members have experienced significant harm. In that instance, there are (highly constrained) grounds for ‘pre-commitment by proxy’ by parties who have a better capacity to observe problems before others, have the interests of the gambler at heart, and can make better-informed and more rational decisions than the gambler. Similarly, there is a rationale for staff-initiated involuntary exclusions on welfare grounds.

Currently, jurisdictions have legislative protection that allows venues to offer third-party and staff initiated exclusions, but gives them discretion about whether to provide such programs (appendix E). Some do offer such programs. For example, one industry-based arrangement, Betsafe, has had third-party exclusion arrangements in place since 1998, though the arrangements are not widely used. Betsafe clubs received only several hundred inquiries about third-party exclusion over the decade from 1998 to 2009, with only 27 of these resulting in exclusion (Betsafe, sub. 93, p. 22; Betsafe 2008). This is small compared with the current stock of self-exclusions for these clubs.

However, the formal capacity for third parties — families or gambling suppliers — to act is not universal (appendix E).

Clearly, it would be important to limit the scope for unfair or vexatious third party exclusions, but the Commission is not aware of any difficulties in those

jurisdictions or venues where arrangements are in place. Consequently, there are grounds for a universally available option for venues and family members to use involuntary exclusion arrangements of the kind outlined by Betsafe in its submission to this inquiry.

RECOMMENDATION 10.1

Governments should modify self-exclusion arrangements for clubs, hotels and casinos, so that:

- ***while the default option would be an interview-based process, gamblers would also have the option of applying for self-exclusion using a simple form and without delay***
- ***gamblers would have the option to apply for a jurisdiction-wide self-exclusion agreement, given effect by requiring that venue staff:***
 - ***request identification when issuing cheques for all gamblers claiming major prizes***
 - ***match identification against a state-wide database, subject to strict privacy guidelines and only to be used when verifying that parties claiming major prizes are not on the database.***

As in Victoria, prizes won by people shown to be in breach of self-exclusion orders should be forfeited to government revenue.

RECOMMENDATION 10.2

Governments should ensure that, in any of the self-exclusion programs offered by venues:

- ***gamblers have the choice of:***
 - ***immediately invoking self-exclusion at the venue (without interview), or***
 - ***excluding themselves at a place outside the venue or, to the extent practicable, by phone or internet***
- ***subject to evidence and due process, there should be a capacity for family members to make applications for third party exclusions and for nominated venue staff to initiate involuntary exclusions of gamblers on welfare grounds.***

Governments should ensure a balance between flexibility and enabling agreements to be binding, by:

- *providing the option for various periods of self-exclusion, with the potential for self-excluded people to revoke their agreements after an appropriate minimum period, subject to evidence of attendance at a counselling service*
- *providing reasonably simple and accessible processes for people with existing agreements to easily extend their self-exclusion periods.*

10.3 More flexible pre-commitment arrangements

Despite its shortcomings, self-exclusion appears to have been an effective measure for many problem gamblers, with scope to improve the arrangements further. However, as noted above, self-exclusion is like a light switch — on or off — with little capacity for nuanced control. It is the personal equivalent to a statewide prohibition of gambling. It may often work to stop gambling, but it also eliminates any possibility for pleasurable entertainment — offering what one participant referred to as a ‘bleak dichotomy of choice’. For that reason, this rigid form of pre-commitment has little relevance for gamblers generally.

Yet, as noted earlier, the nature of some continuous forms of gambling — particularly gaming machines — may lead to impaired control in even recreational gamblers, and a justification for pre-commitment. Pre-commitment involves consumers pre-setting the terms of their future gambling, in ways that address the harms — small or large — that they associate with gambling. Since the consumer sets these options, pre-commitment is consistent with consumer sovereignty. And, just as is the case for self-exclusion, pre-commitment gives people with control problems a capacity for exercising self-responsibility. It is a regulation that reinforces, rather than erodes, personal responsibility (chapter 3).

The most important element of pre-commitment would usually be spending, but, as discussed later, there are many other possible options.

In the Commission’s view, while a pre-commitment facility would clearly help many problem gamblers, its target is primarily regular players. This was a view echoed by some participants in this inquiry, albeit questioned by others:

Given the speed and rate of play along with computer technology both now and in the future we believe the introduction of smart technology/cards for all EGM play would normalize their use and create a basic safety mechanism for all gamblers no matter

what bet size. (Gambling Impact Society (NSW) Inc, Response to the proposed Poker Machine Minimisation Bill 2008, p. 4)

[Pre-commitment] ... is essential to protect the rights and freedoms of ALL Australians (including those of problem gamblers, non-problem gamblers, their families, their friends and their co-workers). (Duty of Care, sub. 177, pp. 1–2)

The technologies that have raised consumer risks by increasing the intensity, speed and pleasure of playing have also raised the potential for the adoption of technologies that address those risks. While there is no consensus about the best technological ways to deliver pre-commitment, or its exact features, governments, gaming technology suppliers, gambling operators and researchers around the world have explored pre-commitment. And some countries and venues have implemented, or will shortly implement, pre-commitment systems (box 10.3).

Putting aside for a moment important practical issues — such as the timing of its implementation (chapter 19) — it is useful to assess the advantages and disadvantages of different kinds of pre-commitment systems. There are many different choices about the nature of pre-commitment systems (figure 10.1), with the effectiveness of the system likely to be highly sensitive to the details of the policy. The effectiveness of the policies depends on several overarching factors:¹²

- *salience*: an adequate range of features — such as spending limits, warnings or player statements — that address the major problems consumers experience
- *leakage*: the capacity of player to circumvent any pre-set limit (such as by swapping player identification devices or playing on another gambling form not covered by the pre-commitment system)
- *pleasure*: how it affects entertainment value
- *burdens on occasional gamblers*: those regular gamblers experiencing no control or other problems at all (noting that from Dickerson’s perspective, many regular gamblers will, in fact, face problems, given the nature of the product)
- *costs*: for venues and network system providers (such as equipment acquisition, staff training and compliance burdens).

¹² Other factors, like the complexity of any system, the receptiveness of consumers, and the adequacy of privacy protection (see later), are relevant too. However, these are relevant because they affect leakage, pleasure and burdens, and not in their own right. For example, a complex system may erode the pleasure of playing and discourage the occasional gambler.

Box 10.3 An increasing interest in pre-commitment worldwide

Governments around the world have shown an increasing interest in pre-commitment by:

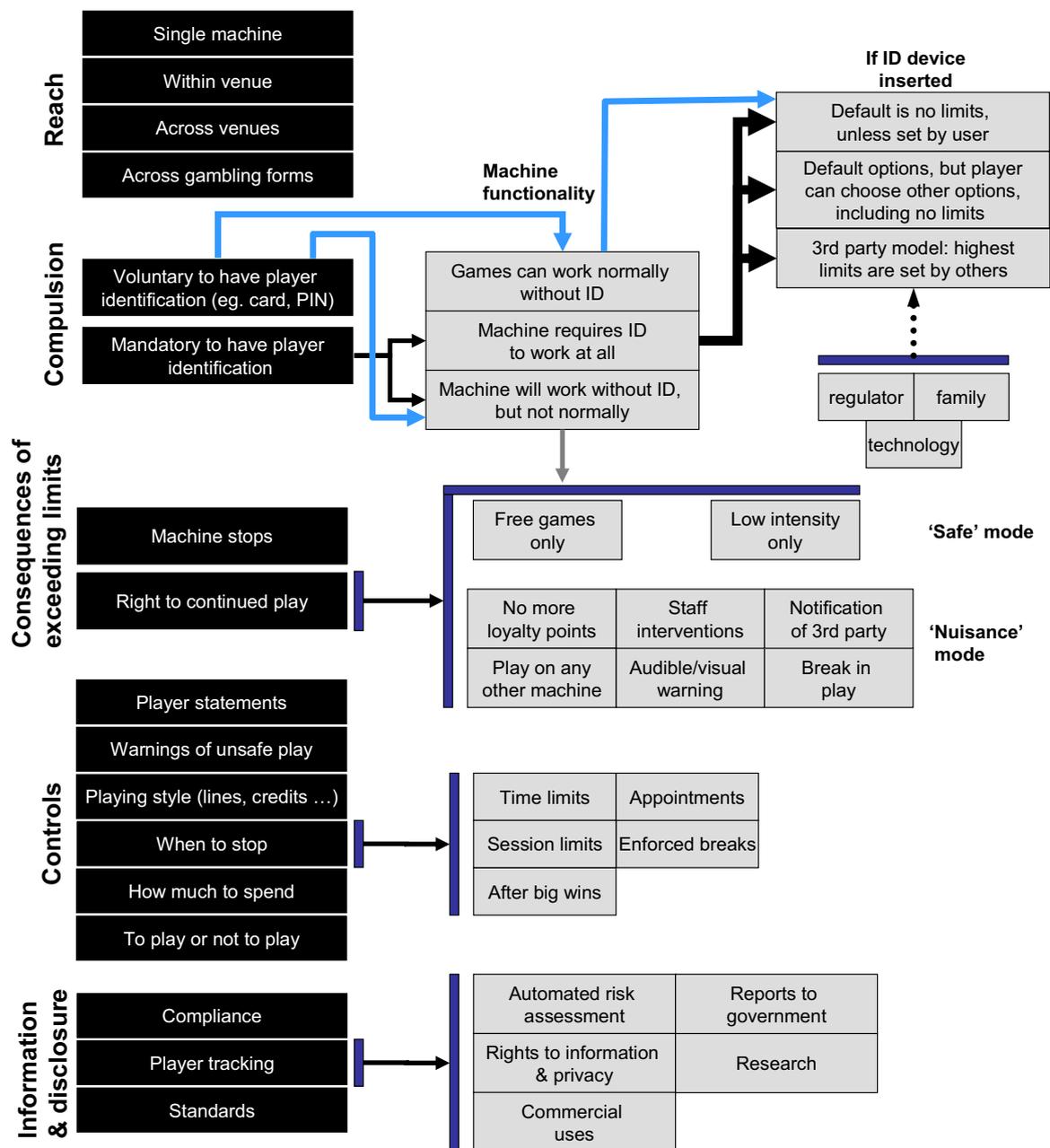
- commissioning research into pre-commitment behaviours (McDonnell-Phillips 2006) or exploring its potential adoption (Parke et al. 2008, the South Australian IGA, IPART and others)
- undertaking trials of particular systems — in clubs in Queensland and in hotels in South Australia
- implementing (or planning to implement) pre-commitment, such as:
 - the Victorian Government's legislated intention to introduce some form of pre-commitment in that state for all machines by 2013 and a more stringent regime in 2015. The government has already undertaken preparatory work on tenders for compatible monitoring systems, and pre-commitment will be required on all new machines by December 2010
 - the use of a single system throughout Norway run by Norsk Tipping, the monopoly gaming provider
 - plans for the region-wide adoption of pre-commitment cards in Nova Scotia (Canada) in 2010, following trials in Windsor and Mount Uniacke, for the six months to March 2006
 - systems for pre-commitment in the new casinos in Singapore (Ryan 2008)
 - pre-commitment options for New Zealand's online lottery (MyLotto).

Private operators have sometimes introduced their own systems. For instance, in Victoria, Crown Casino introduced a scheme, *Play Safe*, which is an optional, non-binding pre-commitment facility available to Crown Signature Club members. This was apparently the first casino globally to install such a pre-commitment system. Players can set daily and annual limits on spending and time. Should these limits be exceeded, users are alerted by an audible warning sound and a visible dialogue box on screen. Should they continue to keep playing, loyalty points will no longer accrue. Players can set lower limits immediately, but any increases will not take effect until 24 hours later, and must be re-confirmed by the player at that time, and again at each of the next three visits to the casino (or the previous limit will apply). A transaction record is provided annually (or more often if requested). A player can, at any time, remove their loyalty card and play on any machine without the limits applying. Apparently, initial take-up of *Play Safe* was low, but it has been growing.

Nisbet (2005a) describes a card system in a New South Wales club with some player controls.

Australian online gambling operators — like Betfair and Centrebet — already offer a range of pre-commitment options, with the advantage over physical venues that their gamblers can readily be identified (through the payment system). In the Commission's 1999 inquiry, Lasseter's online casino provided a comprehensive set of pre-commitment options, but with the passing of the Interactive Gaming Act, the casino could no longer operate.

Figure 10.1 Key pre-commitment options^a



^a In all systems, identification requirements relate to use of the machine, not to any requirement for patrons to identify themselves to venue staff. As is the case with using an ATM or online account, a player would use a card, PIN or some other method to gain private access to their settings.

In designing any pre-commitment system, there are two fundamental issues.

- Should people be bound by the pre-commitments they make? Under ‘partial’ pre-commitment, people are not obliged to be in the system. When they are, they can choose to set or not to set limits, and if they breach such limits, they can continue to play. In contrast, under ‘full’ pre-commitment, people must be in the system, but voluntarily set limits. If they set limits, they are bound by them.

Often the former is referred to as ‘voluntary’ pre-commitment and the latter as ‘mandatory’. However, these labels are confusing. Both systems are essentially ‘voluntary’ since the gambler can choose whether to set a limit in either.

- What could be the useful pre-commitment options available for gamblers?

Section 10.4 examines the latter, while sections 10.5 and 10.6 examines how partial and full pre-commitment systems would work, and their respective advantages and disadvantages.

10.4 What limits or other options might be available for players?

Under either partial or full pre-commitment, consumers could have a wide range of choices. Typically, they would only set these infrequently, with their player card (or other device) ‘remembering’ their preferences. Of course, any system would allow gamblers to alter their options, and in some systems (see below), players would be periodically requested to re-affirm their choices.

Beyond the obvious need for any pre-commitment system to include user-specified spending limits, gamblers could potentially be given the option to pre-commit on almost any feature of playing a game (Regis Controls, sub. 82), including:

- limits on time spent over some reasonable period, such as per session, per day, per week or month (as in the South Australian J Card system). For instance, a player might set no more than two hours play a week or no more than five sessions of gambling per week
- warnings about when to go home or to attend to other responsibilities. For instance, as in time management software on personal computers, the gambler might choose to insert a message like ‘Your shift starts in 30 minutes’
- stopping play when a win exceeds a certain amount, premised on the gambler’s concern that they may find it hard to resist continued play after what they see as a ‘big’ win (for example, that may be \$20, \$50 or \$250). This would give players options for ‘banking’ their wins beyond recommendation 13.3
- limiting the intensity of play (for example, no more than 10 lines and 5 credits; or no more than one dollar per button push)
- breaks in play (for instance, 20 minutes off after every two hours of continuous play)
- on screen player information that provide records of wins, losses and time spent over any desired period. These are already provided in Crown Casino’s *Play*

Safe system and Victorian gaming machines. In qualitative research, gamblers say that these would be useful (Nisbet 2005b) and on-screen account information was widely used in the Nova Scotia pre-commitment trial (appendix C).

Some options could only realistically occur in a full pre-commitment system. For instance, by its nature, self-exclusion is a binding commitment. Full pre-commitment would allow the gambler to set self-exclusion for any desired period (with technologically-based self-exclusion being anonymous and therefore less embarrassing for a problem gambler than the current processes). As the incremental costs of an IT-based self-exclusion system are close to zero (unlike current exclusion arrangements), it would also be cost-effective for players to self-exclude for even short periods, like a day

In practice, under either full or partial pre-commitment, too complex a set of options would be likely to be problematic for consumers. The behavioural evidence suggests that faced with a complex set of options, consumers may make poor decisions and/or face ‘status quo bias’ where they stick to choices made in the past, even though they would be better off by changing.

10.5 How could partial pre-commitment work?

The model usually proposed for partial pre-commitment involves:

- the voluntary uptake of an identifying device, typically a loyalty card, with gaming machines fully operational for players who are not enrolled
- player-determined spending and time limits, reminders and transaction records. In fact, gamblers rarely use time limits when included as a system feature (appendix C), suggesting that people do not see control over time spent as a problematic issue for them
- an audible and/or visual warning when a limit is reached and a short break in play. Since the player could move to another machine and play unhindered, any consequence for breaching a limit must necessarily be small.

Broadly, the pre-commitment trials conducted in Queensland and South Australia have included such features. Partial pre-commitment has several advantages. It:

- can assist people in setting goals and in gaining awareness of their play, especially among gamblers without severe control problems. Many people might still keep to their pre-set limit, though free not to do so. The evidence from one of the Nova Scotia (at the time, partial) pre-commitment trials was that of the people reaching their limit, around 60 per cent stopped play (while 40 per cent removed their card and continued to play)

-
- would signal to people that there were risks associated with playing machines, and that they were not like other entertainment activities — encouraging prudence
 - might make people aware that they were losing control of their gambling if they commonly found they were exceeding their self-imposed limits. It might then prompt remedial actions to control spending — like bringing less money to a venue or coming less often
 - could be used as a mechanism for recording transactions and providing players with a player transaction record. This was seen as a useful feature by the majority of card users in the Nova Scotia trial (Omnifacts Bristol Research 2007). On the other hand, the uptake of player transaction statements has apparently been low when it has been offered as a feature of machines in Australia (Betsafe, sub. DR345, p. 4). A key issue with such statements would be gamblers' ease of access. Paper records or information available on second screens are likely to be less used than information provided on the primary screen
 - would impose no costs on those gaming machine players with no interest in pre-commitment (they simply enter the venue and play in their customary fashion)
 - might be seen as less paternalistic in that there would be no requirement to have a card or any other identification to use it
 - would involve reduced costs of implementation for venues. It could be rolled out gradually as venues replaced machines and introduced software upgrades, and could be an adjunct to cashless gaming (as in the Maxgaming Simplay system used in Queensland). In addition, security for the card (or other ID) could be lower since gamblers with control problems would have no incentive, as they might under full pre-commitment, to fraudulently obtain or forge new IDs if they had exceeded a limit. As noted in appendix C, Maxetag has flagged an intention to extend its South Australian trials of its pre-commitment system in all Australian jurisdictions, suggesting that the barriers to implementation are low. The Gaming Technologies Association considered that the costs of a partial system (and dynamic warnings) would entail 'negligible incremental cost' (sub. DR344, p. 9).

However, in such a system, pre-committing gamblers are not bound by the limits they impose on themselves in such a system. In effect, partial pre-commitment would give Ulysses a knife to cut his bonds when the Sirens call. Several researchers have concluded:

... a voluntary scheme will have limited effectiveness as a harm minimisation measure. Problem gamblers will be less likely to use the precommitment options than other gamblers. While there is likely to be initial consumer resistance to a mandatory scheme, other public health policies (e.g. seat belt legislation) have shown that most people quickly adjust their behaviour and accept the new requirements. (McMillen, sub. 223, p. 28)

Overall, there is no evidence to suggest that a voluntary, card-based gambling scheme offers any significant protection to gambling consumers relative to that offered by other responsible gambling measures. (Nisbet 2005b, p. 61)

The responses [among problem gamblers using a partial pre-commitment system] suggest that pre-commitment would have little effect on decreasing gambling expenditures among those who were intent on continued gambling, because they would likely find a means of obtaining additional cards or seek out venues where refills [of cash to cards] or other options were available. (Nower and Blaszczynski 2010).

That said, the evidence from the trials (appendix C) suggests some benefits for harm minimisation, and there is acceptance by some in the industry that it is feasible and without substantial costs (box 10.4).

Box 10.4 Some industry participants favoured partial pre-commitment

Voluntary pre-commitment and dynamic messaging can be implemented on all new machines and incorporated into all routine upgrades from mid-2011 at negligible incremental cost. (Gaming Technologies Association, sub. DR344, p. 9)

Maxgaming suggests it would be prudent to gain community acceptance for pre-commitment with a 'Voluntary to Use' ('VU') model. Future investigations could be undertaken to estimate the additional benefits, if any, of converting to a 'MU' [mandatory to use] scheme versus its costs. The 'VU' system negates any additional burden on occasional players or regular players who do not perceive they have a gambling problem. Maxgaming's experience with its 'Simplay' pre-commitment platform in the Queensland market has demonstrated that a 'VU' pre-commitment scheme is showing encouraging signs as to the level of acceptance from players. (sub. DR302, pp. 3–4)

Some types of partial pre-commitment systems may be better able to encourage people to keep their pre-set limits than others (box 10.5).

10.6 How could full pre-commitment work?

In contrast to partial pre-commitment, full pre-commitment focuses on limiting 'leakage'. The very concept of pre-commitment is that it is a contract that parties cannot breach without significant consequences. This feature gives relief to a party who is concerned about their future capacity for control. For instance, such a system

could allow players to set a limit and when they reached that limit, further play would be prevented, regardless of the machine or venue.

Box 10.5 A partial pre-commitment system that encourages limit setting

While not meeting the requirements for a full pre-commitment system, the capacity to set limits on a single machine might have some value for consumers, as it may prompt them to reflect on whether they are really in control, to change their playing style, or to stop for a break or altogether. However, it would have several apparent deficiencies:

- even if the single machine stops or pauses for a period, it would be easy for the player to move to a nearby machine and continue gambling
- it would take some time for a gambler to select limits on each machine manually. Given that it is customary for gamblers to play on many machines in a venue, this would represent a significant amount of time actually spent engaging in electronic ‘form-filling’, instead of enjoyably playing the games. If setting limits were voluntary, then it would be likely that manual limit setting would discourage people from setting limits at all.

These deficiencies could be partly addressed by having a default low-intensity playing style (and/or limits) that the player would need to override using secondary screens to play at a higher rate. This would encourage lower-intensity gambling, while still allowing, with some nuisance, gamblers to select riskier playing styles.

Choosing a higher rate of play might also lower jackpot prizes (for example, from \$20 000 to \$10 000), with the consumer notified of this. Given the low expected value of many jackpots, such a change would typically make very little difference to the actual rate of return, but may still significantly deter people from overriding the default playing style. There is evidence that small incentives effects — ‘nudges’ — can have valuable benefits in encouraging safe behaviour (Thaler and Sunstein 2008).

The above approach may prevent some recreational gamblers from losing control and spending too much in a given session or in developing significant problems. However, it would probably be ineffectual for problem gamblers, who would choose to override low intensity playing styles, and it would not have the flexibility of a full pre-commitment system.

Full pre-commitment implies a single overarching condition: people should not be able to renege on their pre-committed decisions except on terms that they have already predetermined. This would include a capacity for self-exclusion. There was strong support for a binding pre-commitment system from agencies that focused on the social impacts of gambling (Public Interest Advocacy Centre, sub. 389, p. 4; SA Council of Social Service, (sub. DR327, pp. 14–15; Victorian InterChurch Gambling Taskforce, sub. DR357, pp. 3–4).

Real consequences for those breaching their commitments

The above condition implies that exceeding a pre-imposed limit would have the consequences that the gambler had pre-specified, or at best, limited options to deviate from these. Accordingly, if a gambler says ‘I do not want to spend more than \$100 a week’ then, if that spending level is exceeded, they could be offered three alternatives: not to play anymore; play free games involving no cash; play in ‘safe’ mode (as shown in figure 10.1 and discussed below).¹³ The latter two options would allow some continued entertainment, but without any substantive risks.

In contrast, in the Australian pre-commitment trials (and existing commercial schemes) reaching a pre-committed limit is a trigger for notification, advice and minor inconvenience, but allows the gambler to exceed the limit if they wish. They resemble ‘speed alerts’ on cars that tell drivers when they have reached a speed, but still allow them to go faster. Non-binding pre-commitment may still have some benefits (as discussed above), but it cannot address the problems posed for people with periodic difficulties in controlling their spending.

Player identification, consumer receptiveness and privacy concerns

Why is player identification needed and how could it work?

Full pre-commitment must preclude default. This implies that there would need to be some way of identifying all gaming machine players and their associated playing preferences. Otherwise, a player who had committed to a certain spending limit could exceed this limit by using a machine that ignored these pre-commitments. (A further advantage of mandatory player identification is a reduction in underage gambling, an observation also made by Regis Controls, sub. 82.)

This suggests the need for some kind of commitment technology that:

- identifies the particular gambler playing the machine
- reflects their pre-determined preferences in their interaction with the machine (and which *could* also include preferences about the entertainment features of the game, such as a preferred game type if the machine allows downloadable games or automatically linking with a ‘buddy’ in a multiplayer game if they log on to a machine)
- allows the secure storage of information:

¹³ If ‘safe’ mode was available for non-card holding players, then this option would also always be available for someone who had reached their pre-commitment limit.

-
- to determine whether any pre-determined preference has been breached
 - to provide, if appropriate, a player information statement of accumulated time and money spent in a given period
 - on additional or changed preferences set by the gambler during the period of play
 - about accumulated loyalty points, if the gambler was a member of a loyalty scheme.

So far, trials and existing pre-commitment systems have all been based on cards, but there are alternative systems that could be used. The Commission has deliberately avoided the presumption that the method for achieving pre-commitment would be a card (smart or not). It could also be a universal serial bus key (USB key)¹⁴ or some other electronic device (including an existing mobile phone with Bluetooth or similar). And it might not be a device at all, but instead a capacity for the machine itself to recognise the player through biometric methods (a fingerprint reader for example) or a secure password, and to access and store information on a server.¹⁵ From a technological perspective, all of the above options are workable, though their costs and practicality may differ.

Two practical concerns are often raised about player identification:

- *“Gamblers may subvert pre-commitment by giving or selling their passwords, cards or other identifying device to others.”* The Australian Hotels Association (sub. 175, p. 62) considered that ‘there is a real risk a second hand smart card market will develop where cards are sold to problem gamblers’. Evaluation of the Nova Scotia trial confirmed swapping as an issue, with around 35 per cent of players swapping cards at least sometimes (and in some cases getting them from venue staff). However, most did so rarely (Focal Research 2007, p. 6). This risk could be addressed using biometric technologies, or in a more simple fashion, by only paying out large prizes to a person if their apparent player identity matches other supplementary identification they may have (such as a licence). In Norway, cards only work on machines if a four digit PIN is used and money is paid into the identified player’s account, which would also reduce any incentives

¹⁴ For instance, Responsible Gaming Networks developed a biometric USB key as the device for interacting with gaming machines (sub. 120, p. 1; sub. DR394; trans., pp. 572ff).

¹⁵ For instance, Bally (a major global gaming machine manufacturer) developed a biometric technology that can passively or actively identify players at the game and track all of their activity, with or without a card. The system also allows for anonymous self-exclusion by using the ‘John Doe’ data base and enables exclusion at the point of play. It can be linked to any existing lists of excluded players, enabling instant messages to be sent to security. It also can be used to link unusual betting patterns to Title 31 money-laundering regulations (Green 2009).

to swap cards. In Sweden, as part of a strategy dealing with problem gambling, an age-control system is being installed on video lottery terminals. Gamblers have to enter the first part of their identification number before starting play and will have to show their ID to claim any prizes, as that number will also be printed on the vouchers issued by the machines (McQueen 2008).

- “*The need for a player identity may deter occasional gamblers.*” One option for dealing with occasional gamblers is that venues could issue them with a one-off small denomination cash card (say for \$10) to use on machines, with only minimal identification requirements. Alternatively, or in addition, people without a player identity could gamble on any machine, but the machine would be configured to play in ‘safe mode’ without the player card (or other ID device), with, for example, a configuration of lines, credits and denomination that limited expected losses per hour to \$20 to \$30. (The feasibility of flexibly altering bet limits in this way is some way off with current gaming machines, but could be considered over the longer run.) It should also be noted that the bulk of the gaming income for venues does not come from occasional players.

Is presenting identification inconsistent with an entertainment product?

The need for personal identification of some kind underpins full pre-commitment, but some participants expressed concern about such a need, or the receptiveness of gamblers to it.

... mandatory identification processes or equipment does not align with the objectives of those who attend hospitality venues. Visitors are ... guests of hospitality venues and are ... highly unlikely to accept mandatory identification or limiting requirements of their leisure activities. (Gaming Technologies Association, sub. DR344, p. 9)

However, there are numerous other instances where identification is the prerequisite for purchasing or using a product: borrowing books or DVDs; hiring a car; opening a bank account, getting a private post office box, and buying a mobile phone. In some cases, bars use fingerprint readers to exclude patrons who have misbehaved in the past.¹⁶ And of course, recognising the dangers to themselves and others, people must have licences to drive cars or undertake electrical work.

Requirements for identification are also already widespread in the gambling industry. All online gambling providers have stringent identification requirements,

¹⁶ For example, patrons wishing to enter various Australian licensed venues must allow management to scan their driver’s licence and fingerprint and take a photo of them before being allowed entry. The photograph and select identification information are kept on record using a server-based technology called the NightKey system. In mid 2009, 10 Australian venues used this system (www.nightKey.com.au).

which do not appear to have met with consumer resistance. As membership-based organisations, clubs require personal identification, such as a driver's licence, when enrolling new members and some also take a photograph of the patron. In effect, clubs already require proof of identity as a prerequisite for a customer to enjoy their hospitality. Crown Casino stipulates that gamblers wishing to play in their 'Aussie Millions' (poker championship) event meet stringent identification requirements, including permission to be filmed:

To play in an Aussie Millions event you must be a Crown Signature Club member. This can be done on the spot, in the Poker Room. Photo identification is required; if you are from overseas, it is advisable to have your passport with you ... Sign an Acknowledgement & Player Release Deed. By signing this document, you are acknowledging the Terms & Conditions of the tournament, and giving your consent to be filmed. (information sheet for 2010 event)

More generally, among gambling venues, gamblers already have 'loyalty ID' cards, which they insert into the gaming machine when playing. The cards then record players' transactions, which are then used to award loyalty points that can be exchanged for free meals and other rewards.

Identification requirements are widespread in the commercial (and public) sectors because they serve useful functions. Requirements for personal identification help reduce commercial risks, such as default, fraud and theft. Few in business regard identification requirements that serve their *own* interests as unethical or problematic for privacy. And, on the whole, nor do consumers express any such concerns. Such identification requirements are aligned with consumers' interests because the costs of commercial risks are reflected in prices. However, where a product entails harm to consumers and revenue gains to business — as is the case with some aspects of gaming — business and consumer interests are incompletely aligned. In that special context, it is still ethical and appropriate to require identification if it assists consumers, even though such a requirement would not serve business interests.

Privacy concerns

Concerns about privacy may be a more fundamental issue affecting consumers' receptiveness to a full pre-commitment system. The Australian Hotels Association (sub. 175, pp. 60ff) regarded pre-commitment technologies as 'intrusive', claiming that the 'introduction of an "Australia Card" style personally identified smart card also raises many significant privacy issues.' Others had similar concerns:

Many Australians could also be expected to have privacy concerns ('big brother is watching') about being forced to register their details to enable them to participate in a 'MU' [mandatory to use] pre-commitment system, so they may be allowed to 'have a flutter'. (Tatts Group – Maxgaming, sub. DR302, p. 3)

The inherently secretive and suspicious nature of problem gamblers means that few would be willing to participate in a pre-commitment regime where they have to provide their personal information (sub. DR345, p. 4)

In the Nova Scotia pre-commitment trial, concerns about privacy of the playing data and the personal information necessary to obtain a card seemed to be the main reasons for not getting a card and for people borrowing others cards to play (Omnifacts Bristol Research 2007, p. v). In their research on pre-commitment, McDonnell-Phillips also found that, while most people were receptive to card-based gambling, around one third of gamblers raised privacy concerns.

However, as discussed above, people are often identified in their transactions and, associated with this, there is widespread collection and storage of data on individuals. The staff of video stores, libraries and online shops see past consumption decisions of their customers; medical staff see patient records, and tax accountants, their client's past tax returns.

The Commission envisages strict privacy arrangements for data collected as part of a pre-commitment system. In general, the only data collected should be that necessary for keeping a confidential record of spending (or time) to allow binding limits set by gamblers themselves, and to provide player statements. In effect, gamblers 'own' the data. Unless consent is provided, information identifying individuals should not be available for regulators, venues or other parties. Maxgaming (sub. DR302, p. 9) and Eadington (2003, p. 210) have suggested methods that would ensure the privacy of data (and would address identity fraud).

On investigating the national regulations in relation to privacy, the Commission considers that pre-commitment is unlikely to have issues regarding privacy if gamblers give consent for any use of information and the individual is aware of the relevant processes and bodies (including complaint processes). This view was supported by Regis Controls (sub. 82), which provided a detailed assessment of privacy risks and how these can be addressed.

Systems protecting privacy are one thing; convincing people of their effectiveness may be another. An important aspect of ensuring gamblers' receptiveness to pre-commitment (of any form) will be the assurance about the security of their data and its use. One of the advantages of introducing partial pre-commitment prior to adoption of full pre-commitment is that it would allow gamblers to become familiar with pre-commitment cards (or other devices) and to build confidence about systems that protect their privacy.

Default settings?

The form of presentation to gamblers of the various options under a pre-commitment system is likely to have fundamental impacts on gamblers' choices. There are several possibilities. The default could be one in which players would:

- play as they usually do, but could elect to set time, spending or other limits (sometimes referred to as 'opting in')
- be given a set of simple default options to which they could assent on first playing and that entailed some spending limits. However, they could set their own limits, including no limit on any or all of the available options if they wished. The capacity to make choices different from the default is sometimes called 'opting out'. However, in this context, it can be confusing terminology as people can choose to set many different limits (including none) across a whole set of options. People might 'opt out' of one feature, but set their own limit or stay with the default on another.

In both cases, the consumers have complete control over their choices.

So which alternative is appropriate? The answer depends on:

- whether, in reality, people switch easily between options as they see the advantages of one or the other
- the consequences for people's wellbeing of the two alternatives
- whether people are informed about these consequences.

Do people switch easily?

The evidence from behavioural economics, marketing and psychology suggest that people often adhere to whatever happens to be the default option.¹⁷ They do this for a variety of reasons. One of the key ones is that making different decisions can be costly — there is information to find and absorb, and processes to change the default choice — in short, 'bother'. Surprisingly, a little bit of bother can make a large difference to consumer decisions, sometimes even in critical areas. This is illustrated by the following.

- In countries in which organ donation is the default, organ donation rates are much higher than in countries in which people have to give explicit consent. For example, organ donation consent rates in France are 99.91 per cent (an opt-out

¹⁷ For example, there is evidence from Liebman and Zeckhauser (2008); Kahneman et al. (1991) and Samuelson and Zeckhauser (1988).

system) and 4.25 per cent in Denmark (an opt-in system) (Johnson and Goldstein 2004). This is despite a generally strong willingness to support organ donation.

- A default option for a retirement savings plan results in much more saving than one in which the default is no savings.
- Many more people will not use a ‘do not call’ system to block telemarketing if they have to opt in to such a system than if they have to opt out, even though many find telemarketing annoying.

So, there are large frictions between the default and the alternative — choose one, and you will probably stick with it. Accordingly, under an opt-in system, it is likely that many fewer people would use pre-commitment. Initial figures from the pre-commitment trials in Queensland and South Australia, and of systems voluntarily put in place by some gambling venues, bear this out. While a significant number have opted in to pre-commitment (attesting to the usefulness of even partial systems), the bulk of players have not. A high take-up of safer levels of gambling is only likely when the way of presenting the system encourages limit setting.

Which default would not promote wellbeing?

In a gaming venue, the current default is a set of customary playing choices (the preferred machine, amount of time and money spent, speed of play and so on) that realise consumer preferences, just like any other consumer good. Those default choices are themselves partly conditioned by the strategies used by venues to create and reinforce customary consumer behaviours that are commercially beneficial. As an example, one seminar presenter to Clubs NSW advised that:

If a player has the need to interrupt their play, then the set up of your room must be conducive to getting them back to the EGM. (Clubs NSW BBB Seminar Series, May/June 2008)

This is typical commercial behaviour, with most businesses adapting their environments and products to encourage customary consumer behaviours that benefit both parties. More broadly, habit and inertia serve a valuable economic function for consumers (it saves cognitive and sometimes, real effort) and it provides predictability for suppliers. Because of this — and given the risks of excessively intrusive and paternalistic government — in normal circumstances, governments leave suppliers and consumers to set the terms of their exchanges without interference.

However, as discussed above and throughout this report, when it comes to gambling, customary ways of doing business can cause significant harm for many regular players. Regulatory changes to venue behaviour and gaming machines

attempt to influence the way people gamble (or their consequences) — and the Commission has proposed some options along these lines in other chapters. Nevertheless, these mandate a new and restrictive default — there are no options for consumers *not* to be regulated. The potential advantage of a system encouraging limit setting is that it makes low-risk playing the customary behaviour — habituating safety — but still giving people the freedom to exercise broader, riskier choices if they have strong preferences to do so. A full pre-commitment system with these features would not eliminate the need for all regulations, but might allow some to lapse.

It is also notable that in the Nova Scotia trial of pre-commitment, there was strong support for making it less easy for players to avoid using the system’s features:

Some of the most consistent criticisms of the card-system included the fact that the player could use the card and avoid all of the features if they wanted. There were strong perceptions from players that the features would have been more useful if they could not be avoided as easily. Participants in the focus groups seemed to be disappointed that the system did not force them to make choices as they expected it would. (Omnifacts Bristol Research 2007, p. 59)¹⁸

Do people know the risks?

Ulysses was bound to the mast because he knew about the risks of the sirens. But many gamblers, while aware of risks in the abstract (‘Some people get into trouble’), do not believe that gaming presents risks to them personally, or are over-confident about their capacity to exercise willpower.¹⁹

Moreover, people often do not recognise they have a problem until it has progressed significantly. (‘It’s alright, I can control my gambling’ or ‘I know I lost a lot of money this time, but a big win is around the corner’). Ultimately, many of these problem gamblers would recognise the accumulated harms of their gambling and, at that point, would choose to set limits in a pre-commitment system, but that would be after significant harm had already occurred.

Given inertia, relative risks, over-confidence and poor awareness of the personal risks, a full pre-commitment system is likely to be *substantially* more effective using an arrangement that encourages people to set limits, and that requires them to indicate that they want to set no limit on any given option. It should be emphasised

¹⁸ A survey of researchers, specialists and other key informants (including problem gamblers) from Canada and abroad also found strong support for a pre-commitment system, preferably with mandatory limits (White et al. 2006, p. 5).

¹⁹ More generally, behavioural evidence suggests that while some people want to control their future impulsivity, others are overconfident about their capacity for future control.

that the consumer is still in charge of their choices, in accordance with the Commission's general agreement with the goal of maintaining, not undermining, personal responsibility. This is contrary to the representation of this kind of scheme by some participants:

Each machine would be card-operated, and no card means no play. Bad luck for tourists, or anyone resistant to the idea of registering for a quasi Australia Card. Big Brother has more: once you register, you would be told how much you could gamble. Reach that amount, and the machine would shut down. You would then be unable to play for 24 hours (Costello 2009 – Clubs NSW)

However, this represents a misunderstanding of the arrangements. No overarching authority tells the gambler what they can play. (And, no card or other ID device need not mean no play, as there are safe play options for occasional gamblers.)

Features of the 'default' under full pre-commitment

As discussed earlier, too complex a set of options would tend to confuse consumers, leading to poor decisions or simply discouraging play altogether. While that applies to partial pre-commitment as well, it has particular significance for a full pre-commitment system. If the default option is excessively complicated, people will be more inclined to opt out. The main way of avoiding this risk is to offer a 'vanilla' set of default features that are regarded as 'safe', without stymieing recreational players. The vanilla default would need to meet some minimum conditions. It would have to:

- be assessed on the basis of likely harm
- ensure that the gambler understood the nature of the default and its implications
- involve spending or time limits that are sufficiently high that they would not constrain a gambler's capacity for normal recreational play. (For instance, it would not be appropriate to have a default weekly spending limit of \$20.)
- prescribe only a few features. For instance, on first using a gaming machine, gamblers could face a default of '*Maximum weekly spending of \$150*', which if agreed to, would bind for some default period (that week, a fortnight or whatever achieves effective harm minimisation). A limited number of features would aid simplicity and would reflect the fact that once default spending limits were in place, the rationale for further constraints would be reduced. (In contrast, the model of pre-commitment used by Norsk Tipping in Norway prescribes breaks in play.)

Non-vanilla options could be communicated through layering, noting that gaming machines or kiosks in gaming venues are terminals that offer the same functionality

as personal computers, and are ideal vehicles for layering.²⁰ In the longer run, software could be developed that tailored options to the individual, based on their past selected choices. The implication is that regulatory choices made in the initial stage of a pre-commitment system should permit (and encourage) innovation.

Sometimes people will want to change the pre-commitment limits they have set. By definition, a genuine pre-commitment system cannot allow a person to *relax* a limit once they have set it. However, a person who wants to spend less time or money is reducing their risks of harms — and, as such, it should be easy and quick for them to make these changes. For instance, Crown Casino’s pre-commitment system readily allows players to decrease limits. Changing a spending limit down might involve hitting a single button on a gaming machine labelled ‘reduce limits’ and entering the desired limits (or by incorporating a similar option on a kiosk machine).

Depending on the technology used for pre-commitment, it might be possible for consumers to set their pre-commitment options from a computer outside the venue.

Box 10.6 provides a simple illustration of one possible full pre-commitment system illustrating its possible features.

How would someone set ‘no limits’?

Since a pre-commitment system offers a variety of options for gamblers, a flexible system would allow the gambler to choose their own limits on any one of these options, but include the option of ‘no limit’ as one of their choices. This means that a gambler might decide to set a spending limit, but no time limit for playing. As setting no limits on spending involves genuine risks to a gambler, there should be periodic checking that this remains their preference.

²⁰ As an illustration of the kind of simple interfaces that are possible, see appendix C in relation to the Nova Scotia system. In addition, most cash advance machines in gaming venues in the United States include a feature that greets customers and reminds them to ‘think’ and consider their impending withdrawal. Customers have the opportunity to assess the severity of their gambling behaviour. Should an individual believe that he/she might have a gambling problem, by stating the word ‘think’ the call is automatically transferred to the in-state Helpline and to a counsellor. This program also provides for a self-exclusion option ‘STEP’ (Self Transaction Exclusion Program), permitting customers to block their personal credit card number from the system such that all transactions would be denied (Dickson-Gillespie 2008).

Box 10.6 An illustration of a system

As just one *illustration* of how a pre-commitment system might work, suppose that there was a card-based pre-commitment system based on a network across all machines in a jurisdiction. Each gaming machine would have a card reader and an interactive touch-sensitive screen. Having gone through routine processes for identification, a gambler would obtain a card to play on any machine in any venue, and which could serve as a loyalty card as well.

On first inserting the card into the machine, the player would be given a default expenditure setting — say an amount per week — that they could override if they wished. They could set different weekly (or monthly amounts) or limit their time playing if they wished. They could also select other features, such as a record of their time or money spent over any relevant period, and to activate any periodic reminders they might find useful. Were they to be experiencing any difficulty with their gambling, they could select quickly-accessible options on the touch screen to exclude themselves from playing for a desired period (24 hours, a week, a month or more). Once they had decided to exclude in this way, they would not be able to play on a gaming machine anywhere in that or other venues, until the exclusion period had expired.

In addition, if they exceeded a self-imposed spending limit (say \$150 in a given week) then they would not be able to spend any more until the week was over. They might try to borrow a card, but they would not be able to keep any winnings if they did so.

However, gamblers could at any time, choose to *reduce* their committed spending. Accordingly, someone might set a limit of \$500 for the next month, but after several weeks find that he or she wanted to control their spending further — say, down to \$350. That could be achieved immediately with a few simple actions.

Sometimes people might not want to set a limit on their spending (or indeed some other option). They would simply choose ‘no limit’ on their spending, instead of a particular monetary amount. They would then be free to play without limits on any machine in any venue — but they would still need their card to play. They would periodically be requested — via the gaming machine — to indicate their preference for continuing to play without a spending limit.

If someone did not want to play with a card, they could purchase a small-value pre-paid card that would only allow play at a low intensity level.

It should be emphasised that this is just an illustration of one way of meeting the criteria set down in this chapter. Technologies other than cards might be used, and there could be other ways of structuring pre-commitments.

In addition, it may be appropriate to withdraw inducements that, while safe when people have set a spending limit, are less so when they can spend any amount. In the same vein, enhanced information provision and warnings may be appropriate. As illustrated, setting no spending limits *could* involve:

-
- losing the capacity to earn loyalty points or special offers from the venue operator (the Crown *Play Safe* model included this requirement)
 - periodic alerts concerning money and time spent .

The Commission's process for setting 'no limits' would otherwise be the same as setting any other non-default limit, so that it would not frustrate the practical capacity for people to exercise choice.

The bottom line is that, given their relative hazards, there should be bigger hurdles for raising limits than lowering them. This retains ultimate consumer sovereignty, but requires consumers who wish to select more risky options to make an active decision.

Could others make the commitments?

A more controversial issue is whether there might be circumstances in which other parties could set upper limits for a gambler. Consistent with the current capacity for third-party and staff-initiated exclusions, there are grounds, in exceptional circumstances (and with the same due processes), for family members or designated venue staff to set limits for a gambler with severe problems and no control over their gambling impulses. This may sometimes be preferred to enforced exclusion, especially where lower-level consumption of gambling may cause few harms to the gambler, while allowing them to participate normally in the community (for example, in a small town to still go to the local pub).

Some existing or proposed pre-commitment systems go further than this, including mandatory limits for all players. New Zealand's online lottery (MyLotto) requires a player account and specifies a maximum spending level (appendix C). The Norwegian pre-commitment system has a regulated maximum spend. Surveyed participants in the Nova Scotia trial favoured a regulated maximum, and indeed, one of the proposals to the Commission for a pre-commitment system favoured a legislated maximum, with a consumer capacity to lower this (Regis Controls, sub. 82, p. 17). One prominent Australian researcher has proposed a more far-reaching approach, with limits set according to people's individual capacity to afford gambling (box 10.7).

Box 10.7 Affordable limits?

Dickerson has advocated a model akin to a credit card application, which takes account of the financial capacity of the gambler and that would be set externally (2003c, pp. 7–8). Such an approach would not stop the gambler from setting a lower spending limit, or from pre-setting many other aspects of their gambling as they wished. Dickerson’s approach places a ceiling on potential harm, and has the potential advantage that once that ceiling existed, the need for detailed regulation of gaming machines (beyond probity) could be relaxed. Indeed, Dickerson (2003c, p. 8) suggests that were a pre-commitment system of this kind instituted:

The venues would then need have no notices and warning labels on machines but return to the pre- ‘responsible gambling’ days of being purely escape and fantasy, never a window or a clock in view. The player could go and play and ‘lose control’ within the previously set safety constraints.

However, the decisive obstacle to implementing Dickerson’s model is that it removes people’s ultimate capacity to make choices about how to spend their money. Few regard government as the appropriate arbiter for determining people’s exact spending levels on goods, even those deemed to have undesirable effects — ‘this many cigarettes, that many sweets, this much gambling or alcohol’.

However, any significant degree of limit setting by outside parties undermines pre-commitment because it removes the important element of consumer sovereignty. The Commission considers that a pre-commitment system should ultimately maintain choice for the consumer.

10.7 The details of the scheme and its implementation are critical

There is no such thing as a single pre-commitment system. Pre-commitment could take a variety of forms, many of which would have incomplete or low efficacy, or have other deficiencies, such as complexity or prohibitive costs. As argued by the Tasmanian Gaming Commission (2008, p. 8), there are risks that (some manifestations) of pre-commitment could be a ‘poorly thought through fix’. And Nisbet (2005b) has argued that certain types of card-based gambling have the potential to exacerbate problem gambling.

The results of pre-commitment trials in Australia and the experiences from commercial and overseas systems, such as those in Nova Scotia and Norway will provide some careful insights, but they will not ‘prove’ or ‘disprove’ the value of pre-commitment per se (any more than proving or disproving the efficacy of one drug says much about the efficacy of a substitute).

The detail of any proposed scheme makes a large difference to its effectiveness. This suggests testing systems that have an appropriate set of minimum functions to establish that they work as intended. Chapter 19 addresses the transition issues in detail, but in the Commission's view, a key to the ultimate delivery of effective pre-commitment would involve:

- the development of standards, advanced protocols and appropriate design features (commencing immediately)
- the introduction of partial pre-commitment in jurisdictions where central monitoring systems allow its low cost implementation
- a trial of a full pre-commitment system
- the widespread adoption of a full pre-commitment system, depending on the lessons from that trial and the partial pre-commitment system.

In discussion with regulators, experts and the gaming machine industry, the Commission understands that some existing central monitoring systems — such as the Qcom system in Tasmania, Northern Territory and Queensland — could be used to provide 'full' pre-commitment across nearly all community venues and machines.²¹ The Victorian Government has announced a monitoring system that would have a similar functionality as part of its legislated intention to implement pre-commitment.

Similar functionality in New South Wales, ACT and South Australia, and casinos in several jurisdictions would require investments in new central monitoring systems and in some cases, software and hardware upgrades for gaming machines. The Commission recommends that such investments should be made by 2016, with planning initiated now to achieve that. This suggests that the transition to a full pre-commitment system may take more time in some jurisdictions than others (or would impose a differential cost).

In addition, as noted in chapter 3, the adjustment costs for venues with small numbers of machines may be high. In that instance, there are grounds for these venues to be exempt from the requirement to implement:

- partial pre-commitment altogether. (However, if a government did not introduce full pre-commitment, such an exemption should only be until 2015, two years after its implementation in other venues.)
- full pre-commitment until 2018 (two years after its implementation in other venues).

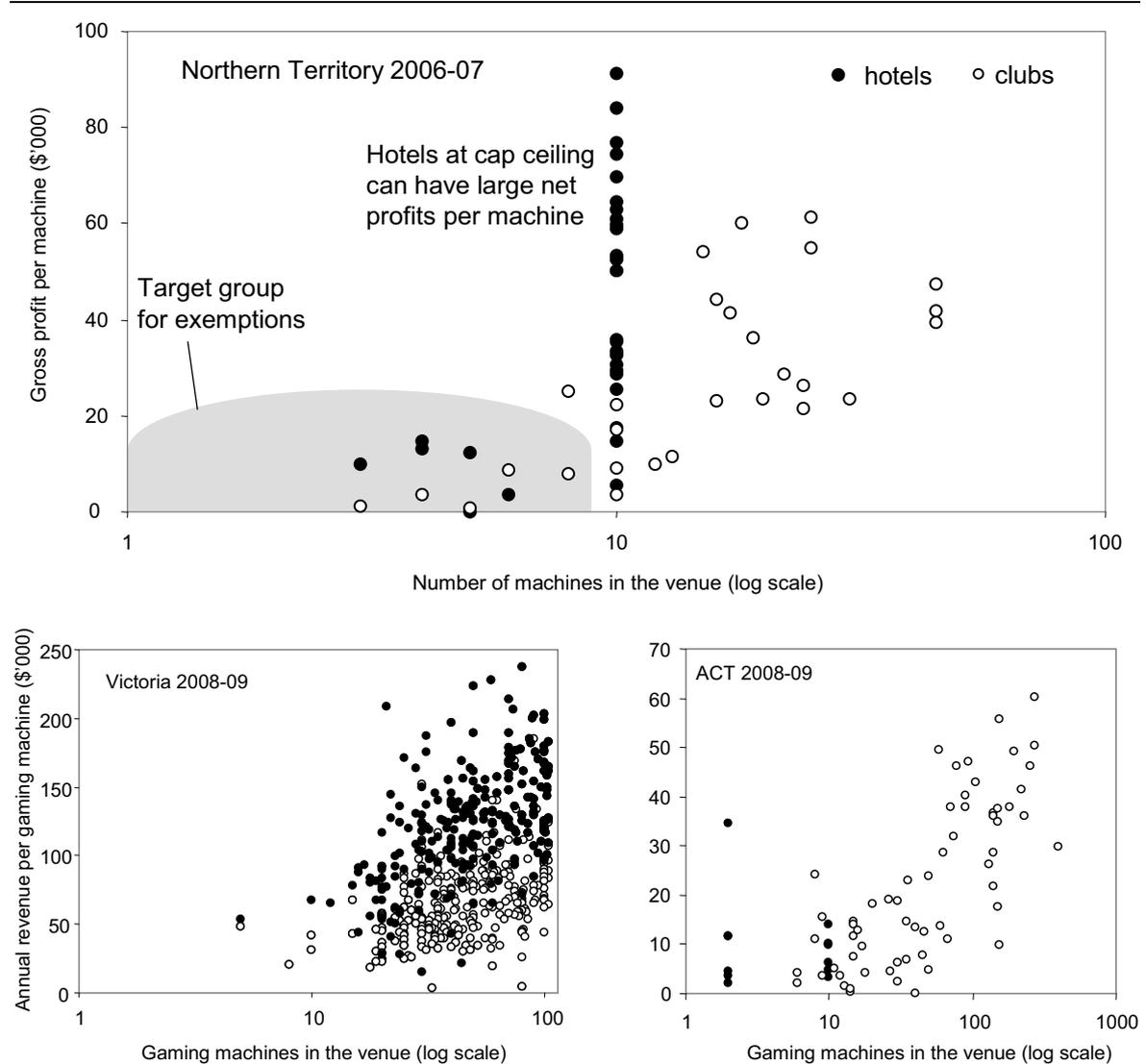
²¹ See, for example, Tatts Group — Maxgaming (sub. DR302, pp. 11–12).

However, as with other venues, new or upgraded machines should incorporate the functionality for pre-commitment and other new machine features (chapter 11).

The Commission proposes this temporary exemption from full pre-commitment for venues with less than ten machines. Available data suggest that the number of exemptions that this limit would entail depends on the regulatory arrangements in each jurisdiction (figure 10.2).

Figure 10.2 Venue size and gaming machine revenue

Victoria, the ACT and the Northern Territory



Data sources: Northern Territory Licensing Commission 2006-07 Annual Report; ACT Gambling and Racing Commission 2009, Community Contributions made by Gaming Machine Licences, 1 July 2008 to 30 June 2009; Victorian venue level data from www.gamblinglicences.vic.gov.au.

Table 10.1 Distribution of EGMs by venue size in Queensland

January 2010

EGM size category	<i>Clubs</i>				<i>Hotels</i>			
	Venues	EGMs	Share of total venues	Share of total EGMs	Venues	EGMs	Share of total venues	Share of total EGMs
	No.	No.	%	%	No.	No.	%	%
1 to 5	35	155	6.3	0.7	68	270	8.9	1.4
6 to 10	136	1 132	24.5	4.8	128	1 067	16.7	5.6
11 to 20	133	2 055	24.0	8.8	143	2 322	18.6	12.3
21 to 30	67	1 739	12.1	7.4	103	2 737	13.4	14.5
31 to 40	36	1 312	6.5	5.6	326	12 490	42.4	66.1
41 to 100	81	5 067	14.6	21.6	..	..	..	..
101 to 200	47	7 204	8.5	30.8	..	..	..	..
Over 200	19	4 762	3.4	20.3	..	..	..	..
Total	554	23 426	100.0	100.0	768	18 886	100	100

Source: Office of Liquor and Gaming Regulation (Queensland) 2010, Gaming Statistics, <http://www.olgr.qld.gov.au>.

There would be little need for exemptions in Victoria, given most venues have many more than ten machines, but a greater requirement in Queensland, Northern Territory and the ACT. About 30 per cent of venues in Queensland have ten or less machines, though they account for only around 6 per cent of total EGMs in that State (table 10.1).

All hotels in the Northern Territory have ten or less machines, reflecting the ‘cap’ that applies in this jurisdiction. Many of the hotels with exactly ten machines have very high revenues per machine — reflecting their utilisation rates. Were the number of machines per venue alone to be used as the basis for an exemption, it could have the unintended impact that some of these venues would relinquish one machine to qualify for the exemption. An additional requirement that average revenues per EGM would have to be low relative to implementation costs would resolve this.

Other aspects of appropriate transitions are discussed in chapter 19 (and the need to periodically review default limits, including potential adjustment for inflation). The bottom line is that a gradual roll out of pre-commitment should take place at low incremental cost because it will not entail widespread machine replacement and modification.

Relevance to gambling more generally

The discussion thus far relates to gaming machines. In theory, pre-commitment could also apply to other forms of gambling, such as casino table games and wagering. (In fact, it is already provided by Australian online providers of wagering and in the New Zealand online lottery.) In casinos, for example, a gambler would present their card or other ID when purchasing gaming chips.

However, the major source of problem gambling and of loss of control generally is gaming machines. That suggests implementation initially for gaming machines and its potential roll out to other appropriate forms of gambling depending on the findings of evaluations.

10.8 Auxiliary functions of a pre-commitment system

Depending on the technology that underpins it, businesses and governments could use the system that delivers pre-commitment for other commercial and regulatory purposes.

An information base?

Regardless of the technologies that governments used to deliver a full pre-commitment system, such a system would also provide other options for harm minimisation at low incremental cost.

It would provide the capacity to use data on player behaviour, allied with observations about other concerning patron behaviour, to:

- better target in-venue interventions for people experiencing problems. This may be appropriate as a research task intended to provide better evidence about what customer characteristics openly observable by venue staff are robust indicators of problems
- assist in the development of electronically displayed warnings for patrons, geared to likely harmful playing styles (chapter 8 and as recommended by the Gaming Technologies Association)
- help policymakers assess whether regulations are working effectively and whether the regulations should be adapted or revoked. For instance, how do gamblers respond to lower bet limits (chapter 11) or quarantined prizes (chapter 13)?

However, personal interventions based on electronic monitoring of consumers' playing behaviour involves serious ethical and privacy concerns (as discussed above), and should follow the existing guidelines for such research (chapter 18).

Cashless gaming?

The cashless use of gaming machines is already possible in some Australian jurisdictions through the use of ticket in, ticket out and in the pre-commitment trials in Queensland. However, these co-exist with cash-based systems. Full pre-commitment could pave the way for a complete shift to cashless gaming, with productivity,²² accountability and security benefits for venues. (The Norwegian system of pre-commitment is based around cashless gaming.)

Cashless gaming has both advantages and disadvantages for consumers. It allows them to end a session of play quickly, with their net balances automatically recorded on their card (or via other means). This would be more convenient for gamblers since, under cash-based systems, they have either to collect coins or wait for an operator to pay larger amounts. In addition, the capacity to withdraw easily any remaining cash balances reduces the temptation by gamblers to continue playing to exhaust those balances. (A good principle for harm minimisation is to reverse the current situation in which gaming technology and venue practices make it very easy to put large amounts of money into the machines, but more cumbersome to remove it.)

On the other hand, cashless gaming may disguise the fact that people are spending 'real' money on machines. Moreover, cashless systems may reinforce anonymous, intense and uninterrupted play. The New Zealand (Government) Gambling Compliance Group (p. 5) argued that cashless systems:

... can preserve player anonymity and permit the rapid transfer of large amounts of money into gaming machines without breaks in play. These sorts of systems can exacerbate problem gambling behaviours by facilitating extended, continuous, repetitive and/or anonymous, emotionally detached play.

They may also increase the speed of play. Nisbet (2005b) cites evidence that cashless systems increased speed of play by 15 per cent. On the other hand, a study by Nower and Blaszczynski (2010) found evidence that a cashless card would not be associated with a tendency to gamble more than when playing with cash. Either way, the Commission's recommendation that governments should introduce cash input limits (chapter 11) could be replicated (in a different form) in a cashless environment to address this concern. Moreover, were full pre-commitment in place,

²² For example, hopper changing is costly.

these concerns may be significantly mitigated, and indeed the capacity for cashless gaming might be a quid pro quo to venues for the introduction of pre-commitment systems.

Server-based gaming?

Server-based gaming is not necessary or sufficient for the implementation of full pre-commitment.²³ The key technological requirement for delivering full pre-commitment is a compatible central monitoring system. However, the networks supporting server-based gaming, and indeed the server (or servers) associated with them, could be used as a vehicle for delivering pre-commitment, while simultaneously presenting some attractive commercial opportunities to the gaming industry. This would include among other things:

- the capacity to change games quickly and to deploy a greater variety of games (giving venues and customers more choice)
- altering machine rates of return or denominations easily
- allowing more experimentation in game types to suit the venue's specific customers
- the potential for greater entry in games design
- more sophisticated analysis of player behaviour to determine future game design.

Ultimately, such innovation would benefit consumers through better entertainment and by lowering prices (noting that it could be expected that lower venue costs would ultimately be passed on to consumers). So long as governments implement a full pre-commitment system, then the Commission considers that there should be no obstacles to such commercial developments.

²³ And there are diverging views about when or if server-based gaming (SBG) would be adopted. There are few places where SBG is currently in use on a fully commercial scale. Norsk Tipping — the government-owned supplier of gaming in Norway — uses an SBG system. MGM's CityCenter casino in Las Vegas will use SBG in that casino (Terdiman 2009). Lima Uno launched a SBG system at a race and sports book in Lima, Peru in 2007. There are a variety of test sites where it is also in use, such as the Ameristar Casino in Missouri. Some participants express doubts about its uptake for some time to come (Australasian Casino Association, sub. 264). On the other hand, Clubs NSW (2009) claimed that 'if things go to plan, it will be available to Australian clubs before too long'.

10.9 In conclusion

The Commission's view is that pre-commitment is a strong, practicable and ultimately cost-effective option for harm minimisation. It overcomes some of the existing severe deficits in achieving self-control for problem gamblers and for genuine informed consent by many other consumers.

While recognising that even a full pre-commitment system cannot be a 'silver bullet', it may ultimately take pressure off other regulations aimed at harm minimisation. If it is sufficiently effective, then some of the more prescriptive regulations could be relaxed or revoked. This is one reason for rigorous evaluation of the approaches recommended by the Commission, and the associated need for developing a capability that brings adequate resources and impartial expertise to such evaluations (chapter 18).

RECOMMENDATION 10.4

Each state and territory government should implement a jurisdictionally-based full pre-commitment system for gaming machines by 2016, subject to initial development (recommendation 19.1), trialling (recommendation 19.2) and compatible monitoring systems (recommendation 10.6). This system should:

- *provide a means by which players could voluntarily set personally-defined pre-commitments and, at a minimum, a spending limit, without subsequently being able to revoke these in the set period*
- *allow players to see their transaction history*
- *encourage gamblers to play within safe spending and time limits, by specifying default limits*
- *include the option for gamblers to set no limit on their spending as one of the system options, but with periodic checking that this remains their preference*
- *allow occasional gamblers to stake small amounts outside the system*
- *include measures to avoid identity fraud*
- *ensure players' privacy*
- *be simple for gamblers to understand and use*
- *present few obstacles to future innovation in the presentation and design of the system*
- *apply to all gaming machines in all venues in a jurisdiction, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The final features of the pre-commitment system should be determined following trials (recommendation 19.2).

RECOMMENDATION 10.5

In advance of implementation of full pre-commitment, state and territory governments should implement a partial pre-commitment system by 2013, where they have compatible gaming machine monitoring systems and associated gaming machines, or other low cost ways of delivering such pre-commitment.

Such a partial pre-commitment system should allow players to set spending limits in all venues within a jurisdiction, and to see their transaction histories, but with:

- enrolment in the system being voluntary, so that there would be no requirement that people have a card or identification device*
- strict protection of players' privacy*
- no requirement for those who are enrolled to set limits*
- only those who are enrolled in the system able to earn loyalty points*
- those who are enrolled able to revoke any limits by playing without a player card or other player identification device*
- machine-based warnings when limits are reached (and a temporary incapacity to cash in, or earn further, loyalty bonuses)*
- an exemption for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The system should be:

- designed to be compatible with the future introduction of full pre-commitment*
- evaluated in real-time and base line data collected to assess its impacts.*

RECOMMENDATION 10.6

By 2016, all jurisdictions should have central monitoring or other systems that can deliver full pre-commitment to all venues and can make remote changes to all gaming machines.

11 Game features and machine design

Key points

- The majority of people who experience problems with gambling do so on electronic gaming machines (EGMs), reflecting their design and wide accessibility:
 - EGMs have the potential for high intensity play, at a very high cost per hour, which may not be well understood by players (a broad consumer issue)
 - problem gamblers generally play more intensively and for longer.
- Governments regulate many aspects of EGMs, both to inform consumers and to minimise harm. But some proposals to regulate aspects of EGMs more tightly would diminish the enjoyment for recreational gamblers, without clear benefits to problem gamblers or those at risk.
- There is a strong case on net social benefit grounds for a much lower bet limit:
 - a limit of around \$1 (which would still be equivalent to an average \$120 per hour of play if the gambler plays quickly) would reduce harm from high intensity gambling without unduly affecting recreational gamblers (who typically bet at quite low levels).
- Restrictions on the denominations of note acceptors has good ‘face validity’ and some empirical evidence in its favour:
 - but would be partly circumvented by gamblers, given current high cash input levels and the use of ‘note splitters’ in venues.
- Lower cash input limits would oblige those playing at sustained high intensities (often problem gamblers) to insert notes frequently. This would prompt them to think about whether they wanted to continue playing, and slow their rate of play, without affecting most recreational gamblers:
 - the cash input limit should be set to \$20
 - it would make changes to note acceptors redundant.
- Some features of jackpots are problematic and may impact disproportionately on problem gamblers:
 - this should be the subject of further research.
- Gaming technologies of the future will be substantially different to those of today, and are likely to provide improved ways of delivering effective harm minimisation, at much lower cost.

11.1 Introduction

A large proportion of people who get into serious problems with their gambling do so on EGMs (chapter 5), which also appear to present particular problems for consumers generally. In part, this is a symptom of their complex features. But it is hard to pinpoint the exact features of EGMs, or combination of features, that give rise to problems. One participant noted:

... I am very aware that speaking the way I do in some areas I risk being thought of as someone who just needed to be schooled in the 'right thinking' about it all. However, this greatly oversimplifies the situation. ... it is the conglomeration of all aspects of these machines interacting together which creates the ensuing chaos for numerous people. (sub. 172, pp. 2, 3)

Governments already accept that EGMs cause considerable problems for some people, and regulate their technical characteristics and the parameters of game play in an attempt to reduce those harms. Among other things, they regulate the numbers of machines, their rates of return to player, bet limits, maximum prizes and spin rates. Governments also limit hours of accessibility, and access by minors, and there are rules about note acceptors and how prizes may be collected. This reflects that governments and the community see the need for a level of regulation of EGMs in excess of that required for most other consumer products. The state and territory government submissions to this inquiry reinforce this point, and cite ongoing policy changes they have made as they respond to the broad range of problems that consumers face in this area.

A dilemma for policy is that the characteristics of EGMs that lead some players into serious harm can be much the same characteristics that make them fun for many to play (fast games, attractive graphics, free games, variable payouts and the capacity to win cash prizes, including jackpots). As one of the state regulators observed:

Features are developed and refined to attract gamblers to the machines and keep them engaged with the machines. Vulnerable gamblers are captured by these specifically designed features. (Tasmanian Gaming Commission 2008, p. 6)

The harm that people with gambling difficulties experience relates to the losses they incur relative to their personal financial resources, and the personal, legal and workplace consequences for them. As Blaszczynski et al. observed:

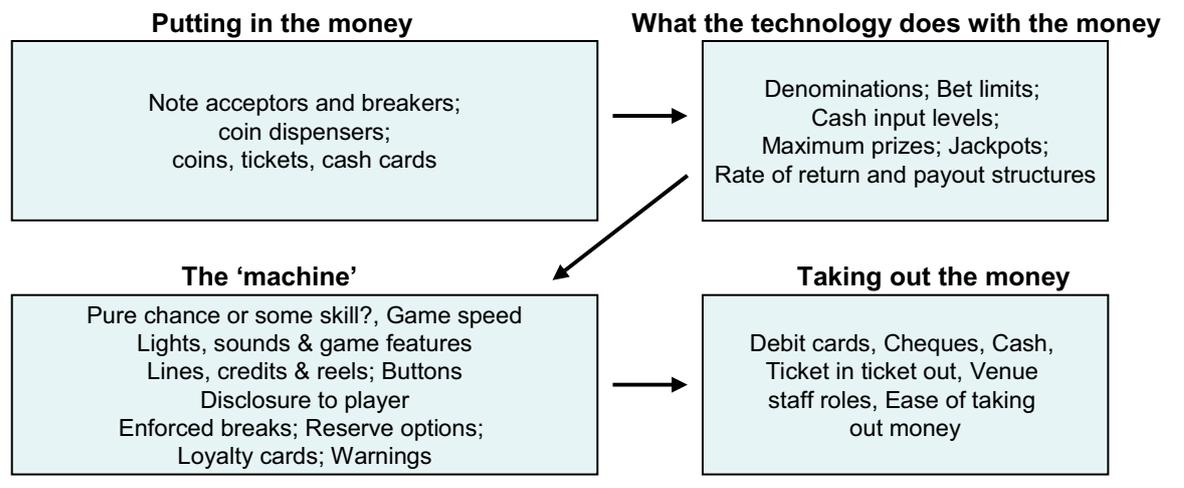
The source of gambling-related harm has its origin in an individual's personal decision to access and risk funds in excess of that which can be afforded. (2004, p. 13)

But close regulation can also be supported on consumer protection grounds. There is a large body of literature that shows that, among EGM players, there can be a lack of understanding of: how 'return to player' works; the nature of random

independent games; the true chances of winning overall (as opposed to winning small prizes along the way); how much a typical game costs to play for a given period of time; and the inability of players to influence the outcomes of games. Such misunderstandings, which can lead players to spend more than they would if they were better informed, are not confined to problem gamblers (chapter 4). However, they exhibit more misperceptions than most and suffer more adverse effects.

Gaming machines involve complex design features (figure 11.1) that influence how players interact with the machine, how information is conveyed to the player, and the betting and reward structure of the game. This chapter looks at certain features of game design (such as bet limits and spin rates) and the configuration of the machines that can generate highly intensive or problematic game play. In considering these features, a key goal is to address particular aspects of EGMs and their environment that are problematic for some players, ideally without having an adverse impact on other EGM players.

Figure 11.1 Gaming machines involve complex design features



11.2 The intensity of play

To place a bet on an EGM, players choose the number of ‘lines’ they wish to play, and the number of ‘credits’ they wish to bet on each line. The cost of a credit is determined by the ‘denomination’ of the machine (1 cent, 2 cent etc).¹ So playing

¹ Venues commonly have many 1 and 2 cent EGMs, but may also have smaller numbers of EGMs that cost up to \$1 per credit (higher in casinos).

ten lines and betting five credits per line on a 2 cent EGM costs \$1 per ‘spin’ (or button push).

By their choice of lines, credits and machine denomination, players can bet as little as 1 cent per spin (one line, one credit on a 1 cent machine) or as much as the game design permits, subject to a maximum allowable bet set by governments. The regulated maximum bets are commonly \$5 or \$10 (table 11.1).² For such reasons, the denomination of the EGM is something of a misnomer — a 1 cent machine can be played at dramatically varying intensities, from 1 cent to \$5 or \$10 per spin, depending on the jurisdiction. About 60 per cent of Australia’s EGMs are in jurisdictions that currently permit a maximum bet of \$10.

Current arrangements allow individual bets that dwarf what was possible when EGMs were first introduced in New South Wales, when for many years only a single coin could be bet at a time. In recent years, governments have restricted many aspects of EGMs, including the allowable maximum bet per spin, to contain the intensity of play. Moreover, in practice, an EGM may be designed to accept a maximum bet that is lower than the maximum permitted by regulation. The GTA said that about half of Australia’s EGMs are in this category (sub. DR344, p. 20).³

As well as bet limits, the ‘return to player’ percentage is also regulated in all states and territories, with a set minimum of 85 per cent. While this varies among EGMs, the average return to player across Australia was about 90.6 per cent in 2006-07 (Australian Gaming Statistics 2006-07, summary tables A and D).

Most jurisdictions do not limit the number of lines on which gamblers can bet. However, Queensland⁴ currently specifies a maximum of 50 lines (FaHCSIA 2009b, p. 17) and Tasmania is to reduce the maximum it permits to 30 lines.⁵

In jurisdictions that have a minimum regulated spin rate, these are set at 2.14, 3, 3.5 or 5 seconds, implying a maximum of 12 to 28 button pushes per minute

² Casinos in some jurisdictions are not subject to bet limits for some of their EGMs.

³ A high bet limit also permits a game designer to accommodate many different preferred styles of play. The designer can include sufficient buttons to allow players to choose many lines with few credits, few lines with many credits, or combinations in between, without the need to disable some buttons for some combinations.

⁴ In the case of Queensland, games that offer more than 25 possible lines may be accepted as long as there is sufficient clarity for a player to accurately identify all wins. To date, the maximum number of lines approved is 50.

⁵ This will take effect for new EGMs from 1 April 2010. A transition period of up to three years is proposed before existing games must be updated, and consultation with affected stakeholders has commenced.

(table 11.1). However, actual rates of play are likely to be slower on average, reflecting free games, gamble options and natural pauses in play. In conjunction with the industry, the CIE estimated an average spin rate of 5.5 seconds (implying 654 button pushes per hour) (CIE 2001, p. 17). The GTA said that ‘since then, free games and similar features have increased, which results in slower spin rates’ (sub. DR344, p. 20).

Nevertheless, it remains the case that a sustained period of play at close to the regulated maximum spin rate is clearly possible, as participants have affirmed and Commission tests have shown. Without free games, it is easily possible to play 19 button pushes per minute (that is, a push every 3.15 seconds). If a machine offers free games (and not all do), then free games extend the average, but not significantly, given they are not that frequent. Real data also shows that some gamblers play at fast rates. Based on loyalty card data, one gambler at a club played for 102.6 hours in a month, laying bets of \$832 056. If it is assumed that this gambler bet the maximum \$10 per button push for every one of the thousands played, then the average spin rate would be 4.4 seconds. In all likelihood, given some lower intensity betting, the average spin rate for this gambler would have been faster.

In addition, each line played effectively represents a different game. That means that someone playing 30 lines a button push at a 5.5 second rate is effectively playing 19 636 games per hour — showing that the combination of multi-line machines and even a modest rate of play can lead to a very fast pace of gambling.

Other influences on the intensity of play include the presence of jackpots, the availability of note acceptors, the amount of credit that can be loaded into an EGM at any time, the proximity of ATMs and their interaction with note acceptors, and rules concerning the withdrawal of prizes or their use on other EGMs. Some of these influences are discussed later in this chapter.

How much can the cost of play vary?

Using the regulated limits applying to EGMs, it can be shown that the cost of play can vary immensely, depending on the intensity and speed of play. For example, playing:

- one line and one credit per button push every three seconds (a rapid playing speed) on a 1 cent machine with a 90 per cent rate of return would cost an average of \$1.20 cents per hour
- \$5 or \$10 per button push at the maximum game speed permitted by state regulations would cost an average \$600–\$1200 per hour (table 11.1).

Indications of the expected average net cost of EGM play at different bet limits and game speeds is shown in table 11.2.

Expected and observed loss rates are different

A machine's virtual reels and its payoff table underpin the player rate of return. Observed outcomes on any button push depend on where these virtual reels stop, and that is determined by random number generators. This means that the outcomes from each spin are random (and independent from button push to button push), as are the player returns. In many cases, a player will lose their entire stake on a button push and sometimes they will win an amount that is a large multiple of their stake.

Accordingly, there is enormous variation in game outcomes from one button push to the next. So, a machine set to provide a 90 per cent player return does not mean that each bet returns 90 cents in the dollar. The amount actually returned to players in any one hour or day, or even week — and therefore the cost of play — will differ from this significantly. As IPART and others have reported, the return to player reflects statistical expectations that will only be closely realised after playing many thousands of games. For any practical session length, the cost of play can be considerably higher or lower than the average expected loss (box 11.1).

Individual observations reveal the inherent volatility of gaming machines. Loyalty card data from a New South Wales club that was provided to the Commission showed that one gambler lost \$16 285 in around 10.5 hours, or around \$1550 per hour, demonstrating that volatile returns can lead to large hourly losses.⁶ Paul Bendat (Pokiewatch.org) said that on one occasion he 'watched a gambler lose over \$900 in 13 minutes on a \$1 machine' (trans., p. 558). Commission inquiry team members observed a person staking \$200 in one minute and losing \$90. A personal submission said:

If taken out of context a 'bet' of \$10, \$5, \$1 or less does not seem very much. ... [however] I think it is very hard for many people to really appreciate how much money can be lost in these machines ... For various reasons ... I upped the ante ... to playing \$3 a spin and on several occasions I lost \$2000 within a couple of hours. It was horrendous and quite unbelievable bearing in mind that this was on a 1 cent machine. (sub. 172, p. 32)

⁶ In fact, observed player losses in any given hour for a person playing at high intensity will often exceed \$1500, given the volatility in game returns. Averaging over more than 10 hours of play, as in the case of this player, masks the underlying variations.

Table 11.1 Indications of the possible cost of playing an EGM

Under different intensities of play and assuming 90 per cent return to player^a

State/ territory	Maximum bet per spin (button push)	Regulated minimum spin rate (seconds)	Maximum number of spins per minute	Expected average cost of play at maximum game speed	
				Play at one line / one credit per spin on a 1 cent EGM	Play at maximum bet per spin ^b
NSW	\$10	none	not limited ^c	\$1.20 per hour	\$1200 per hour
Vic	\$5	2.14	28	\$1.68 per hour	\$840 per hour
Qld	\$5	3	20	\$1.20 per hour	\$600 per hour
SA	\$10	3.5	17	\$1.02 per hour	\$1020 per hour
Tas	\$10 ^d	3	20	\$1.20 per hour	\$1200 per hour
NT	\$5	none	not limited ^c	\$1.20 per hour	\$600 per hour
ACT	\$10	none	not limited ^c	\$1.20 per hour	\$1200 per hour

^a The average EGM return to player across Australia in 2005-06 was about 90.4 per cent (Australian Gaming Statistics 2005-06, summary tables A and D). ^b For EGMs that permit the maximum bet to be placed. ^c Calculations assume 20 button pushes per minute, as per Queensland and Tasmania. ^d To be reduced to \$5 for new EGMs from 1 April 2010, with a transition period of up to three years before existing games must be updated.

Source: Commission calculations.

Table 11.2 Cost of EGM play at different bet limits and game speeds

Assuming 90 per cent return to player and one game per 3 and 5.5 seconds

Maximum cost per button push	Average cost per hour to play a 90% return to player EGM at one button push every 3 seconds or 1200 button pushes per hour ^a	Average cost per hour to play a 90% return to player EGM at one button push every 5.5 seconds or 654 button pushes per hour ^b
\$1	\$120	\$65
\$2	\$240	\$131
\$3	\$360	\$196
\$4	\$480	\$262
\$5	\$600	\$327
\$6	\$720	\$392
\$7	\$840	\$458
\$8	\$960	\$523
\$9	\$1080	\$589
\$10	\$1200	\$654

^a Calculated as (1200 * cost per button push * 10% average cost to player). ^b Calculated as (654 * cost per button push * 10% average cost to player, rounded to nearest \$1). Allows for pauses in play and free spins as per CIE (2001) report commissioned by the gaming industry.

Source: Commission calculations.

Box 11.1 The potential cost of play

The indicative costs given in tables 11.1 and 11.2 are averages only. If a large group of people played EGMs at the same intensity (amounts bet, speed of play, etc) for a long period, there is a high probability that the average loss among the group will be close to the statistical average associated with that style of play.

- Some people in the group will win money during that session, but most will lose more than the average amount.
- Some will lose substantially more than the average.

This is an unavoidable consequence of the mathematics of the game — the in-built set of probabilities of winning different prizes, including the standard deviation (the 'volatility') of the game.

- For individual sessions or a small number of sessions, wins or losses will vary widely around the statistical averages relating to that style of play. (That is shown in the top left hand graph on the next page.)
- And if a person plays for long enough, their hourly loss rate approaches the expected average loss rate for their style of play — the share of people who win over a large accumulated set of games is close to zero. (That is demonstrated by the distribution of losses show in the bottom right hand graph.)

Based on 10 000 simulations of an actual game with over a 90 per cent rate of return, and with free features (whose lapsed time is considered in the results):

- just moving from 1 hour to 16 hours of play reduces the group of people winning from 30 per cent to 7 per cent.
- at 64 hours of play, less than 1 per cent of people win — and when they do, not by much.

The changing shares of wins and losses is likely to be a major contributing factor to people's underestimation of player losses. In many specific sessions, people will remember winning sometimes and losing sometimes.

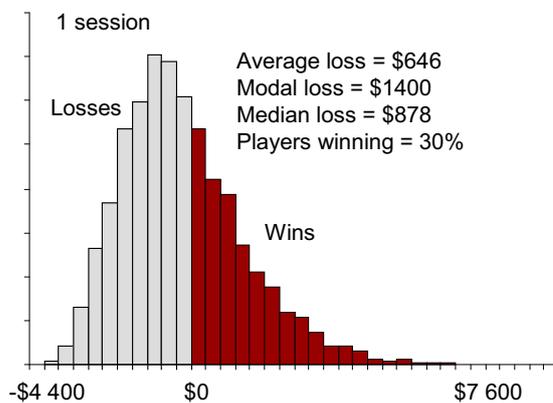
Given this, it is easy for them to infer, that over a year, they come out 'about even'. However, that neglects the greater tendency for losses than gains. Over many sessions, net losses are almost inevitable.

This provides strong grounds for the on-screen display of player transaction records that inform people about the total cost of play they have experienced over the last year, not just the cost of the current session (chapter 10).

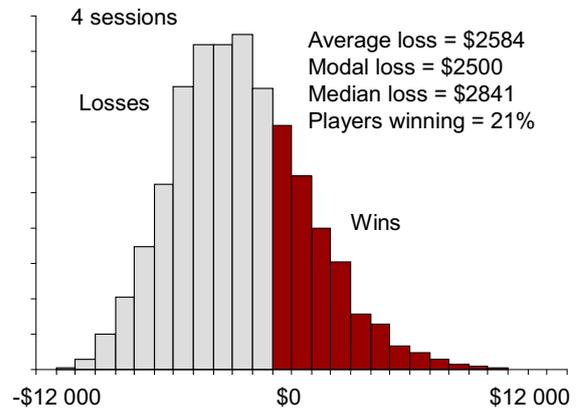
(Continued next page)

Box 11.1 (continued)

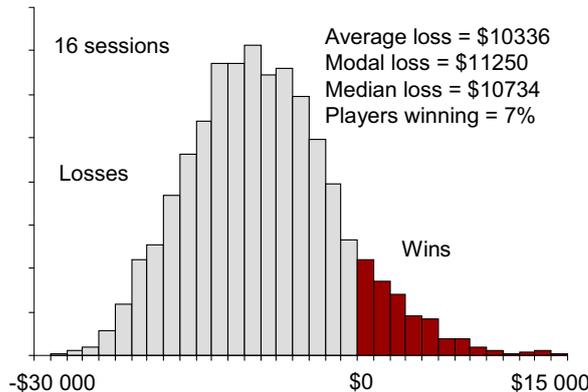
One hour of play, 20 lines, 50 credits per line, 1 cent machine (5 seconds per paid button push)



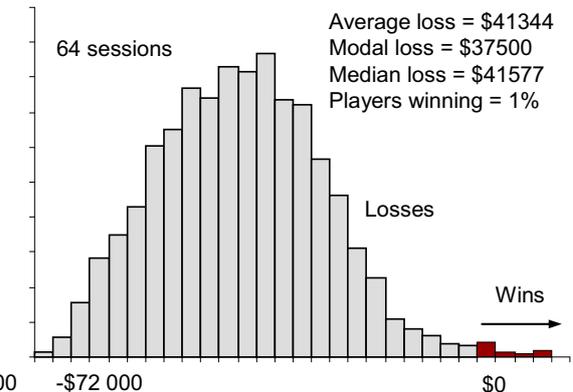
One hour of play, 20 lines, 50 credits per line, 1 cent machine for 4 times a year (5 seconds per paid button push)



One hour of play, 20 lines, 50 credits per line, 1 cent machine for 16 times a year (5 seconds per paid button push)



One hour of play, 20 lines, 50 credits per line, 1 cent machine for 64 times a year (5 seconds per paid button push)



Another consideration is that an EGM returning 90 per cent to players costs an average of 10 per cent of turnover to play. The cost of playing an EGM that pays 85 per cent is double that of one that pays 92.5 per cent (15 per cent compared to 7.5 per cent). Another way of looking at this is to say that, on average, a player can achieve a longer session of play for the same money on an EGM with a higher return to player. While it is not wholly clear that players can always perceive differences in return to player, the benefit to them is there, nonetheless.

Several industry participants took issue with the Commission's estimates in tables 11.1 and 11.2, arguing that they were not true indications of the actual average cost of play. The GTA said that for jurisdictions with a \$5 bet limit and an assumed spin rate of 5.5 seconds, the (theoretical) expected cost is about \$315

(which, in any case, broadly accords with table 11.2).⁷ But it added that the \$1200 per hour estimate in table 11.1 is ‘patently wrong as a measure of the actual cost of play’ (trans., p. 732):

The GTA estimates that the actual revenue per hour is less than \$11 or less than 1 per cent of the Commission’s quoted ‘expected cost of play’. This is a significant point of divergence that calls into question the Commission’s draft recommendations. (sub. DR344, p. 5)

The GTA said that this ‘is the real expected cost of play per hour, not \$1200’ (trans., p. 733). However, \$11 per hour is just an average of the hourly revenue take per machine, over all EGMs over an assumed 15 hours per day of play. It reveals nothing about the typical loss rates experienced by gamblers, let alone the capacity of EGMs for high cost play and for players to ramp up spending 1000-fold, from 1 cent per button push to \$10 per button push every few seconds (which is the point of tables 11.1 and 11.2).

Again, the Commission emphasises that, against a background of generally low intensity play by recreational gamblers, the current parameter settings on EGMs permit periods of very high cost play.

Intensity of play and problem gambling

Studies of the behaviour of EGM players suggest that they usually prefer low denomination EGMs,⁸ most commonly play multiple lines and prefer machines with free games and other bonus features. While playing at low intensity allows longer play for the same cost, free spins, other bonus features and jackpots add to the enjoyment of games and are said to provide an incentive to play more intensively. As noted above, each line is effectively a separate ‘game’, and someone playing multiple lines is covering multiple combinations of the icons that appear on the screen after the button is pushed. (This kind of high intensity play also has implications for the rate at which the cost to the player converges on the EGM’s built-in percentage return to player.) Delfabbro noted that:

Players tend to bet on as many lines as possible because they cannot bear the thought of missing out on any outcomes occurring on other lines not chosen. An alternative explanation is that this behaviour results from a player preference for more consistent rates of reward. Each line is, in effect, an additional game, so that players who play

⁷ The difference between the \$315 and the \$327 in the table is due to minor differences in the parameters chosen (see GTA, sub. DR344, p. 20).

⁸ For example, three quarters of EGM players in Victoria and over 80 per cent in South Australia prefer 1 cent, 2 cent or 5 cent machines. In the ACT, about 85 per cent are 1 cent machines.

more lines tend to receive more frequent rewards than those who bet on a fewer lines. (Delfabbro 2008b, p. 118)

Much the same features attract problem gamblers. Like recreational gamblers, they prefer to bet on low denomination EGMs — but on multiple lines, to obtain greater opportunities to win bonus prizes and because it gives more playing time.

While the major behavioural difference between problem gamblers and recreational gamblers is the duration (and number) of playing sessions, rather than intensity of play (appendix B and table 11.3), there is evidence that problem gamblers bet on more lines and more credits per line. As the GRA noted:

... the balance of evidence suggests that problem gamblers do tend to gamble more intensively as well as for longer periods than other players. (GRA report, pp. 104–105)

The tendency for higher intensity play by problem gamblers is supported by the Commission's national gambling survey (1999), by research on gamblers' intensity of playing (box 11.2) and evidence from recent prevalence studies (appendix B). For example, analysis of the unit record data in the recent Queensland prevalence survey shows that higher risk and problem gamblers play for longer and spend more per button push (table 11.3). Indeed, only around 10 per cent of recreational gamblers had a playing style that would lead to average stakes of one dollar per button push, whereas around half of problem gamblers played at this rate. Evidence from one large Australian casino was consistent with this finding, showing that around 45 per cent of the self-excluded patrons at this casino had an average bet of more than \$1 in the period leading up to them excluding themselves (based on analysis of gaming machine data for loyalty card members only).

There is also a wealth of anecdotal evidence from gambling counsellors and others in the community sector about the behaviour of problem gamblers, including that they can progressively increase their bets when 'chasing wins or chasing losses'.

The important point remains that if few players bet above \$1 per button push on average, and they are more likely to be problem gamblers, it becomes difficult to justify a bet limit much above that level, in view of the harm that problem gambling generates. Put another way, there would be little harm to most players from a significant reduction in the maximum bet limit, and a considerable reduction in harm for some. (Of course, since many problem gamblers also spend under \$1, as shown by the data from the casino and table 11.3 above, other measures, such as pre-commitment, will also be necessary.)

Table 11.3 Problem gamblers play more intensively^a

Percentage of risk groups

	<i>Recreational gambler</i>	<i>Low risk gambler</i>	<i>Moderate risk gambler</i>	<i>Problem gambler</i>
Spends \$1 or more per button push	12	22	31	50
Spends less than \$1 per button push	88	78	69	50
Total	100	100	100	100
Session length 2 hours or more	11	22	48	78
Session length less than 2 hours	89	78	52	22
Total	100	100	100	100

^a These are estimates based on 'typical' playing styles. The value spent per button push is based on players' choices concerning lines played, credits per line and the machine denomination, with the methods for deriving these explained in appendix B. Risk groups are defined as per the CPGI.

Source: Analysis of unit record data from the 2006-07 Queensland prevalence survey.

One of the few experiments conducted in actual venues provides further evidence about how players responded to alternative machine designs (Blaszczynski et al. 2001). While that work is now some years old, the Gaming Technologies Association, which is otherwise very critical of research in this area, said that:

The only research report on operational gaming machine activities conducted since 1999 in which GTA and its members are confident is [Blaszczynski et al. 2001] precisely because of its validity, reliability, independence, and transparency. (sub. 147, p. 23)

The research was funded by the gaming industry to assess the likely impacts of provisional recommendations made by the NSW Liquor Administration Board in November 2000 to reduce harm from EGM gambling. The measures considered included reductions in the spin rate, limits to note acceptors and a reduction in the maximum bet size on standalone EGMs from \$10 to \$1 on a trial basis.

The study concluded that a reduction in the bet limit was the only modification likely to be effective as a harm minimisation strategy (Sharpe et al. 2005, p. 503). Speed of play was found to be an important element in player enjoyment and EGMs with slower spin rates were perceived as less exciting and less enjoyable (although many players did not notice the change in speed on the modified EGMs). The researchers concluded that slowing the spin rate in the manner proposed would adversely affect recreational and problem gamblers alike, without any clear benefits for problem gamblers.

Box 11.2 Recreational and problem gamblers: some evidence on intensity of play

The Commission's national gambling survey found that problem gamblers were significantly more likely to bet multiple credits per line (over 70 per cent, compared to 36 per cent for non-problem gamblers) and bet on more lines than non-problem gamblers (9 versus 6). Problem gamblers were also much more likely to play \$1 machines (PC 1999).

Blaszczynski et al. (2001) found that the number of credits wagered 'was a consistent predictor of problems with gambling and severity of problems'. Relatively few participants bet in amounts greater than \$1 and 'those that did were relatively more likely to be problem gamblers' (see discussion in text).

The SA Department of Human Services (CPSE 2001, p. 100) found that problem gamblers were more likely to bet more than one line per spin (80 per cent compared to 69 per cent for frequent non-problem gamblers), and to bet more than one credit per line (27 per cent said 'often' or 'always' compared to 16 per cent of frequent non-problem gamblers).

South Australia's 2005 prevalence study (Office for Problem Gambling 2006, pp. 155–157) found no significant difference in the number of lines played, but problem and moderately at risk players were more likely to bet more than one credit per line (47 per cent said 'often' or 'always' compared to 34 per cent for low risk frequent players). Problem gamblers and moderately 'at risk' gamblers (using the CPGI) were more likely to play \$1 machines than 'low risk' gamblers.

Walker (2001), in a study of over 200 players in NSW clubs and hotels, reported that both regular (weekly) and non-regular players tended to bet on multiple lines with minimum credits per line (a 'maximin' strategy) (cited in Delfabbro 2008, p. 118). A possible reason for this is to increase the chance of obtaining bonus features (mainly free spins).

Delfabbro noted that this tendency is consistent with overseas research that suggests that slot-machine players are very sensitive to near miss events.

Haw, in a study of data on 700 machines in NSW clubs that differed in such characteristics as the availability of note acceptors and the maximum number of lines playable, also found that players preferred a 'maximin' strategy. However:

... as with Walker's study, Haw did not provide any indication as to whether these features differentially influence the behaviour of problem gamblers as opposed to non-problem players. (Delfabbro 2008, p. 119)

In 2005, Delfabbro, Falzon and Ingram used a simulated EGM in which players were given the choice of sound (on or off), the level of illumination (low, high), play speed (5 second or 3.5 seconds), the number of lines playable (1 or 3) and the number of credits that could be bet per line (1 or 3).

(Continued next page)

Box 11.2 (continued)

The results showed that players preferred faster machines, disliked the absence of sound, preferred to play maximum lines rather than one line with maximum credits, but were indifferent between machines with varying levels of illumination.

A 2005 study of ACT gaming found that very few players ever bet at the maximum \$10 (noting that many EGMs do not allow for bets of that size):

... the most common bets range from 25 cents to \$1, although problem gamblers indicated that the possibility of betting \$10 could encourage them to increase the size of their bets when they were on a 'winning streak' or losing. (Centre for Gambling Research 2005, p. 133)

The study noted the views of the gaming industry that a reduction in the size of maximum bets would be unlikely to reduce problem gambling and that researchers and the club industry disagreed about the impact on industry earnings. They also found that most players (over 84 per cent) usually bet \$1 or less at a time, 69 per cent normally bet 50c or less, while none usually bet more than \$3:

While evidence supports a reduction in the size of the maximum bet, further information about the betting patterns of problem gamblers ... and the circumstances in which gamblers risk high bets is required to determine the optimal bet size and its effects. (Centre for Gambling Research 2005, p. 134)

Svetieva et al. (2006) examined the playing habits of 102 EGM players in NSW clubs whose gambling was tracked electronically using membership cards. They found that problem gamblers (defined as those who scored 5+ on the SOGS) spent significantly longer in EGM venues in a given week than non-problem players (280 minutes compared to 192 minutes), played more days per week (2.28 compared to 1.79), and lost significantly more (\$65 compared to \$26). The two groups did not, however, differ in many other aspects of play, including how often they changed EGMs, stayed on the same EGM, or gambled continuously.

Other studies reported the views of players on whether certain modifications to EGMs would be effective in reducing problem gambling. AIPC (2006), New Focus Research (2005) and Rodda and Cowie (2005) showed that limiting the number of lines, setting maximum bets and slowing play speed were rated as potentially effective or very effective by over half of problem gamblers, counsellors or loved ones of the gamblers. However:

... it is unclear as to the extent to which these responses were influenced by socially desirable responding. Although these modifications may be intuitively appealing ... it is not clear whether there is any evidence that they work in practice, or whether problem gamblers would alter their behaviour in the face of such modifications. (Delfabbro 2008, pp. 153–154)

Source: Delfabbro (2008, pp. 117–120).

The study found that relatively few participants bet above \$1 per spin, so only a small percentage of players would be affected by this limit. Those who did 'were relatively more likely to be problem gamblers', with the study finding that 2.3 per

cent of non-problem gamblers and 7.5 per cent of problem gamblers typically bet more than \$1 per button push. Moreover, on the modified EGMs:

- players gambled for shorter periods, made fewer bets and lost less money
- the change did not appear to lead to sessions being prolonged, although some players may have switched to other EGMs with higher bet limits or to other forms of gambling
- few players noticed the lower bet limit although it may have affected satisfaction and enjoyment for some
- ratings of satisfaction were higher for machines where high maximum bets were accompanied by high bill acceptors, or the reverse where the machine had both low maximum bets and bill acceptors.

The study concluded that there was consistent evidence that ‘increased bet size is associated with problematic levels of gambling’ and that ‘lowering the available credits ... markedly reduced time spent gambling, number of bets and losses’. From the perspective of the problem gambler:

.... reducing the maximum bet size would produce the intended benefits with no evidence of unintended negative consequences. (Blaszczynski et al. 2001, p. 67)

Several participants drew attention to the unavoidable limitations of this study (which the authors acknowledge). Clubs Australia noted that the authors had qualified the results by noting that a lower bet limit ‘potentially might’, ‘for a small number of players’, reduce the development and the severity of gambling problems. It noted the report’s view that this measure ‘may’ prove to be an effective harm minimisation strategy for a very small proportion of players (‘7.5 per cent of the 20 per cent in the total sample who were found to be problem gamblers in terms of SOGS scores of 5 and above’), but that further research was desirable:

In fact, using the Productivity Commission figure of 2.1 per cent of Australian adults being problem gamblers with severe and moderate problems, the [study] suggests that it is possible that the reduction of maximum bet to \$1.00 ‘may’ help only 0.16 of one percent of the adult population. (Gaming industry submission of February 2002 to LAB, quoted in Clubs Australia, sub. 164, p. 234)

But as pointed out at several places in this report, a focus on the prevalence rate among the whole population, most of whom do not play EGMs, is misleading. The target group for harm minimisation measures is not the Australian population or even the population of gamblers, but a much narrower subset of regular gamblers who are experiencing harm — and for whom even small reductions in that harm would amount to large aggregate and probably long-term gains to themselves and the community (as shown in chapter 6).

Should maximum intensity of play be limited?

The tendency for problem gamblers to play at higher intensities suggests scope for harm minimisation measures in this area. McMillen argued that even though research has been inconsistent and inconclusive, and variations between games, venues and jurisdictions may mean that gamblers behave differently in different contexts, the evidence suggested that factors such as bet size should be ‘restricted and regulated’ (sub. 223, p. 25).

The concerns about the playing intensities of problem gamblers may sometimes apply to recreational gamblers. Many recreational gamblers will be aware of the different costs of play at different intensities, and will gamble accordingly (for example, using low denomination EGMs and betting few credits per button push). However, with little other than the ‘return to player’ percentage and their own experience on EGMs to guide them, it can be difficult for some to appreciate fully the total out-of-pocket cost of playing an EGM relative to the prizes gained along the way. Players will talk about ‘wins’ without necessarily acknowledging that they have lost overall. As shown in box 11.1, the difference between average outcomes for a single session and average outcomes for an entire year of playing are quite different, though many players would probably not realise this.

As noted elsewhere in this report, problem gamblers will, over time, typically win many large prizes, simply because of the sheer intensity and duration of their sessions of play. In addition, there may be a natural tendency for ordinary consumers to ramp up bets to win greater prizes. For example, a consumer playing 1 cent per bet (one credit) may achieve a win of a few credits, but may then reason that, had they been playing at \$1 (100 credits) per bet, they would have won 100 times as much.

The price of playing an EGM varies dramatically with the intensity of play (table 11.1). The risks this poses are accentuated by the fact that bets on EGMs may be as little as a few seconds apart and for some players may be undertaken while playing in a sense of unreality and dissociation, perhaps exacerbated by alcohol. (The phenomenon of being ‘in the zone’ is frequently mentioned in the research literature, by gambling counsellors and by problem gamblers, and many players acknowledge that they play EGMs to ‘escape’ or ‘tune out’ from a variety of personal situations.) Studies have confirmed that:

... gamblers lose track of time, enter a trancelike dissociative state and use this state as an emotional escape from emotional stresses ... However ... dissociation phenomenon

are not unique to problem gamblers but also prevalent albeit not to the same degree among recreational gamblers. (Blaszczynski et al. 2004, p. 36).⁹

For all these reasons, there can be a case for limiting intensity of play.

This could be achieved by reducing the spin rate, mandating lower-denomination EGMs or reducing machine credits or lines, as suggested by several participants. (It may also be achievable through player information displays that periodically request continued consent to play.) Harrington suggested that, in addition to a lower bet limit, the spin rate should be slowed to five or six seconds and the volatility of games further constrained (for example, by having fewer larger prizes and more smaller prizes) (Pokiewatch, sub. DR386, attachment, pp. 5–7).

A simpler way of achieving the same outcome would be to restrict the maximum bet per spin. A \$10 bet on an EGM is not comparable with a \$10 bet on a horse race or on a lottery, which is typically made after at least some consideration and in a much more extended timeframe. By contrast, EGMs have the capacity for rapid repetition of games — some hundreds per hour (figure 11.2).

Providing better information to players about the cost of playing EGMs (especially when that information relates to the cumulative losses over the past 6 to 12 months) may help address player misconceptions. However, it remains the case that a bet limit of \$5 or \$10 is very high in view of the potential high average cost of an hour's play, and evidence that:

- people with gambling problems bet more than recreational gamblers and may ratchet up bets when they 'chase' wins or losses
- recreational gamblers consistently bet well below those limits, suggesting that a reduction in the bet limit would have little effect on most players
- many players are not fully aware of the possible maximum spend per hour.

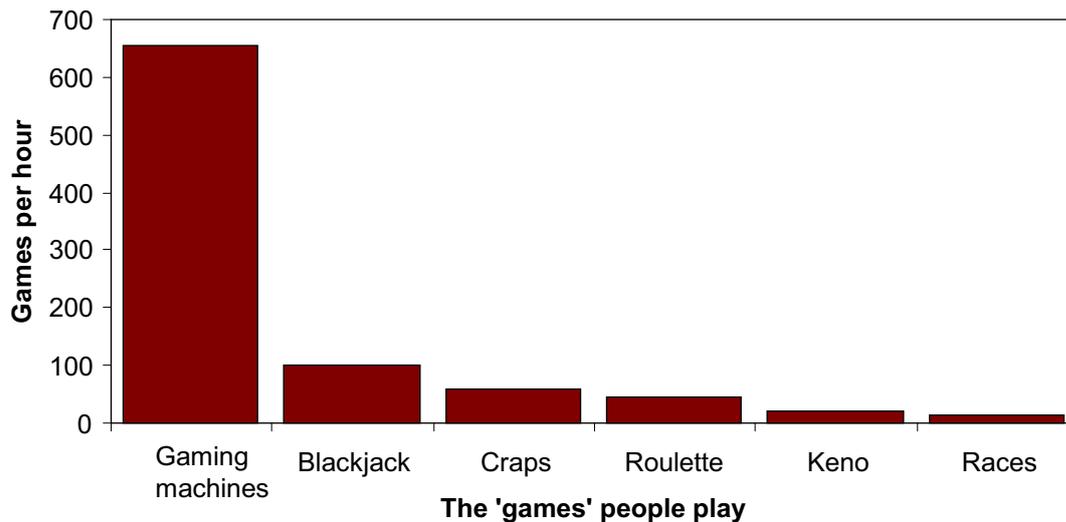
Clubs Australia emphasised that the real value of a \$10 bet has fallen significantly since it was introduced in New South Wales in 1988.

The real maximum bet (that is, discounted for inflation) is now \$5.60 and will continue to decline over time. Put another way, if the maximum bet were indexed to inflation it would now be \$18. This ... should be factored into any analysis of a maximum bet ... (sub. DR359, p. 79)

⁹ The 4th edition of The Diagnostic and Statistical Manual of Mental Disorders (DSM-IV-TR) of the American Psychiatric Association defines dissociation as the process whereby the usually integrated functions of consciousness, memory, identity, or perception of the environment are disrupted.

However, this simply underlines the Commission's point about the potential high cost of EGM play, as it means that the expected average cost of play at maximum game speed in 1988 was closer to \$2000 *per hour* in 2010 terms. Significantly, no government has chosen to increase the \$10 limit in the intervening years.

Figure 11.2 Indicative speeds of play^a



^a These attempt to indicate play in actual settings. Actual play can be faster or slower.

In its 1999 report, the Commission concluded that:

... any measure to reduce intensity should use a large dataset of gambling sessions by problem and non-problem gamblers to set the appropriate level of controls on denominations, credits and total amount bet per button press. (PC 1999, p. 16.80)

In the decade since that report, this has not been done systematically (see, for example, box 11.2), although considerable piecemeal evidence can be gleaned from the various studies and state prevalence surveys. But notwithstanding the succession of policy changes introduced in each jurisdiction to address problem gambling, EGMs continue to be a source of severe problems for many. Importantly, as shown in chapter 5, there are strong indications that the percentage of total spending on EGMs that is accounted for by problem gamblers remains inordinately high. While participants debate the numbers, the costs of problem gambling remain significant and concentrated — on a small proportion of the population, but a larger proportion of regular gamblers.

Would it help problem gamblers?

Some participants questioned the effectiveness of a lower bet limit in addressing problem gambling. In a report for the Australasian Gaming Council, KPMG

Econtech argued that a \$1 bet would not tackle the causes of problem gambling (sub. DR 377, attachment, p. 5). However, its argument has several flaws:

- machine design features, such as the capacity to play at high intensity, create the losses that lead to the harms experienced by players (the essence of problem gambling). In that context, lower dollar bet limits act as a preventative measure, addressing directly the causes of problem gambling
- even if problem gambling reflects a prior mental health condition (as it does sometimes), in many cases it may not be possible to easily address that condition. However, as in many other public health areas, it may be possible to ameliorate the detriments accompanying problem gambling through harm minimisation.

Other industry participants argued that players would be likely to compensate by playing longer:

Lower bet limits may only lead to more prolonged periods of play and thereby result in no net reduction, or even a net increase, in gambling related harm (Allens Consulting Group for the Australasian Casino Association, sub. DR365, attachment, p. 31)

KPMG Econtech cited attitudinal work by Schottler (2009), which found that problem gamblers said they would spend more time, and the same or more money, if the number of lines (and thus the bet size) were restricted. While not the same as a \$1 bet limit, KPMG Econtech argued this was evidence that the case for such a limit is at best unclear (p. 21). However, in a survey based on actual play, Blaszczyński et al. (discussed above) did not find evidence that problem gamblers significantly extended their playing duration in response to lower bet limits.

Clubs Australia cautioned that the 2001 Blaszczyński et al. study was subject to ‘the significant qualification’ that in a real world setting, players might respond by playing longer, thereby reducing any harm minimisation benefits from the lower bet limit. But gamblers would have to play for a *lot* longer to generate the losses that are now possible. As an illustration, someone playing at \$10 per button push for one hour would be unlikely to extend their play to ten hours were the limit reduced to \$1. If gamblers did significantly extend their playing durations, venue staff would more easily recognise them, raising the potential for sensitive interventions (where the staff have appropriate training or can access expert services).

So, while it is likely that some gamblers would play for longer, it is improbable that this effect would be so great as to nullify the impact of the reduced bet limit. Were that to be the case, it would not be consistent with the industry’s claim that there would be large adverse revenue effects from implementing the measure. As the CIE acknowledged:

The higher the proportion of players who engage in compensating behaviour, the less gaming machine revenue and hence club and hotel revenue is directly at risk. (2001, p. 26)

Effects on recreational players

Most recreational gamblers would not notice a significantly lower bet limit, as they typically bet at low levels anyway (as shown in table 11.3 and box 11.2). This is supported by data from a sample of New South Wales players using loyalty cards, which showed that, over a month of play, about 98 per cent of gamblers bet an average of \$1 or less, with a median bet of about half this amount (appendix B). Information from one regulator indicated that the average bet on a popular game was just over 50 cents per button push.

Indeed, the attitudinal survey (Schottler 2009) cited by KPMG Econtech in another context, found that most changes to EGM design would have a negligible impact on them. But it observed that:

... the impact on low risk gamblers of most measures is generally higher and this highlights the need to continue to view low risk gamblers as an ‘at-risk’ gambling segment. In many respects, this also challenges the assumption that low risk gamblers are ‘recreational players’. (Schottler 2009, p. 9)

However, average bets among a group can conceal variations in playing styles that sometimes take them over a dollar for some plays (box 11.3). Clubs Australia said that players ‘on a broad range of incomes and “thrill levels” like to choose how much they want to bet, and may change their bet limit from spin to spin:

If they have a win and are playing above their ‘stake amount’ ... players often choose to increase their bets in the hope of leveraging off their win to have a bigger win. Alternatively they may simply decide to ‘have a go’ at a higher bet limit for a number of spins. While a reduction to \$1 maximum bet may therefore not seem to affect average bet, it will affect the upper end of the playing style and will potentially modify spend and playing behaviour. (sub. DR359, pp. 81–82)

The Commission agrees that low bet limits would be likely to prevent short periods of higher intensity, but benign, playing. This might lead to frustration at times, reducing recreational players’ enjoyment of game play. For example, one responsible gambling manager said that \$1 denomination EGMs that allowed bets of \$5 or \$10 per button push appeared to be used in his venue by groups of young men who would together play one EGM, but were unlikely to play for extended periods. He thought such groups enjoy the larger bets, perhaps averaging about \$3 on his EGMs.

The question is not whether there are *any* adverse effects on recreational gamblers, but whether these are so great as to disregard the benefits of lower bet limits for gamblers experiencing harm. The evidence about average bet sizes and the results of the existing research suggests that the adverse effects on recreational gamblers would not be extensive.

Participants in the community sector supported a bet limit to minimise harm from EGM play. For example, the Council of Gamblers Help Services said that the potential losses that can currently be incurred ‘are in excess of community expectations’:

... both in terms of what community members believe is likely to happen when they play machines and in terms of acceptability of outcomes for those who experience financial harm as a result of play. (sub. DR326, p. 28)

A personal submission said that, in view of the ‘substantial and quite damaging’ losses that can occur even at \$1 or less a spin, making \$1 ‘the most expensive/extreme bet available’ would provide ‘a bit of a reality check’:

When spending \$1 or less becomes the norm people may be more inclined to see that spending at much lower levels is really more appropriate for them. (sub. DR299, pp. 2–3)

What bet limit is appropriate?

In the Commission’s view, there is a strong *prima facie* case for a much lower bet limit on EGMs than the current regulated maxima of \$5 and \$10 per button push. But a small reduction would have minimal benefits given the cost per hour that would still be possible (table 11.2).

It is not possible to determine the most appropriate bet limit exactly, yet the incapacity for fine calibration should not be a justification for inaction. The limit should be low enough to constrain the spending rate of problem gamblers and limit the harm that can occur when betting escalates, but not so low as to adversely affect the enjoyment of recreational gamblers (who typically bet at quite low levels, but may also enjoy the option of higher bets at times).

Box 11.3 Effects on recreational players: participants' views

The Australasian Gaming Council sought to distinguish between 'low spending' and 'high spending' recreational gamblers, arguing that 'recreational gambling is not categorised merely by low spend':

Recommendations ... should encompass the needs of those gamblers who may, within a carefully considered and appropriate budget, evidence a high spend that remains consistent with their personal recreational choice and means. (sub. DR377, p. 2)

Allens Consulting Group for the Australasian Casino Association also said that 'non-problem gamblers may enjoy varying their bet sizes on occasion — a lower bet limit denies them this variability'. In addition:

... the level of enjoyment derived by non-problem-gamblers may be influenced by the knowledge that they have the ability to place high individual bets, even though they choose to bet well below the maximum. (sub. DR365, attachment, p. 31)

Caboolture Sports Club said that maximum intensity play would be achieved only during 'extreme play', for example, where a player 'may have a desire to play the machines for only 10 minutes and place a higher than average bet to provide responsible entertainment for their circumstances' (sub. DR334, p. 4).

The GTA argued that the maximum bet value 'is an irrelevant measure from the point of view of player protection':

Players allocate the size of bet with which they feel comfortable and this flexibility is one of the pleasurable aspects of the game. (sub. DR344, p. 21)

It argued that a \$1 bet limit would reduce the participation of recreational players by diminishing the range of choices available to them, and would 'consign Australia's gaming machines to an entertainment level no different to pinball, resulting in an unappealing recreational activity' (sub. DR344, p. 5). Similarly, Clubs Australia said that such a limit would 'turn poker machines into amusement devices rather than gambling devices' (sub. DR359, p. 79).

As can be seen from table 11.2, a reduction from \$10 to \$5 (or \$4 or \$3) would still provide the scope for significant losses and hence would have weak impacts on the harms that some players experience. To have a significant impact requires that the capacity for high cost play be curtailed significantly. In the Commission's judgment, a bet limit of \$2 or less could be expected to make some useful inroads into reducing harms.

- at \$2 per spin, the cost of short bursts of play would coalesce around \$240 per hour, or \$130 at a more average speed of play
- at \$1 per spin, these costs reduce to \$120 and \$65 per hour.

All governments have already variously set \$10 or \$5 per spin (and in many cases also regulated the spin rate itself). Several governments have also recently reduced

those limits, explicitly for harm minimisation reasons. The Commission’s proposals should be seen as a further recalibration of these existing limits.

It is also notable that bet limits have been reduced in the United Kingdom and New Zealand. The much lower maximum bet sizes (and prize limits) that apply in the United Kingdom, which has about 248 000 gaming machines, are shown in table 11.4. In New Zealand, where it has also been concluded that problem gambling is overwhelmingly associated with EGMs, the maximum bet in clubs and pubs is now limited to \$2.50 and prizes are limited to \$500.

Table 11.4 UK gaming machines, maximum bet and prize limits

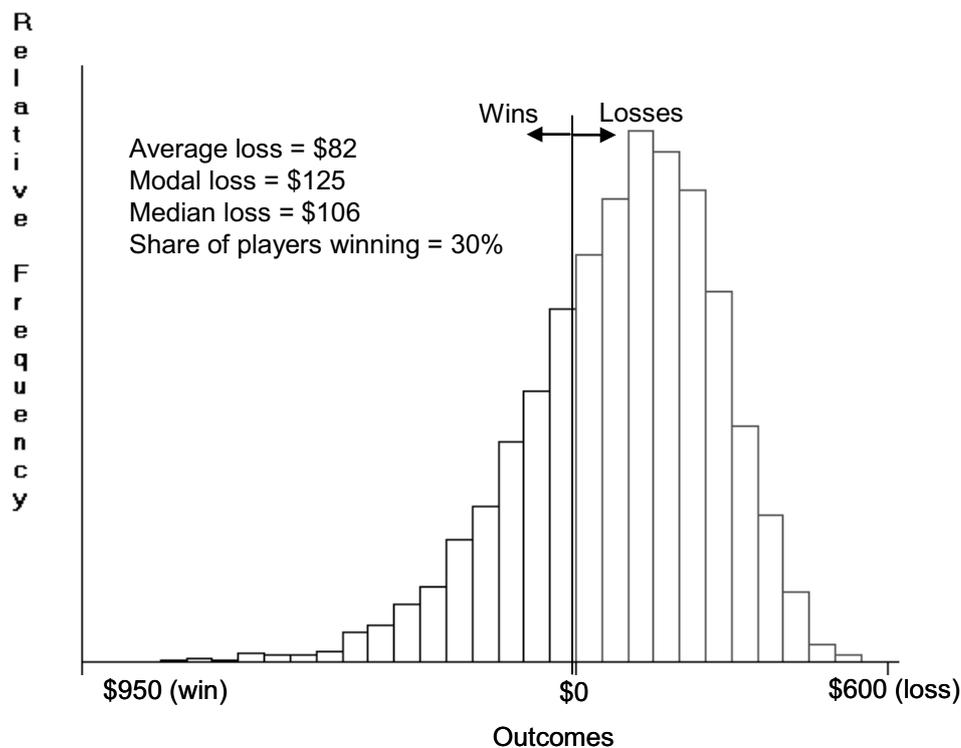
<i>Machine category^a</i>	<i>Maximum stake</i>	<i>Maximum prize</i>	<i>Machine numbers at 31 March 2009</i>
A	unlimited	unlimited	0
B1	£2	£4 000	2 500
B2	£100 (in multiples of £10)	£500	27 500
B3	£1	£500]	11 800
B3A	£1	£500]	
B4	£1	£250	15 000
C	£1	£70	121 000
D ^b	10p to £1	£5 to £50	71 000

^a Category A machines are permitted in regional casinos only. Adult gaming centres, family entertainment centres (licensed and unlicensed), casino, betting, and bingo operators are entitled to offer a set number of gaming machines of certain categories, depending on their premises. For example, alcohol licensed premises, such as pubs are only entitled to offer machines in categories C and D. ^b Category D machines provide various cash and non-monetary prizes.

Source: <http://www.gamblingcommission.gov.uk>.

EGMs are marketed as recreational devices and the cost of playing them should be consistent with that claim. But even under a \$1 bet limit it would still be possible to lose several hundred dollars in an hour. Indeed, simulating a 1 cent gaming machine played every four seconds at ten lines and ten credits per line, the average cost over one hour was \$82, the mode (the most common outcome) was \$125 and it was not uncommon for people to lose \$300 or more (figure 11.3). This is inconsistent with the claim that a machine with a \$1 bet limit would be akin to ‘pinball’ or ‘an amusement device’ (box 11.3). Few would contend that pokies are an adult entertainment for which people should expect to pay — the key issue remains the rate of loss that is acceptable for such a device, in the face of good evidence of the harmful effects of EGM play for many people.

Figure 11.3 Even low bet limit machines have a wide dispersion in actual amounts lost^a



^a Based on 10 000 simulations of a real gaming machine played for an hour at ten lines and ten credits per line (1 cent denomination), with four seconds between button pushes that involve a monetary stake. (Free games means that the gambler cannot actually lay 15 bets per minute, and the simulation takes account of this.)

Data source: Commission simulation model of a gaming machine, based on machine details provided by a gaming machine manufacturer.

FINDING 11.1

Current bet limits imposed by all jurisdictions are set too high to be effective in constraining the spending of problem gamblers, given the speed and intensity of play that a modern gaming machine allows. The maximum bet needs to be low enough to constrain the spend rate of problem gamblers, but not so low as to adversely affect recreational gamblers (who typically bet at quite low levels).

Box 11.4 Research in NSW on bet limits

As early as November 2000, the New South Wales Liquor Administration Board proposed a reduction in the maximum bet size on standalone EGMs to \$1 on a trial basis in an attempt to reduce the harms from EGM gambling.

The gaming industry funded a study by Blaszczynski et al. (2001) to assess the likely impacts of this and other provisional recommendations by the Board. That study, one of the few undertaken in 'naturalistic' settings, observed patterns of play of 779 participants in clubs and hotels during regular gaming sessions. It looked at player satisfaction and enjoyment, behaviour, expenditure and the perceptions of self-identified problem gamblers, using EGMs with some key characteristics modified and operating side-by-side by similar machines that had not been modified. In their later submission to the IPART inquiry, Blaszczynski et al. (2004) said that the available evidence suggests that a reduction in the bet limit to \$1:

... would reduce the rate of expenditure for players and that these reductions would be greater for problem gamblers than non-problem gamblers.

However:

Whether or not such a change is likely to translate into a decrease in overall expenditure for problem gamblers is not known. (Blaszczynski et al. 2004, p. 32)

The gaming industry also commissioned a report from the Centre for International Economics (CIE) on the impact of the proposed changes on the revenues earned by clubs and hotels (see discussion in text).

The NSW Department of Gaming and Racing commissioned the Centre for Gambling Studies at the University of Auckland to review both reports to assess their methodological integrity and the appropriateness of their conclusions. The review concluded that a reduction in bet size showed a 'strong potential' as a harm minimisation measure (Tse et al. 2003).

IPART reviewed all of this material and agreed that 'the evidence of the effectiveness of reducing the maximum bet supports a reduction'. But it expressed concern as to what the optimal bet limit might be, and the likely impacts of any reduction on recreational gamblers and the economics of the gaming industry, and any potentially unintended consequences such as prolonging gambling sessions. It called for research to be commissioned by the Ministerial Council for Gambling into the effects of a range of bet limits below \$10, noting that:

The optimal level would provide the greatest balance between reducing the harm associated with problem gambling while minimising unnecessary effects on recreational gamblers and the industry. (IPART 2004, p. 92)

The NSW Government accepted this recommendation, and said it would refer the matter to the Ministerial Council for Gambling (NSW Government 2005, p. 39). However, in the ensuing five years, no research has been undertaken on this apparently most promising harm minimisation measure.

Sources: Blaszczynski et al. (2001); CIE (2001); Tse et al. (2003); Blaszczynski et al. (2004); IPART (2004) and NSW Government (2005).

Some implications of a lower bet limit

Revenue losses

Many clubs and hotels and their representatives said that reducing the maximum allowable bet size would have dramatic effects on venue revenues and could lead to employment losses and venue closures (box 11.5). Clubs Queensland said that:

Such a reduction ... could have a devastating impact on community clubs and their capacity to meet their objects — for example, supporting sport, surf lifesaving and RSL welfare — and their support for charitable institutions would also be put in jeopardy. (trans., p. 507)

One club in metropolitan Sydney provided data on the average expenditure on each of its 500 EGMs over a month, showing that about 44 per cent of its EGM revenue came from machines that recorded an average bet of \$1 or more and at least 23 per cent came from that part of each bet that exceeded \$1 per button push.

Clubs in particular would be most heavily hit. As many submissions from individual clubs confirmed, their existence and activities are primarily financed by revenues from poker machines (more than 80 per cent of revenue in some cases), supported by taxation concessions and preferred access to poker machines.

Clubs Australia pointed to the significant losses expected from imposing a \$1 maximum bet in New South Wales, based on estimates from the CIE in 2001 (describing it as ‘the most reliable research on the impact of a \$1 maximum bet’ (sub. DR359, p. 83)). These were estimated at 17 per cent of club EGM revenue and 39 per cent of hotel EGM revenue (CIE 2001, p. 15). (In contrast, a related study, Blaszczynski et al. 2001, suggested that revenue losses could be small, on the basis that so few players were found to bet above \$1.) Clubs Australia added that:

By comparison, the indoor smoking bans resulted in a revenue drop in NSW of around 11 per cent for clubs and 13 per cent to 14 per cent for hotels. Assuming 17 per cent and 39 per cent revenue declines ... the impact on clubs and hotels in NSW alone is estimated to be a revenue decline of over \$1,100 million, with a decline in gaming machine tax of approximately \$388 million. (sub. DR359, p. 83)

The Australasian Casino Association said that a \$1 bet limit would have ‘a major impact on casino industry employment and investment’. It said that 43 per cent of all casino EGMs had an average bet of more than \$1, and that these generated 60 per cent of total EGM revenue for Australian casinos. (In VIP areas, the corresponding figures were 91 and 97 per cent.) However, the Association did not provide an estimate of how much of its EGM revenue came from that part of each bet that exceeded \$1.

Box 11.5 Industry views of the effects of proposed changes

Mittagong RSL said that the average bet on its EGMs can vary between \$0.90 and \$1.40, and a \$1 bet limit would have 'a dramatic effect' on its revenues. And at an estimated \$3000 in programming and technical changes for each of its 158 EGMs in order to comply with changes to maximum bet limits:

... the capital cost of changing ... to a \$1 max bet limit will be at least \$474,000. How can the Commission see this as an acceptable cost to ... our business? (sub. DR312, p. 6)

Riverina Australian Football Club said that each of the 'extreme measures' contained in the draft report would put enormous pressure on its ability to make enough revenue to continue to support the community to the extent that it currently does:

In fact, we believe that any one of the measures listed would impact so severely on our Club that it would not be able to remain open. (sub. DR305, pp. 1–2)

The Magpies Club said that if EGM revenue dropped by 10 per cent it would no longer be profitable and would have to reduce community contributions (sub. DR342, p. 3).

The Parramatta Leagues Club said that a \$1 bet limit would remove the patronage of all high intensity recreational players from all clubs 'and force them to go to Star City for their high intensity recreational gaming':

The result of the limiting of player losses to \$120 per hour will lower ... revenue by approximately 32%. This one change will lower our gaming revenue about \$18 million ... If all the recommendations are implemented ... we expect our gaming revenue to drop 42.5% (or \$25 million) ... These changes will destroy the viability of the Parramatta Leagues Club (sub. DR341, p. 2)

Canterbury Bulldogs League Club said that the recommendations in the draft report would lead to a loss of revenue of at least 30 per cent, with the loss of 120 to 130 jobs (sub. DR409, p. 1). Similarly, the Bermagui Country Club said that the recommendations would put severe financial strain on the club, which is already under pressure due to rising operating costs and the introduction of smoking bans. Bermagui Country Club, like most clubs is reliant on gaming machines and may cease to be viable if this income is further affected by new legislation. (sub. DR325, p. 9)

Redcliffe Leagues Club said that in 1992 it was very close to closing its doors but the introduction of EGMs allowed the Club to survive and to thrive (sub. DR309, p. 3).

ALH Group said that reducing the bet limit to \$1 would decimate the legitimate spending of responsible players without necessarily reducing that of problem gamblers:

... the massive reduction in consumer surplus equates to a drop in industry revenue of approximately 40% with no demonstrated or proven beneficial impact for problem gamblers. ... For the same reasons, reducing the amount of cash that can be deposited into a machine at any one time to \$20 is not a sensible proposition. Queensland introduced \$20 limits in 2001 and revenue fell by almost 20%. they reversed that decision within weeks recognising the negative impact on the expenditure and enjoyment of responsible, social players (sub. DR340, p. 3)

The Juniors said the \$1 bet limit alone would reduce club revenue by \$7.6 million (sub. DR332, p. 1)

Reduced revenues for gaming venues from a lower bet limit are neither unintended nor undesirable from a broader perspective. The considerable evidence that a significant proportion of EGM revenue comes from problem gamblers or those at risk (chapter 5) makes a reduction in venue revenue (and in the taxation take by governments) *inevitable* for any effective form of harm minimisation measure. Blaszczynski et al. pointed out, the reverse conclusion is also likely to be true:

... unless a harm reduction intervention causes a significant (noticeable) decrease in revenue, it is unlikely to be having any major impact on problem gambling. (Blaszczynski et al. 2004, p. 39)

The Tasmanian Gaming Commission agreed, adding that:

In fact, such revenue reductions must be seen as perhaps the primary indicator that any further interventions have worked. (2008, p. 6)

Nevertheless, it remains the case that venues would be adversely affected. Such effects could include reduced services and facilities and temporary employment effects, although the evidence is that short-term ‘shocks’ do not have protracted economy-wide employment effects (CIE 2009). However, recreational gamblers may then find the venues they frequent to be improved places in which to play EGMs, and allow the venues to market themselves as providing safe community gaming. As Livingstone observed:

... there are many advantages to being able to market yourself as providing a very safe and welcoming environment to people where there is little risk, if any, of experiencing adverse consequences from a night out. Unfortunately we can’t say that at the moment. Even the best-run clubs are not in a position to be able to guarantee that, whereas the sort of recommendations that the Commission has made would put those clubs in that position, if well managed, I think. (trans., p. 624)

Either way, policies addressing business practices that generate harm — such as pollution and hazardous products — do not give much weight to the resulting revenue impacts of raised standards. Notably, clubs were generally supportive of changes to smoking laws, though these affected their revenues. The revenue impacts associated with effective policies addressing problem gambling and other harms are analogous to this.

Costs of implementing changes to EGMs

There are strong grounds to reduce the maximum intensity of play per button push well below the current \$5 and \$10 regulated limits. A limit of \$1 would strongly target problem gamblers. However, there are practical obstacles to its early, widespread implementation.

In discussion with government experts in this area, the Commission understands that a significant number of (lower denomination) EGMs could be converted to \$1 machines — in some cases remotely through central monitoring systems, but with a technician to change the decals on the lines/credits buttons (a relatively low cost option). Similarly, it would be feasible for *new* machines to be limited to a \$1 bet limit (albeit with some development). However, a partial shift to lower bet limits would run the considerable risk that problem gamblers would shift to the remaining higher intensity machines, undermining the policy. Moreover, venues would have weak commercial incentives to invest in new machines. Accordingly, it would be desirable for lower bet limits to apply simultaneously to all (or nearly all) EGMs within a jurisdiction.

However, immediately implementing a much lower maximum bet limit for all existing gaming machines would not be feasible for regulators and gaming machine manufacturers, and not cost effective for venues:

- Given current technologies, many existing EGMs would need to be replaced and others retrofitted with new software/hardware. Where the depreciated value of machines was low (such as machines close to retirement), the need to bring forward their replacement would not represent a significant cost. However, the early retirement (or significant upgrading) of newer machines would be expensive.
- There is only a limited capacity for gaming machine manufacturers to re-design existing games to be compatible with such a bet limit. (The lower the new bet limit and the higher the denomination of the machine, the more likely it is that the game would have to be completely redesigned, rather than just having some of its parameters adjusted.)
- Regulatory approval for new games takes considerable time (chapter 17).

The Commission proposes that the capacity for low bet limits, including \$1, be included in all new EGMs from 2012. New EGMs could also be designed to have bet limits up to the regulated ceiling of \$5 per button push common in many jurisdictions, for use in the interim. The \$1 bet limit need not be activated immediately, but would need to be ‘switched on’ by 2016, at which time all EGMs would be required to operate at a \$1 bet limit.

RECOMMENDATION 11.1

Governments should require that by 2012, all new EGMs include the capability of being played at a maximum intensity of \$1 per button push, with this being activated in 2016.

-
- *In 2016, all EGMs should be limited to a \$1 bet, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.*

The intent of this recommendation is to limit the cost of play per hour to an average maximum of around \$120. But over time, gaming machine manufacturers may be able to devise games that allow players to make individual bets above \$1, while remaining within the constraint of an hourly cost that is based on an average of \$1 per button push. For example, a game might permit a player to push a succession of buttons to accumulate more than \$1 before making a subsequent (higher) bet. This would not affect the average hourly cost if all button pushes occurred at the game's usual spin rate. Equally, greater use of free games, or a higher return to player, might also be used to achieve this. Indeed, there may be many ways for EGM manufacturers to provide such betting flexibility in future, and there will continue to be strong incentives for them to be innovative in order to retain and entertain their customers.

11.3 Note acceptors and cash input limits

Note acceptors are not permitted in three jurisdictions, are subject to denomination limits in others, but unrestricted in New South Wales (table 11.5). Victoria has banned note acceptors that accept \$100 notes, while Queensland limits its note acceptors to \$20 notes. Such limits are intended:

... to provide a break in play which would give players with a gambling-related problem the opportunity to think about whether they wished to insert more into the gaming machine. (Review of Gaming in Queensland 1999, quoted in Brodie et al. 2003, p. 5)

Some stakeholders expressed concern that the availability of EGMs that accept large denomination notes may be detrimental to those wishing to control or limit their gambling. Note acceptors may lead to an increase in spending by allowing players to insert large sums into an EGM, reducing the time a player needs to be away from the EGM, allowing ongoing spending and avoiding breaks in play. And there may be an inclination by some to continue to play while credits are in the EGM, notwithstanding facilities for taking wins or recovering unused credits. Problem gamblers in a focus group in Victoria saw the availability of note acceptors (and ATMs) as problematic:

... because they allowed people to gamble silently without inserting coins and drawing attention to the amount they were spending. It reduced the need for interaction with venue staff such as cashiers, and allowed very large amounts of money to be inserted

into the machine very quickly. (Delfabbro 2008, p. 126, citing Livingstone and Woolley 2006)

The Commission’s 1999 report found that problem gamblers were much more likely to use note acceptors than other gamblers, with about 62 per cent of problem gamblers using this feature ‘often’ or ‘always’ compared with 22 per cent of non-problem gamblers. The report concluded that:

... until evidence that they do not present risks is substantiated, the Commission considers that there are grounds that bill acceptors not be included in the design of poker machines, with any cash dispensers being located outside the gaming area.

Table 11.5 Note acceptors and cash input limits

Limits applied by jurisdiction

<i>State/territory</i>	<i>Limits on note acceptors?</i>	<i>Cash input limit^a</i>
NSW	none	\$10 000
Vic	maximum \$50 notes, except for some EGMs at the casino	\$9949, but from October 2009, the limit in hotels and clubs is to be reduced to \$1000
Qld	maximum \$20 notes	\$100 in clubs and hotels; not specified for casinos
SA	not permitted	note acceptors not permitted
WA	na for hotels and clubs;	na for hotels and clubs; \$100 in casino
Tas	not permitted in hotels and clubs; permitted in casinos	\$9899 in casinos (to be reduced to \$500 (sub. 224, p. 4))
NT	not permitted in hotels and clubs; permitted in casinos	note acceptors not permitted in clubs and hotels; not specified for casinos
ACT	maximum \$20 notes	not specified

^a Defined as the maximum credit balance which may exist on a gaming machine or account beyond which a note acceptor must be disabled due to a High Credit Balance condition (GMNS rev. 10, para 3.20).

Source: FaHCSIA (2009b, p. 19); Australian/New Zealand Gaming Machine National Standard Revision 10.0, (pp. 116–119).

The studies that have been undertaken since do not give clear guidance on these issues. Blaszczynski et al. (2001) undertook a careful examination of the effects of several modifications of gaming machines, including limiting note acceptors to \$20. Using a variety of study methods, they found that changes to note acceptors reduced spending by gamblers significantly, and resulted in a reduction in the overall take on the modified gaming machines of 42 per cent (pp. 9, 57–58). Tse et al. (2003, p. 22), in a review of the study, argued that such a reduction in expenditure makes it very likely that the modification was having an impact on player behaviour, including that of problem gamblers.

Blaszczynski et al. (2001) also found that the modification had little noticeable impact on the levels of enjoyment or satisfaction of players, and suggested that

removing note acceptors was not likely to have a major effect on recreational gamblers. This finding was supported by a recent study of the effects on recreational gamblers of limiting players to putting a maximum of a \$20 note into EGMs.¹⁰ Schottler Consulting found that:

... most players reported no or very limited impact of such a change on their play (although a very, very slight decrease was the overall trend). (2009a, p. 25)

The Blaszczyński study found that two predominant themes were the ease with which gamblers used large denomination notes without realising the true extent of their expenditure, and that note acceptors allowed them to avoid having to return frequently to the cashier and face the potential embarrassment of being recognised or labelled as a loser or problem gambler (2001, pp. 84–85).

[One] respondent stated that the removal or reconfiguration of bill acceptors would help him considerably because once he commenced gambling and became mesmerised, he would insert any note in his possession and only later realise the amount he had spent. Changing notes to coins, he stated, would force him to reconsider his decisions. (Blaszczyński et al. 2001, p. 84).

The report also noted that for a number of gamblers it was the combination of note acceptors and the close proximity of ATMs that posed a hazard (p. 85).

Nevertheless, the authors concluded that modification of note acceptors would be ‘of limited effectiveness’. Two decisive issues here were that:

- the small sample and the associated variability in the effects meant that the results were not *statistically* significant. This meant that there was the risk (potentially small, but in any case, larger than 5 per cent) that modification of note acceptors would, in fact, have no effect. The authors adopted the usual approach of using a standard of proof that avoids false positives (see chapter 3 about whether that is always appropriate)
- problem gamblers could subvert the limit by splitting higher denominations into lower ones.

As IPART noted, the CIE estimated a much lower impact on revenue (2 per cent for clubs and 6 per cent for hotels). For such reasons, IPART found the research in relation to note acceptors to be contradictory and recommended further work. It noted that, while there is evidence that this measure would not be effective, there is also some evidence that it could be effective, particularly in conjunction with controls on ATMs.

¹⁰ The question posed was: ‘How about if you could only put in a maximum of a \$20 note in the pokies (ie as the highest note taken)?’ (Schottler Consulting 2009a, p. 91)

... banning note acceptors could have very significant effects on the economics of the gaming industry, but that there is very little evidence regarding the effectiveness of the measure. (IPART 2004, pp. 101, 102)

The New South Wales Government accepted this recommendation and said it would bring it to the attention of the Ministerial Council on Gambling. In April 2009, the NSW Office of Liquor, Gaming and Racing invited proposals for research to assess, among other things, the effectiveness of limits on note acceptors and ATM withdrawals in minimising or preventing gambling-related harm, noting that prevalence research had identified that problem gamblers were significantly more likely than other gamblers to use \$50 notes in EGMs (OLGR 2009, p. 4 and sub. 247, pp. 34–35).¹¹ More specifically, the NSW gambling prevalence study found that:

... there is a significantly high frequency with which problem gamblers ... insert notes into machines, compared with all other gamblers (84% of problem gamblers versus 54% of low risk gamblers who insert notes often/always). Furthermore, the problem gamblers are nearly eight times as likely to insert \$50 notes into machines compared with pokies/gaming machines players overall (41% versus 5%). ... Moderate risk gamblers also display some of these expenditure patterns, however, to a lesser degree. (AC Nielsen 2007, p. 12)

In the ACT, a review commissioned by the ACT Gambling and Racing Commission recommended removing large denomination notes from EGM note acceptors (Centre for Gambling Research 2004b and 2005). (At the time of the study, EGMs in ACT clubs accepted \$100 notes.) The review found that ‘removal of note acceptors was no longer a practical reality in the ACT’ but ‘a limit on the size of notes that can be used for note-acceptors on gaming machines could be an effective harm minimisation strategy’ (Centre for Gambling Research 2004b, p. 16). The report also recommended evaluation of these policy changes to monitor their impact and effectiveness. Subsequently, the ACT Government limited the use of note acceptors to a maximum of \$20, but there has been no independent evaluation of this change:

Moreover, some ACT venues promptly installed ‘note-breakers’ that exchange high denomination banknotes for low denomination notes, thus making it more convenient for gamblers to use smaller denominations more frequently. (McMillen, sub. 223, p. 27)

In a submission to this inquiry, McMillen recommended trial control studies of removal of note acceptors in different jurisdictions and localities (sub. 223, p. 28).

¹¹ In the event, this process has since been deferred.

In 2001, Queensland set a \$20 upper limit on the denomination of notes that could be accepted in EGMs. A subsequent evaluation found that, while a majority of people reported no change in their gambling behaviour, a significant proportion (15 to 20 per cent) reported reductions in the amount spent on EGMs, the time spent playing EGMs and the size of bets. Further, the evaluation found that:

... people in the high risk to problem gambling group experienced the greatest changes in behaviour with approximately 30%-40% reporting changes in amount of money spent on EGM's each visit and each month, amount of time each spent playing EGM's visit and each month, level of enjoyment, frequency of visits and money spent on other entertainment at gaming sites. (Brodie et al. 2003, p. 3)

The authors reported that about 60 per cent of survey respondents approved of the \$20 limit and another 28 per cent believed that the limit should be restricted even further. However, analysis of EGM spending data showed no clear evidence that the self-reported decrease in harmful gambling behaviours had resulted in a long-term decrease in metered win. The authors suggested that either people were not actually behaving as they reported, or that the impact of the behaviour change was of only marginal economic consequence (thereby calling into question the view that problem gamblers contribute heavily to gambling revenues) (Brodie et al. 2003, p. 4).

However, when Norway removed note acceptors from gaming machines in 2006, the Commission was told that this led to a significant drop in gambling problems, which was corroborated in subsequent data. And a more recent study of 20 000 students, undertaken in 2004, 2005 and 2006 (after the change), found no change in gambling frequency and expenditure on slot machines before the change. But after removal of note acceptors, the proportion that gambled frequently on the machines fell by 26 per cent and there was a 20 per cent reduction in gambling frequency (Hansen and Rossow 2010, p. 70).

In sum, there is good face validity that prohibiting note acceptors or limiting their use to low denomination notes would be a useful harm minimisation measure, and this is supported by some evidence and the testimony of problem gamblers. Their presence or absence is unlikely to have much effect on recreational gamblers, given their lower intensity of play.¹² On the other hand, problem gamblers may partly circumvent note acceptor limitations by:

- bringing lower denominations of notes to the venue
- obtaining change at the cashier or the bar

¹² See, for example, Schottler Consulting 2009a, p. 27.

-
- using ‘note splitters’ provided by venues (though this is only permitted in some jurisdictions). Note splitters are machines placed in or near gaming areas that will break a larger note into the denominations accepted by EGMs (and the use of which obviates the need for the gambler to draw attention to himself or herself by approaching staff to change notes).

If the removal of note acceptors leads to reduced spending — as appears to be supported by evidence — it suggests that players more often pause to think about whether they really wish to continue playing. That some people change their behaviour simply because of lower note denominations reinforces the view that EGMs are not like other products. For example, were people required to pay in low denomination notes when buying restaurant meals, it is hard to believe that this would significantly reduce their demand.

But uncertainty over impact does not necessarily imply inaction (chapter 3), and jurisdictions have variously implemented different approaches (table 11.5). The cost of implementation would be a factor in a decision to proceed — Queensland, for example, was able to introduce (and quickly change) this measure remotely and cheaply, but other jurisdictions would incur much higher implementation costs.

There may be a role for restrictions on note acceptors in a package of harm minimisation measures. But one question is whether a better way would be through other measures, such as cash input limits.

Cash input limits

A limit on the denomination of the notes that consumers can insert into an EGM does not prevent multiple notes being inserted at any one time, thereby loading up credits at the beginning of play.

The maximum cash input level in Queensland is \$100 (five \$20 notes). The maximum in New South Wales is \$10 000 (that is, a player could insert one hundred \$100 bills before commencing play). During this inquiry, Victoria and Tasmania both announced that they will reduce cash input limits (table 11.5), albeit by amounts that may not have sizeable impacts.

There is some evidence that appropriately set cash input limits might usefully form part of an effective harm minimisation package.

In Queensland, the policy of limiting note acceptors to \$20 notes was first implemented such that EGMs in clubs and hotels could accept a maximum of one \$20 note at the start of play and only accept a further \$20 note when the value of

credit was less than \$20, allowing an effective maximum cash input of just under \$40. Clubs Australia said that ‘clubs, hotels and the Queensland Treasury noticed a dramatic and immediate drop in revenue statewide of approximately 30 per cent’ (sub. DR359, p. 85). Similarly, Clubs Queensland claimed that ‘the decrease in metered win for that first week was 37 per cent’ and added that:

It could be argued that some of the decline was attributable to the change in denomination but as the metered win gradually recovered after the credit limit was lifted, it was felt that the main factor was the limitation on the number of notes in the machine, not the change of denomination. (trans., p. 506)

However, the decision to allow players to insert only one \$20 into an EGM was adjusted shortly afterwards, making it hard to determine whether the apparently significant short-run revenue effect would have persisted. The new decision allowed players to insert up to five \$20 notes sequentially, with the decision based on concern about the disparity of treatment with casinos, where multiple \$20 notes could be inserted.¹³ The result was that revenue returned to the level prior to any changes in the cash input level. An evaluation that drew upon two studies by the Office of the Government Statistician¹⁴ found ‘no long term changes in EGM metered win’ (Brodie et al. 2001, p. 4). While there was ‘an irregular movement’ in the data at the time:

This ‘shock’ was only experienced in the short term and no long term effects were found affecting EGM metered win. Data mining analysis concurred with these results finding no statistically significant relationships linking the introduction of note acceptor limits to EGM metered win. (Brodie et al. 2001, p. 3)

The evaluation report noted that one interpretation of the observed initial drop in metered win was that it was a consequence of the initial policy measure, and that after the policy was adjusted, ‘revenue returned to trending values’:

The other possibility is that the short term ‘shock’ and subsequent return to trend would have occurred without the policy adjustment. This would again open up arguments for the reintroduction of the original limit (allowing only one \$20 note to be inserted when the total credits amount to less than \$20) if it encourages harm minimising behaviours amongst people with a gambling problem. (Brodie et al. 2003, pp. 17–18)

In New South Wales in 2001, the Liquor Administration Board recommended a 98 per cent reduction in the cash input limit, from \$10 000 to \$200, one of a number of recommendations that the Board said was ‘acceptable to industry’ (LAB

¹³ Questions Without Notice, Hansard, 11 December 2001.

¹⁴ One of these studies comprised an analysis of EGM metered win, or net loss to consumers. This involved analysis of metered win data from July 1997 to October 2002 and attempted to discover any relationship between metered win and the implementation of the upper limit to note acceptors (Brodie et al. 2001, p. 3).

submission to IPART review, p. 36). IPART was unwilling to make a recommendation on this matter, in view of the lack of evidence and stakeholder views on the matter, but proposed that the Government consult with the gaming industry, gambling counsellors and gamblers on its potential introduction (IPART 2004, p. 107). In its response, the NSW Government said that:

... this proposal will be referred to an advisory group of stakeholders ... to be convened by the Department of Gaming and Racing. This group will also be asked to consider any emerging technology in the course of providing its advice. It is envisaged the group would finalise its advice on these matters and furnish it to the Minister for Gaming and Racing during 2005. (NSW Government 2005, p. 46)

As noted in table 11.5, the New South Wales cash input limit remains at \$10 000.

Broadly, industry representatives opposed the Commission's draft report proposal for a cash input limit of \$20. The AHA referred to \$20 as a 'ridiculously low level' (sub. DR385, p. 42), notwithstanding that several jurisdictions currently operate coin-only EGMs, which have much the same effect in interrupting high intensity play. Clubs Queensland said that there would be 'devastating consequences' for industry revenues:

... resulting in job losses, community club closures and a dramatic downturn in support to sporting clubs and charities. The effects will be far-reaching. (trans., p. 506)

On the other hand, community groups supported a \$20 limit. One perspective from a private individual with a problem gambling history was that:

... if one has to wait until credits fall below \$20 then this takes care of a few problems. It stops people loading up, it stops people topping up particularly at higher levels (which can also be bad news) and it is a further positive step in making people a bit more aware of the money they are spending. (sub. DR299, p. 3)

In the Commission's view, a cash input limit would have a useful role as a brake on high intensity play by preventing players from loading up EGMs with multiple high denomination notes, but should be set at a level that does not hinder continual play for most players at their preferred betting style.

To the extent that such a change were to have a large effect on gaming revenues obtained from problem gamblers, it would be performing a valuable harm minimisation role. But if, as the industry asserts, a requirement to use \$20 or less at a time significantly reduced the amounts that recreational players bet, it would raise serious questions about the nature of the EGM product and the extent to which true 'informed consent' has been obtained from the player who is currently using (potentially, multiple) \$50 or \$100 notes to play.

FINDING 11.2

The limits on the maximum amount of cash that can be inserted into gaming machines are set too high. A lower cash input limit would not hinder the preferred betting style of most players, but would act as a brake on high intensity play by preventing players from loading up gaming machines with multiple high denomination notes.

The Commission's assessment remains that a cash input level of \$20 would not have adverse implications for most players who do not have problems with their gambling. The average duration of play between recharges for a recreational gambler playing five lines and five credits per line on a 2 cent machine (the most popular), with a 90 per cent player return would be 20 minutes if the spin rate was 3 seconds. It would be 37 minutes if the CIE estimate of an average realised spin rate of 5.5 seconds applies. Moreover, under this proposal, a player could insert one \$20 note, play a few games, and then add a second \$20 note once the available credits fall below \$20. So in practice, the effective cash input limit would be just under \$40, and it would not limit the amount of credits that could be accumulated by wins. Moreover, cash input limits would still allow gamblers to play at high intensity for short periods — which some enjoy doing.

The constraint on the cash input level would also incidentally act as a restriction on the maximum denomination of note acceptors to \$20, but be more effective (since current restrictions allow patrons to insert multiple notes of the maximum denomination of the acceptor).

The advantage of a \$20 cash input level is that gamblers who sustain high intensity play would have to reinsert cash continually. This would act as a succession of short breaks in play and would make it clearer to them how much they were spending. It would also require problem gamblers repeatedly to consider whether to continue gambling. And it may irritate them. However, an arrangement that places obstacles in the way of problem gamblers, but not recreational gamblers, is likely to be desirable in helping to curb problematic expenditure. It would also help make problem gamblers more visible to venue staff.

KPMG Econtech, for the Australasian Gaming Council, speculated that problem gamblers would be likely to compensate by playing longer (2009, p. 22). In fact, a more plausible response would be to lower the intensity or duration of play to avoid the irritation of constant re-charging of the machines. In effect, low cash input levels and the irritation associated with them, represent a high 'price' for dissociated gamblers or those playing at a frenetic pace. That high price should reduce the occurrence of those behaviours. In contrast, the change would represent a low price

for recreational gamblers playing at lower average intensity, with minimal anticipated behavioural changes.

A high cash input limit also undermines the intent of restrictions on note acceptors. Having a limit on the denomination of notes that players can insert into an EGM is less likely to have a policy-relevant effect if many notes can be inserted at any one time (perhaps facilitated by the presence of note splitters at venues). Put another way, without a much more limited cash input level, there are stronger grounds for mandating lower denominations for note acceptors (or removing them altogether), prohibiting the use of ‘note breakers’ and setting low bet limits.

RECOMMENDATION 11.2

Governments should restrict to \$20 the amount of cash that a player can insert into a gaming machine note acceptor, with no further cash able to be inserted until the maximum credit on the machine falls below \$20, with implementation:

- ***undertaken without delay in Queensland, where the capacity already exists***
- ***by 2016 in all other jurisdictions using note acceptors***
 - ***with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue***
- ***of alternative approaches that have the same effects for cashless systems as these alternatives develop.***

Were governments not to implement this recommendation, there would be strong grounds for not allowing note acceptors on gaming machines where these are not already present and for not increasing the denominations of existing note acceptors. In addition, ‘note splitters’ should not be permitted where the denomination of the note acceptor is \$20 or less, as they are likely to undermine any harm minimisation benefits of low denomination note acceptors. However, they may have a useful role in jurisdictions where high denomination note acceptors are used.

11.4 A novel proposal for safer play: an ‘airbag’ EGM?

The bulk of measures aimed at problem gambling are either preventative (as in information provision, pre-commitment, controls on cash in venues and lowered EGM intensity), or treatment-oriented (as in the provision of help services). Given that most of the problems from gambling hinge on the financial consequences, an alternative strategy is to minimise the costs to gamblers from persistent heavy betting. Such a strategy is like airbags or safety belts in motor vehicles in that it

does not stop risky behaviour, but reduces the adverse consequences of that behaviour.

One option for such a strategy is to develop a feature that is already present in so-called ‘progressive’ gaming machines — in which the rate of return increases with continued play. A lateral policy option to address problem gambling is to take progressive machines to their natural limit — with machines paying an expected (statistical) rate of return of 100 per cent when the accumulated annual expenditure levels of a player exceeds a given high risk threshold. In effect, heavy EGM gamblers would be able to access a game with no house advantage.

There are different ways this could be done. One possible approach would involve the following:

- using a player loyalty card to track a player’s total spend on EGMs in a given year
- reconfiguring (at least some) EGMs in a venue with a card reader (if not already present) and new gaming software such that, once a player exceeds an expenditure limit for that year, those EGMs would then pay out at a *theoretical* rate of 100 per cent to *that* player for the remainder of the year. A theoretical rate means that in any single game a player could still win or lose, but that with repeated play, their losses would converge on the threshold level
- selecting an amount of total annual spending on EGMs that is judged to reasonably separate safe from hazardous behaviour (say, \$5000). The evidence shows that high spending EGM players have a much higher risk of experiencing problems with their gambling. While some may indeed play safely if they have sufficient financial resources, many high spenders are not in this position, and it is this group around which policy should be centred. An analogy is speed limits on highways. Highly trained drivers may be able to safely travel at speeds well above the regulated limit, but the fact that many other drivers cannot, means that regulators impose speed limits on all drivers
- limiting the annual *volatility* of losses to achieve the goal of reducing the financial consequences of excessive gambling. This is important because there are many ways that a 100 per cent rate of return could be achieved — for example, by significantly increasing the prize levels on rare events (for example, jackpots). But that approach would mean that many heavy spenders would still face large losses while a few would have extremely big wins. Accordingly, a critical practical element of any application of the loss-limiting approach would be that 100 per cent theoretical rates of return should be achieved through additional high frequency payouts

-
- resetting the EGM's usual features and game parameters when the loyalty card was withdrawn, with the machine operating normally for subsequent users. The progressive feature would only be re-activated when a loyalty card was inserted by a gambler eligible for this feature.

Such an approach should not diminish the enjoyment of playing for anyone, merely the harm from doing so. In fact, it would encourage more gambling by people who were close to the progressive threshold, which would reduce the erosion of revenue to venues, while causing little harm to consumers.

Implementation of this approach would by itself address many of the concerns raised in this chapter, and might reduce the need for some other modifications the Commission has proposed. However, as this proposal would probably not have much effect on lower-spending problem gamblers, it is best seen as one part of a package of measures to address problem gambling.

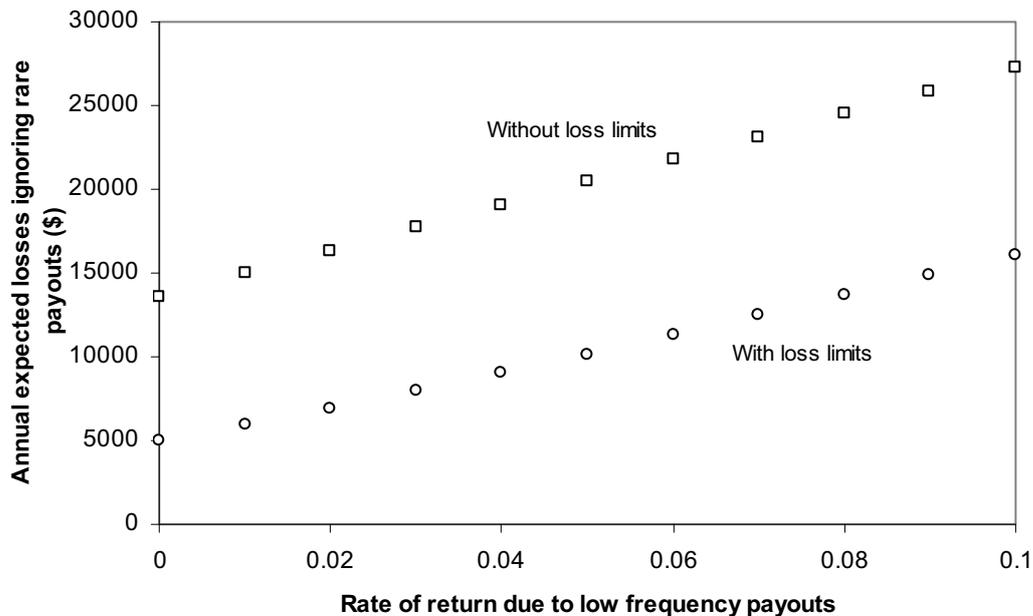
A loss-limiting measure could be implemented by incorporating the function into new machines, while making no modifications to machines already in venues. That would considerably reduce the costs of introducing the measure, since the only change required would be software development for new games. While this would mean only the gradual diffusion of 'airbag' machines into venues, this need not matter. Gamblers with likely high expenditure would tend to self-select to use a loyalty card on machines offering the progressive feature. Recreational gamblers would generally not care which machine they played on because they would not expect to exceed the annual spending threshold that triggered the 'progressive' features.

The prize structures of *some* existing games may reduce the benefits of airbag machines. Some existing machines pay more than 10 per cent of their total rate of return as low probability prizes. For instance, suppose one machine pays 80 per cent of its returns through reasonably frequent payouts and 10 per cent through jackpots and other rare prizes. Suppose that the total rate of return was increased to 100 per cent by increasing the high frequency payout rate to 90 per cent. In this instance, many heavy spenders would still face large losses in a given period — though periodically they would be likely to make large wins. However, they would still end up spending much less than in non-airbag machines (figure 11.4).

Industry participants rejected the 'airbag' machine (box 11.6), though they did not seem to understand it. A 100 per cent machine is a better price for consumers, not a limit on the prize they could win. They would simply win more often. Clubs Australia argued that a 100 per cent machine would reduce the thrill to players. However, it could only do so if there was a thrill associated with losing more often,

which appears doubtful. The arguments presented by industry participants are also contrary to the apparent interest gamblers show in progressive machines when the rate of return approaches (and exceeds) 100 per cent.

Figure 11.4 The effect of rare prizes on loss limits^a



^a This is based on a gambler who plays 10 lines with 5 credits per line on a 2 cent machine, with a 5.5 seconds spin rate for 4 hours a week. Without loss limits, it is assumed that the machine has an overall rate of return of 90 per cent, which is made up of relatively high frequency payouts and very low frequency big prizes. The figure shows that the expected losses from relatively high frequency payouts without loss limits varies from around \$14 000 annually to around \$28 000 annually, depending on the composition of the rate of return. (This ignores the rare prizes, which by definition, even heavy gamblers would not usually get in a year of playing.) Where loss limits are applied, it is assumed that there is a 10 percentage points increment to high frequency payouts, but that the rate of return due to low frequency payouts remains at its old level. In this case, the expected losses from relatively high frequency payouts with loss limits varies from \$5000 annually to around \$16 000 annually, depending on the composition of the rate of return.

Data source: Commission calculations.

What impact on venues?

An ‘airbag’ machine would necessarily reduce revenues for venues. This is because the average losses of the group of people currently spending more than the threshold for activation of the airbag, say \$5000, would converge to \$5000.¹⁵ The arguments about the desirability of such revenue reductions is discussed above.

¹⁵ Of course, individuals in this group would face significant variations around this average amount. Some would lose much less or even win, and others would lose more. But it would be the average for the group that would affect venue revenues.

Implementation of ‘airbag’ features into new machines would require some software development. The software would either have to include a second set of virtual reels that increased the probability of payouts, or a change in the pay table, with these features activated when the loyalty card indicates that the amount spent by the gambler exceeded the appropriate threshold. Such software development and its approval by regulators would take several years.

In addition, gamblers would ideally be able to use their loyalty cards in different venues, but this would realistically only be possible with full pre-commitment (chapter 10).

So effective implementation of airbags would be some years off. A long run shift to new communication protocols and networks means that it would be possible to remotely set different thresholds for triggering the ‘airbag’ feature at nearly zero cost.

Airbag EGMs would also change the incentives faced by venues. Once a gambler exceeded the threshold, he or she would no longer be a highly attractive consumer as the venue would receive no net revenue from their gambling. (As the Australasian Gaming Council put it, the proposal is ‘not really compatible with a business model’ (trans., p. 770).)

Accordingly, venues would have strong motivations to control any residual problem gambling behaviours by these patrons (as described in other chapters), including encouraging them to seek help from external problem gambling counselling services.

As with stronger approaches to pre-commitment, implementation of this proposal would require venues to implement measures to stop theft or borrowing of other players’ cards. (Some players may seek to share cards, including with low spending friends, to get to the 100 per cent player return faster.) The proposed regulations on redeeming winnings discussed in chapter 13, with an associated requirement to identify oneself, would reduce these risks, as would penalties for fraud.

Airbag machines are technically feasible and, if phased in over time through changes made only to new machines, the costs of implementation would be low. Nevertheless, their introduction would represent a radical change to gaming, and there is no information about how gamblers might respond to them. Given that, the Commission is not recommending their implementation at this stage. However, the concept and its potential future incorporation in machines should be left open for future consideration.

Box 11.6 Industry views on loss-limited EGMs

Clubs Australia argued that club-goers do not want to play loss-limited machines:

They want machines which allow them to spend how much they choose, with a concomitant potential win. People choose to spend their money on what they like and poker machines are far more popular than other, loss-limited, entertainment options. Very few people would participate in a lottery if the maximum prize were \$20; the 'thrill' would not be sufficient for most gamblers. The same is true for gaming machines. (sub. DR359, p. 87)

It also argued that 'there is no evidence whatsoever that loss-limiting is an effective harm minimisation measure: it simply limits likely losses on poker machines':

There is a multitude of measures which have minimal financial impact on venues, such as counselling, staff training and limits on credit betting. While the ultimate impact of their effectiveness is reducing problem gambling (and thereby venue revenue), the impact is targeted at problem gamblers alone and therefore less harmful to venues than those measures which affect all gamblers;

It distorts the operation of gaming. Payouts to players can only be high enough to attract patronage if the risk is also relatively high. If RTP is set at 100 per cent for some people it increases the frequency of payouts as well as the likelihood of large payouts to those people. This reduction of risk will force venues to reduce the RTP for other players and, thereby, reduce the attractiveness of gaming in the first place;

It added that:

Gambling is not a children's lucky dip. Simply because you enter does not mean you will win a prize. Gambling is inherently risky. It is not the responsibility of venues to limit the losses of those who choose to spend a lot. Individuals must accept personal responsibility that they gamble at their own risk. (sub. DR359, p. 88)

Australasian Casino Association said the proposal 'would turn EGMs into computer games' (sub. 365, pp. 14–15)

GTA said the strategy would not be effective for the gaming industry because:

Prolonging problem gamblers' use of gaming machines might exacerbate harm.

Return to player within a game is not a variable in any Australian gaming machines and cannot be approved for use. Such variation would most likely undermine players' trust in the integrity of gaming.

It inhibits recreational play, thereby creating adverse outcomes for recreational gamblers and venues. (sub. 344, pp. 21–22)

11.5 Other features

Like producers of other entertainment services, EGM manufacturers design gaming machines to be attractive to consumers. EGMs also involve potential conditioning effects through such features as free games and random and intermittent payouts, which, together with the capacity for rapid repetition, can encourage sustained gambling. For such reasons, some have likened the effects of EGMs on some people to that of a Skinner box (a laboratory apparatus used to study the operant

conditioning of animals). Machines that are commercially successful, will by their nature, tend to have superior conditioning effects. While such features may indirectly contribute to the intrinsic risks of EGMs, they are, at the same time, intrinsic to their recreational value. Nevertheless, some features of EGMs are sometimes said to be particularly problematic for some consumers.

Game names and icons

Some commentators argue that EGM manufacturers use game names and icons that induce vulnerable people into gambling, or into gambling for longer (see, for example, Tim Falkiner, subs. 2 and 61). Falkiner argued that the majority of EGM problem gamblers are not ‘action gamblers’ (who play a wide range of EGMs, particularly those with linked jackpots, for excitement and to win) but ‘escape gamblers’, who seek time on the EGMs:

There is now clear evidence that escape gamblers have favourite machines based on archetypal symbols such as: hearts, dolphins, gods, goddesses, dragons and unicorns. (sub. 2, p. 5)

He referred to, for example, the symbolism of dolphins as healing animals, and of life/death/rebirth themes, and argued that that such ‘archetypal symbolism’ has particular appeal to vulnerable people. He added that, among the escape gamblers:

... are women suffering from a range of traumas including ... childhood sexual assault, childhood physical or emotional abuse, rape, abusive relationships, post partum depression, loss of a loved one, menopause and fear of death. ... carers seem to be particularly susceptible. (sub. 2, p. 8)

Falkiner also referred to supporting anecdotal evidence from problem gamblers and counsellors, and to Livingstone (2005), which also reported the views of problem gamblers.

It does appear that EGMs with identical pay tables and machine software, but with different themes — reflected in the artwork, sounds and graphics — have significantly different levels of popularity among players. But the reasons why recreational and problem gamblers choose particular EGMs are far from clear. Dickerson and O’Connor said that:

A visit to the art department of a well-known EGM manufacturer would have been a salutary experience for anyone wanting to select the most ‘addictive’ aspect of the machine: at one time the walls were covered with sets of artwork from EGM display panels of machines that had failed to be popular with gamblers. *Apart from the artwork, these failures were identical in every respect to existing, successful machines.* (p. 117)

Without further evidence, it seems improbable that changes to symbols and artwork would be an effective harm minimisation measure. (For example, vulnerable players may simply switch to other, albeit less preferred, EGMs if they were denied access to EGMs designed around the icons they prefer.) In the Commission's view, the consumer protection measures recommended in this report are more effective ways of addressing the financial harm that gamblers can experience, without affecting the recreational value of EGM gaming.

'Near misses' and 'reel starving' (unbalanced reels)

A near miss is an outcome on an EGM that is very close to the desired or winning combination (for example, having all but one winning symbols in a row, or winning symbols appearing on a line that has not been bet upon). Near misses have long been thought to induce players into believing that they have just missed a prize and that a win must be imminent, and is seen as encouraging continued play. For such reasons, it is illegal in Australia to *deliberately* design a game such that the way symbols are displayed on the screen falsely convey the impression of a near miss (GMNS, p. 50).

EGMs typically have five (virtual) reels with a multiple of symbols on each reel. The number and frequency of symbols on any particular reel is dictated by the design of the game and the underlying mathematics of its structure. One participant expressed concern that, because the reels are not uniform, players are misled.

Players expect the reels to be the same. Just as a dice player expects the dice not to be loaded, so the gaming machine player assumes the reels are equal. (Tim Falkiner, sub. 2, p. 16)

He cited evidence from problem gambler groups to this effect, noting their outrage when told of this lack of uniformity. Falkiner argued that there is no way the player can tell this because they cannot read the reel strips and can only see a small part of each reel at any one time. In his view:

Gaming machines are cheating devices because they use concealed asymmetry. Cheating involves deception. This involves making the player see something wrongly. This is done by a combination of concealment (the player cannot see the reels are different) and asymmetry (the reels, which the player consciously or unconsciously believes are the same, are different). ... The cheating is accomplished by making the odds look better than they are by starving reels so the player keeps thinking he or she just missed. (sub. 61, p. 7)

While this issue has been discussed for many years, the research on the extent to which gamblers believe that they experience near misses and whether that affects their behaviour is limited (Sharpe et al. 2005, p. 17). And studies on overseas EGMs

such as fruit machines may have little relevance to the much more complex Australian EGMs.

Modern EGMs allow for betting on multiple lines, and playing multiple lines is a common strategy. Multiple line betting constrains how the game designer can place the symbols on particular reels. For example, were a highly valued symbol to appear adjacent to any one bet line it would necessarily also form part of a different bet line, for which there is a payout structure.

One recent Australian study found that the majority of players taking part did not recognise near misses ‘even under conditions when one could argue that they have been primed to do so’, and it did not influence their play. The authors concluded that, while it was possible that the near miss influences play in some forms of gambling, ‘the emphasis that has been placed on this concept may not have been warranted’:

... the present study has provided relatively strong evidence across a range of designs that demonstrate that it has little relevance to modern day electronic gaming machines. It may be that these machines have become so complex, with so many features (including sound and vision) that simple characteristics that may once have influence play are no longer relevant. (Sharpe et al. 2005, p. 70)

It is not possible to avoid the impression of occasional ‘near misses’ on EGMs, simply because of the way the machines work and the desire of game designers to include a range of smaller prizes during a course of play. This impression cannot be eliminated without destroying the nature of EGM games. And, in any case, it is very difficult for a player to identify what they might perceive as a near miss as virtually every symbol shown on the screen at any one time may be part of a bet line.

Nevertheless, to the extent that such misperceptions do affect the intensity or duration of play, the Commission’s proposals in this report should help minimise any resultant harm.

Free spins (bonus games)

As noted earlier, both recreational and problem gamblers find free spins attractive features of EGM playing. Some evidence comes from focus group discussions that support the view that such features are particularly important to problem gamblers:

Being able to obtain bonus games and to trigger subsequent sequences (i.e., a bonus within a bonus) was very attractive to players, and many reported that was a strong incentive to keep playing. (Delfabbro 2008b, p. 126, drawing on Livingstone et al. 2006)

Another study involving interviews with pathological gamblers found that the pursuit of the free spin appeared to be a factor in prolonging their play through the operation of the ‘gambler’s fallacy’, that is, the belief that a win was imminent. And more notable to the researchers were the ‘consistent spontaneous statements’ made by pathological gamblers regarding the attractive quality of the free spin feature, which ‘was described by some as the predominant reason contributing to their loss of control’ (Blaszczynski et al. 2001, p. 88). However, the researchers cautioned that these comments arose in the context of focus group discussions and were not systematically evaluated in the course of empirical and observational studies. Nevertheless:

... there is sufficient indications that warrant further detailed study on the impact of free spins as a variable contributing to persistence in play and ultimately, to the development of problem gambling. (2001, p. 88)

Delfabbro referred to studies by Williamson and Walker (2000), Walker (2003) and Livingstone and Woolley (2006) that suggested that bonus sequences, and in particular, free games, are very potent reinforcers for regular EGM players:

Indeed, the tendency of players to select a greater number of lines appears to be strongly motivated by the fact that this strategy increases the likelihood of them obtaining the required symbols to trigger bonus sequences. (Delfabbro 2008b, p. 156)

The research was unable to indicate whether these features have a differential impact upon problem gamblers. However, a personal submission provided the perspective of one problem gambler on the issue of free spins:

On the surface these free spins may seem like a harmless bonus but I found them to be one of the most insidious aspects of the machines. ... As with all these bonus type games they are there to make it more ‘interesting’ and at the same time to encourage play and this in itself is inherently problematic. However, the way free spins operate in their current format they can be particularly detrimental. (sub. 172, p. 5)

The Victorian InterChurch Gambling Taskforce argued for a ban on free spins, referring to GRA research that found that one factor that caused gamblers to break their pre-commitment decisions and exceed their self-imposed limits was to obtain free spins:

The research found that setting a goal to obtain a certain number of free spins before leaving was one of the critical factors that caused people to continue gambling on EGMs beyond their self-imposed limits. The report recommended that the reinforcement schedule of free spins in the context of EGM gambling should be examined. (sub. 220, p. 16)

States variously regulate the capacity of EGMs to produce free spins. For example, New South Wales, in its Gaming Machine Prohibited Features Register, noted a trend in game design whereby the number of free games being offered was

increasing significantly. It decided to place a limit of 40 free games on gaming machines. The reason was given as follows:

The typical number of free games being offered by machines was rapidly increasing (some offered 100 free games and the probability of winning the 100 free games was remote). This was considered both a harm minimisation and player fairness issue. (NSW OLGR)

Similarly, in Queensland, free game features are subject to close regulatory scrutiny, with a particular concern to avoid misleading players about the likelihood of achieving the advertised number of free games (GMNS, Queensland appendix, p. 9)

A key issue would be whether it is likely that any such features have a disproportionately adverse effect on people with gambling problems. Again, it is difficult to be clear one way or the other. The proposals in this report provide more direct and targeted ways to address the harm that can come from EGM gambling. Nevertheless, if more direct harm minimisation measures are not introduced, this matter should be the subject of future research.

Jackpots

EGMs with jackpots are much more numerous than was the case at the time of the Commission's 1999 report. There can be jackpots on standalone EGMs, but most commonly they operate across linked EGMs within a venue. (There are also some that operate on EGMs linked across a number of venues.) Linked jackpots are collective pools of money that accumulate steadily across a number of connected EGMs. As bets are placed on these EGMs, a small proportion of each bet is added to the displayed jackpot pool (box 11.7).

Jackpots can operate in different ways. For example, New South Wales and the ACT have:

- 'random link' or 'mystery link' jackpots — whereby a random number generator selects a value (not seen by the gambler) between a minimum and maximum amount where the jackpot will be won. When this value reaches the preselected amount, it is paid to the EGM that triggered the jackpot
- 'standard linked progressive system' or 'linked jackpots' — with payment triggered by a winning combination of symbols on a machine, with the likelihood of this determined by the reel specifications of the jackpot-linked machines.

Some jurisdictions set limits to maximum prizes on standalone EGMs, but allow much higher prizes as jackpots on linked EGMs. Some jurisdictions have no maxima, while some others are capped at \$500 000 or \$1 million (FaHCSIA 2009b, p. 22).

Jackpots are attractive to many gamblers. The large maximum prizes they offer can encourage gamblers to continue to gamble in the belief that they could win a life-changing sum. In the case of problem gamblers, it may exacerbate their tendency to chase losses. Delfabbro drew attention to 1997 survey evidence to the effect that over 30 per cent of problem gamblers specifically went to venues in order to play linked jackpot machines, compared with only 3 per cent of non-problem gamblers (cited in PC 1999), but added that this does not necessarily mean that the removal of these machines would reduce expenditure amongst problem gamblers (Delfabbro 2008b, p. 156).

The way jackpots operate may accentuate chasing losses because of the prospect of a large prize and because the expected payoff from playing *increases* with further bets, and indeed may actually exceed 100 per cent (box 11.3). As Delfabbro put it:

... gamblers know that the closer that the balance gets to the maximum possible trigger point ... the more certain the outcome.

He expressed concern that progressive jackpot features were ‘potentially the most problematic features’ on modern EGMs, for two main reasons:

The first is that it further encourages gamblers to spend more per spin in order to increase the accumulation rate. The second is that it provides a very strong justification for chasing and continued gambling. ... This feature also may serve to reinforce the view that one is more likely to obtain a jackpot the longer one persists; and, in this case, this is true. (Delfabbro 2008b, p. 157)

In addition, progressive jackpots can add to existing false cognitions about EGMs, as they are one area where the history of past plays is relevant to the decision to play on (for example, a mystery jackpot close to the maximum pool size is truly a ‘hot’ machine). This undermines a key harm minimisation message about the randomness and independence of EGM games.

As a result of these risks, some groups recommended regulations prohibiting jackpots. The Gambling Impact Society (NSW) called for a ban on linked jackpots, arguing that:

The Gaming Machine Manufacturers Association ... regularly purports that EGM’s are ‘just a form of entertainment’. However, we do not believe ... that the current offers of linked jackpot prizes and individual machine prizes of over 10,000 are justifiable incentives to ‘play’. (sub. 59, p. 5)

Box 11.7 How do jackpots work?

Although there are differences in arrangements between jurisdictions, events that trigger jackpots and the outcomes are generally as follows:

In *random or mystery link jackpots*, a jackpot between \$x and \$y is paid. The actual amount paid is determined ahead of time by a random number generator (RNG) — for example, it might pick \$7000 if the min/max were \$2000/\$10 000. As people bet on linked machines, a small proportion (typically less than 2 per cent) of their bet amount is added to the jackpot pool. When the pool reaches the amount pre-specified by the RNG, it is paid out to the machine that triggered the payout.

- As a result of this process, someone betting, say, a 1 cent per button push has a chance of winning the prize, but someone betting \$1 (say through multiple lines, multiple credits per line or both) has a proportionately bigger chance of winning.

The expected payoff to players increases on mystery link jackpots as further bets are made. This is because:

- the prize pool grows as more bets are made
- given that the prize must be paid at or before the jackpot ceiling, the likelihood of winning increases as the pool size increases.

(Note, however, that the game structure — its underlying virtual reels — and the probability of any outcome appearing on the gaming machine remains unaltered.)

Indeed, with such jackpots, the expected payoff on further play exceeds 100 per cent once the pool gets sufficiently close to the maximum amount. As an illustration, say that the jackpot must go off at an amount less than or equal to \$10 000, and the electronic display on the machine shows that the current pool is \$9 999.99. Suppose that 2 per cent of any bet goes into the pool. At that point, gamblers would *know* that any bet of more than 50 cents would win the jackpot. The first player to bet this or a larger amount on the bank of linked machines would win the jackpot. Say that there are 5 linked machines being played. Each gambler would lay a bet of 50 cents, hoping that they would be the first to trip the jackpot. Each gambler would have a one in five chance of winning \$10 000 (with an expected value of \$2000) for a stake of 50 cents: an expected rate of return of 399 900 per cent.

In *standard linked progressive systems or linked jackpots*, a proportion of each bet is added to the (displayed) pool. Payment of the jackpot is triggered when a given combination of symbol occurs on a given machine. Unlike mystery linked jackpots, the probability of the winning combination is fixed — and is determined by the underlying nature of the reels on the gaming machines. The expected payoff from a given bet still increases progressively because the jackpot pool increases.

In the event that the pool reaches the maximum allowed pool size (for example, \$100 000 in NSW), then additional bets enter a new pool. In that instance, the first machine to get the winning symbols wins the jackpot from the initial pool, but not the accumulated money in the new pool.

The Victorian InterChurch Gambling Taskforce noted that the potential to win a large linked jackpot was one of the reasons that EGM gamblers break their pre-commitment decisions:

... the Taskforce understands that a mix of prizes encourages gamblers to gamble for longer and spend more money than they otherwise would. The Taskforce strongly supports a restriction of linked jackpots, as these do encourage gamblers to gamble beyond their own pre-commitment limits. (sub. 220, p. 17)

On the other hand, while McMillen considered that many regular gamblers preferred jackpot machines to other EGMs, she was unaware of research showing a link between large prize jackpots and problem gambling:

During my experience as a regulator (1990–2003), it also was clear that EGM expenditure increased in venues when they installed jackpot machines, especially machines that offered very large prizes. ... To my knowledge, there ... has been no reliable research into relationships between the size of machine prizes and problem gambling. (sub. 223, p. 27)

Moreover, she observed that the Australian gambling public has become accustomed to fast machines and large-prize jackpots and:

... it could be difficult for regulators to retrospectively slow down machines or remove linked jackpots without a consumer backlash. (sub. 223, p. 25)

Consistent with this view, the gambling industry considered that jackpots were popular and entertaining features of EGMs, with little evidence of harmful effects (box 11.8). Maxgaming, a licensed monitoring operator of EGMs and operator of jackpots (and a subsidiary of Tattsgroup), said that it had investigated the relationship between jackpot size and gambling behaviour on EGMs, but found no evidence of any research having been conducted into this matter. However, it drew attention to a UK report into lottery gambling that noted that:

It is recognised that problem gamblers are attracted to the continual reinforcement of winning that EGMs provide, and that pay schedules on individual EGMs are designed to provide ‘small and often’ wins. Large ... jackpot prizes on the other hand are triggered relatively infrequently in any given venue. Consequently, they are not regarded as particularly achievable and game play is therefore not motivated out of an expectation of winning one. The jackpot levels ... fall into the ‘nice if it happens’ category in similar fashion to prizes in the various lotteries, Lotto and Keno. (sub. DR302, p. 13)

Nevertheless, Maxgaming noted that the NSW Office of Liquor, Gaming and Racing, which has approved a jackpot of \$125 000 in clubs, will not consider higher jackpots:

... in the absence of valid and reliable research into whether larger jackpots have any impact on the level of problem gambling. (sub. DR302, p. 13)

(The highest jackpot on offer in NSW is operated by Star City Casino featuring a \$1 million upper level (sub. DR302, p. 13).)

Box 11.8 The industry's view of jackpots

The GTA said that jackpots provide 100 per cent return to players, as 'all the money shown on the jackpot meter(s) must be paid to players':

GTA and its members regard jackpots as a simple tool for increasing Return To Player ... thereby providing players with increased value for money. GTA perceives no reason that changes should be warranted. (sub. DR344, p. 23)

Clubs Australia said that people can choose whether to play a jackpot-enabled machine or not. They are used 'to increase the options and entertainment value of gaming by making it appeal to a wider audience':

... anti-poker machine commentators believe that jackpots increase problem gambling by enticing people to play for longer in the hope of a big win, while some hypothesise that small, frequent wins and free spins constitute 'reinforcement' that encourage punters to play longer. ... there is insufficient evidence to support either argument. ... ClubsAustralia cautions governments against accepting the conjecture of anti-gambling activists. (sub. DR359, p. 88)

Maxgaming said that offering large jackpots adds to a player's enjoyment 'but like winning Lotto, is not regarded as being easily achievable to win':

... and therefore large jackpots are viewed as unlikely to be a large contributing factor in player behaviour with respect to problem gambling for the majority of EGM players. (sub. DR302, pp. 13–14)

Overall, the Commission has not reached a definitive conclusion on the impacts of jackpots. They are a popular feature with consumers. However, prima facie they may accentuate harm for some consumers, particularly in the face of misperceptions about how they work, or failure to realise that the proportion of the return to player embodied in a jackpot prize implies a lower return to player for the main game, and the belief held by some that jackpots are worth pursuing as a means to recover past losses. Further research is required on the relationship between jackpots and harmful play. However, the need for this would be reduced were governments to implement some of the other harm minimisation recommendations in this report.

RECOMMENDATION 11.3

Governments should initiate research on the potential for jackpots to exacerbate the problems some people face with their EGM gambling, with consideration given to the further regulation of jackpots if they pose significant risks to gamblers.

12 Venue activities

Key points

- In the absence of government intervention, there are mixed incentives for gambling venues to introduce, and ensure the effectiveness of, voluntary harm minimisation measures. Venues face an inherent conflict of interest, in that effective measures would compromise their revenues.
 - It thus remains appropriate that governments mandate measures that are deemed necessary and cost-effective.
- Whether measures derive from industry self-regulation or formal government regulation, the incentive for venues to implement them properly would be heightened by governments or regulators:
 - monitoring venues' compliance with the measures
 - introducing a mechanism for handling complaints in addition to existing industry mechanisms
 - strengthening their supervision of venue behaviour through active enforcement and the use of penalties and other disciplines for serious breaches of regulatory measures.
- Given the difficulties with a new statutory cause of action for gamblers to seek redress against venues, it should not be proceeded with at this stage.
 - However, if proposed enhanced penalties and disciplinary measures were not implemented, or failed to be effective in deterring serious breaches of harm minimisation requirements, then such a proposal could be reconsidered.
- Government guidelines on identifying gamblers experiencing problems and on appropriate interventions would be beneficial. These should include a short list of clear indicators of problem gambling.
- A universal requirement for training is warranted for staff who interact with gamblers regularly, or who work in the gaming areas of a venue. It should cover such matters as the identification of gamblers experiencing problems, the provision of assistance (including information about help services), and the process for making complaints.
- There should be a prohibition of inducements likely to lead to problem gambling, or to exacerbate existing problems, including the provision of free alcohol to a patron who is gambling.
- Governments should accord much lesser priority to 'cosmetic' policy measures such as clocks, lights and sounds in venues.

12.1 Introduction

Gambling venues undertake a range of activities to help protect their patrons from gambling harms. These include: providing information to patrons about where counselling and treatment can be obtained; establishing entry requirements to the gambling venue or gaming area such as requiring age identification; providing alternative forms of entertainment to gambling; and designing the physical layout and environment of the venue so as to reduce the risks associated with gambling.

Whether it is sufficient for gambling venues to ‘self-regulate’ in these ways, or whether governments should intervene, depends on the incentives facing venues.

This chapter considers the nature and extent of these incentives, the industry self-regulation that has already been undertaken, and government measures introduced in relation to some venue-based activities.

Other chapters also look at venue-based activities to reduce harms — chapter 8 on gambling information, chapter 14 on accessibility of gaming machines (for example, hours of gaming machine operations), and chapter 13 on access to cash and credit.

12.2 Voluntary harm minimisation measures by venues

Are there sufficient incentives for venues to introduce measures?

A threshold issue for this inquiry is the extent to which gambling venues face incentives to introduce voluntarily measures that would reduce gambling risks for their patrons *in the absence of any government action*. If incentives are weak, governments may have a basis for intervening.

It is unlikely that individual venue managers and staff would deliberately set out to behave unethically towards their patrons. Indeed, it is apparent that, out of genuine concern for their patrons, many endeavour to ensure a safe environment for them and to assist them where needed. For example, BetSafe noted the following case:

J approached the duty manager in a BetSafe club late in the evening and asked to borrow money to catch a taxi home as he had lost all his money gambling on the machines and there was no money in his bank account. The duty manager arranged for a taxi to take J home, paying the taxi by voucher to prevent J gambling the cash. The club ... excluded J to prevent him from further problems. (sub. 93, p. 11)

It may also not be in the commercial interest of venues for their patrons to suffer harms through gambling. If venues were seen to provide poor customer service or safety, they may acquire a bad reputation and ultimately lose patrons, to their commercial detriment.

Venues might also have formal ‘corporate social responsibility’ objectives. These broadly encompass ‘wide-ranging social, ethical, environmental and economic obligations by corporations to stakeholders (including broader communities and future generations) and not just to their shareholders’ (Hancock et al. 2008, p. 60). Meeting such obligations, which could include addressing gambling harms, can enhance business reputations and networks.

The prospect of successful litigation by gamblers seeking redress against venues has the potential to buttress existing incentives facing venues to introduce harm minimisation measures. As noted later, litigation has already occurred on several bases. Notwithstanding the potential incentive effect on venues of litigation by gamblers, it is apparent that Australian courts have been reluctant to find in favour of a gambler suing a venue for redress other than in a prescribed, narrow set of circumstances. Moreover, given the expense and time involved in litigation, very few gamblers would be in a position to take action against a venue in the first place.

It is possible that insurers could respond to even the remote prospect of successful litigation by problem gamblers by increasing their premiums for venues. This in turn could place commercial pressure on venues to introduce harm minimisation measures. For example, a Canadian gambling provider noted that Lloyds of London had ‘carved out’ future liability to problem gamblers from its insurance policy.

We do not have an explanation from the insurer why [our insurance coverage] was changed, but assume it is because the insurance industry recognises an increased risk related to the issue of problem gambling. ... My view is that the change in insurance coverage is related to court cases continuing to be brought against operators by problem gamblers. (Duty of Care, sub. 177, attachment — email from Saskatchewan Gaming Corporation, 18 May 2006)

However, the Commission is not aware that insurers have followed this path in Australia, or that they are likely to do so.

Conflicting financial incentives

Contrary to the various inherent forces to introduce harm minimisation measures is the fact that problem gamblers comprise a large source of revenue for any venue. As Borderlands Cooperative said:

... voluntary codes within gambling regulatory frameworks have been found to be ineffective for preventing harm, though they may have fared better as public relations vehicles for industries. ... To put it briefly: less harm will mean less revenue. Within the current regime, a gambling industry or venue wishing to do the right thing and decrease fiscal dependence on excessive gambling would place itself at a great competitive disadvantage in the market place. ... (sub. 126, p. 11)

Industry participants objected to this view. The Australasian Casino Association considered that:

For from being conflicted, it is in a casino's interest to provide its services in a safe and sustainable manner. Casinos' long-term interests are consistent and not in conflict with harm minimisation objectives. (sub. DR365, p. 20)

Clubs participants emphasised that they were not-for-profit organisations, they worked for the benefit of clubs members and the community, it was in their 'absolute interest' to ensure gaming services were conducted in a responsible manner, and the irrelevance to them of the 'revenue' incentive — box 12.1.

However, although clubs are not-for-profit, they are still evidently concerned to maximise their returns from gaming machines and increasingly face similar pressures and conflicts as commercial operators. This is illustrated by the comment of a representative from Clubs Australia who, although clearly expressing concern about patron care, still saw clubs as a business (box 12.1).

That venues generally face weak incentives to address gambling harms is corroborated by surveys of venue managers and staff in relation to harm minimisation. For example, Professor Hing, of the Centre for Gambling Education and Research in Southern Cross University, noted the following based on her interviews with 30 venue managers, staff and gamblers:

- Staff were told not to do anything if someone appeared to be upset over their machine. They were afraid for their jobs, did not feel empowered or trained to engage in ... human interactions, or their training was five or six years ago.
- No other entertainment or social activities were available other than the gaming room.
- Few chairs were available outside the gaming machines area.
- Coffee and soft drinks were more expensive at the bar than ordering while at [the] gaming machine.
- Lighting was too dim and font too small to read the responsible gambling signs.
- [A] duty manager advised that the self-exclusion scheme excluded a person from the whole club, not just the gaming room, and it was for life. (New South Wales Problem Gambling Roundtable 2008, p. 2)

Box 12.1 Clubs' views on patron care

Clubs Australia

The notion that clubs will not implement harm minimisation measures that are likely to have an adverse impact on revenue cannot be reconciled from a commercial perspective. Why would a club be motivated to bankrupt and cause harm to a member, when commercially the goal must be to keep the patron for life? By working to ensure patrons enjoy their gaming experience and help them gamble responsibly, clubs hope to keep them and their social circle back to the venue for repeat visits well into the future. The idea that they are cravenly trying to extract every last dollar from a patron — .. via the 'revenue dilemma' — is a superficial, hypothetical, anti-gambling notion that is not supported by reality.(sub. DR359, p. 53)

... clubs are in effect owned by their members, and it just contradicts all good sense that we would knowingly, or even unknowingly, seek to harm them, from a gambling point of view, when they are our owners. ... So it's not in our interests to harm them. We want to preserve them and protect them in every reasonable way, but without sending our businesses to the wall in doing so. (Peter Newell, trans., p. 681)

ClubsACT said

... clubs have a more moderating influence [than commercial operators] and do not exploit gaming activity to the extent that privateers do. Clubs provide a demonstrably and significantly higher social contribution/benefit to communities than other forms of gambling ... as well as providing a more 'benign' gambling environment. (sub. DR337, p. 6)

Community Clubs Association of Victoria

... the commercial difference between clubs and other licensed premises means that such [an inherent conflict facing a venue balancing their voluntary responsible gambling measures against commercial imperatives] is not an issue for clubs. Revenue from problem gamblers is not sustainable and not desired by our member clubs. (sub. DR366, p. 11)

Evidence of weak incentives facing venues is also apparent from the following judicial comments in cases involving gamblers in criminal offences:¹

Cases of this sort, which are increasing in number, call for consideration of legislation which would put the onus on Crown Casino and other gaming venues to make reasonable inquiries to ensure that large sums of money continually being lost by regular customers, as in this instance, are emanating from legitimate sources. (Dyett J, Victorian County Court, 19 June 2007)

These clubs must know how much money is being spent on poker machines, and they just turn a blind eye. (Morgan J, New South Wales District Court, 13 August 2004)

In conclusion, although gaming venues may face natural incentives to protect their patrons from gambling harms, the Commission considers that they are insufficient without the impetus of some form of government intervention (including government 'backing' of a 'voluntary code' such as occurs in Queensland). Central

¹ Extracted from Warfield (2008, p. 24).

to this is the fundamental commercial dilemma confronting all venues; effective actions to reduce gambling harms would be detrimental to revenue and profitability.

Codes of practice and programs

Since 1999, some 40 or more ‘responsible gambling’ codes of practice and programs have been introduced by the gambling industry to address gambling harms (for example, Australasian Gaming Council, sub. 230, p. 45 contains a list). According to the Australasian Gaming Council, the design of mandatory codes:

... has been facilitated with active industry collaboration and insight and ... many of the provisions put in place were already evident under voluntary structures. (sub. DR377, p. 27)

The introduction of these codes of practice and programs stem from a range of motivations within the gambling industry. These include ethical concerns, a desire to improve their public profile, and a concern to pre-empt the introduction of prescriptive government regulation.

The codes of practice and programs vary considerably in terms of:

- whether or not they are made mandatory by governments
- the forms of gambling to which they apply
- how they were developed (whether by the gambling industry alone or in concert with governments and community sector organisations)
- their scope (for example, some focus on advertising or self-exclusion practices, whereas others cover a broader range of practices)
- the specific measures they include.

The examples in box 12.2 illustrate the breadth and depth of codes of practice and programs.

Participants from the gambling industry pointed to the benefits of such industry self-regulation (for example, Australasian Gaming Council, sub. 230; Australasian Casino Association, sub. 214; and Clubs Queensland, sub. 121). They emphasised that:

- there are numerous and various initiatives introduced, or funded, voluntarily by the industries, some of which governments have subsequently mandated
- some have gone beyond minimum mandated requirements or have reflected best practice

Box 12.2 Codes of practice and programs — some examples

The voluntary **Queensland Responsible Gambling Code of Practice**, introduced in 2002, was developed by the Queensland gambling industry, the State Government and the Queensland community. The Code 'represents a voluntary, whole-of-industry commitment to best practice in the provision of responsible gambling' (Queensland Responsible Gambling Advisory Committee, sub. 235, p. 13). It contains 'responsible gambling practices' relating to: the provision of information; the interaction with customers and the community; exclusion; the physical environment; financial transactions; and advertising and promotions.

In South Australia, individual **Advertising and Responsible Gambling Codes of Practice** have mandatorily applied since 2004 to the casino, lotteries, TAB, licensed racing clubs and gaming machine venues (hotels and clubs). The gaming machine venue Advertising Code of Practice covers such matters as electronic media blackouts, the advertising of prizes, the sounds of gaming in radio and TV advertisements, and interior and exterior advertising. The gaming machine venue Responsible Gambling Code of Practice covers such matters as the screening of the sights and sounds of gambling, customer information and signage, coin availability, alcohol and gambling, inducements, self-exclusion and staff and training (South Australian Government, sub. 225, pp. 35–6).

The **BetSafe Program**, developed in 1998 by a gambling counsellor and funded by industry members, provides over 40 New South Wales and ACT clubs with: staff training in responsible gambling; problem gambling counselling; a self-exclusion program, and information, publications, signage, and policies and procedures (BetSafe, sub. 93, pp. 1–3). Specific BetSafe policies and procedures cover such matters as unattended children, underage gambling, financial transactions, legal and compliance information, complementary food and drinks, payment of jackpots and winnings, helping problem gamblers, dealing with third party complaints, exclusion procedures and training policy.

The **ACT Clubsafe Program**, a joint initiative of ClubsACT and Lifeline Canberra commenced in 2001 and now applies to 26 clubs in the ACT, which operate over 90 per cent of gaming machines. Under the program, clubs contribute funding to Lifeline, which provides access to counselling for club patrons. The **ACT Clubstart Program**, an initiative of ClubsACT in 2007, among other things, provides training in the responsible service of gambling and alcohol to participants (ClubsACT, sub. DR337, pp. 8–9).

Crown Casino in Melbourne voluntarily operates an on-site **Responsible Gaming Support Centre**, 24 hours a day seven days a week, that provides a variety of services to assist patrons and their families including responsible gaming information, counselling and referral to other service providers. Trained Responsible Gaming Liaison Officers, a chaplain and two registered psychologists staff the Centre (Australasian Casino Association, sub. 214, attachment — Allen Consulting Group 2009b, p. 61).

-
- many have involved collaboration with community sector organisations and governments
 - compared with government regulation, self-regulation is quicker to implement and amend, more flexible and more reflective of diversity in local conditions facing venues, and leads to greater ownership by venues.

Deficiencies with voluntary codes of practice and programs

However, despite their benefits in terms of their flexibility, there are three inter-related deficiencies with *voluntary* codes of practice and programs as a means of addressing gambling harms.

The first deficiency relates to the types of harm minimisation measures that voluntary codes of practice and programs include. Voluntary measures tend to be at the ‘soft’ end of the harm minimisation spectrum — that is, they appear to involve the provision of information or warnings, or the introduction of documentation or reporting systems, or the identification of venue liaison contacts, or merely restate government regulation (for example, Hing and Dickerson 2002). Such measures are unlikely to reduce gambling revenues significantly for a venue.

The second deficiency is the lack of effective monitoring and enforcement. There is very little evidence of industry associations or governments publicly reporting the extent of venue compliance with voluntary codes of practice and programs, or penalising venues for breaches. For example, McMillen noted that governments have different ways of monitoring the compliance of industries with codes of practice, with none commissioning an independent compliance audit. Furthermore, she noted that there is little public information on compliance or on consumer experiences of codes (sub. 223, p. 32). This is an important deficiency in that effective monitoring and enforcement has the potential to countervail the commercial incentive of venues not to vigorously pursue effective harm minimisation measures.

Linked to these two deficiencies is the third — namely, inconsistent and/or low compliance by venues with voluntary codes of practice and programs. Poor compliance was a concern for some participants in respect of both voluntary and mandatory codes of practice and programs (box 12.6).

Some studies suggest that venue compliance is better where codes are mandatory. Two studies that evaluated voluntary broad codes of practice applying in the Northern Territory and Queensland have indicated that, while overall compliance by venues has been high, variation has occurred across different types of venues — particularly in the hotels and clubs sectors — and for different measures (box 12.3).

Box 12.3 Compliance with two voluntary codes of practice

In their review of the then voluntary Northern Territory Code of Practice for Responsible Gambling for the Northern Territory Government, Crundall and Boon-Ngork (2005) found the following:²

- The average compliance rate for all gambling providers was 77 per cent, with the casinos at 93 per cent, the hotels at 84 per cent and the clubs at 82 per cent (pp. i-ii).
- Several main practices required improvement, particularly for clubs and hotels. These practices included: adequate displays of information about the risks of problem gambling; liaison with support services and local communities; maintenance of a Responsible Gambling Incident Register; ensuring appropriate gambling training is provided to staff within the set time frame; implementing full procedures for recording self-exclusions; encouraging self-exclusion to extend to other providers, problem gambling signage at ATMs; and compliance with national advertising standards (p. ii).
- Non-compliance was due to several factors, including: the content of the Code, with 'some strategies not clearly articulated and the relevance to particular industries being debatable'; and a 'degree of reluctance and/or resistance by some providers to make changes' (p. iii).

The most recent review of the Queensland Responsible Gambling Code of Practice (Queensland Government 2007) found the following:³

- The average commitment rate to the Code for all gambling providers was 77 per cent, with the casinos at 100 per cent, the hotels at 82 per cent, and the clubs at 74 per cent. There were large proportions of clubs and hotels that were small or in isolated regions that were not committed to the Code (pp. 33–4).
- In relation to the 'ongoing commitment' of clubs and hotels to the Code since the first phase review in 2004, 64 per cent of clubs and hotels surveyed in the first phase review maintained their commitment in the second phase review, with 13 per cent no longer committed to the Code (p. 35).
- The few practices where commitment rates were low for clubs and hotels were: the establishment of links with local gambling-related support services (52 per cent of clubs and 57 per cent of hotels were committed); the provision of responsible gambling training to relevant staff (60 per cent of clubs and 67 per cent of hotels); and the provision of assistance to gambling customers seeking exclusion from other venues (27 per cent of clubs and 23 per cent of hotels) (pp. 42–3).

² Based on a survey of 100 gambling providers, which included two casinos, 35 clubs and 27 hotels.

³ The results were based on a survey of around 1800 gambling providers, including the four casinos and over 1300 clubs and hotels.

By comparison, a study evaluating South Australia's mandatory advertising and responsible gambling codes of practice indicated that overall compliance with the codes was very high after 15 months (with non-compliance at less than 5 per cent) and variability in compliance across different measures also being very low (box 12.4).

Box 12.4 Compliance with mandatory codes of practice in South Australia

Martin and Moskos (2007) evaluated the impacts of South Australia's Advertising and Responsible Gambling Codes of Practice, which were introduced in April 2004. Their findings were based on interviews and surveys of stakeholders over four time points — immediately prior to the introduction of the Codes and over a period of 15 months following the introduction of the Codes. They found the following in relation to compliance with the Codes.

- Interviews with licensees indicated that they had made significant changes in progressing towards compliance with the Codes. Implementation was gradual. Compliance was quicker with aspects of the Codes that were clear and precise. However, other aspects of the Codes proved more difficult to implement, with some requiring quite substantial culture change in venues. As venue uncertainty about their responsibilities under the Codes were clarified and further understood, aspects of the Codes that initially proved problematic were adopted and implemented, albeit quite a time after the introduction of the codes and with some continuing concerns.
- Casino staff appeared to have been able to adapt to the Codes and implement them with relative ease.
- Hotel staff's experience of the implementation and operation of the Codes was variable. Some hotels established procedures that meant that many staff did not have major responsibilities for ensuring compliance. Other hotels operated on a more ad hoc basis with no well-defined division of responsibility. Staff themselves also responded to the Codes in variable ways.
- The Office of Liquor and Gambling Commissioner, which had major enforcement responsibility for the Codes, perceived ambiguities in the Codes in the early phases of implementation, to which they responded by providing more education to gambling venues. The Office considered that by the conclusion of the research project the level of compliance was high.
- Compliance data collected by the Office indicated that within five months following the introduction of the Responsible Gambling Codes of Practice, non-compliance was high for most aspects of the Codes. Non-compliance was above 20 per cent for the responsible gambling document, training certificates, the responsible gambling pamphlets, gambling helpline cards, sticker gambling helpline numbers, and code of practice signs. However, non-compliance was low for such aspects as alcohol and promotions and signs on playing multiple machines. By February 2006, non-compliance on all aspects was less than 5 per cent and variability in non-compliance for different aspects was much less than it was immediately following the introduction of the codes.

Several factors contribute to poor compliance. Already noted are the inherently weak incentives facing venues, the specific measures included in the codes and programs, and poor monitoring and enforcement. An additional reason for poor compliance is that venues may ‘lack ownership’ over a particular code or program that is externally imposed — they may not have been consulted in its development, or they genuinely believe that it does not reflect their particular circumstances.

Due to these concerns, several jurisdictions have moved to make hitherto voluntary codes of practice mandatory, or have indicated a preference for a mandatory approach to harm minimisation. For example:

- The New South Wales Government noted that, although there is provision for voluntary codes of practice to be approved by the minister, it has enshrined harm minimisation measures in legislation. It said:

A mandatory/systematic approach addresses the following issues:

- the potential conflict of interest that gambling venues face — actions to increase revenue as opposed to harm reduction; and
- research has indicated that compliance and commitment to voluntary requirements is generally low. (sub. 247, p. 46)
- The Tasmanian Government has replaced voluntary industry codes with a new mandatory code in November 2009 (Aird 2009; Tasmanian Government, sub. 224, p. 6).
- The Northern Territory Responsible Gambling Code of Practice has been mandatory since June 2006. The Government’s rationale for adopting a mandatory code was to provide for a consistent standard for the gambling industry ‘to make the public aware of strategies to minimise the risk of problem gambling and the support services available for problem gamblers’ (sub. 252, p. 9). However, the Northern Territory Government said:

Whilst a mandatory code is desirable, it may not be necessary to mandate if voluntary uptake is satisfactory and the code operates within the full spectrum of regulatory controls. ...

The need to mandate such regulatory instruments should be undertaken on a case by case basis having consideration for new developments within the gambling industry and the effectiveness of current regulatory frameworks. (sub. 252, p. 12)

- The ACT Mandatory Code of Gambling Practice, which has been in place since 2002, followed earlier voluntary codes (ClubsACT, sub. DR337, p. 7).

The Commission considers that, in the absence of strong incentives facing gambling venues to effectively address gambling harms, it would be inappropriate for governments and the community at large to depend solely on voluntary codes of practice and programs for harm minimisation. Indeed, as noted by Clubs Australia,

no jurisdiction appears to rely sole upon voluntary measures to address gambling harms (sub. DR359, p. 53).

This is not to say that such industry self-regulation does not have a role within gambling regulatory regimes. Voluntary codes of practice and programs are a source of useful guidance and direction for individual venues. By their nature, they can be flexible instruments, easily altered to accommodate changing business practices, technologies and consumer demands.

However, there will be certain types of measures that will need to be made mandatory by governments — whether through so-called ‘mandatory codes of practice’, venue licensing conditions or legislation — if harm minimisation is to be effectively achieved. Specific measures are considered in the remainder of this chapter as well as elsewhere in this report.

*A mandatory **national** code of practice?*

Several participants considered there should be a mandatory national code of practice. For example, McMillen recommended the development of a national gambling code of practice with exemptions or variations as appropriate for particular industry sectors (sub. 223, p. 33). Development of the national code could involve the participation of the Australian Competition and Consumer Commission (ACCC) and Standards Australia. The national code should be supported by effective sanctions and subject to regular independent reviews. McMillen recommended reviews by a Gambling Review Taskforce or by the ACCC under the Trade Practices Act (Part IVB), which contains provisions relating to industry codes.

The Community Sector Members of the Queensland Responsible Gambling Advisory Committee supported the development of a national mandatory code of practice that:

... builds on the strength of each jurisdictions experience as a matter of priority. Such a Code would reinforce the future work of the RGAC and policy direction in Queensland. A universal code would protect consumers, especially young people, in the highly mobile modern society that Australia has become. It would also minimise competitive advantages between states as they would no longer have to choose between protecting consumers and losing revenue to other jurisdictions. (sub. 112, pp. 10–11)

SA Council of Social Service (and National, State and Territory Councils of Social Service, sub. 180) supported a national mandatory code of practice that:

... assists in providing a mechanism to fetter the continuation of the industry while also offering a raft of protections for consumers. A code of practice is vitally important in

standards protection offered to consumers across the country, particularly in regards to new evolving gambling related technologies. (sub. 179, p. 10)

The Commission notes that the Ministerial Council on Gambling has issued a set of national principles for the conduct of responsible gaming machine activity in clubs and hotels — this is not dissimilar to a national code of practice (box 12.5).

From the perspective of consumers and the gambling industry, a nationally consistent approach may be seen as desirable. This is particularly the case if levels of compliance with state and territory voluntary codes were very low, or if state and territory mandatory codes had significantly different requirements.

However, the Commission considers that a national mandatory code of practice is not yet warranted.

- Obtaining agreement among jurisdictions on its content and legal basis is likely to be difficult and time-consuming. There is still considerable variability amongst the jurisdictions in many aspects of the regulation (and self-regulation) of venue activities to address gambling harms (for example, in relation to ATMs, shutdown hours for gaming machines, and staff training). Jurisdictions are also likely to hold firm views as to the legislative basis of the code — for example, whether it is state and territory template legislation or Australian Government legislation.
- Because of the challenges in reaching agreement, there is the likelihood that a national mandatory code would contain the lowest common denominator of measures. This appears evident from the national principles in box 12.5.
- A further deficiency with adopting a national mandatory code at this stage is that it limits the opportunity of jurisdictions to learn from each other's measures and identify what is likely to be most effective.

12.3 Strengthening incentives for venues to implement harm minimisation measures

Regardless of the types of harm minimisation measures introduced, whether mandatory or voluntary, a number of ancillary measures help strengthen the incentive of venues to implement them. These include the monitoring and enforcement of venue compliance, and complaints handling.

Box 12.5 MCG principles for the conduct of responsible gaming machine activity in clubs and hotels

The following principles should underpin the regulatory and policy frameworks for the conduct of responsible gaming machine activity in clubs and hotels across Australia.

Access to gambling needs to be restricted where there is heightened risk of loss of control.

- Minors should not be allowed to gamble or be exposed to gambling areas within venues.
- Adults who are intoxicated by either alcohol or drugs should not be permitted to gamble.

Information and support should be provided to patrons seeking help and those that have been identified by staff as potentially having a problem with gambling.

- Venues should act promptly to assist persons to self-exclude if requested.
- Venues should display problem gambling help information in the gambling area and venue more broadly.
- Venues have a responsibility to train their staff in problem gambling issues.
- Specifically trained contact officers should be available in venues to provide referral information or assist with undertaking exclusion.
- Venues should monitor suspected problem gamblers and take reasonable steps to offer them assistance.
- Venues should not knowingly allow problem gamblers to gamble in their venues.

Breaks in play should be encouraged.

- Gambling areas should be smoke free.
- Alcohol should not be served to patrons while they are at a gaming machine.
- There should be daily shut down periods within each venue of at least three hours.

'Reality checks' for gamblers should be incorporated into the venue such as wall clocks or clocks on individual machines and adequate lighting that enables consumer information/signage to be read easily.

Consumer information about gaming machines and how they work should be displayed or made readily available within the venue.

Advertising, promotions and inducements by venues should be controlled such as in relation to content, placement and conduct.

Source: MCG (2009b).

There are already arrangements in the states and territories for ensuring venue compliance with mandatory measures, including penalties and disciplines, and the handling of complaints. Industry participants generally expressed the view that existing arrangements were adequate and effective. For example, in relation to the arrangements applying to casinos, the Australasian Casino Association said:

... current compliance and complaints handling arrangements are well entrenched and working well and do not require enhancement ... the casino industry already has in place well-developed and effective compliance and complaints handling arrangements. Their operation and effectiveness should not be compromised by further reviews or unnecessary alterations. (sub. DR365, p. 21)

The remainder of this section focuses on particular measures within compliance and complaints-handling arrangements, recognising that such measures might already apply in some states and territories, and for some classes of venue (for example, casinos). The section concludes with a discussion of judicial redress.

Monitoring and enforcing venue compliance

Gambling regulators, like Australian regulators generally, apply a mix of criminal, civil, administrative and educative interventions to encourage venue compliance with regulation. The application of these interventions mirrors an ‘enforcement pyramid’, whereby interventions of increasing intensity, severity and cost are imposed on a hierarchy of regulatory breaches.

Several participants, commenting on deficiencies in venue compliance with both regulatory and self-regulatory harm minimisation measures, expressed concerns about variable compliance and the lack of monitoring of compliance (box 12.6).

Compliance auditing

One measure to strengthen compliance of venues is for gambling regulators — or an accredited compliance auditor — to undertake regular ‘integrity testing’ of the venues against harm minimisation measures. This would include testing venues’ claims of compliance under voluntary codes of practice.

In the context of internet gambling, Toneguzzo referred to the importance of ensuring integrity of online providers by independently confirming ‘the industry’s claims of compliance through testing and audits ... [against] regulatory requirements, prior to permitting communications-based gambling equipment to be operated’ (sub. 60, p. 11). He noted that ensuring integrity would involve proof of reasonable compliance with regulatory requirements of such matters as:

-
1. Compliance of the technology.
 2. Compliant configuration and installation of the technology.
 3. Compliant environment in which the technology is to operate (both physical and logical).
 4. Effective system of internal controls.
 5. Capable operating staff. (sub. 60, p. 12)

Box 12.6 Participants' concerns about venue compliance

McMillen noted that, although jurisdictions have different ways of monitoring the compliance of voluntary and mandatory codes of practice, a common method was for venues to complete a self-assessment compliance audit checklist, supplemented by 'occasional inspections' by regulators. But she was unaware 'of any government that has commissioned an independent compliance audit of the gambling code in that jurisdiction' (sub. 223, p. 31). She also noted that the public has little information on which to assess if the industry is complying with the regulations (p. 32).

PokieWatch.org, in their observations of 180 hotels and clubs with gaming machines in Queensland, South Australia and Victoria, recorded numerous instances of non-compliance with the intent and wording of self-regulatory and regulatory harm minimisation measures (sub. 119). It considered that any measures must involve 'comprehensively worded prescriptive regulation, otherwise they will fail to be effectively implemented' (p. 35).

The Centre for Gambling Education and Research, in reporting the findings of a case study of responsible gambling practices at one large club, noted that 'legal compliance alone does not guarantee social responsibility in the provision of gambling services' (sub. 76, p. 8). The case study showed that 'while the legislation may be underpinned by good intentions', there is 'much opportunity for its requirements to be rendered largely ineffective' (p. 9).

An approach like that proposed by Toneguzzo could be applied to gambling venues as well. Gambling regulators, or an independent and accredited compliance auditor, should appraise gambling venues against specific harm minimisation measures and this should be publicly reported.

Appraisal of venue compliance against harm minimisation measures should go beyond mere 'tick a box' checking, but be corroborated against such data as the number of self-excluded patrons the venue has, complaints data from gamblers and others, and inspections. For example, BetSafe said:

... the standard of a gaming machine venue's responsible gambling program should be a key consideration in an application for an increase in gaming machine numbers. Generally a gaming machine venue that is active in promoting its self-exclusion program and counselling service will be able to demonstrate a healthy number of self-

excluded patrons. This would be an effective indicator of the standard of the venue's self-exclusion program. (sub. 93, p. 18)

Compliance auditing requires adequate resourcing of the regulator or auditor to undertake the work. As the Council of Gambler's Help Services noted:

The Council supports compliance auditing, though has some concern that regulatory bodies may lack the necessary resources to ensure a high level of ongoing compliance. Whilst it would be expected in current circumstances that gaming venues will be inspected annually, a higher frequency than this may not be assured. Annual inspections will not adequately assess ongoing compliance, which requires sufficient resources to undertake regular anonymous, unannounced inspection visits. (sub. DR326, p. 22)

Also, if compliance auditors outside a regulator are used, they should be accredited (and appropriately trained) and independent. The Community Clubs Association of Victoria said:

... It is our experience that there are examples of 'anti gambling auditors' who:

- have never previously entered gaming rooms so do not understand what to look for
- do not understand where to locate required collateral
- do not understand intent of codes.

Any such auditing needs to be conducted by trained auditors, not participants with an already skewed opinion against the product. (sub. DR366, pp. 11–12)

The Council of Gambler's Help Services saw added benefits in using compliance auditors:

Development of independent accredited compliance audit agencies may provide an advantage to consumers, in that they may not only undertake statutory work but also develop services that value add to gambling providers' quality improvement processes. Encouragement of a continuous improvement culture in responsible gambling is strongly supported, and an independent agency or agencies may be best placed to facilitate this work. (sub. DR326, p. 22)

However, the Australasian Casino Association expressed concern about potential duplication associated with the use of compliance auditors in relation to casinos:

If compliance assessments were to be vested in an "accredited compliance auditor", this provides a potential for duplication between the current state and territory casinos regulators and any such auditors. (sub. DR365, p. 21)

The Commission considers that compliance with both voluntary and mandatory harm minimisation measures would be assisted by gambling regulators, or independent accredited compliance auditors, regularly appraising venues' compliance and public reporting their findings. Any such regular appraisal and

public reporting should be integrated and made consistent, where possible, with existing compliance arrangements (such as in relation to with probity and integrity requirements) to avoid unnecessary duplication and added complexity for venues.

The Commission also notes an approach taken in South Australia that has the potential to yield improved venue compliance (box 12.7). Under that State's mandatory Advertising and Responsible Gambling Codes of Practice, a venue is exempt from complying with specific elements of the Codes if it has an agreement with an 'industry responsible gambling agency'. A function of the agency is to assist with venue compliance under the Codes and a particular outcome sought is increased compliance.

Box 12.7 The role of 'industry responsible gambling agencies' in South Australia

Under South Australia's revised (mandatory) Gaming Machines Advertising and Responsible Gambling Codes of Practice, the Independent Gambling Authority introduced an incentive for 'the industry to directly take responsibility for creating better responsible gambling environments'. It exempted gaming venues from six specific measures in the Codes, if the venue is a party to, and is fully compliant with, the terms of an Industry Responsible Gambling Agency Agreement.

The exempted measures cover measures relating to advertising, the screening of the sights and sounds of gambling, coin availability and the prohibition of inducements that involve participation in a loyalty program.

Among the conditions established by the Independent Gambling Authority are that:

- employees and agents of the industry responsible gambling agency have free and unrestricted access to the gambling providers' premises, staff and patrons at all times the premises are open for business
- the gambling provider consents to, and facilitates, comprehensive regular reporting to the Independent Gambling Authority by the industry responsible gambling agency of its activities in respect of the gambling providers' business.

There are currently two industry responsible gambling agencies — Gaming Care is the industry responsible gambling agency established by the Australian Hotels Association South Australian Division, and Club Safe established by Clubs South Australia.

An aim of both agencies is to assist venues to comply with the Codes of Practice through undertaking voluntary audits of venues. An outcome sought by both agencies is increased compliance with the Responsible Gambling Codes of Practice.

Source: South Australian Government (sub. 225).

Penalties and disciplines

As well as integrity testing, venue compliance could be strengthened by introducing ‘incentive compatible’ measures where there are breaches of harm minimisation measures.

Industry participants regarded existing approaches to penalties and disciplines as already adequate and, indeed, robust. For example, the Australasian Gaming Council said:

... options for enforcement of fines, restrictions on licensing and indeed loss of gaming license already exist within the power of the relevant regulatory authorities. (sub. DR377, p. 28)

However, participants from the community sector and other participants expressed particular concerns about this area. For example, UnitingCare Australia said:

... most regulators are content to administer small fines or warnings for breaches of gambling regulations. While these presumably have some impact on the gambling venue, they are usually too small to have any impact on the longer term profitability of the venue. This approach creates an operating environment in which a gambling venue will be better off financially by using all possible means to attract and keep ‘good customers’ even if there is a risk of breaking the law, if the sanction is only a small fine or warning.

... Regrettably, regulators in some States such as NSW have bowed to gambling industry pressure and no longer make public the names of gaming venues they prosecute or details of penalties imposed. Without publicity of enforcement, the gambling venue operators are encouraged to think that they can get away with lowering their standards, and a race to the bottom results. Also, without providing this information, governments may feel they no longer need to be fully transparent to the public about what they do or fail to do. (sub. DR387, p. 16)

Participants expressed views on how penalties and disciplines for breaches of harm minimisation measures could be improved or made more effective, including.

- ensuring penalties and disciplines are rationalised and commensurate with the seriousness of the breach (Public Interest Advocacy Centre, sub. DR 389, p. 11)
- revoking (either temporarily or permanently) a venue’s gaming licence for serious breaches, or after a series of repeated breaches (Duty of Care, trans., p. 424; UnitingCare Australia, sub. DR387, p. 16; Councils of Social Services, sub. DR369, p. 6; Marybyrnong City Council, sub. DR364, p. 4)
- applying a ‘three strikes policy’ involving the eventual loss of licence after three breaches (Council of Gambler’s Help Services, sub. DR326, p. 22)

-
- requiring enforced periods of shutdowns of a venue for serious or extreme breaches (Kildonan UnitingCare, sub.DR 339, p. 5; Amity Community Services, sub. DR388, p. 4)
 - linking penalties for breaches to a venue’s gambling revenues (Duty of Care, trans., p. 424; Public Interest Advocacy Centre, sub. 222, p. 32)
 - combining mandated identification and intervention items with clear penalties (Disability, Child, Youth and Family Services (Tasmania) (sub. DR370, p. 8)
 - requiring venues to re-train all staff in areas of harm minimisation where there are breaches (Amity Community Services, sub. DR388, p. 4)
 - publicly reporting individual venues that have been found to have committed substantiated breaches, the penalties imposed, and details of any prosecutions (UnitingCare Australia, sub. DR387, p. 16; Councils of Social Services, sub. DR360, p. 6)
 - placing owners and managers at risk of prosecution or penalties for failure to create an adequate responsible gambling environment in their venue (UnitingCare Australia, sub. DR387, pp. 16–17; Councils of Social Services, sub. DR369, p. 6)

Evident from these views are a range of penalties and disciplines for breaches of harm minimisation measures. A proper resolution of the most appropriate of these would require more detailed analysis than is possible in this inquiry.

That said, the Commission considers that, where the regulator is satisfied that there have been *serious breaches* of harm minimisation measures — such as failing to administer an exclusion order or serving alcohol to an intoxicated gambler on the gaming floor —strong penalties and disciplines should be applied, including:

- a pecuniary penalty for a serious breach of a required harm minimisation measure linked closely to a venue’s gambling revenue.
- temporary suspensions of a venue’s gaming licence, or temporary shutdowns of a venue’s gaming floor (as in the ACT, where a liquor outlet can face temporary operating suspensions for breaches of liquor licensing provisions).
- publicly reporting individual venues that have been found to have committed serious breaches, including by publishing a ‘worst offenders’ list.

These measures would strengthen incentives for venues to implement and comply with mandatory harm minimisation measures.

Complaints handling

Most codes of practice or government regulation relating to harm minimisation require venues to have mechanisms for the handling of gamblers' complaints against venues (for an example, box 12.8). At the first instance, the venue handles the complaint but, if unresolved, the complaint may go to the relevant industry association, a private mediation or dispute resolution body or the gambling regulator for further resolution. As the Australasian Gaming Council noted:

Venues currently resolve a number of issues on the spot thereby reducing the need for yet another level of oversight with corresponding legislation/regulation. Where this process may be considered insufficient there is already provision for complaints to be escalated to the appropriate regulatory authority.

Current codes already contain requirements for appropriate complaints processes. (sub. DR377, p. 27)

Box 12.8 Complaints handling under the Victorian Responsible Gambling Code of Conduct

A customer with a complaint about the operation of the Code must make it in writing directly to the venue management. The venue manager investigates the complaint 'sensitively and as soon as possible'.

Complaints are resolved in the following way:

- all complaints are acknowledged promptly
- the customer is informed of any reasons for not investigating the complaint (that is, the complaint does not pertain to the operation of the Code)
- the venue manager may seek information from the staff member concerned on the subject of the complaint
- the venue manager seeks to establish whether the customer has been treated reasonably and in accordance with the Code
- if the complaint is substantiated, the venue manager informs the customer of the action that is to be taken to remedy the problem
- the customer is always informed of the outcome of the complaint
- complaint details are maintained in the responsible gambling folder or register
- information about the complaints are provided to the Victorian Commission of Gambling Regulation if further investigation is required.

If a complaint cannot be resolved at the venue it goes for resolution to the Institute of Arbitrators and Mediators Australia.

Source: Australian Hotels Association (Vic) (sub. 86).

The Australasian Casino Association also noted features of complaints-handling processes relating to casinos (box 12.9).

Box 12.9 Complaints handling in casinos

- Any gaming customer can make complaints directly to the relevant casino regulator.
- All casinos have in place processes to receive customer feedback (including complaints) and to deal with that feedback and those complaints.
- Many casinos have HR processes in place to ensure staff can freely raise any issues of concern with management or an HR representative.
- Many casinos operate an independent (third party operated) “whistleblowers” service to take and handle any staff complaints or concerns in relation to matters including, but not limited to, any issues of integrity, including harm minimisation matters. Casino operators regularly conduct awareness programs about the service.
- Many casino operators actively promote complaints and dispute resolution processes and staff are well-trained to direct patrons to these processes.
- Casino regulators, in their regular reviews of casino operations, publish the number of complaints and statements as to their resolution or otherwise.

Source: Australasian Casino Association (sub. DR365, p. 21).

Venues are likely to see commercial benefit in resolving complaints as quickly as possible. Not to do so would mean a loss of future patronage and revenue. As Clubs Australia noted:

... it is commercially sound practice for a club to try and accommodate any grievances brought to their attention, in order to secure the person’s continued patronage. (sub. DR359, p. 53)

However, for many people, making a complaint to a gambling venue or industry association may not be easy.

- Patrons might rather have their complaints handled by a body that they perceive to be independent of the venue.
- Staff with concerns about their venue’s approach to harm minimisation measures might fear possible repercussions.

There is thus merit in enabling both patrons and venue staff to have recourse to a body other than the venue or industry association.

Among the existing non-industry bodies that could handle complaints from gamblers about a venue’s approach to harm minimisation are gambling regulators, state and territory ombudsman’s offices, and independent alternative dispute

resolution bodies. Several gambling regulators already have mechanisms for receiving and handling complaints about gambling venues,⁴ or are the next level of appeal for gamblers who have made their complaint known to a venue (for example, in Western Australian in respect of the Burswood Casino). One participant recommended the creation of a new body — a gambling industry ombudsman (UnitingCare Australia, sub. 238, p. 12; sub. DR387, p. 17).

The Commission considers that, in addition to venues and industry associations, gamblers should have the option of making complaints about a venue’s approach to harm minimisation in the first instance to gambling regulators. Gambling regulators should also be able to receive complaints from persons other than gamblers, including members of the gambler’s family, venue staff and providers of problem gambling treatment services. All complaints should be treated in confidence. A regulator’s complaints-handling mechanism should be actively promoted within gambling venues, as part of the suite of harm minimisation information that is already required to be provided, and to staff through their responsible gambling training.

Establishing a new process within the office of gambling regulators to handle complaints should not pose significant added costs to venues, as the regulators would bear the costs of administering and providing information about the process. It would have an added benefit in that information from the complaints could be used to supplement regulators’ monitoring of venues’ compliance with mandatory harm minimisation measures.

Also, it would be desirable to have public reporting of the number and nature of complaints against a venue, and any action taken by the regulator. The venue that is the subject of a complaint should be named only where the complaint has been investigated and found to be substantiated by the regulator, and following the conclusion of any review or appeal process. Such transparency would help strengthen the incentive of venues to comply with harm minimisation measures.

RECOMMENDATION 12.1

Governments should enhance existing compliance and complaints-handling arrangements by:

- ***enabling their gambling regulators, or accredited compliance auditors, to regularly appraise gambling venues’ compliance with harm minimisation measures, both mandatory and voluntary, and publicly report their findings***

⁴ For example, the New South Wales Office of Liquor and Gaming Regulation, the ACT Gambling and Racing Commission, and the South Australian Office of the Liquor and Gambling Commissioner.

-
- *strengthening penalties and disciplines for serious breaches by venues of harm minimisation measures and ensuring their enforcement by gambling regulators*
 - *introducing and promoting a mechanism for gamblers and venue staff to make complaints to the relevant gambling regulator about venue conduct contributing to problem gambling*
 - *requiring their gambling regulators to publish annually the number and nature of complaints about a venue, the action taken and, where the complaint is substantiated, the name of the venue.*

Judicial redress

Redress for the ‘detriment’ consumers sustain from the purchase of goods or services is an important element of consumer policy. This may involve compensation or some other form of amends.

For gamblers, a potential avenue of redress for the harms they experience is through the courts.

Case histories

Within Australia, instances of litigation by gamblers or problem gamblers against the operators of gambling venues have been:

- *Preston v Star City Pty Ltd (1999 and later)*⁵
- *American Express International v Simon Famularo; Simon Famularo v Burst Pty Ltd (2001)*⁶
- *Reynolds v Katoomba RSL All Services Club Ltd (2001)*⁷
- *Foroughi v Star City Pty Ltd (2007)*⁸
- *Kakavas v Crown Ltd (2007)*⁹ and *Kakavas v Crown Melbourne Ltd & Ors (2009)*.¹⁰

⁵ There are a number of *Preston* cases. The ones considered here are [1999] NSWSC 459; [1999] NSWSC 1273; and [2005] NSWSC 1223.

⁶ District Court of New South Wales, McNaughton DCJ, unreported, 19 February 2001.

⁷ [2001] NSWCA 234.

⁸ [2007] FCA 1503.

⁹ [2007] VSC 526.

¹⁰ [2009] VSC 559.

Appendix H reviews these cases in more detail.

Of the above cases, the *Famularo*, *Reynolds* and *Foroughi* cases have involved final decisions. The *Preston* case has yet to be finally decided, although it has been subject to several ‘interlocutory decisions’ (that is, decisions made in the course of dealing with the case). As a result of the interlocutory decision in the *Kakavas* case in 2007, the plaintiff re-pleaded his case against Crown and two Crown employees. This new case was decided by the Supreme Court of Victoria in November 2009. The decision has since been appealed by Kakavas.

What is apparent from these cases is that Australian courts are still determining the application of existing legal principles in respect of the circumstances in which gamblers are able to seek redress from gambling venues. But from those few cases decided thus far — particularly, the *Kakavas* case — the courts have been clearly reluctant to assign responsibility to venues for the losses sustained by gambler patrons. There are strong parallels with cases involving actions by patrons against venues licensed to serve alcohol who have suffered damage associated with intoxication (appendix H).

The cases involved three possible causes of action that a gambler can take against a venue: common law negligence (and as part of that a breach of duty of care by the venue), breach of statutory duty, and unconscionable conduct.

Common law negligence

Several of the above cases involved a claim of common law negligence by the gambler against the venue, with the gambler asserting the existence of a duty of care by the venue to avoid foreseeable harm. It is apparent from those cases, particularly *Reynolds*, that Australian courts are unlikely to find the existence of a duty of care owed by venues to gamblers other than in ‘extraordinary circumstances’.

Notably, Chief Justice Spigelman in the *Reynolds* case said that a venue’s ‘knowledge’ of vulnerability of the problem gambler might be a factor in deciding whether a duty of care existed.¹¹ However, on the facts of that case, the venue’s knowledge of Reynolds being a problem gambler was considered insufficient to create a duty of care. Subsequent cases appeared to have played down the relevance of vulnerability in a negligence claim. (Vulnerability as it is relevant to special disadvantage or special disability is an aspect of unconscionable conduct — see later.)

¹¹ [2001] NSWCA 234 at [46]–[47].

Breach of statutory duty

As well as claims of common law negligence, several of the cases involved claims for a breach of statutory duty.

According to a guiding principle established in 1995 by the High Court of Australia, a cause of action for breach of statutory duty will generally arise where a statute:

... which imposes an obligation for the protection or benefit of a particular class of persons is, upon its proper construction, intended to provide a ground of civil liability when the breach of the obligation causes injury or damage of a kind which the statute was designed to afford protection. (*Byrne & Frew v Australian Airlines* (1995) 185 CLR 410 at 424, Brennan CJ, Dawson and Toohey, JJ)

However, the courts have seemed reluctant to recognise that gamblers had a private cause of action for a breach of statutory duty. The courts appeared not only to look to the relevant statutory provision claimed to be in breach, but to the intent and history of the entire statute — for example, *Preston* and *Foroughi*.

Unconscionable conduct

Another cause of action relied upon in some of the cases is unconscionable conduct under the *Trade Practices Act 1974*. In only one case, *Famularo*, has a gambler succeeded in taking action against the venue.

The Trade Practices Act (Part IVA) contains a general prohibition on unconscionable conduct, recognised as part of the law of equity of Australia (section 51AA). The Act also prohibits unconscionable conduct in consumer transactions (section 51AB) and business transactions (section 51AC). The Act sets out the factors that the courts may consider in determining if unconscionable conduct has taken place. In relation to consumer transactions (section 51AB), the factors include the relative strengths of the bargaining positions and whether any undue influence, pressure or unfair tactics were used.

There is no definition of the term ‘unconscionable’ in the Trade Practices Act. Its interpretation is based on a body of case law and principles. For example, in its 2008 report on the need, scope and content of a definition of unconscionable conduct under the Trade Practices Act, the Senate Standing Committee on Economics said:

The legal interpretation of the term [unconscionable] is based on a body of case law enunciated by the High Court and principles from the law of equity. The legal concept of unconscionability comes from equity’s idea of conduct which is contrary to what a properly informed conscience would say is right. (SSCE 2008, p. 1)

Relief under the law of equity on the basis of unconscionable conduct has traditionally been available where:

... one party to a transaction is at a special disadvantage in dealing with the other party because illness, ignorance, inexperience, impaired faculties, financial need or other circumstances affect his ability to conserve his own interests, and the other party unconscientiously takes advantage of the opportunity thus placed in his hands. (*Blomley v Ryan* (1956) CLR 362 at 415, per Kitto J)

Courts have found it difficult to define or circumscribe the concept of unconscionable conduct with any greater degree of specificity. As the Australian Government Treasury has said:

Any consideration of unconscionability will rest, in any particular case, on the idiosyncratic nature of the facts at issue and the subjective nature of their assessment. (2009, p. 2)

In relation to the cases above, it is apparent that, apart from the *Foroughi* case, the courts have been reluctant to make a finding of unconscionable conduct against venues. This was most evident in the *Kakavas* case (box 12.10).

There is currently a review by an expert panel commissioned by the Australian Government into whether there is a need to introduce into the Trade Practices Act a list of examples or a statement of principles as to what constitutes unconscionable conduct and, if so, what these might be (box 12.11). The panel is expected to report in February. This review presents a valuable opportunity to obtain further clarity on the circumstances in which unconscionable conduct might apply within a gambling context.

Self-responsibility

An important underlying factor explaining the position to date of Australian courts is the concept of self-responsibility — that gamblers are ultimately responsible for their own actions. This factor has also been evident in cases involving alcohol intoxication (appendix H).

In the *Kakavas* case, Harper J noted that, although equity is concerned to protect the vulnerable, persons must ordinarily be responsible for their own actions or inactions, stating:

The seeds of tyranny are to be found in the footsteps of those who profess to know more about what is good for the subjects of their attention than do the subjects themselves. [2009] VSC 559 [426]

Box 12.10 **The *Kakavas* case**

Kakavas was a 'high roller' who sued Crown to recover around \$30 million in gambling losses incurred at its casino. Kakavas had been subject to a voluntary exclusion order from 1995 and from 1998 he was prohibited from entering Crown premises by a withdrawal of licence by the casino. Crown accepted Kakavas back into the casino in June 2005, where he recommenced gambling until August 2006, resulting in substantial gambling losses. Kakavas claimed he suffered from 'pathological gambling' from July 2004 or thereabouts, and that Crown and the chief operating officer knew of this yet devised a scheme in late 2004 to lure him back to the casino. Kakavas claimed that he was provided with inducements including favourable betting arrangements, lines of credit of up to \$3.8 million (revised to \$4.5 million in the 2009 case), and boxes and bags of cash containing \$30 000 to \$50 000.

In the first case in 2007,¹² Kakavas' claimed negligence and unconscionable conduct by Crown. Harper J dismissed Kakavas' plea of a cause of action in negligence against Crown, but allowed him to re-plead his claim on the ground of unconscionable conduct.

In 2009, Kakavas subsequently re-pleaded his claim, based on unconscionable conduct against Crown (and the chief operating officer and the chief executive officer).¹³ But Harper J again rejected Kakavas' claim. He found no evidence of a plan to exploit Kakavas. He considered that Kakavas was in a strong bargaining position vis-à-vis Crown because of his ability to go elsewhere to gamble and his ability to self-exclude. He found Kakavas was able to negotiate very favourable terms for his visits to Crown, and was able to abstain from visiting the casino until his demands were met. The court found that the nature of high-stakes baccarat is such that very high wins and losses are common, so the loss of \$2.3 million in 28 minutes was not proof of a gambling problem. Indeed, on one occasion, Kakavas left the casino with \$10 million in winnings. Harper J found that the various inducements held out by Crown, including access to credit facilities, travel allowances and use of Crown's private jet, as well as food, accommodation and monetary gifts did not lure an unwilling Kakavas back to Crown. Rather, they were negotiated after Kakavas agreed to return and were comparable to benefits he was offered at casinos in Las Vegas and elsewhere.

Harper J criticised Crown's 'uncoordinated, unstructured and unsatisfactory' way of allowing excluded patrons back into the casino and also its failure to recognise the application of certain legislation to Kakavas which would have prevented him from gambling. But in the end, he said that Kakavas could not shift responsibility to Crown for his own decisions.

Kakavas subsequently appealed this decision to the Court of Appeal in the Supreme Court of Victoria.

¹² *Kakavas v Crown Ltd & Anor* [2007] VSC 526.

¹³ *Kakavas v Crown Melbourne Ltd & Ors* [2009] VSC 559.

Box 12.11 Two reviews of unconscionable conduct under the Trade Practices Act

In 2008, the Senate Standing Committee on Economics conducted an inquiry into the need, scope and content of a definition of unconscionable conduct under the Trade Practices Act in 2008. The inquiry arose out of a proposed amendment to section 51AC, which related to unconscionable conduct in business transactions.

Focusing on section 51AC, the Committee recommended (among other things) that the Australian Government hold an inquiry to consider the option of producing a list of clear examples that all parties agree constitute unconscionable conduct into the Trade Practices Act. As part of a national dialogue, a statement of principles should also be considered. Industry participants from the retail tenancy and franchising sectors (among others) should be engaged in the inquiry.

In response to this recommendation, the Australian Government established an expert panel in November 2009 to:

- inquire and report on the need to introduce in the Trade Practices Act a list of examples that constitute ‘unconscionable conduct’, or a statement of principles, in the efficacy and legal effects
- compile a list of examples or a statement of principles where the panel is satisfied that they would improve the effectiveness of Part IVA of Trade Practices Act.

Although the Committee in its recommendation had intended to clarify section 51AC, the expert panel’s remit appears broader, extending to all of Part IVA of the Act.

In addition to considering a list of examples or a statement of principles in the Trade Practice Act, the expert panel is also considering alternative approaches, including guidance from regulators (the ACCC and ASIC), regulators litigating test cases, and the introduction of codes of conduct targeted at problems identified in specific industries.

The expert panel was required to report by end of January 2010. The report as yet has not been made public.

Sources: SSCE (2008); Treasury (2009).

And later:

The limits of individual responsibility are more a question for the theologians and politicians than for judges. Nevertheless, the principles of law and equity should mark in tune with general community conceptions of those limits. That means ... that the law must require that, in the general case, men and women of full age and capacity cannot shift to an external party responsibility for what they do. Speaking generally, we should not be compelled to be our siblings’ keepers. Accordingly, the law must be very careful before it imposes on third parties a requirement to protect someone else from the consequences of the decisions of that other person. [2009] VSC 559 [437]

In relation to the facts of that case, Harper J found:

... Mr Kakavas wanted to return to the Melbourne Casino, and (with some fluctuations in his position) wanted to remain a patron thereafter. He took the relevant decisions. Crown did not dictate the outcome of his deliberations about those decisions. Of course it sought to influence them. But it did not have the power to have him do that which he in truth did not want to do. He now seeks to blame Crown for his own decisions; to place upon it responsibility for failing to do for him that which he failed to do for himself. But this is not something to which equity can accede. The responsibility was his. In the words of the [psychologist's] report: he knew how to self-exclude, and he would do it if that was his wish. [2009] VSC 559 [661]

In the *Reynolds* case, Spigelman CJ also acknowledged the trend in community sentiment about persons accepting responsibility for their own actions:

There have been changes over recent decades in the expectations within Australian society about persons accepting responsibility for their own actions. Such changes in social attitudes must be reflected in the identification of duty of care for purposes of the law of negligence. [2001] NSWCA 234 [26]

On the facts of that case, Spigelman CJ found:

It may well be that [Reynolds] found it difficult, even impossible, to control his urge to continue gambling beyond the point of prudence. However, there was nothing which prevented him staying away from the club. The suggested duty on the club to advise him to resign his membership emphasises the point. He could have resigned at any time. The requests to refuse to cash cheques when asked, did not shift his personal responsibility for his own actions to the club. [2001] NSWCA 234 [48]

Although the courts' attitude to self-responsibility in the cases above limits the scope for judicial redress for gamblers, this does not negate the need for effective regulation in addressing gambling harms — this is discussed in chapter 3.

Summing up

It is apparent from the case histories that the courts will generally not find in favour of a gambler, whether or not a problem gambler, suing a venue for negligence, breach of statutory duty or unconscionable conduct, other than in a prescribed and narrow set of circumstances. An important factor is the courts' view, in keeping with community sentiment, that people must take responsibility for their own actions and that this extends to problem gamblers. Moreover, given the expense and time involved in litigation, very few gamblers would be in a position to take action against gambling venues in the first place. Consequently, it is very unlikely that the threat of litigation will provide sufficient incentives to venues to introduce voluntarily measures that address gambling risks to their patrons.

A statutory cause of action?

In the draft report, the Commission concluded that governments needed at least to enhance gamblers' capacity to obtain judicial redress against gambling providers that behaved in an 'egregious' manner. It suggested that this could involve a new statutory cause of action to apply in circumstances where a venue-based provider has behaved in specified ways that would clearly contribute to harms, such as where:

- the venue failed to respond to repeated requests by a patron to take specific actions to prevent the patron from gambling at the venue
- the venue offered alcohol to a patron showing signs of being intoxicated whilst gambling
- the venue assisted a self-excluded patrons to breach or revoke the self-exclusion order in order to gamble in the venue.¹⁴

As noted by participants, there are several arguments for and against a new statutory cause of action (box 12.12 and box 12.13).

As evident from the cases so far litigated, the process of courts identifying and refining all the circumstances under which gamblers are able to seek redress using traditional causes of action is likely to involve lengthy periods of legal uncertainty. In the meantime, gamblers would be left without compensation that might otherwise be warranted.

However, there would be some obstacles in providing a new avenue of redress for gamblers.

Firstly, there would be difficulties in defining 'egregious behaviours' and distinguishing them from unconscionable conduct. Identifying the circumstances where redress would be available under a statutory cause of action may well duplicate or overlap with this traditional cause of action.

Second, even were it possible to draft the elements of a new statutory cause of action so as to reduce the challenges associated with traditional avenues of redress, such as in relation to the calculation of damages, gamblers would be required to elicit evidence that the venue behaved egregiously. It is thus not clear that a statutory cause of action would be less costly or less difficult for gamblers to use than traditional causes of action.

¹⁴ The Public Interest Advocacy Centre provided details in its submission on how a new statutory cause of action could be formulated (sub. DR389, pp. 13–16).

Third, a new statutory cause of action would create a special avenue of redress for a class of consumer that is not currently available to other consumers.

In light of these difficulties, the Commission considers that it would be preferable for governments to pursue the alternative of enhancing compliance and complaints-handling arrangements, particularly strengthening penalties and disciplines for serious breaches (recommendation 12.1). Although these alternative measures would not give gamblers redress, they would improve incentives for venues to effectively implement and apply harm minimisation requirements.

If such alternative measures either were not implemented or failed to deter egregious venue behaviour, a statutory cause of action could be given further consideration in the future.

Box 12.12 Participants' views in favour a statutory cause of action

Traditional avenues of redress are inadequate

... there is a void in the law in respect of providing adequate protection for individuals in cases where a gambling provider has acted unconscionably or negligently. In Australia, courts seem to be heavily influenced by notions of free will and autonomy and are extremely reluctant to impose any liability on a gambling provider for losses suffered by a consumer. ...

... courts appear to have failed to fully grasp the nature and consequences of problem gambling. In comparison to other addictions, even while acknowledging that consumer suffers from problem gambling, Australian courts continue to insist that ultimately consumers can restrain themselves from gambling ... (Public Interest Advocacy Centre, sub. DR389, pp 6, 8)

[The *Kakavas*] decision reinforces the view ... that a statutory cause of action is required. ... Notwithstanding all [the] evidence of illegality and inducements, Judge Harper considered that *Kakavas* was able to exercise control and Crown did not unconscientiously exploit his gambling addiction. (UnitingCare Australia, sub. DR387, p. 13)

A need to protect vulnerable consumers

The lack of adequate protection for consumers is particularly serious when one bears in mind that there are a number of groups that are particularly likely to become problem gamblers including Indigenous Australians, young people, people with intellectual or physical disability and low-income earners. ... the rates of problem gambling amongst these groups is high and particularly concerning given their vulnerability. (Public Interest Advocacy Centre, sub. DR389, p. 8)

More certainty and consistency

... the introduction of a statutory cause of action would provide greater certainty and uniformity by clarifying the rights and responsibilities of all the parties. In so doing, it would not only provide consumers with better protection but would also assist gambling venues and other gambling service providers to understand the scope of their obligations, allowing them to predict whether or not their conduct would give rise to legal liability and allowing them to put in place adequate procedures to minimise the risk of a breach. (Public Interest Advocacy Centre, sub. DR389, p. 6)

Box 12.13 Participants' views against a statutory cause of action

Traditional avenues of redress are adequate

... not only are disputes between gamblers and venues often resolved without the need to seek judicial redress, but there have been examples of gamblers succeeding against venues (*Famularo* is an example of a successful claim being brought).

... the case law is indicative that gambling venue operators have not breached their duties and responsibilities to gamblers and this is in fact why few cases, which have been brought, have been successful. (Australasian Casino Association, sub. DR365, p. 22)

The common law contains sensible, well-understood and well-worked safeguards including burden of proof, causation and remoteness tests. (Australasian Casino Association, sub. DR365, p. 23)

Overlaps with existing legislation

It is difficult to justify the imposition of an additional statutory regime [to that of the Trade Practices Act] to apply only to gambling consumers. Any such regime has the obvious risks of duplicating and/or confusing a well entrenched and long serving body of consumer protection legislation which is available for all consumers including gamblers ... (Australasian Casino Association, sub. DR365, p. 22)

The specific examples of egregious behaviour proffered by the Commission only illustrate the overlap with existing regulation, and how the proposed changes would be both unnecessary and unworkable in practice. (Clubs Australia, sub. DR359, p. 58)

Creates moral hazards

... an additional avenue of redress might encourage some gamblers to engage in extreme betting practices, in the hope or expectation that any eventual losses would be reimbursed following legal action. (Clubs Australia, sub. DR359, p. 54)

Encourages a lack of self-responsibility

By treating gamblers differently to other consumers and giving them a new, specific and easier cause of action, this runs the risk that gamblers will not recognise that the problem is theirs and they will not take responsibility and commit to dealing with the problem. (Australasian Casino Association, sub. DR365, p. 22)

Practical difficulties with implementation

a. The damage suffered by a problem gamer is not over a short period of time, and in particular does not occur as a result of a single identifiable incident which is the case in relation to the consumption of alcohol.

b. Problem gamers are likely to game in many different venues. It may well be that a number of those venues complied with all the appropriate standards in relation to the conduct of the venue, yet they would be joined as one of a large number of defendants to any statutory cause of action. The allocation of responsibility, if any between the parties would raise very considerable forensic difficulties particularly in relation to the apportionment of liability. ...

c. There would also be practicable difficulties in the ability for the venue operator to defend a claim that a gamer attended the premises and that various incidents took place would be difficult on a practical level particularly in relation to a hotel where there is no record kept of a person's attendance. (RSL (Vic Branch), sub. DR368, p. 6–7)

Better alternatives exist

If there is a desire to provide some compensation to problem gamers, it is submitted ... that the bodies in charge of gaming in each State ... be in a position as part of the disciplinary proceedings to impose a financial penalty on a venue for breaches ... That part of the penalty if persons can be identified could be paid to persons who have been affected by the flagrant breaches of the Code by the venue. (RSL (Vic Branch), sub. DR368, p. 7)

12.4 Staff training in harm minimisation

Venue staff are usually the first point of contact for gamblers experiencing problems who seek assistance. As BetSafe said:

Problem gamblers spend a lot of time gambling and may get to know staff quite well. They see staff as being non-judgmental and worthy of trust. There is frequent interaction between gamblers and staff. At the point when gamblers realise they have a problem and decide to take steps to address that problem, they usually disclose the gambling problem and seek help from a staff member where they gamble. That staff member may be a gaming staff member, barperson, or security staff. (sub. 93, p. 6)

All jurisdictions now have mandatory and voluntary requirements for staff training in ‘responsible gambling’ (for example, box 12.14 in relation to New South Wales training requirements for hotel and club staff). The Queensland Government introduced mandatory requirements for the training of employees in clubs and hotels who are directly involved in the delivery of gaming services (sub. 234, p. 8; sub. 235, p. 14).

Box 12.14 New South Wales responsible conduct of gambling training for club and hotel staff

New South Wales gaming machine legislation requires all registered club secretaries, hotel licensees, and club and hotel staff working in gaming-related areas to undertake a six-hour training course in the responsible conduct of gambling.

The training course was developed by TAFE New South Wales with the assistance of the Office of Liquor, Gaming and Racing, ClubsNSW, the Australian Hotels Association (NSW) and welfare agencies. It was approved by the New South Wales Vocational Education & Training Accreditation Board and by the Casino, Liquor and Gaming Control Authority (the Authority) in July 2000.

The course seeks to give participants the skills and knowledge to provide responsible gambling services, identify the impact of problem gambling, and to provide information to customers who require assistance with their gambling.

The course is to be reviewed, with the review considering a range of issues including the need for refresher training and the identification of problem gamblers, which follows on from the 2007 report by Delfabbro et al. for Gambling Research Australia.

The course is conducted by registered training organisations including TAFE New South Wales Institutes and the Open Training and Education Network, with trainers approved by the Authority.

Source: New South Wales Government (sub. 247, p. 62).

Coexisting with mandatory requirements are voluntary requirements for staff training within responsible gambling codes of practice and programs. The focus of these requirements is, in general terms, for staff training to provide a ‘greater understanding of consumer behaviours, knowledge of the indicators of problem gambling and sources of available assistance for problem gamblers’ (Australasian Gaming Council, sub. 230, p. 46).

Operating alongside mandatory and voluntary training requirements are accredited training programs in responsible gambling throughout Australia, which provide knowledge and skills for staff to ‘support responsible gambling and respond appropriately to those who are experiencing difficulties with their gambling’ (Australasian Gaming Council, sub. 230, p. 48). For example:

- In New South Wales, ClubSafe and in the ACT, ClubCare offer responsible gaming training to club staff.
- The Australian Hotels Association (NSW) provides training for hotel staff in the responsible conduct of gambling.
- In Queensland, there are responsible service of gaming training programs for hotels, clubs and casinos (Australasian Gaming Council, sub. 230, p. 49).

Many of the programs were developed by a collaboration of industry groups, registered training providers and community support services, with some of the programs exceeding the training standards set out in mandatory requirements.

There is survey evidence of the value placed by gamblers on staff training in responsible gambling, although this does not rate as highly in a broader suite of harm minimisation measures. For example:

- Hing (2003) in her two surveys of members of 10 Sydney clubs (involving a total of around 950 respondents), found that respondents rated the measure of responsible gambling training of club staff as fourth of 13 listed responsible gambling measures (p. 78).
- Caraniche (2005) in a survey of 418 players of gaming machines in Victoria found that 58 per cent reported that gaming venue staff trained in responsible gaming practices would be an effective measure (table 5.70). But compared with a broader suite of ideas about what venues should be doing to encourage responsible gambling, the players gave training a relatively low rating (table 5.41). A greater proportion of the 297 venue managers (87 per cent) reported that staff training would be an effective measure (table 6.56).
- In a national survey of gambler pre-commitment behaviour, McDonnell-Phillips (2006) found that, of 65 unprompted ideas about ways to help gamblers to keep

to limits, 4 per cent of 482 regular gamblers nominated training staff on monitoring/awareness of problem gambling (around 17th on the list) (p. 279).

Some participants commented on the adequacy of existing staff training requirements in regulation. BetSafe expressed the following concerns in relation to New South Wales requirements:

Governments need to consider the effectiveness of the mandatory elements of responsible gambling regulation. For example, in NSW gaming machine venue staff are required to attend a 6 hour responsible conduct of gambling course. The current course is out of date and provides little guidance for gaming venue staff on how to provide assistance to problem gamblers who may seek help. The content of the mandatory course is poorly conceived and of limited effect, focusing on legal compliance issues with little content in how best to help the gambling consumer and those seeking help. This is recognised by industry, government and the gaming staff who undertake the course, but to date there has not been an improved version. Gaming staff who work for BetSafe clubs undertake the mandatory course and in addition undertake BetSafe's shorter but more effective training courses, which are relevant to the key issue of providing help for problem gamblers. (sub. 93, p. 5)

Clubs Australia also called for the Australian Government to make Responsible Conduct of Gambling training — along the lines of the ClubSafe program or the Responsible Gambling Code of Practice in Queensland — mandatory for all frontline staff. This would include not only staff in land-based venues but also staff of internet and other new gambling providers (sub. 164, p. 38).

As noted next in section 12.5, some participants also considered that enhanced staff training in the identification of problematic player behaviours and appropriate interventions was warranted.

There is a reasonable case for governments to mandate training for staff who work regularly with gamblers or who work primarily on the gaming floor of a venue. The interaction of these staff with gamblers is an important element of harm minimisation. Such staff are likely to be more effective in assisting gamblers, and problem gamblers, if they received appropriate training and in knowing their responsibilities as set out in industry self-regulation and regulation.

As noted in section 12.5, the Commission recommends additional staff training in the identification of problematic player behaviours and appropriate interventions, and training that provides staff with knowledge of where they could go if they had concerns about a venue.

However, governments should not be overly prescriptive as to what is required of staff training. It is sufficient that regulation set out broad criteria as to course

content, including providing an understanding of staff responsibilities under regulation, and as to who should be accredited to provide the courses.

12.5 Problematic player behaviour identification and intervention

Some commentators have investigated the scope for venue staff to take an active role in identifying problematic player behaviour within venues, and intervening before harms occur. In setting out the rationale for their study on the identification of problem gamblers in venues, Delfabbro et al. said:

Rather than assuming that venue staff should wait until problem gamblers identified themselves by approaching venue staff for assistance (as is the common practice in many venues around Australia), the aim [of the project] is to consider whether it is feasible for staff to play a greater role in intercepting those patrons needing assistance. Such early interventions could potentially enhance existing harm minimisation strategies such as exclusion schemes ... or be used more proactively in referral arrangements involving industry links with counselling services. (2007, p. 23)

Apart from the ACT, no jurisdiction has legislative requirements for venues to be ‘proactive’ in the identification of problematic player behaviours. Several jurisdictions have mandatory requirements providing for venues to record problem gambling incidents and actions in providing assistance to gamblers with problems, or providing for venues to train staff in identification and intervention strategies.

For example, in the ACT, there are mandatory requirements under the Gambling and Racing Control (Code of Practice) Regulation 2002 imposed on gambling venues to record ‘problem gambling incidents’ (including details of anyone on the gaming floor showing signs of having a gambling problem and the action taken) and to have a gambling contact officer. The gambling contact officer, among other things, is required to give anyone who is the subject of a report of problem gambling help in obtaining information about counselling. The Regulation also sets out examples of the signs that a person with a gambling problem may exhibit — such as admitting being unable to stop gambling and having a disagreement with a family member or friend about the person’s gambling behaviour.

In South Australia, the mandatory Responsible Gambling Code of Practice applying to gaming machine venues,¹⁵ includes requirements that a venue prepare a document detailing the manner in which staff training and measures for intervention with problem gamblers are implemented; and ensure that gaming employees and

¹⁵ The wording in other South Australian mandatory Responsible Gambling Codes of Practice (for example, applying to providers of lotteries and the casino) is similar.

managers receive training related to identification and/or intervention. Further, in order to be exempted from certain measures within the Code a venue must have an agreement with an ‘industry responsible gambling agency’, which (among other things) aims to assist venues with the identification and provision of support for problem gamblers. (Australian Hotels Association (SA) (trans., p. 352) noted this has effectively led to greater pro-activity by South Australian venues)

In the Northern Territory, the mandatory Code of Practice for Responsible Gambling merely requires gambling venues to maintain an incident register, which includes recording of actions taken by staff to assist people with a gambling problem.

In contrast to these Australian examples, some countries such as New Zealand, the United Kingdom and Switzerland, have mandatory requirements for more ‘proactive’ identification and intervention in venues (box 12.15). Switzerland is considered to have the most ‘comprehensive and strictly enforced’ requirements for problematic player behaviour identification and intervention in casinos (Delfabbro et al. 2007, p. 10)

Box 12.15 International examples

The New Zealand *Gambling Act 2003* requires gambling providers to develop a policy for identifying problem gamblers and to ‘take all reasonable steps’ to implement the policy to identify actual or potential problem gamblers (section 308).

The UK Licence Conditions and Codes of Practice (section 2.1) under the *Gambling ACT 2005* imposes a ‘social responsibility code provision’ on licensees, which among other things, requires licensees’ policies and procedures for socially responsible gambling to include a ‘commitment to and how they will contribute to the identification and treatment of problem gamblers’.

The Swiss *Federal Law on Games of Chance and Casinos 2000* requires casinos as one of their licensing conditions to actively participate in the identification and prevention of problem gambling as well as to contribute to support services designed for identification and assistance to those involved in excessive gambling (articles 27 and 28).

Source: Hancock et al. (2008, p. 66).

There is some survey evidence to support the view that gaming venues and staff should be more proactive in intervening to assist gamblers exhibiting problematic player behaviours. Caraniche (2005) found that gaming machine players in Victoria rated ‘more attention by staff’ (for example, by contacting family or asking gamblers to leave the venue when they have spent too much time or money or if they have had a win) as the second most popular of 19 ideas for what venues should

do to encourage responsible gambling (table 5.41). New Focus Research (2004) found that 64 per cent of 116 self-identified problem gamblers reported that having venue staff intervene to stop someone gambling to excess would be effective (p. 46), although rating this well below various other initiatives (p. 48).

During the Commission's 1999 inquiry, most participants expressed opposition to the idea of problem gambler identification and intervention in venues. There appears to be less opposition now (box 12.16). However, there are continuing concerns from participants in the gambling industry, who see practical difficulties with proactive identification and intervention, particularly where it might involve 'diagnosing' problem gambling.

The visual cues and behaviours associated with identifying problem gamblers within gambling venues have been the subject of a number of studies (for example, Hancock et al. 2008 contains a list). Notable among these are studies by Allcock et al. (2002) and by Delfabbro et al. (2007).

Allcock et al. (2002) were commissioned by then Australian Gaming Council to develop appropriate staff training. Psychologists and practitioners in the field gave their views on how to identify and handle people with gambling problems in a venue. Allcock concluded that staff should not 'diagnose' problem gamblers as 'they are not qualified, nor is it appropriate for them to do so'. But Allcock listed some behaviours that may be indicators of possible harm, and suggested that staff awareness in this area may be used to direct assistance in the form of information and referral. The four most frequent behaviours listed were:

- repeated visits to an ATM, borrowing on site, and trying to cash cheques
- 'disorderly behaviour' or 'signs of agitation' such as crying, holding their heads in their hands and loudly criticising the machines
- family enquiries about a gambler
- long playing sessions, 'certainly' five to six hours or more, and linked to a number of number of sessions per week.

In the more recent study by Delfabbro et al. (2007), prepared for Gambling Research Australia, various possible visible indicators of problem gamblers within venues were examined. Based on surveys of 125 venue staff, 680 regular gamblers (for whom the CPGI was applied to assess their problem gambling risk profiles) and 15 counsellors as well as venue-based observations, Delfabbro et al. concluded among other things that:

... the identification of problem gamblers within venues is certainly theoretically possible, and that there are a number of visible indicators that can be used to differentiate problem players *in situ* from others who gamble. (2007, p. 18)

Box 12.16 Participants' views on identification and intervention

ACT Council of Social Service

[The ACT mandatory code of practice] was then considered among the most progressive in the country because of its emphasis on pro-active identification of potential problem gamblers by gaming machine venues. What is not clear, however, is the extent to which the code has been pro-actively implemented by ACT gaming machine venues. (sub. 176, p. 5)

Senator Xenophon

The adequacy of training of venue staff to identify problem gamblers needs to be addressed and the mandating of the use of the software programs [that permit player tracking] would be a significant step forward. (sub. 99, p. 11)

The Victorian InterChurch Gambling Taskforce

In ... Switzerland, gambling venue staff are trained in appropriate interventions to assist people when they are showing signs that they are highly likely to have a gambling problem. Such a requirement for training and intervention should be introduced in Australian jurisdictions. (sub. 220, p. 21)

Australian Hotels Association (SA) on industry responsible gambling agency arrangements said

What is now starting to happen ... is that, because staff are in fact more alert to the sorts of [problem gambling] issues because of their training, they are more inclined to ... either call Gaming Care or an agency direct and invite them to come and assist. ... because staff now have the confidence and knowledge that if they run into a problem, Gaming Care will come and assist and actually do the intervention with them, or the agency will come in. (trans., p. 352)

Clubs Australia

[problem gambler identification] remains a particularly vexed area as unlike excessive alcohol consumption, which exhibits a number of identifiable characteristics, a venue employee will find positive identification of a person betting beyond their means a much more problematic area in which to intervene.

Professionals in the field of problem gambling are undecided about how to identify a problem gambler. While some research has identified some key indicators, the majority of experts do not accept that staff should approach patrons based on these indicators [reference to Allcock et al. 2002].

Many of these signs must be interpreted in the context of the presence of possible non-gambling related stresses that an individual may be experiencing and displaying in a gambling venue, the level of available disposable income that can be spent on gaming without causing problems, alternative leisure pursuits, and so on. ...

... There are many potential problems in requiring venues to identify problem gamblers. These include questions of liability if the venue fails to identify someone or offending members by questioning their financial position.

It is always better if the player makes the first approach. (sub. 164, p. 220)

The Australasian Gaming Council

... has long advocated training in staff awareness of the visible signs that an individual may be experiencing difficulties with their gambling and have welcomed the insight of the detailed work in this field by Delfabbro et al. ...

...emphasises that the research base for identification of problem gamblers in the gaming venue states to a theoretical possibility of identification — not surety — and certainly not surety of a type that could warrant action for failure [to identify and intervene]. (sub. DR377, p. 28)

Notably, from their regular gamblers' survey, Delfabbro et al. (2007, p. 6) found that indicators fell into two different categories:

- Behaviours that were very rarely observed in the general gambling population — for example, trying to disguise one's presence from others who come to the venue or trying to borrow from other patrons. The study found that such behaviours were the 'potential hallmarks of problem gambling and should be treated as important' by venue staff.
- Behaviours that could be observed in a range of gamblers, but that are more frequently observed in problem gamblers — for example, playing very fast or playing for three or more hours. The study found that these behaviours were less indicative on their own (for example, gambling for long periods), but may come to have greater significance if observed with other behaviours (for example, multiple trips to ATMs).

Using the collective findings from their surveys and venue-based observations, Delfabbro et al. compiled a final list of 50 validated indicators of problem gambling 'that might be usefully included in staff training' (2007, p. 285–7). Box 12.17 includes a selected list of the most highly probabilistic indicators. Some of these indicators reflect some but not all the elements of problem gambling screens such as the SOGS and CPGI — for example, the visible indicator of a gambler asking venue staff to not let other people know that he is there correlates with the SOGS item associated with hiding signs of gambling from spouse, partner, children or other important people.

Although it was not the purpose of the study, Delfabbro et al. made some specific suggestions to enhance identification and intervention in respect of problematic player behaviour in venues.

- Staff should be given more extensive training into the nature of gambling and the range of visible behaviours that might be observed. The findings in this study could be usefully included in this training.
- Staff require greater specific training relating to interactions with patrons, e.g., how to approach gamblers, anger management, conflict resolution and counselling.
- Expenditure and machine usage data might be more effectively tracked within venues so as to obtain objective information concerning player expenditure and time on machines. (2007, p. 20)

Some gambling venues have also developed their own list of indicators of problem gambling behaviours. For example, Burswood Casino requires its staff to report any of six 'easy-to-remember' indicators where they observe them — box 12.18.

Box 12.17 Selected list of visible indicators of problem gamblers in venues in Delfabbro et al. (2007)¹⁶

Asks for loan or credit from venues (16.0)

Cries after losing a lot of money (11.6)

Seen to be shaking (while gambling) (10.0)

Asked venue staff to not let other people know that they are there (8.0)

Sweats a lot (while gambling) (8.0)

Vocally displays anger (for example, swears to themselves, grunts) (6.1)

Kicks or violently strikes machines with fists (5.8)

Sits with head in hands after losing (5.7)

Has friends or relatives call or arrive at the venue asking if the person is still there (5.3)

Finds it difficult to stop gambling at closing time (5.3)

Borrows money from other people at venues (4.9)

Gambles right through usual lunch break or dinner time (4.4)

Looks nervous/edgy (for example, leg switching, bites lip continuously) (4.4)

Source: Delfabbro et al. (2007, pp. 185–7; 285–7).

Box 12.18 Burswood Casino's list of problem gambling indicators

Burswood Casino requires its staff to report any of the following indicators of problem gambling whenever they observe them:

1. body odour
2. excessive time playing
3. aggression towards dealers
4. multiple visits to ATMs
5. unattended children
6. sleeping in gaming areas.

The Commission considers that there is now scope for more active identification of problematic player behaviours and appropriate interventions by venues than was considered previously possible by Allcock et al. (2002). This need not involve a

¹⁶ Estimated relative probability of the observed behaviour occurring in a problem gambler in brackets. Thus, for example, a gambler that asks for a loan or credit from venues is 16 times more likely to be observed in problem gamblers than other gamblers.

‘medical diagnosis’ by staff of gamblers as problem gamblers. However, appropriate and discrete interventions on the basis of a short list of well-established indicators of common problem gambling behaviours should be feasible, and even desirable for the venue (in order to maintain general patron safety and amenity). For example, such a list could comprise the following — the patron:

- gambles for five or more hours without a break
- asks venue staff to not let other people know that they are there
- has friends or relatives call or arrive at the venue asking if the person is still there
- asks for a loan or credit
- exhibits behavioural features while gambling such as shaking, becoming abusive, striking a machine, or crying.

However, even with such a list of problem gambling indicators, there are several major difficulties and drawbacks for venues with problem player behaviour identification and intervention.

- Notwithstanding training, staff may find intervention too hard — they may see it as confrontational or fear the reactions of patrons.
- Even well-trained staff will inevitably make a mistake and wrongly identify a person as a problem gambler, risking giving offence.¹⁷
- Once approached by venue staff, a gambler might simply leave the venue and go to another.
- Venues could be exposed to litigation by vexatious or opportunistic gamblers who lose money gambling and then claim that the venue failed to intervene when there were apparent indicators of a problem.
- Mere regulation is not sufficient for transforming a venue culture from one that is reactive — based on responding to situations where a gambler self-reports and approaches staff for assistance — into one that is proactive.

¹⁷ That gamblers may react badly to being approached by venue staff appeared to be consistent with findings by Schottler Consulting (2009a) from its survey of 1000 Victorian gaming machine players. When asked how their play would be affected if venues ‘sensitively’ approached any player they ‘suspect’ may be experiencing a problem with their gambling, Schottler Consulting found that 58 per cent of problem gamblers (CPGI), 41 per cent of moderate risk gamblers, 29 per cent of low risk gamblers and 17 per cent of non-problem gamblers reported decreased enjoyment (p. 69). Significant proportions of all groups of gamblers also reported decreases in money spent, session length and play frequency.

For these reasons, the Commission does not support a general mandatory requirement for venue-based problematic player behaviour identification and intervention. However, two specific measures should be introduced by governments to assist with problem player behaviour identification and intervention within venues.

- Firstly, gambling regulators should prepare guidelines for venues as to visual cues or behaviours for identifying gamblers potentially at risk of problems in the venue, and as to appropriate intervention strategies. The guidelines should incorporate well-established indicators of problem gambling behaviours.
- Secondly, regulation requiring all venues to conduct responsible gambling staff training should specify that training occur in the guidelines, and in the processes for lodging complaints about a venue. Many larger venues, including the casinos, would already meet this training standard. Training in problematic player behaviour identification and intervention would provide staff with the necessary skills and confidence to approach potential problem gamblers. Training in complaints processes would provide staff with ability to make their concerns known where they felt unable to directly approach potential problem gamblers due to lack of encouragement by venue management, or where they had concerns that a venue was not taking appropriate actions after being alerted by them to potential problem gamblers.

As proposed by the Commission in recommendation 12.1, gambling regulators should have a mechanism for handling complaints from venue staff about a venue — this mechanism should also encompass complaints about identification and intervention practices in a venue.

RECOMMENDATION 12.2

Governments should enhance existing training requirements by:

- ***preparing guidelines, including a short list of commonly agreed indicators of problem gambling, to help venue staff identify and, where appropriate, respond to problematic player behaviours***
- ***requiring gambling venues to provide staff training on these guidelines and on the process for lodging complaints about a venue.***

The Commission notes that visual identification of problematic player behaviours could be corroborated by venues monitoring data on expenditure and machine usage from a venue's player loyalty scheme and central monitoring system, or by using a 'player tracking system'. Whether or not this should be required under government regulation is discussed in chapter 10 on pre-commitment.

12.6 Inducements to gamble

Many gambling venues offer inducements to their patrons. These may include free food, alcohol, drinks, transport, tickets to shows, and product give-aways. Other inducements may be specifically linked to gambling, such as gifts awarded when gamblers reach a certain number of points on their loyalty cards, or jackpot nights where the first person who obtains a certain number of points on their loyalty card receives a cash prize or raffle tickets, or coupons that can be converted into credits on gaming machines (Delfabbro 2008b, p. 146).

A few jurisdictions have mandatory restrictions on venues offering inducements to gamble (table 12.1). For example, in New South Wales, gaming machine venues are prohibited from offering free or discounted liquor, or free credits, as inducements for people to play gaming machines. Action may also be taken against a club or hotel that offers individual promotions or inducements that offend general responsible gambling practices, with a general prohibition on venues engaging in conduct that has encouraged, or is likely to encourage, the misuse and abuse of gambling activities in the hotel or club. (New South Wales Government, sub. 247, p. 34).

Table 12.1 Regulatory bans on inducements

<i>Measure</i>	
NSW	Hotels and clubs prohibited from offering free or discounted alcohol or free credits as inducements. Action may be taken against hotels and clubs for offering individual inducements that 'offend' general responsible gambling practices.
Vic	No ban on inducements.
Qld	No ban on inducements.
SA	Inducements banned.
WA	No ban on inducements in the casino.
Tas	Restricts inducements that may lead to problem gambling behaviour such as free food, drinks or games. ¹⁸
ACT	Permits licensees to offer inducements, but with restrictions. Licensees must not offer inducements that include free or discounted alcohol, cash, or discounted gambling (unless the discounted gambling is offered to all patrons as part of the venues' regular prize schedule).
NT	Gambling-related inducements banned.

Sources: ACT Gambling and Racing Commission (2009a); FaHCSIA (2009b); New South Wales Government (sub. 247).

The evidence that inducements increased problem gambling is mixed.

¹⁸ A new mandatory code of practice is being developed that will include provisions prohibiting the serving of food and drinks in gaming areas from 9 pm to close of business and restricting inducements that will lead to problem gambling.

-
- Delfabbro and Panozza (2004, cited in Delfabbro 2008b, p. 147) found that, based on focus group data collected from problem gamblers in South Australia, most did not consider the schemes to be a major cause of their excessive gambling. However, some continued to gamble in order to obtain prizes and win something back from the venue under player loyalty schemes.
 - New Focus Research (2004) found that 60 per cent of 117 self-identified problem gamblers in Victoria reported that ‘reducing incentives to go to the venues’ (such as cheap food and free bus) would be an effective minimisation initiative (p. 46). However, within a broader suite of initiatives, they rated reducing incentives quite low (p. 49).
 - Caraniche found that 35 per cent of 418 gaming machine players and 17 per cent of 297 venue managers in Victoria reported that not offering free food and beverages to players would be an effective problem gambling measure (2005, tables 5.71 and 6.59).
 - In its national survey of gambler pre-commitment behaviour, McDonnell-Phillips (2006) found that, of 65 unprompted ideas about helping gamblers keep to limits, 3 per cent of 482 regular gamblers nominated stopping ‘freebies’ for more gambling (21st on the list) (p. 279).
 - The Australian Institute for Primary Care (2006, cited in Delfabbro 2008b, p. 147) found that problem gamblers did not feel that incentives had contributed to their problems, but some saw player loyalty schemes as ways in which their time in the venue was extended.
 - From its survey of 1000 Victorian gaming machine players, Schottler Consulting (2009a, p. 67) found that ‘not being able to drink alcohol at all while playing pokies’ decreased the enjoyment, money spent, session length and play frequency for significant proportions of players across the different CPGI risk groups. Furthermore, 39 per cent of non-problem gamblers reported reduced enjoyment if there were not able to drink alcohol whilst gambling.

It is important to distinguish between the different types of inducements offered by venues. Inducements that are part of the general promotion and marketing of venues to increase their patronage are likely to have broad recreational appeal. To restrict them would reduce the enjoyment of venue patrons. However, those inducements that are likely to lead to problem gambling, or exacerbate existing problems, are very difficult to justify and should be prohibited.

- Offering *free* alcohol to patrons who are gambling (or in the gaming room) is likely to diminish their capacity to make informed decisions about their gambling.

-
- Making gaming machine credits or cash available only if the gambler plays at a high intensity or level of expenditure is likely to exacerbate losses.

However, it is not clear cut whether offering free food or drinks to those gambling fall within the class of inducements that should be prohibited.

- On the one hand, offering food or drinks may inhibit gamblers taking a break away from the gaming machine. Several prevalence surveys (SACES 2008b, p. 40; Office for Problem Gambling 2006, pp. 167–8; Centre for Gambling Research 2004a, p. 69) found that eating and drinking are important natural sources of breaks in play for patrons.
- On the other hand, offering food and drinks may provide venue staff with an opportunity to monitor gamblers as well as be beneficial in other ways. As the Community Clubs Association of Victoria noted:

Staff members roaming gaming areas with complimentary food, offering tea and coffee, provide an opportunity to customers for a break in play and interaction with that staff member. ... Providing food ...[can also help] customer/s avoid disorientation of time and space through becoming fixed on the gaming machine. (sub. DR366, p. 12)

RECOMMENDATION 12.3

Governments should prohibit venues from offering inducements that are likely to lead to problem gambling, or are likely to exacerbate existing problems, including offering free alcohol to a patron who is gambling.

As in New South Wales and the ACT, governments should complement a general prohibition on inducements with an inclusive list of examples of specific inducements. This list could be added to over time.

Several participants expressed concern about the provision of free credit or bets for online gambling (for example, Australian Hotels Association, sub. 175; BetSafe, sub. 93; UnitingCare Australia, sub. 238; Clubs Australia, sub. DR359). This is covered in chapter 15 on online gaming and the Interactive Gambling Act.

12.7 ‘Reality checks’

All jurisdictions have introduced mandatory or voluntary measures relating to clocks and lighting in venues. Indeed, incorporating wall clocks and adequate lighting in venues are among the national responsible gambling principles agreed to by the Ministerial Council on Gambling in July 2009 (MCG 2009b).

The rationale underpinning these requirements is primarily to provide gamblers with ‘environmental cues’ to help them ‘re-establish a sense or reality’ (Delfabbro

2008b, p. 150). For example, the Regulatory Impact Statement accompanying the Victorian Gambling Regulations 2005 noted that the rationale for lighting requirements and external views was to provide gamblers with a ‘sense of connection with the environment outside gaming venues, and to people and things inside gambling venues other than gaming machines’ (Department of Justice (Victoria) 2005). And the Queensland Responsible Gambling Code of Practice referred to the need to make gamblers ‘aware of the passage of time’. Another lesser rationale, chiefly associated with lighting requirements, is to enable gamblers and other patrons to read consumer information and signage (MCG 2009b).

Several studies have provided survey evidence of support by gamblers for such ‘reality checks’ as effective harm minimisation measures — for example, Caraniche (2005, tables 5.54 and 5.60); Hing (2003, p. 76); New Focus Research (2004, pp. 43, 47).

But as Delfabbro noted, there have been no studies of the measures that have involved objective assessments of behavioural changes in gamblers (2008a, p. 139). He noted that an important reason for the lack of such studies is that:

... it is very difficult to ascertain the specific effect of these measures using established research methodologies. Apart from the fact that introducing natural lighting to gaming areas would be impractical or prohibitively expensive for many venues, it would be very difficult to investigate the effects unless one could compare the behaviour of a captive population of gamblers who only used that venue. One would be heavily reliant on self-report data and this might only reflect the perception that people consider this to ‘be a good idea’ rather than one that worked in practice. Similarly, an attempt to measure the effect of clocks would be challenged by the fact that this type of measure is often introduced along with a suite of other measures, so that it would be very difficult to discern the specific influence of the clock. It is not clear that patrons would necessarily look at clocks if they were otherwise preoccupied with gambling, and many may not judge the duration of the session based on the time elapsed, but on the achievement of specific goals (eg obtaining a certain sized win, or a bonus sequence). (2008a, p. 139)

A Queensland study by Rockloff (2007) on the impacts of introducing mirrors in the gaming room is a good illustration of the difficulties in designing experiments as well as of the risks of using intuition as a basis for policy (box 12.19).

Box 12.19 A study on the effects of mirrors in gambling venues

In a study for the Queensland Office of Gaming Regulation, Rockloff investigated the extent to which mirrors in gambling venues would be an effective harm minimisation measure. 102 players of gaming machines (who were assessed as to their CPGI risk) were exposed to large mirrors strategically placed so they were obliged to see their own reflection during play. The study tested the first element of the 'Four E's theory' (that is, Escape, Excitement, Esteem and Excess) that the presence of the mirror should remove the escape quality of the gambling experience and thus make the experience less attractive. Three measures of gambling intensity were used to measure the gambling experience — average bet size, average final payment and speed of betting.

The experiment utilised a laptop computer, which simulated a traditional 3 reel gaming machine. Players were given \$10 as compensation. A coin flip determined the experimental condition for the participant — whether playing with a mirror or playing with no mirror. The 'gaming machine' was set up in a room and two large mirrors were positioned to reflect the image of the player while gambling (as determined by the coin toss). Participants were asked whether they wanted to gamble with their \$10, which they all did. They were told they could decide when to quit their game and that they could keep the amount of money remaining on the machine at the end of play.

Rockloff found that the results of the study were 'weaker than expected' and 'did not confirm general expectations of lower intensity of gambling behaviour resulting from exposure to the mirror' (p. 4). Difficulties arose in obtaining statistically significant results in relation to the two experimental conditions, due to the small numbers of problem gamblers. The only significant result he found was that problem gamblers were betting faster *with* a mirror than without a mirror. Rockloff reflected that the reason for the result, in contradiction with the study's a priori expectations, was that 'by gambling more quickly, participants could seek to lose their money fast and terminate the experience sooner' (p. 18).¹⁹

Source: Rockloff (2007).

Even if there were evidence that measures providing reality checks could reduce gambling harms, that evidence needs to be weighed against the costs of implementation. Although the cost of placing a clock is very small, measures requiring structural modifications such as introducing access to natural light would be significant for some existing venues.²⁰

¹⁹ There might also be merit if the experiment tested whether gamblers would come back to the venue with the mirrors, or go to another venue.

²⁰ Even ensuring adequate lighting involves no small cost. The Regulation Impact Statement accompanying the Victorian Gambling Regulations 2005 estimated that the likely cost impacts of proposed new lighting requirements were \$5500 to \$7500 (in 2005 dollars) for each new gaming venue. The average number of new gaming venues per year was estimated to be three making a total estimated cost of \$0.16 million to \$0.22 million (in 2005 dollars) over the

The Commission considers that, because of the methodological difficulties in assessing the effectiveness of clocks and lights in venues, governments should accord a low priority to introducing or investigating similar types of ‘reality checks’ such as mirrors. This would reflect survey evidence that gamblers and venues rank these measures as very low in usefulness within a much broader suite of harm minimisation measures (for example, Hing 2003, p. 78; Caraniche 2005, tables 5.41 and 6.19; McDonnell-Phillips 2006, pp. 279, 282–3; New Focus Research 2004, p. 49).

12.8 Exposure of children to gambling activity

All jurisdictions have measures prohibiting gambling by minors, or prohibiting the entry of minors into the gaming areas of venues.

Some participants have suggested that governments go further than these measures and limit the ‘exposure’ of children to all the sights and sounds of gambling activity within gambling venues (for example, PokieWatch.org, sub. 119 and the Commission on Social Questions and Bioethical Issues, Lutheran Church, sub. 136).

Indeed, among the national responsible gambling principles agreed to by the Ministerial Council on Gambling in July 2009 is that ‘minors should not ... be exposed to gambling areas within venues’ (MCG 2009b).

The rationale for limiting the exposure of children to the sights and sounds of gambling activity has been expressed as follows:

One of the ways in which pokie gambling is ‘normalised’ — made to seem like an everyday, average sort of activity — is by exposing young children to poker machine venues in the company of family and friends. Just as smoking, drinking and poor eating habits are passed on by example, allowing children to accompany adults to gaming venue, and indeed encouraging this by providing play rooms, free meals and so on, is likely to result in the development of problems later in life. Pokie gambling is a potentially dangerous activity and children should not be encouraged to think it’s just another harmless pastime. (Livingstone, cited in PokieWatch.org, sub. 119, p. 2)

The Commission notes that going beyond existing measures to further limit the exposure of children to gambling activity could be justifiable provided that such measures adequately reflect community expectations and norms. Some people in the community may be indifferent as to whether their children are exposed to gambling.

10 year life of the proposed regulations. The Regulation Impact Statement also noted possible opportunity costs in venues not being able to carry out certain renovations, but which were not able to be quantified (Department of Justice (Victoria) 2005, p. 26).

Others may have deep-seated concerns. Weighing these competing views is ultimately a matter for governments, as has been reflected in the Ministerial Council on Gambling's agreement of July 2009.

Competing options as to how further restrictions on exposure to children of gambling should be achieved should be properly evaluated according to their cost-effectiveness. Such options might include prohibiting the entry of children into gambling venues (as currently occurs with casinos) or imposing venue design standards that are intended to mitigate the sights and sounds of gambling to patrons, and children, outside the gaming areas.

13 Access to cash and credit

Key points

- Higher risk gamblers are more likely to use ATMs/EFTPOS facilities in gambling venues for gambling than other gamblers. Although banning ATMs could potentially help address gambling harms, the costs are unclear and could be substantial.
 - Evaluation of the outcomes of the Victorian ban on ATMs should provide useful information on the impacts.
 - Other governments in the meantime should adopt less costly approaches to regulating ATMs/EFTPOS facilities, including a \$250 a day limit on withdrawals.
- Where credit is available in gambling venues, there is similarly a greater tendency for higher risk gamblers to use it compared with other gamblers. Thus, bans on the use of credit in gambling venues should continue.
- Gamblers are continuing to gamble with their winnings and a small proportion are avoiding payment of winnings by cheque.
 - Lowering the cash threshold to \$300 for gaming machine prize cheques would help higher risk gamblers, but would have little impact on non-problem gamblers.
 - Casinos should be exempt from this requirement in relation to prizes won by international patrons.
- Cheque-cashing restrictions should be compatible with other cash and credit restrictions to guard against unintended biases towards particular sources of cash and credit for gambling.
 - Gaming machine prize cheques should not be permitted to be cashed in venues, with casinos exempt from this requirement in relation to their international patrons.
 - Only self-drawn cheques up to a value of \$250 should be able to be cashed, with casinos generally exempt from this requirement.

13.1 Introduction

The availability of cash and credit in gambling venues has been an important area for harm minimisation actions by governments since 1999. This is in part due to evidence of a close association between the use of ATMs/EFTPOS facilities in

venues and problem gambling, as well as a strong preference of problem gamblers for their removal.

Several governments have commissioned policy development work and research into restrictions on access to cash and credit.

- The Australian Government released a report (KPMG 2002) on the functions and capabilities of ATMs and EFTPOS facilities to inform the development of a national harm minimisation strategy that would include limits on access to cash and credit in gambling environments.
- IPART (2004), in its general review of New South Wales harm minimisation measures, considered the prohibition on credit for gaming, the requirement that large payouts not be paid in cash, requirements on the location of ATMs, and ATM daily cash limits.
- The ACT Gambling and Racing Commission commissioned research into the use of cash facilities for gambling in the ACT (Centre for Gambling Research 2004b) as well as into the ACT restriction on the cash payment of winnings as part of a broader review of harm minimisation measures (McMillen and Pitt 2005).
- The Victorian Government commissioned an evaluation of its gaming machine harm minimisation measures, which included restrictions on ATMs/EFTPOS facilities and the cash payment of winnings (Caraniche 2005).
- The Ministerial Council on Gambling agreed at its July 2008 meeting that work commence on high priority areas, which included access to cash and pre-commitment technologies (Macklin 2008). At its meeting in July 2009, the Ministerial Council on Gambling agreed to several measures relating to access to cash and credit (MCG 2009b).
- The New South Wales Office of Liquor and Gaming Racing has sought tenders for research into, among other things, the impact of ATM location and withdrawal limits for ATMs in gaming venues (OLGR 2009a). It expects the results of the research to be ‘useful to the development of responsible gambling and related policy’ (sub. 247, p. 35). (The research will not consider EFTPOS transactions.)
- The Victorian Government commissioned research into the impact of changes to electronic gaming machine characteristics, including its proposed ATM ban, on play behaviour of recreational gamblers (Schottler Consulting 2009a).

In addition, three Senate Bills relating to problem gambling were introduced in 2008, of which two specifically applied to ATMs and cash facilities — the Poker Machine Harm Minimisation Bill 2008, introduced on 19 June 2007 by Senator

Fielding, and the ATMs and Cash Facilities in Licensed Venues Bill 2008, introduced on 3 September 2009 by Senator Xenophon.

All state and territory governments now have mandatory restrictions that focus on the means by which gamblers access cash and credit, including restrictions on:

- ATMs/EFTPOS facilities
- credit (including cash advances from credit cards)
- payments of gaming machine prizes as cash
- the cashing of cheques.

This chapter examines the effectiveness of these restrictions. In assessing this, the Commission has drawn on input from participants, state and territory prevalence surveys as well as on other research studies, including:

- a study of ATM use in ACT gaming venues by the Centre for Gambling Research (2004b)
- an evaluation of gaming machine harm minimisation measures in Victoria by Caraniche (2005)
- a report on gamblers' pre-commitment behaviour by McDonnell-Phillips (2006)
- a study of possible indicators of problem gamblers in venues by Delfabbro et al. (2007)
- a study by Schottler Consulting, which considered the impacts of the proposed ATM ban on recreational and other gamblers (2009a).

Appendix G summarises the relevant findings from these surveys and studies.

13.2 Restrictions on ATMs/EFTPOS facilities

Most jurisdictions have mandatory restrictions on:

- the location of ATMs/EFTPOS facilities — for example, prohibiting ATMs/EFTPOS facilities from the gaming floor of the venue; or prescribing the distance of ATMs from the gaming floor
- the number or value of ATM/EFTPOS transactions — for example, setting daily limits on the volume and/or value of transactions; or limiting the value of a single transaction (table 13.1).

Of the jurisdictions, only Tasmania has banned ATMs in hotels and clubs, with Victoria introducing a ban from 2012 on all gaming venues.

Table 13.1 Restrictions on ATMs/EFTPOS facilities in venues

	<i>ATMs</i>	<i>EFTPOS facilities</i>
NSW	<p>ATMs are banned from the gaming machine areas of clubs and hotels, and from within the boundary of the casino.</p> <p>Cash advances from credit accounts or credit cards are banned from ATMs in other areas of hotels and clubs with gaming machines.</p>	<p>EFTPOS facilities are banned from the gaming machine areas of clubs and hotels, and from the gaming areas of the casino.</p> <p>Cash advances from credit accounts or credit cards are banned from EFTPOS facilities in other areas of hotels and clubs with gaming machines.</p>
Vic	<p>ATMs are banned from the gaming machine area of a gaming venue.</p> <p>Cash withdrawals from ATMs outside the gaming machine area are limited to \$200 per transaction.</p> <p>After 2010, any ATMs located within a gaming venue must limit the amount of cash withdrawals to \$400 per day per card.</p> <p>After 2012, ATMs will be banned from gaming venues entirely and from within 50 metres of the gaming floor of the Melbourne casino. This will be subject to exemptions for small towns in regional Victoria where access to cash may be very limited.</p>	<p>EFTPOS facilities are banned from the gaming machine area of a gaming venue. Cash withdrawals from EFTPOS facilities outside the gaming machine area are limited to \$200 per transaction.</p>
Qld	<p>ATMs are banned from being in or close to gaming areas in venues.</p> <p>ATMs in other areas of clubs and hotels must only be available for the use of debit cards.</p> <p>The Government is examining withdrawal limits for ATMs within venues.</p>	<p>EFTPOS facilities are banned from being in or close to gaming areas in venues.</p>
SA	<p>Gaming machine venues and casino: ATMs are banned from gaming areas. Withdrawals are limited to \$200 per transaction per debit/credit card.</p> <p>Venues in 'isolated areas' can apply for an increased limit in certain circumstances.</p> <p>There is unproclaimed legislation that limits the number of cash withdrawals per card to one \$200 transaction per day</p>	<p>Gaming machine venues and casino: EFTPOS facilities banned from gaming areas and withdrawals limited to \$200 per transaction per debit/credit card.</p> <p>Casino table games: EFTPOS allowed, but access to credit accounts or credit cards are banned and there are limits of \$200 per transaction per card.</p> <p>There is unproclaimed legislation that limits the number of cash withdrawals per card to one \$200 transaction per day.</p>
WA	<p>ATMs are banned from being placed on the licensed gaming floor; and within 40 metres of an entry to the casino unless the ATM restricts a person to a cash withdrawal of \$400 per day from any debit or credit card.</p>	<p>EFTPOS facilities in the casino are permitted from the main cage and have credit access disabled so patrons cannot access funds through any credit account.</p>
Tas	<p>ATMs are banned from hotels and clubs, but are permitted in the casinos.</p>	<p>EFTPOS facilities are limited to one cash withdrawal for gaming per day in hotels and clubs. The restriction on EFTPOS facilities will be extended to casinos</p>
ACT	<p>ATMs are banned from the gaming areas of hotels and clubs. They are banned in the casino.</p>	<p>EFTPOS facilities are banned from the gaming areas of hotels and clubs. They are permitted only in the restaurant and bar area of the casino. Patrons are allowed to pay only for food and beverages using an EFTPOS debit facility. Cash advances or access to credit from any EFTPOS facility in the casino is prohibited.</p>
NT	<p>ATMs are banned from the gaming areas of hotels, clubs and the casino.</p> <p>ATMs have access only to debit accounts. Access to credit accounts banned.</p>	<p>EFTPOS facilities are banned from gaming areas of hotels, clubs and the casino.</p> <p>Cash withdrawals from EFTPOS facilities are limited to \$250 per day if funds are used for gaming in clubs and hotels.</p> <p>EFTPOS facilities have access only to debit accounts. Access to credit accounts banned.</p>

In addition to these individual state and territory actions, the Ministerial Council on Gambling agreed that following consideration of research underway, a nationally consistent limit on the amount a patron can withdraw from an ATM within a pub or

club in a 24 hour period should be considered (MCG 2009b). The Ministerial Council on Gambling also agreed that, in the development of a nationally consistent approach, the needs of rural and remote communities, areas with poor ATM access and tourism destinations should be taken into consideration.

The restrictions on ATMs/EFTPOS facilities seek generally to limit the ability of gamblers, particularly problem gamblers, to access a convenient supply of cash for gambling, thus:

- limiting the opportunity for gamblers to make impulsive withdrawals of cash
- providing a cooling off period in which gamblers, when leaving a venue to acquire more cash for gambling, might rethink their decision to continue gambling.

Restrictions on ATMs/EFTPOS facilities attracted considerable participant comment covering several themes, including:

- the adequacy of evidence in support of restrictions, particularly of the link between ATMs and gambling harms — box 13.1
- the effectiveness of restrictions on ATMs/EFTPOS facilities in helping to address gambling harms
- the adverse impacts of restrictions, particularly of banning ATMs from venues, on patrons of gambling venues, gambling venues and on providers of ATMs/EFTPOS facilities
- the adverse impacts associated with imposing restrictions on ATMs, but not on EFTPOS facilities
- the existence of self-regulatory alternatives to restrictions on ATMs/EFTPOS facilities such as gamblers setting their own limits through financial institutions, ATM self-exclusion, or through club member access to ATMs.

The remainder of this section addresses these issues.

The link between ATMs/EFTPOS facilities in venues and problem gambling

A threshold issue in judging the effectiveness of restrictions on ATMs/EFTPOS facilities is whether there is a link between such facilities in venues and problem gambling. The stronger the link, the greater the case for governments to intervene to restrict access.

Box 13.1 Participants' views on whether there is evidence to support restrictions on ATMs/EFTPOS facilities

Australasian Gaming Council

... there has been a paucity of research concerning the efficacy of restrictions and the negative impacts of restricting access to cash on consumers and the hospitality industry. (sub. 230, p. 16)

Victorian InterChurch Gambling Taskforce

Despite all the studies [Blaszczynski et al. 2001, ACIL 2001, New Focus Research 2004, Caraniche 2005 McDonnell-Phillips 2006] on the impact of ATMs in EGM venues on problem gambling behaviours, representatives of the Victorian EGM industry continue to argue that there is no evidence that removal of ATMs from EGM venues will have any impact on problem gambling behaviour. (sub. 220, p. 13)

Hunter Council on Problem Gambling

Many people's gambling problem is exacerbated by the ease at which they continue to access cash within the venue. Many problems spiral out of control when people begin to "chase their losses", by continuing to gamble despite already spending above what they can afford or above the limit they had set for themselves. Many people say they have made several trips to the ATMs within the venue to get "just another \$50, then just another \$50, and just one more \$50". (sub. 111, p. 2)

McMillen (leading researcher of the 2004 study on ATM use in the ACT)

My personal view has long been that ATMs should not be located in gaming rooms and that there should be daily withdrawal restrictions on ATMs in venue, although I also recognised that people will find ways of avoiding this restriction ... Over time, I have been persuaded that removal of ATMs is likely to be more effective as a harm minimisation strategy in most situations. However, there is an important distinction between opinion and scholarly analysis of data. (sub. 223, p. 37)

New South Wales Government

The NSW 2006 prevalence study revealed ... [that the] problem gambling group were nearly nine times as likely to use ATMs to withdraw money for gambling compared with pokies/gaming machine players overall (62 per cent versus 7 per cent).

However to respond to this indicator by recommending a complete ban on ATMs in gaming venues may not represent an appropriate policy response, given that research findings are inconclusive and ambiguous about the full effect of such a measure. This is primarily because self-reporting data is the most common source of evidence and little work has been conducted on the impact and effect of such a measure. (sub. 247, p. 34)

Clubs Australia

Easy, proximate access to cash may exacerbate the amount lost in a particular gambling session — but it is not the cause of such loss. The cause is the lack of control of the individual. The individual is a compulsive gambler and will find the money to satisfy their compulsion to gamble. (sub. DR359, p. 63)

There are several strands of survey evidence in relation to a link. The first relates to the use by gamblers of ATMs/EFTPOS facilities according to their gambling risk status. The second relates to the approaches taken by problem gamblers themselves

to impose limits on their use of ATMs/EFTPOS facilities. And the third is the views expressed by problem gamblers on the removal of ATMs from gambling venues.

The use of ATMs/EFTPOS facilities by problem gamblers

Numerous surveys and studies have found a link between ATMs/EFTPOS facilities and problem gambling (appendix G).

Delfabbro et al. (2007) found that multiple use of ATMs/EFTPOS facilities is significantly correlated with a higher risk of problem gambling behaviour. In particular, the authors found that:

- 86 per cent of venue staff had seen gamblers getting cash out on two or more occasions to gamble using an ATM or EFTPOS facility at the venue.
- 10 of 15 South Australian problem gambling counsellors also reported that their clients got cash out on two or more occasions to gamble using an ATM or EFTPOS facility at the venue.
- 73 per cent of problem gamblers (CPGI) — compared with 39 per cent of moderate risk gamblers, 24 per cent of low risk gamblers and 10 per cent of no-risk gamblers — reported that they got cash out on two or more occasions using an ATM or EFTPOS facility at the venue.
 - Problem gamblers were twice as likely as other gamblers to get cash out on two or more occasions using ATMs or EFTPOS facilities.

Commission estimates based on raw data from the Queensland household gambling survey for 2006-07 (30 000 adults) and for 2008-09 (15 000 adults) indicate that:

- low risk, moderate risk and problem gamblers have a significantly greater propensity than recreational gamblers to withdraw money from ATMs and EFTPOS facilities in a pub or club (table 13.2)
- moderate risk and problem gamblers have a significantly greater propensity than low risk gamblers to withdraw money from:
 - a venue ATM before gambling
 - a venue ATM during a gambling session
 - EFTPOS facilities in a venue (table 13.3)
- significantly more problem gamblers (98 to 100 per cent) than recreational gamblers (16 to 18 per cent) use the money withdrawn from EFTPOS facilities or ATMs in a pub or club for gambling (appendix G, table G.4).

Table 13.2 Frequency of accessing ATMs/EFTPOS facilities in a pub or club over the last 12 months, Queensland, 2008-09^a

Type of cash facility	Frequency	Recreational gamblers ^b	Low risk gamblers ^c	Moderate risk gamblers ^d	Problem gamblers ^e
		%	%	%	%
ATMs	Never, rarely	79.5	54.2	30.5	13.3
	Sometimes, often, very often	20.4	45.8	67.8	86.7
EFTPOS facilities	Never, rarely	90.1	80.4	66.6	49.1
	Sometimes, often, very often	9.9	19.4	33.4	50.9

^a Commission estimates based on raw data from the Queensland household gambling survey for 2008-09 (questions 26 and 28). The 2008-09 survey was of 15 000 adults. ^b Recreational gamblers — CPGI (0). ^c Low risk gamblers — CPGI (1 or 2). ^d Moderate risk gamblers — CPGI (3 to 7). ^e Problem gamblers — CPGI (8+).

Table 13.3 Accessing ATMs/EFTPOS facilities, Queensland, 2006-07 and 2008-09^a

By low risk, moderate risk and problem gamblers

Question	Frequency	Low risk gamblers ^b		Moderate risk gamblers ^c		Problem gamblers ^d	
		06-07	08-09	06-07	08-09	06-07	08-09
		%	%	%	%	%	%
How often do you withdraw money at a venue ATM before you start gambling?	Never, rarely	55.9	57.9	34.5	37.3	8.8	25.5
	Sometimes, often, always	43.4	41.5	65.4	60.2	90	74.5
How often do you withdraw extra money at a venue ATM during a gambling session?	Never, rarely	74.7	82.3	45.9	43.7	8.3	23.7
	Sometimes, often, always	24.8	17.6	54.1	54.2	91.7	76.3
How often do you obtain cash through EFTPOS facilities at the venue?	Never, rarely	69.1	76.6	52.1	63.9	36.9	54.7
	Sometimes, often, always	30.5	23.3	47.9	33.9	63.1	45.3

^a Commission estimates based on raw data from the Queensland household gambling survey for 2006-07 (question 100) and 2008-09 (question 75). The 2006-07 survey was of 30 000 adults and the 2008-09 survey was of 15 000 adults. ^b Low risk gamblers — CPGI (1 or 2). ^c Moderate risk gamblers — CPGI (3 to 7). ^d Problem gamblers — CPGI (8+).

A recent study for the Victorian Government (Hare 2009) found that, based on a sample of 2332 gamblers, problem gamblers (CPGI) had a greater tendency to use an ATM/EFTPOS/credit card for extra money for gambling during a single gambling session (p. 178). A card was used:

- twice by 31 per cent of problem gamblers compared with 9 per cent of moderate risk gamblers, 3 per cent of low risk gamblers and less than 0.5 per cent of non-problem gamblers
- three times by 12 per cent of problem gamblers compared with 3 per cent of moderate risk gamblers, less than 0.4 per cent of low risk gamblers and less than 0.05 per cent of non-problem gamblers.
- four or more times by 10 per cent of problem gamblers compared with 3 per cent of moderate risk gamblers, 0.3 per cent of low risk gamblers and 0.1 per cent of non-problem gamblers.

Although these and other studies provide strong evidence that problem gamblers make greater use of use of ATMs/EFTPOS facilities than other gamblers, there remains a question about causality — that is, whether the facilities *cause* problem gambling or whether *an effect* of problem gambling is the greater use of the facilities. Two further strands of evidence help to shed light on this.

Self-limiting behaviour by problem gamblers

One strand of additional evidence concerns the limits imposed on ATMs/EFTPOS facilities voluntarily by problem gamblers in an attempt to control their problem gambling. Problem gamblers may try to apply self-controls around their use of ATMs/EFTPOS facilities such as leaving debit and credit cards at home, asking financial institutions to set limits on cash withdrawals from accounts, or taking only that cash that they need for gambling.

McDonnell-Phillips (2006, pp. 31, 260) found that problem gamblers nominated ‘leaving ATM card or credit card at home’, ‘taking only what you plan to spend’, and ‘avoiding using ATMs to withdraw money at gambling venues’ as more effective rather than less effective control strategies.

Analysis of responses to the Commission’s survey of over 200 problem gambler clients of counselling services indicated that, in relation to control mechanisms in an attempt to keep gambling within limits:

- 50 per cent took to the venue only what they planned to spend
- 41 per cent left ATM/credit cards at home

-
- 11 per cent contacted their bank or financial institution to lower the ATM withdrawal limit (appendix F, table F.17).

As part of their work on developing an ATM self-exclusion scheme, the Australian Hotels Association commissioned a survey, which found a strong preference amongst over 400 problem gamblers for such a scheme (Sweeney Research 2009):

- 83 per cent reported that ATM exclusion schemes would be at least somewhat effective.
- 67 per cent reported that they would be likely to participate in an ATM exclusion scheme that limited how much money they could withdraw from ATMs in venues that have gaming machines.
- 63 per cent reported that they would be likely to participate in a scheme that prevented them from withdrawing money from ATMs in venues that have gaming machines (p. 8).

The evidence that some problem gamblers have nominated as effective or used some self-control strategies, and indicated a willingness to use ATM exclusion schemes lends some weight to the view that the presence of the facilities in venues contributes to problem gambling.

The preference of problem gamblers for removing ATMs from venues

The second strand of additional evidence about the link between ATMs and problem gambling is the attitudes of problem gamblers themselves to the removal of ATMs from venues.

New Focus Research (2004, pp. 46, 48) found that:

- 96 per cent of self-identified problem gamblers in Victoria considered that banning ATMs at venues would be an effective initiative to reduce problem gambling.
- For 119 problem gamblers, banning ATMs was rated as the most effective of the 23 venue initiatives proposed.

McDonnell-Phillips (2006) found that, among 15 prompted ideas to help gamblers keep to their limits, 'removing ATMs from gambling venues' was rated in terms of its usefulness as first by problem gamblers (CPGI) (p. 295).

Analysis of responses to the Commission's survey of over 200 problem gambler clients of counselling services indicated that 74 per cent considered that removing ATMs from venues would work well (appendix F, table F.18). The measure attracted the highest level of support of a broad suite of measures proposed to

respondents, which included technologies that allowed gamblers to set spending limits on their gambling.

Summing up

There is considerable evidence that problem gamblers use ATMs/EFTPOS facilities much more than other gamblers. Although this does not show the direction of causality, the preference of problem gamblers themselves to see the removal of ATMs from venues suggests that the presence of those facilities contributes to problem gambling.

FINDING 13.1

While causality is hard to prove, easy access to ATMs/EFTPOS facilities appears to increase spending by problem gamblers. Problem gamblers use these facilities far more than other gamblers, and say they would prefer to see ATMs removed from venues so they can better control their spending.

This finding is not of itself sufficient to justify the introduction of restrictions on ATMs/EFTPOS facilities in venues by governments. It is crucial that the restrictions not only help address gambling harms, but also have limited adverse impacts on other gamblers or members of the community. This will vary according to the type of restriction contemplated.

Should ATMs be *banned* from venues?

There are several issues associated with assessing the effectiveness of banning ATMs, namely whether:

- banning ATMs would help problem gamblers
- banning ATMs would have adverse impacts on other patrons, gambling venues, providers of ATMs, and others in the community
- there would be additional adverse impacts from exempting EFTPOS facilities.

Would banning help problem gamblers?

As evident from participants views (box 13.2) there are several possible responses of gamblers to a ban on ATMs in venues. For example:

- the impulse and capacity of gamblers to obtain money to continue gambling could be lessened by the absence of ATMs in a venue

- gamblers could leave a venue to look for cash, but not return because their desire to do so has been reduced by the resulting break in play
- gamblers could leave a venue to obtain money to continue gambling
- gamblers could bring more cash with them to a venue in the first place.

Box 13.2 Participants' views on whether an ATM ban would help problem gamblers

Anon. problem gambler

... where the handy ATM is just a short stroll away, one is back playing [the] same machine often before the 3 minute reserve button expires ... However, if the ATMs were not on the premises, that machine would more than like be long gone before one got back. This effectively not only breaks the tie with that particular machine but also the heightened feelings associated with it. ... The other issue faced when leaving a club to obtain money is, upon re-entry one has to flash identification, therefore attention (real or imagined) is possible being drawn to one self. Assuming ATMs were not on the premises and certainly, there is no sure way to establish what people will do, but for an indeterminate number of those who don't yet have a problem or who are only in the very early stages of developing a problem, their sensitivity and self consciousness would more than likely be sufficiently intact to make it hard for them to contemplate going outside to look for money (one tends to feel more guilty/self-conscious if going out for money than for other 'innocent' reasons) and then have to come back and identify themselves again. For people in the above situation, even if they do leave the premises, once gone from there the spur of the moment desire to get more cash has a good chance of dissipating and so makes a return more of an impossibility, particularly with the added disincentive of having to produce ID again. (sub. 172, pp. 10, 11)

Anon. problem gambler

We will leave a "venue" to access an ATM. (sub. 148, p. 7)

Council of Gambler's Help Services

The Council is uncertain that people with gambling problems would 'subvert' a ban, though they may choose to bring larger amounts of cash to a gambling venue than is currently the case. They may also leave the venue to seek the nearest ATM when funds run out, however, this action may prove beneficial in terms of a break in play and opportunity to reconsider continuing to gamble. (sub. DR326, p. 25)

SA Council of Social Services

... if clients could only gain access to funds from outdoor ATMs, some may feel uneasy about using outside ATMs at certain times of the day or night and decide not to proceed with their gambling session, ultimately reducing their exposure to gambling. (sub. DR327, p. 11)

ATM Industry Reference Group

Patrons may simply access additional cash prior to entering a venue, potentially withdrawing more than what they would have done otherwise.

Patrons may be more likely to access ATMs prior to entering a venue that enable credit withdrawals (prohibited within gaming venues) and do not contain withdrawal limits that are in place in many gaming venues as a harm minimisation measure. (sub. DR324, p. 4)

There is limited evidence that gamblers, particularly problem gamblers, would be willing to leave a venue to obtain more cash for gambling. Delfabbro et al. (2007) found that:

- 72 per cent of venue staff had seen gamblers leaving the venue to find money to continue gambling
- 10 of 15 South Australian problem gambling counsellors had reported that their clients left the venue to find money to continue gambling
- 64 per cent of problem gamblers compared with 22 per cent of moderate risk gamblers, 3 per cent of low risk gamblers and 4 per cent of no-risk gamblers reported leaving the venue to find money to continue gambling
- problem gamblers were 3.7 times more likely to leave the venue to find money to continue gambling than other gamblers.

Without further evidence on the behavioural responses of gamblers, including problem gamblers, to a ban on ATMs in gambling venues, it is difficult to conclude unequivocally that a ban would be of assistance to them. Moreover, there could also be the unintended outcome that problem gamblers would seek to access ATMs outside of a venue that are not subject to other harm minimisation restrictions — such as on the use of credit cards — and that were beyond the ability for venue staff to observe or monitor.

Potential adverse impacts

Another issue relating to the effectiveness of banning ATMs is the nature and extent of adverse impacts of a ban on others, including non-problem gamblers.

Non-problem gamblers and other venue patrons

Participants from the gambling industry and the ATM industry considered that removing ATMs from venues would inconvenience and create safety risks for other patrons (box 13.3).

As discussed earlier, non-problem gamblers use ATMs in gambling venues, albeit their use is much less than problem gamblers.

Box 13.3 Participants' views on the impacts of an ATM ban on other patrons

Australian Hotels Association

[Removing ATMs or EFTPOS facilities from venues will] inconvenience 99% of the population who are not problem gamblers ... and create safety issues for patrons. (sub. 175, p. 4)

Australasian Casino Association

Casino customers rely upon the availability of [ATMs] in order to purchase and enjoy a wide range of gaming and non-gaming entertainment. ... International and interstate visitors to Australian casinos expect that they can have safe and convenient access to cash from ATMs as most do not carry cash while travelling but rely on internationally accepted debit or credit cards to access ATMs. (sub. 214, p. 4)

ATM Industry Reference Group

Patrons may need to access cash at ATM locations in potentially less secure situations. (sub. DR324, p. 4)

There is also some direct survey evidence that non-problem gamblers and other patrons of venues would be adversely affected by the removal of ATMs (appendix G).

- The Centre for Gambling Research (2004b) found in its 2004 study of ATM use in the ACT that:
 - convenient access, security and safety were nominated as important reasons for gaming venue patrons for accessing ATMs in venues (p. 105, table 38)
 - non-gamblers, recreational gamblers and regular gamblers were divided on whether ATMs should be removed from gaming venues — for example, although 35 per cent of recreational gamblers agreed with the statement that all ATMs should be removed from gaming venues, 55 per cent disagreed (p. 119, table 48).
- A survey of 1000 people by UMR Research, commissioned by Clubs Australia, in September 2008, found that 56 per cent of people opposed the idea of banning ATMs in clubs and pubs, while only 29 per cent of people supported it. The percentage that supported the ban dropped below 25 per cent if those who never visited clubs and pubs were removed from the respondents (cited in Clubs Australia, sub. 164, p. 11).
- Commission estimates based on raw data from the Queensland household gambling survey 2008-09 of 15 000 adults indicated that, although 80 per cent of recreational gamblers *never or rarely* used ATMs in a pub or club, the majority of those that do (around 60 per cent) used the money for drink, food or meals (appendix G, tables G.4 and G.6)

However, it is not clear from this evidence that any adverse impacts on patrons would endure; in particular, whether many would adjust eventually by bringing sufficient money with them to the venues.

Moreover, a recent study for the Victorian Government suggests that there would be no significant effect on the enjoyment of recreational gamblers if ATMs were banned from venues. Based on a survey of 1000 gaming machine players, Schottler Consulting found that 86 per cent of non-problem gamblers, 75 per cent of low risk gamblers (compared with 49 per cent of moderate risk gamblers and 51 per cent of problem gamblers) reported that there would be ‘no effect at all’ in having no ATMs in venues on their enjoyment (2009a, p. 73).

Overall, the survey evidence is mixed on the impacts on non-problem gamblers and other patrons of gambling venues of removing ATMs from gambling venues.

The gambling industry

Participants from the gambling industry were concerned about the impacts on gambling venues from removing ATMs.

The Australian Hotels Association considered that the removal of ATMs/EFTPOS facilities from Australian hotels with gaming machines would ‘place many hotel jobs at risk’, have a ‘devastating financial impact’ on food and beverage sales and the viability of many hotels, and ‘cripple’ many small, rural and regional hotels (sub. 175, pp. 4, 44). It cited evidence from a survey of over 1000 hotels prepared for it by PriceWaterhouseCoopers (PWC 2009), which reported that:

- 84 per cent were ‘heavily reliant’ on withdrawals from ATMs and EFTPOS facilities, respectively, for food and beverage sales (p. 49)
- 72 per cent considered that the removal of ATMs/EFTPOS facilities would increase prices (p. 52)
- 95 per cent considered that the removal of ATMs/EFTPOS facilities would lead to a fall in employment (p. 52).

Clubs Australia noted that ATMs are located in clubs because they are ‘cash businesses’ and that cash is used in clubs for a variety of transactions relating to meals, drinks, entertainment, merchandise, access to sport and health facilities, membership applications and renewal, and gambling. It said:

Removing access to cash in clubs would require expensive changes to the way in which goods and services are billed and may lead to reduced demand, with consequential impact on revenue and jobs. (sub. 164, p. 11).

Clubs Australia went on to describe the competitive impacts of removing ATMs from gambling venues:

The proposal to remove ATMs from gaming venues would also create significant competitive disadvantages for venues without ATM facilities nearby. There are some clubs and hotels where ATMs are located very close to the venue. Those venues would be advantaged over others without easy access to cash if ATMs were banned from gaming venues. (sub. 164, p. 12)

Some adverse impacts on gambling venues from the removal of ATMs would be an expected consequence of the measure; it would be expected that if a ban effectively addressed problem gambling then there would be a concomitant reduction in gambling expenditure and, thus, revenue for the gambling venue with attendant consequences for employment. However, there would also be a reduction in non-gambling related sales such as in food and drink, which could be substantial.

The ATM industry

Those companies providing ATMs in gambling venues ('ATM deployers') considered they would be adversely affected by a ban, particularly in relation to their competitiveness compared with providers of ATMs on the street and EFTPOS facilities in venues. For example, the ATM Industry Reference Group said that:

As to the ATM industry itself, the increasing regulatory burden is having a negative effect on the small independent companies, their employees and suppliers. Decisions such as the one made in Victoria to remove ATMs from gaming venues in mid 2012 will clearly make it increasingly difficult for these independent operators to survive. ...

ATMs operate in a very competitive market place. Cardholders have a range of payment options. Those who prefer cash will seek it out. Removing the ATMs from one section of the industry will simply move cardholders out onto the street and toward and ATM operated by a major bank. We see considerable competition issues with this potential regulation ...

... removing ATMs (or limiting cash withdrawals) does our business severe damage pushing hotel customers either out to bank-owned, street front ATMs, or to the bar to make a cash withdrawal using EFTPOS. (sub. 137, pp. 8, 9)

There is also the cost of physically removing and relocating the ATMs from the gambling venues, which could be large and irreversible. Providers of ATMs in gambling venues suggested that the cost of relocating an ATM to a street front window (or wall) could be between \$15 000 and \$25 000 per unit. Based on this,

the Commission estimates the total cost of removing ATMs from all gambling venues could be between \$34 million and \$60 million.¹

Regional communities

Several participants considered that there were adverse impacts of removing ATMs from venues on smaller communities that would warrant special exemptions. For example, the ATM Industry Reference Group considered that ATMs provided a:

... valuable community service. This is particularly true in country and regional Australia, where in many smaller towns and suburbs, ATMs operated by members of the AIRG make up well in excess of 25 per cent of ATMs. These are communities that are not well served by the banks. (sub. 137, p. 6)

McMillen considered that residents in rural Victorian communities with limited access to banking facilities could be inconvenienced if ATMs were removed from their local club or hotel and that case-by case exemptions to the Victorian Government's proposed ATM removal policy would seem justified (sub. 223, p. 38).

Amity Community Services (who agreed with banning ATMs from venues), questioned 'whether this would be practical for small venues in remote locations given these may be the only ATMs available in the community' (sub. DR388, p. 5).

In its report for the Australian Hotels Association, PriceWaterhouseCoopers found from its survey of over 1000 hotels that hotels in non-metropolitan locations had the only ATM, or one of very few, in the local community (2009, p. 49).

However, some participants considered that an exemption was not warranted and that alternative arrangements outside of gaming venues should be considered. For example, UnitingCare Australia considered that ATMs should be removed from all gambling venues and said:

A vast majority of ATMs are located in city or regional centre venues, where banking services are readily available. For small rural communities, banking services need to

¹ This cost estimate is based on two sources of data and assumes that the cost of relocating an ATM from a venue is between \$15 000 and \$25 000 per unit.

- 1) There are 5000 ATMs in licensed venues (ATM Industry Reference Group, sub 137, p. 5). Assuming that 50 per cent of these ATMs will be relocated from the venue, the estimated cost of relocating an ATM from a venue is between \$37.5 million and \$62.5 million.
- 2) There are 5700 hotels and clubs (table 2.6) with 80 per cent providing an ATM (Queensland Government 2009b, p. 19). Assuming that ATMs from 50 per cent of these venues will be relocated from the venue, the estimated cost of relocating an ATM from a venue is between \$34.2 million and \$57 million.

continue to be provided, but are better located in venues that are not also gambling venues. (sub. 238, p. 39)

In the event of a ban on ATMs from gambling venues, an exemption may be needed for those venues in regional areas that have no readily accessible alternative banking facilities. This could be where a local population centre is 5 kilometres or more from the nearest banking facility.

The impacts of leaving EFTPOS facilities unrestricted

Several participants considered the impacts of removing ATMs from gambling venues, but enabling EFTPOS facilities to operate (box 13.4). Some were concerned about the competitive impacts of this as well as the increased burden on gambling venues to facilitate transactions. Others considered that enabling EFTPOS transactions could help gamblers.

Exempting EFTPOS facilities from a ban might be justified for the following reasons:

- As noted earlier, removing ATMs from gambling venues would adversely affect a number of non-problem gamblers and other patrons of gambling venues, although it is not clear how significant or enduring the impacts would be. These potential impacts could be avoided by allowing EFTPOS facilities to remain in the venue.
- EFTPOS transactions, which by their nature are face-to-face could potentially deter higher risk gamblers.
- Multiple use of EFTPOS facilities would provide venue staff with an indicator of the likelihood that the patron is a problem gambler and thus present an opportunity to intervene.

A recent Victorian study provided some evidence to suggest that problem gamblers are likely to be reluctant to make EFTPOS withdrawals in gambling venues, but so too might non-problem gamblers. Schottler Consulting surveyed the responses of 1000 Victorian gaming machine players to the recently advanced State Government policy of banning ATMs from gambling venues, but leaving access to cash by way of EFTPOS through a cashier (2009a, p. 71). The authors found that this had a smaller negative impact on enjoyment, money spent, session length and play frequency for recreational gamblers (non-problem and low risk gamblers) than on higher risk groups (appendix G, table G.12). They also found that the ‘overall trend’ was for all groups of gamblers ‘to feel somewhat negative’ about having to use EFTPOS for cash in venues.

Box 13.4 Participants' views on exempting EFTPOS facilities

Clubs Australia

Without cash, which is essential in clubs for efficient low-value transactions, queues for service would be significant. EFTPOS transactions have minimum spend requirement of approximately \$10. If a member does not have cash and there were no ATM available, they would have to perform an EFTPOS transaction for a \$2 coffee and potentially pay \$10 for it. ... A switch to solely EFTPOS cash withdrawal in clubs would be highly problematic. Clubs would require significantly more cash on hand, causing concerns about robberies, theft by staff, accidental loss and OH&S as well as requiring valuable time of busy bar staff. (sub. 164, p. 12)

Australian Hotels Association

It is unrealistic to expect hotel staff and patrons to process an EFTPOS transaction each time a patron without cash sought to purchase a drink, a meal or a packet of chips. ... It will simply not be possible for hotels to process large numbers of transactions in a timely manner. (sub. 175, p. 42)

Australian Bankers' Association

The EFTPOS network is a much simpler network than the ATM network. Due to technology and network limitations, it is not currently feasible to limit access to certain merchants while enabling full access to other merchants. However, merchants can decide not to accept certain cards through their facility or choose not to accept to give cash out to customers. Obviously, merchants can decide not to have an EFTPOS facility in their venue at all. (sub. 165, p. 4)

ATM Industry Reference Group

EFTPOS is a less sophisticated means of cash access than ATMs. Transaction control is completely reliant on the operator of the terminal, which, when coupled with daily limits of up to \$2000 combines to create a dangerous risk to problem gamblers. There are no systemic fall backs in place to provide for any daily, or transaction limits. So, to that point, allowing cash out on EFTPOS would create an easily accessible loophole to access cash for problem gamblers if this is combined with volume, or value limits at ATMs in licensed venues. (sub. 137, p. 9)

[if ATMs were banned] Venues may be forced to carry significantly higher levels of cash on premises to service EFTPOS — creating undue security risks for venue staff and patrons.

... those venues that are able to relocate their ATM within a small distance of their venue may hold a significant competitive advantage in comparison to those venues where suitable relocation was not possible. (sub. DR334, p. 4)

New South Wales Government

NSW considers that the use of EFTPOS in these venues can facilitate harm minimisation measures for problem gamblers. The face-to-face contact involved in an EFTPOS transaction may yield a harm minimisation outcome and a ban would remove the opportunity for human-to-human intervention. This is also based on available research. [unpublished report commissioned by the Department of Justice (Victoria) 2009]. The impact of having to access money via EFTPOS through a cashier was tested in a Victorian gaming machine player study. The results indicated a small impact on non-problem gamblers but a larger impact on the higher risk groups who reported that this would decrease their spending. (sub. 247, p. 35)

Victorian InterChurch Gambling Taskforce

... customers of licensed venues could benefit financially if ATMs were removed and cash was only available through EFTPOS withdrawals, as there is a service charge on every ATM withdrawal through a non-bank ATMs that make up more than 99% of ATMs in pubs and clubs. No such charge currently applies to customers making cash withdrawals on EFTPOS. (sub. 220, p. 13)

In addition to impacts on gamblers, allowing an exemption for EFTPOS transactions would create an additional burden on gambling venues, including added security risks associated with having to hold significant amounts of cash, and place current providers of ATMs in gambling venues at a competitive disadvantage to providers of EFTPOS facilities.

Summing up

Determining whether a ban on ATMs from gambling venues would be effective in addressing gambling harms is far from clear-cut.

On the one hand, there is evidence of a close association between the presence of ATMs (and EFTPOS facilities) in gambling venues and problem gambling. That problem gamblers would like to remove ATMs from venues confirms that the presence of these facilities contributes to problem gambling.

There are, on the other hand, a number of uncertainties and risks associated with banning ATMs from gambling venues.

- It is likely that a significant proportion of higher risk gamblers would leave venues to seek out alternative ATMs. Were they to use these ATMs, these gamblers would not be subject to restrictions that normally would apply to in-venue ATMs/EFTPOS facilities such as restrictions on cash advances from credit cards, nor would they be visible to venue staff or other patrons.
- It is not clear to what extent non-problem gamblers and other patrons would be inconvenienced by the removal of ATMs. Although there are security concerns for patrons seeking cash from street-front ATMs, these patrons might eventually adjust by bringing cash with them to gambling venues from ATMs that were in safer locations.
- All that an ATM ban can do is limit a gambler's expenditure to the amount of cash that is brought into the venue on a particular visit. However, the real limit on gambling expenditure is the gambler's income. Thus, any gambling expenditure that might be 'saved' because of the ATM ban, may well be spent the next time the gambler visits the venue. But this depends on the strength of the break in play; once the gambler leaves the venue after running out of cash, there may well be a reconsideration of their decision to return at a later time to spend the amount 'saved'.

In addition to these uncertainties and risks are the costs associated with an ATM ban.

- There are potentially large and irreversible costs associated with the physical removal and relocation of ATMs, estimated to be up to \$60 million.

-
- If cash withdrawals from EFTPOS facilities continued, there would be extra costs on gambling venues associated with managing these transactions and security issues in having to hold more cash on premises and possible negative impacts on non-problem gamblers.

For these reasons, it is not clear that a ban on ATMs from gambling venues would be cost-effective. An evaluation of the outcomes of the forthcoming Victorian ban on ATMs would provide valuable additional information to all jurisdictions about the benefits and costs of this approach.

FINDING 13.2

Although a ban on ATMs from gaming venues has the potential to assist problem gamblers, it has uncertain benefits and costs, including the risk that problem gamblers would seek to subvert the ban in various ways.

RECOMMENDATION 13.1

The Victorian Government should, as soon as possible, develop methodologies for evaluating the impending ban of ATMs from gaming venues, including the collection of baseline data. It should then evaluate the effectiveness and outcomes of the ban after its implementation.

Were governments to introduce a ban on ATMs from gambling venues, the Commission considers that they should give exemptions to a venue where:

- there are no other banking facilities easily accessible by local population centres in regional areas. This could be where a local population centre is 5 kilometres or more from the nearest banking facility
- they offer a solution that effectively restricts gamblers' access to ATMs in a venue as discussed later in respect of self-regulatory mechanisms.

A ban on ATMs in gambling venues would not be necessary if governments introduced pre-commitment of the kind recommended by the Commission in chapter 10. Compared with a ban, this would more directly target the ability of gamblers to manage their gambling expenditure.

Withdrawal limits

Setting limits on withdrawals from ATMs/EFTPOS facilities in gambling venues raises similar issues about effectiveness to that of a ban on ATMs, namely whether withdrawal limits would:

- help problem gamblers

-
- have adverse impacts on other patrons, gambling venues, providers of ATMs, and others in the community.

Both these issues depend crucially on the design features of withdrawal limits.

Would withdrawal limits help problem gamblers

As noted by some participants (box 13.5), withdrawal limits would have little effect in helping problem and other gamblers where they could be easily surmounted.

- Limits on the volume or value of transactions could be overcome by gamblers using multiple cards on ATMs/EFTPOS facilities. That gamblers have multiple cards appears likely. Based on data from the Australian Payments Clearing Association (APCA 2010a), an Australian adult holds on average 2.6 debit, credit and multifunction cards.
- Limits on the volume of transactions, such as one transaction per day, could lead to gamblers taking the maximum permissible cash out of ATMs/EFTPOS facilities in the one transaction.
- Limits might not be binding on gamblers if they embody ‘generous’ cash thresholds.
- Where limits are binding on gamblers, they could leave a venue and visit an alternative ATM or cash source.

What limit for withdrawals?

An important issue therefore is the level of limit on withdrawals. A too generous limit might not help problem gamblers deal with their gambling problems. But a limit that is too strict might adversely affect non-problem gamblers and other patrons of gambling venues.

The Commission notes that the Victorian Government has just introduced a daily withdrawal limit of \$400 across all gaming venues, and the South Australia Government has unproclaimed legislation that allows for a \$200 a day limit across venues (table 13.1).

Box 13.5 Participants' views on whether withdrawal limits would help problem gamblers

Anon. problem gambler

The ideal solution is to remove ATMs entirely but if this is not possible then maybe a very strict limit on how much can be drawn out for the day. However, having multiple cards could negate this benefit to a large extent. Setting limits on amounts that can be withdrawn but still allowing multiple transactions is counterproductive. What makes this whole situation very difficult is that it is all very relative as even a limit of a couple of hundred dollars per day might be disastrous for some people. Although allowing multiple transactions of limited amounts is in itself a quite useless measure, it would however make a lot of sense if ATMs were located where only the staff can allow access to them. While probably argued as not a feasible or acceptable solution, it would more than likely scare many away who are using ATMs for the 'wrong' reasons and would make it glaringly obvious to staff if someone were making multiple trips to the ATM. (sub. 172, p. 31)

Regis Control

No state limits the number of transactions per 24 hours or beyond in gambling venues. The lowest limit is in South Australia at \$200 per day which still equates to \$1400 per week and \$73 000 per year, which is still way above the limit proposed in the recent Harm Minimisation Bill 2008. In reality the limit is that actually imposed by the card issuer, because a problem gambler can obtain more than one transaction a day. This actual limit can be up to \$1000 per day for credit cards and \$1600 per day for debit cards. For example, a CBA customer using Keycard together with a MasterCard can obtain \$1600 every 24 hours from an ATM. Problem gamblers often have multiple credit/debit cards from different banks (for obvious reasons) thereby obtaining far more cash than one ATM transaction allows. A number of other countries have in effect restricted ATM withdrawals by adopting cashless gaming with a daily, weekly or other periodic limit and banning the use of cash (notes/coins) in EGM machines. (sub. 82, pp. 11–12)

Cashcard Australia

... venues with more than one cash access point — those housing more than one ATM device from different deployers, as can sometimes be the case in larger gaming venues, or offering EFTPOS cash-out — will allow problem gamblers to exceed a daily withdrawal limit.

... card issuers are able to monitor and place restrictions on an account holder's withdrawal level across all cash access points in gaming venues.

Therefore, implementing restrictions from the card issuer level would prevent problem gamblers circumventing withdrawal limits by using other cash access points. (sub. DR330, p. 2)

Clubs Australia

South Australia currently has a withdrawal limit in gaming venues of \$200 and Victoria currently has a limit of \$400, yet both states have a similar prevalence of problem gambling to every other jurisdiction which does not have a withdrawal limit. Queensland has no withdrawal limit but has a lower prevalence rate than SA, which has a withdrawal limit; in turn SA's prevalence rate is lower than Tasmania which was a ban on ATMs in gaming venues. This casts doubt on any suggestion that bans on ATMs and withdrawal limits are a 'silver bullet' for reducing problem gambling. (sub. DR359, p. 65)

SA Council of Social Services

... if the gambler can only make one withdrawal of \$200 at the venue and was then required to leave the venue to obtain further funds, it would give the customer a 'timeout' to evaluate the need or desire to continue to gamble. (sub. DR327, p. 12)

There is some evidence of the magnitude of withdrawals from ATMs/EFTPOS facilities in gambling venues.

- In its 2004 ACT study of ATM use, the Centre for Gambling Research found that, although most patrons who used ATMs/EFTPOS facilities in venues withdrew less than \$100 in a single transaction (table 13.4), a greater proportion of self-identified problem gamblers than recreational gamblers and non-gamblers withdrew between \$100 and \$200 from ATMs in the venue. Regular gamblers, recreational gamblers and non-gamblers tended to withdraw more than \$200. However, the samples upon which these findings are based are very small.
- Two participants provided information on the average value of ATM withdrawals. However, these average withdrawals maybe more reflective of the default transaction limits set on ATMs (typically \$200) for security and other purposes than of users' actual cash demands.
 - The average value of ATM withdrawals from hotels and clubs in the different jurisdictions that are serviced by the ATM Industry Reference Group is between \$98 and \$110 (table 13.5), which is much less than the average ATM withdrawal of \$190 for all ATMs across Australia (appendix G).
 - The RSL (Vic Branch) noted that the average transaction from an ATM located inside an RSL was \$107, the average transaction for a metropolitan RSL was \$108, and the average transaction in a regional RSL is \$104 (RSL Submission Concerning the Removal of ATMs from Licensed Gaming Venues in Victoria, p. 3).

In addition, the 2003 Victorian longitudinal community attitudes survey found that 86 per cent of gamblers and 87 per cent of non-gamblers agreed with the statement that ATMs in clubs, hotels and casinos should have a withdrawal limit of \$200 a day (Centre for Gambling Research 2004a, p. 137).

Although not directly relevant to withdrawals from ATMs/EFTPOS facilities, a recent study for the Victorian Government (Hare 2009) indicated the amount of money that gamblers tended to bring with them to gambling. The study found that, based on a sample of 4676 gamblers, around 86 per cent brought up to \$200 with them to gambling, with 5 per cent bringing more than \$200 (p. 175). Moderate risk and problem gamblers had a much greater tendency, than non-problem gamblers, to bring more than \$200 with them to gambling.

On the basis of this combined evidence, the Commission proposed in the draft report that withdrawals from ATMs/EFTPOS facilities in gaming venues be limited to \$200 per day.

Table 13.4 Usual amount withdrawn from ATMs/EFTPOS at any one time in ACT gaming venues, 2004^a

Amounts	ATMs				EFTPOS facilities			
	Non-gambler	Recreational gambler	Regular gambler	Self-identified problem gambler	Non-gambler	Recreational gambler	Regular gambler	Self-identified problem gambler
	% (n)	% (n)	% (n)	% (n)	% (n)	% (n)	% (n)	% (n)
\$50 or less	48 (72)	45 (31)	22 (6)	40 (4)	68 (19)	58 (7)	50 (4)	-
\$51 to \$100	39 (59)	44 (30)	44 (12)	30 (3)	21 (6)	33 (4)	25 (2)	-
\$101 to \$200	9 (14)	10 (7)	4 (6)	30 (3)	11 (3)	8 (1)	13 (1)	-
\$201 to 500	4 (6)	1 (1)	4 (1)	-	-	-	-	-
\$501 to \$1000	-	-	-	-	-	-	-	-
> \$1000	-	-	-	-	-	-	-	-

^a Responses from patrons who have withdrawn money from ATMs/EFTPOS facilities in ACT gaming venues in the last 12 months. Some shares do not add to 100 per cent due to rounding and non-responses/don't know.

Source: Centre for Gambling Research (2004b, p. 93, tables 22 and 24).

Table 13.5 Average value of an ATM withdrawal in hospitality venues serviced by the ATM Industry Reference Group^{a b}

State	Average ATM withdrawal
	\$
New South Wales	110.14
Victoria	98.21
Queensland	100.54
South Australia	98.66
Western Australia	98.19

^a Excludes casinos. ^b Based on 4935 ATMs operated by ATM Industry Reference Group members.

Source: ATM Industry Reference Group (sub. 137, p. 5).

Because of concerns raised by participants about the limit (box 13.6), the Commission sought and received contemporary information from the ATM Industry Reference Group on the daily distribution of cash withdrawals from ATMs in gaming and non-gaming venues.² The information showed that:

- nearly 85 per cent of cash withdrawals from ATMs in gaming venues involved amounts below \$250 per card per day, while just over 15 per cent involved amounts of \$250 or more per card per day
- the distribution of cash withdrawals across gaming and non-gaming venues were very similar.

According to this new evidence, setting a withdrawal limit on ATMs/EFTPOS transactions of \$250 per card per day is unlikely to cause significant impacts for non-problem gamblers and other patrons of gambling venues, and might help those at risk of gambling harms.

The cost to the ATM industry of complying with such a withdrawal limit is not likely to be significant. The ATM Industry Reference Group has already advised the Commission that it was not opposed in principle to financial limits and noted that its members were already working towards compliance with Victorian legislation to limit cardholders to a maximum withdrawal limit of \$400 within a 24 hour period. (sub. 137, pp. 12–13).

Should casinos be exempt from a daily withdrawal limit?

In the draft report, the Commission recommended that casinos be exempt from the proposed cash and credit restrictions in relation to their ‘high rollers’ and international visitors. The main reason for exempting casinos was that they were ‘destination venues’ for these groups of patrons.

² The daily distribution of cash withdrawals was estimated from data on the total amount of cash withdrawn from a card per day. The data were collected over a two week period to smooth fluctuations from day to day (weekends versus weekdays) and from one week to another (pay week versus a non-pay week). The chosen two week period involved no unusual or seasonal consumer spending patterns. Gaming venues included hotels and clubs with gaming machines, TABs, racing premises, and casinos.

Box 13.6 Participants' views on whether a \$200 daily withdrawal limit is too little or too much

ATM Industry Reference Group

[With withdrawal limits there must be] a balance between protecting problem gamblers and not unfairly inconveniencing the majority of ATM users as it could also have the unintended consequence of reducing spending in licensed venues which are largely cash-based operations and depend on patrons' ready access to reasonable cash sums for their business revenues. A daily withdrawal limit of only \$200 may produce such unintended consequences. (sub. DR324, p. 5)

Council of Gambler's Help Services

If a ban is not instituted, cash withdrawals should be limited to \$100 per day Victorian data indicates Gambler's Help clients spend less than \$200 per session on average suggesting a \$200 ceiling on withdrawals is too high to be an effective harm minimisation measure. This is particularly so when taking into account the fact that many gamblers will have brought some cash with them, and that particularly for gamblers on pensions or benefits \$200 is a significant sum. (sub. DR326, p. 24)

Australian Hotels Association

It is extremely important that any research into ATMs in hotels look not only at the impact on gamblers, but on all patrons in the venue.

Non gamblers will certainly be inconvenienced by an ATM withdrawal limit and this must be recognised. Why should the impact on all patrons in a venue be ignored? (sub. DR385, p. 36)

Community Clubs Association of Victoria

[Within the context of the 2012 ATM ban in Victoria] Suggesting a limit on EFTPOS cash withdrawals be limited to \$200 per day will create many problems for our clubs and their patrons. Our clubs are multi-faceted providing services beyond gambling — memberships, bistros, bars, entertainment are currently also paid via EFTPOS cash withdrawals as well as normal EFTPOS transactions. (sub. DR366, p. 13)

Mittagong RSL Club

[a \$200 a day limit] would have a significant effect on our business revenue and customer amenity if implemented. A significant number of ATM/EFTPOS transactions at our business are non-gaming machine related. We not only operate gaming machines, but we have large dining, restaurant and function operations, where customers are required to pay cash for those transactions. A \$200 a day limit is totally unfeasible for these business transactions. (sub. DR312, p. 4)

ATM Industry Association

ATMs are designed to dispense cash to bank customers and cardholders. They are not poker or gambling machines. It is illogical to think that ATMs can feed the habit of gambling.

A problem gambler will gain access to their banking funds regardless of whether there is an ATM in the gaming location. For example, they can bring pre-withdrawn cash with them or use an EFTPOS Cash Out arrangement on the premises. One cannot prevent a person from accessing his own banked money when they want to withdraw it. (sub. DR420, position paper, p. 1)

However, the Australasian Casino Association expressed concerns about the proposed exemptions, generally considering them to be impractical, and considered that casinos be broadly exempt from the Commission's proposed cash and credit restrictions. For example, in relation to the application of withdrawal limits on ATMs to casinos, the Australasian Casino Association said:

... casinos cater for a diverse range of visitors. Casino customers rely on the availability of ATMs in order to purchase and enjoy a wide range of gaming and non-gaming entertainment. ... The suggestion that a \$200 daily withdrawal limit should apply to all customers except for "high rollers" and international tourists is not only impractical but demonstrates a fundamental misunderstanding of how casinos operate, the services they offer and the type of customer that frequents casinos. (sub. DR365, pp. 12–13)

And further:

... many casino customers do not play EGMs but visit casinos to exclusively play casino table games ... as well as visit restaurants, attend a show or a function or a conference. This equally applies to large casinos such as Crown, or a regional casino such as Jupiters Townsville. Apart from being destination venues, this is what distinguishes casinos from other gaming venues. (sub. DR365, p. 13)

On the other hand, several other participants questioned the desirability of any exemptions for casinos (for example, Council of Social Services, sub. DR369; Amity Community Services, sub. DR388; RSL & Services' Clubs Association, sub. DR374; Parramatta Leagues Club, sub. DR341), or had particular concerns about the application of any exemption to high rollers (for example, BetSafe, sub. DR345; Clubs Australia, sub. DR359; Kildonan UnitingCare, sub. DR339; UnitingCare Australia, sub. DR387). For example, BetSafe said:

A distinction needs to be made between international high rollers and other categories of gambler. In our opinion, it is appropriate for exemptions to apply to casino gamblers who are overseas residents and come to Australia as tourists or on junkets. One means of identification is to require the person to present their passport showing a short-term tourist visa. These overseas visitors should be entitled to a liberal range of financial options as their presence in Australia is only temporary.

By contrast, BetSafe considers that the current approach by casinos of nominating residents as "high rollers" based on their gambling expenditure to be flawed. Wealthy Australian residents can easily arrange for their gambling funds to be deposited in a casino account by electronic transfer or cheque. A considerable number of "high rollers" in casinos are in fact problem gamblers who are gambling beyond their means. If they don't have a personal assistant to arrange for the funds to be deposited into their casino account, or if they don't have a chequebook, then their status as genuine "high rollers" should be questioned. (sub. DR345, p. 6)

Also, UnitingCare Australia considered that:

The problem is that casinos often classify problem gamblers as high rollers and subject them to a range of inducements and other conduct that gets them into trouble. There is no effective regulation of how Australian residents can be classified as high rollers. (sub. DR387, p. 18)

Determining the extent to which certain cash and credit restrictions apply to casinos depends on the balance of benefits and costs, which are likely to vary between casinos and gaming venues located throughout the community. A daily withdrawal limit of \$250 per card on ATMs/EFTPOS facilities would entail fewer benefits and higher costs in casinos, tipping the balance in favour of an exemption for this venue type.

- A daily withdrawal limit is only likely to provide modest benefits for higher risk players of gaming machines, which would justify action only when the costs of the measure were also low
- A daily withdrawal limit inconveniences some recreational gamblers, but the significance of these costs is likely to be much higher in casinos:
 - casinos are the exclusive provider of table games, where people tend to place larger bets by the nature of the games, but do so only irregularly
 - many casino patrons are from overseas or interstate, with the casino visit part of a tourist experience (true destination gambling), in which normal spending constraints are lower
 - casinos also provide a wider range of other entertainment and hospitality services than clubs and hotels, and a low limit would adversely affect patrons' capacity to access these.

It would be impractical to impose the withdrawal limit for gaming machine gambling in casinos, but not other purchases, since that would require supervision of how people used their withdrawn cash.

Accordingly, the Commission considers that casinos should be exempt from a withdrawal limit on their ATMs/EFTPOS facilities. That said, as seen later in this section, such a wide exemption does not apply to the Commission's other proposals for cash payment of gaming machine prizes and cheque cashing restrictions, which are more targeted.

In contrast to casinos, the range of patrons and forms of gambling offered in hotels and clubs are much narrower. Imposing a daily withdrawal limit on ATMs/EFTPOS facilities in these venues would be likely to have a different, and positive, benefit-cost outcome. While the benefits of a daily withdrawal limit are still likely to be modest, the adverse effects on non-gaming machine patrons and non-gaming machine revenue, are likely to be much lower than those in casinos.

Other issues about a daily withdrawal limit

One issue raised by Cashcard Australia is whether there was a need for EFTPOS transactions if withdrawal limits were imposed on ATMs. It argued for the removal of the cash-out option from EFTPOS facilities:

Without this, the impact of ATM cash withdrawal limits could be negligible as gamblers will have a second and uncontrolled access point to funds. There is no systemic fallback for control of EFTPOS and the control aspect is completely reliant on the operator of the terminal.

By removing cash-out at EFTPOS, in-venue ATMs can be used as the single point for accessing cash within a majority of gaming locations. Only those venues that house more than one ATM network will then provide a means for problem gamblers to potentially circumvent the restrictions. (sub. DR 330, p. 3)

As noted earlier in relation to ATM bans, there are merits in continuing to permit cash out from EFTPOS facilities, but subject to the same withdrawal limit as on ATMs. The face-to-face nature of EFTPOS transactions could deter higher risk gamblers. EFTPOS transactions provide venue staff with the opportunity to monitor gamblers and to intervene as appropriate. And prohibiting a cash-out option on EFTPOS facilities could inconvenience non-problem gamblers and other patrons. For these reasons, the Commission considers that there is no basis for removing the cash out option from EFTPOS facilities.

Another issue raised by the Australian Bankers' Association (sub. DR381) pertains to the 'level' at which withdrawal limits (and indeed any cash restrictions) are imposed. It opposed imposing restrictions on 'card issuers' (for example, banks and other financial institutions) due largely to the impacts this would have on the broader 'payments system' and advocated that:

Obligations should be imposed on licensees of gaming venues to ensure the effectiveness of proposed strategies that restrictions are implemented on the cash facilities within their venue. Licensees should be required to ensure that the operator of the device — that is, the ATM deployer or the [EFTPOS] merchant — have in place technologies, protocols or processes to restrict access to cash ... (sub. DR381, pp. 4-5)

The Commission envisages that any restrictions on ATMs/EFTPOS facilities would be levied on ATM deployers and EFTPOS merchants, rather than through 'card issuers'. Implementing restrictions at the venue level is likely to be less costly than through card issuer with the potential impacts this might entail for the broader payments system. The ATM Industry Reference Group, which represents major ATM deployers, said it was not opposed to the concept of a daily withdrawal limit and had the capacity to meet the current Victorian \$400 limit (sub. DR324, p. 5). (Although Cashcard Australia noted that setting limits through the 'card issuer'

level would avoid the scope for problem gamblers to avoid restrictions — box 13.5).

A third issue raised by some participants is the impact of withdrawal limits on remote communities and the scope for exemptions. The Northern Territory Government, for example, noted that its jurisdiction contained a ‘highly dispersed population’, and there was a lack of alternative banking facilities to those provided by licensed liquor and gaming businesses (sub. DR410, p. 3).

As noted earlier in relation to a ban on ATMs from gambling venues, an exemption from a withdrawal limit may be needed for those venues in regional areas that have no readily accessible alternative banking facilities. This could be where a local population centre is 5 kilometres or more from the nearest banking facility.

A final issue raised by some participants is the scope for exempting venues from any withdrawal limit where they offer an ATM self-exclusion option (for example, the Australian Hotels Association, sub. DR385, p. 38). This, and other self-regulatory approaches, is discussed later in this section.

Summing up

A daily withdrawal limit on ATMs/EFTPOS facilities presents similar issues to a ban on ATMs from gambling venues. Both offer the scope of providing benefits to problem gamblers. However, compared with an ATM ban, the risks and costs associated with a daily withdrawal limit are probably less and more easily reversed.

Although the ATM industry indicated that they are already able to meet the Victorian \$400 a day limit, the Commission considers that this limit is unlikely to be sufficient to assist problem gamblers.

The Commission considers instead that, based on the limited evidence available, a limit of \$250 per day on withdrawals from ATMs/EFTPOS facilities could help address gambling harms without unduly affecting non-problem gamblers and other patrons or having other adverse impacts.

Casinos should be exempt from this withdrawal limit. Compared with clubs and hotels, casinos offer a broader range of gambling and other services and attract a broader range of patrons. A withdrawal limit would thus have greater costs for casinos.

An exemption from a withdrawal limit may be also needed for those venues in regional areas that have no readily accessible alternative banking facilities. This

could be where a local population centre is 5 kilometres or more from the nearest banking facility.

The daily withdrawal limit should be adjusted periodically to account for inflation.

Such a withdrawal limit could be repealed if mandatory pre-commitment of the kind proposed in chapter 10 were introduced.

Removing ATMs from the gaming floor

Although governments have largely required venues to remove ATMs/EFTPOS facilities from gaming floors, there is evidence from participants to suggest that more could be done to ensure the effectiveness of the measure in relation to their location and visibility in venues. For example, a problem gambler noted:

[ATMs might not be in the gaming rooms] but they are just around the corner somewhere. ... a short stroll from the gaming room will hinder very few. (sub. 172, pp. 3, 31)

Wattle Range Council said:

In almost all local venues, ATM machines whilst placed outside the gaming room are often only a few feet from the electronic gaming machines. There is no screening from sight and sounds of the gaming machines while the gambler withdraws money from their account. This can undermine people who intended only to spend a set amount on gambling to compound their losses. (sub. 233, p. 2)

And PokieWatch.org (sub. 199, pp. 67–72) provided evidence to the Commission gathered from its ‘inspections’ of over 180 hotels and clubs in South Australia, Queensland and Victoria about the location and visibility of ATMs relative to the ‘pokie area’. It found that despite restrictions in regard to the location of ATMs vis a vis the gaming floor, ATMs continue to be visible to gamblers, indicating that this meant that ‘prescriptive regulation is required to enforce responsible pokie gambling practices’ (p. 67).

The Victorian InterChurch Gambling Taskforce, which opposed relocating ATMs to another part of the venue, noted anecdotal evidence to suggest that this led to increases in ATM withdrawals:

A former gaming floor manager stated to the Taskforce that when the Victorian Government required venues to remove ATMs from the gaming area the venue he was a manager in placed the ATM in the foyer. This resulted in a substantial increase in the amount of money withdrawn from the ATM and a substantial increase in the money lost on EGMs in the venue. The gaming floor manager speculated that this was because people who made multiple withdrawals for the purposes of gambling gained a greater sense of privacy with their withdrawals once the ATM was in the foyer compared to

when the ATM was in the gaming area where patrons felt they could be observed more readily by staff. Further, the ATM was not far enough away to allow the gambler a genuine break from their session. (sub. DR357, p. 4)

On the other hand, Clubs Australia noted that there were costs to venues in where they positioned their ATMs:

ATMs are already banned from the gaming room floor in most jurisdictions and this is sufficient. Due to layout and size, venues will face different challenges in operating an ATM at a “reasonable distance” from the gaming room. The gaming room might be near the venue entrance. In that case, the gaming room cannot be moved because the machine requires access to electrical outlets and it would be prohibitively expensive to switch rooms just to create distance between the gaming machines and the ATM. In other venues, particularly large clubs, the gaming room is not walled off from other areas. It would be expensive and impractical for those clubs to make the ATM ‘invisible’ to patrons on the gaming floors. (sub. DR359, p. 66)

The Commission considers that the effectiveness of relocating ATMs from the gaming floor would be improved by requiring that the facilities not be proximate to, nor visible from, gaming floors, and that they should be in full sight of venue staff and other patrons.

- Relocating the facilities sufficiently away from the gaming floor could provide a small break in play in which gamblers could reconsider their decision to withdraw cash.
- Concealing the facilities from view of the gaming floor could help reduce the impulses of gamblers on the floor to withdraw cash.
- Public visibility of the facilities to venue staff and other patrons could deter problem gamblers who might be self-conscious about their withdrawals and would create an opportunity for venue staff to intervene.

However, because of the costs associated with physically relocating ATMs from one part of a venue to another, imposing further distance and visibility constraints on ATMs should only apply to those venues that have not yet complied with the current restrictions.

Self-regulatory mechanisms

Several participants drew the Commission’s attention to existing self-regulatory mechanisms that enable gamblers to set their own limits on their use of ATMs/EFTPOS facilities (for example, Clubs Australia, subs. 164 and DR359; the Australian Bankers’ Association, subs. 165 and DR381; the ATM Industry

Reference Group, subs. 137 and DR324; and the RSL of Australia (Vic Branch), sub. 245).

For example, gamblers could:

- leave their debit cards at home or with family or friends for safe-keeping and bring only that amount of cash with them as is necessary
- make use of a venue's 'mind your ATM card' service (Clubs Australia, sub. 164, p. 14)
- request their financial institution to set limits on their debit cards — although these limits would apply across all points of access (ATMs and EFTPOS facilities) and not just in gaming venues (box 13.7).

Box 13.7 Setting limits through banks

The Australian Bankers' Association noted a number of ways in which banks can assist their customers to manage their finances.

... banks offer customers further options to manage their finances and expenditure, including upon request, varying their maximum daily withdrawal limit (where possible).

In this instance, a customer (card holder) would contact their bank and request that the maximum daily withdrawal limit on their debit card be reduced. Depending on the type of bank account, the bank would respond to the request by implementing a maximum daily withdrawal limit that differs from the standard limit. However, it should be noted that the new maximum daily withdrawal limit would apply across all points of access (ATM, EFTPOS and cash facilities), not just ATMs in gaming venues.

Furthermore, a bank would not take this action without an explicit instruction from their customer requesting that the maximum daily withdrawal limit on their debit card be reduced, for example, to assist them manage their gambling expenditure. (sub. 165, p. 3)

And

...some banks offer customers further options to manage their finances and expenditure, including upon request, introducing a "two to sign" process (where possible). This approach requires the customer (account holder) to impose a restriction on the use of their account (ie no debit card) and a nominated additional account signatory to agree to a restriction on the withdrawal of money from the account (ie over the counter in a bank branch). (sub. DR381, p. 7)

Some participants also noted the development of new mechanisms to enable gamblers to limit their use of ATMs/EFTPOS facilities in gaming venues themselves.

One such mechanism involves gamblers setting their own limits on ATM/EFTPOS use when seeking self-exclusion. The ATM Industry Reference Group advised the

Commission that it was working with the Australian Hotels Association (NSW) to explore how such a system would work.

As part of entering [a] voluntary Deed of Exclusion, the person seeking exclusion could also volunteer details of their ATM card(s) and the venues where they did not want ATM access. This card and venue data could then be provided to the ATM provider (via an Industry/Government body) and the card could then be blocked from use at the venue's ATMs or all gaming venue ATMs. ...

If the ATM providers are satisfied the Deed of Exclusion process is robust, we do not require any information other than the card number and the venue(s). We would also expect some mechanisms that would refresh the Inactive Card Data periodically. Timeframes for each activity (including contacting the ATM provider, establishing the card number on the system etc) would need to be agreed but otherwise we do not see any significant impediments. (sub. 137, p. 10)

The ATM Industry Reference Group noted that there were issues still to be resolved — such as how the message that the transaction has been declined would be delivered to the cardholder and where the database and cardholder information would be stored — and was working on a pilot (p. 11).

As noted earlier, the Australian Hotels Association commissioned a survey of over 400 problem gamblers, which found a strong preference for such an ATM self-exclusion scheme (Sweeney Research 2009). The survey also found that, when offered a choice between removing ATMs from a licensed venue and an ATM exclusion scheme, 38 per cent chose the former option and 62 per cent the latter (p. 9).

This mechanism need not be limited to patrons seeking self-exclusion, but could be offered to all patrons. The ATM Industry Reference Group said:

The opportunity to prohibit access to ATMs within venues for problem players could also be offered to those patrons who do not wish to self-exclude, but rather seek a means to better manage their level of gambling activity. Restricting their access to cash within a venue may provide assistance to such individuals as part of a range of tools, including counselling and other harm minimisation initiatives.

We firmly believe that sufficient technology based options exist to provide a high level of protection for problem gamblers while ensuring that venues are not materially disadvantaged and that the majority of patrons can continue to readily access cash for their needs both inside and outside the venue. (sub. DR324, p. 6)

Indeed, the RSL of Australia (Victorian Branch) has proposed to the Victorian Government that its member clubs be exempt from a ban on ATMs from venues if they offered ATMs to their members under conditions of restricted access (sub. 245). Essentially, this would involve ATMs being located in a physically restricted space in the venue accessible only to club members with appropriate

membership cards and viewable from anywhere in the venue. The membership cards could be programmed to include various limits on access to the ATMs, including limits on access by self-excluded persons and daily transaction limits. The ATMs themselves could also be programmed to accommodate limits. The Australian Bankers' Association also noted similar initiatives overseas to restrict access to cash in gambling venues through a combination of self-exclusion and ATM technology (sub. 165, p. 6).

The effectiveness of these different self-regulatory mechanisms depends on the awareness of gamblers of these alternatives, the incentives gamblers face to impose limits on their own behaviour, and on the incentives venues face to introduce necessary supporting measures that reduce harms.

The Commission considers that there is a role for governments in better promoting the ability of gamblers to already set limits with their financial institution. As noted by Clubs Australia, 'Promotion of the opportunity to limit daily withdrawals and how to do it ... would empower all consumers, not just those that gamble' (sub. 164, p. 12).

One relatively cheap way to do this is for governments to mandate the placement of warnings and appropriate messages on ATMs. Casinos already place warning and help messages on their ATMs (Australasian Casino Association, sub. DR365, p. 12). And the technology is available to display 'responsible gambling messages' on ATM screens (ATM Industry Reference Group, sub. DR330, p. 5). However, there would obviously be difficulties in relation to the placement of warnings and messages on EFTPOS facilities, due to their size and how they are used (Clubs Australia, sub. DR359, p. 66).

Were governments to introduce bans or withdrawal limits on ATMs, they could consider exempting venues with self-regulatory mechanisms that restrict ATM access — such as proposed by the ATM Industry Reference Group/Australian Hotels Association (NSW) and the RSL of Australia (Victorian Branch) — where they are proven to be effective in addressing gambling harms. An important consideration in this regard would be the extent to which problem gamblers would take up the self-regulatory mechanism.

Conclusion

The weight of evidence shows that there is a strong link between ATMs/EFTPOS facilities and problem gambling. Moderate risk and problem gamblers are likely to access ATMs/EFTPOS facilities in venues for gambling more often than other patrons. Moreover, that problem gamblers would like to better control their

gambling by removing ATMs confirms that the presence of these facilities in venues contributes to gambling harms.

However, for some types of restrictions, particularly a ban on ATMs from venues, there is the potential for unintended consequences for problem gamblers, for adverse impacts on non-problem gamblers, and for large and irreversible costs for gambling venues and providers of ATMs.

The Commission thus sees advantages in a moderate and less costly approach to the regulation of ATMs/EFTPOS facilities in venues by fine-tuning existing requirements, while awaiting the outcomes of the proposed Victorian ban on ATMs. This approach includes imposing on gaming venues, apart from casinos, a daily cash withdrawal limit per card from ATMs/EFTPOS facilities of \$250.

As noted earlier, a withdrawal limit on ATMs/EFTPOS facilities could be repealed if the Commission's proposed pre-commitment system as recommended in chapter 10 were adopted.

RECOMMENDATION 13.2

Governments should modify existing regulations of ATMs/EFTPOS facilities by introducing the following changes in gaming venues:

- *cash withdrawals from ATMs/EFTPOS facilities should be limited to \$250 a day except for casinos*
- *ATMs/EFTPOS facilities should be a reasonable distance from the gaming floor, visible to the public and venue staff, yet not to gamblers from the gaming floor*
- *warning and help messages should be clearly visible on ATMs.*

13.3 Using credit for gambling

Most jurisdictions have mandatory restrictions on the use of credit for gambling. These are typically of the following forms:

- bans on 'credit gambling', which are bans imposed on venues, or their employees, from offering credit or loans to patrons for the purpose of gambling
- restrictions on the use of credit cards or access to credit accounts through ATMs/EFTPOS facilities in gambling venues for gambling.

However, some jurisdictions continue to allow cash withdrawals from credit cards in gambling venues in limited cases (ACT — ATMs outside the gaming area of

hotels and clubs, Western Australia — ATMs in the casino non-gaming area, and Tasmania — ATMs in casinos).

Some previous studies for, or reports to, government have considered the use of credit cards and access to credit accounts for gambling.

- In its report to the Australian Government, KPMG recommended that the Australian Government negotiate with the states and territories to ensure that all ATMs that ‘serve gaming locations’ do not enable access to credit accounts (KPMG 2002, p. 5).
- IPART (2004) recommended that the New South Wales prohibition on credit for gaming applying at the time should continue without amendment (p. 67). However, it noted that organisations involved in lottery products claimed that this measure is less relevant to them as they are less likely to be harmful and that they experienced administrative difficulties and costs when selling non-lottery products through credit.
- The Centre for Gambling Research in its report to the ACT Government on ATM use in ACT gambling venues considered that restrictions on accessing credit accounts from ATMs/EFTPOS facilities be clarified to improve their effectiveness (2004b, p. 178).

Is the rationale for credit restrictions in gambling venues appropriate?

The restrictions reflect concerns that people may gamble beyond their financial means or beyond what they earn. They also reflect concerns that credit availability may exacerbate the financial difficulties of problem gamblers.

Several participants commented on the need for credit restrictions in relation to gambling. The New South Wales Government noted that its prohibition on cash withdrawals from credit accounts through ATMs/EFTPOS facilities is:

... intended to deny individuals with a tendency to gamble access to money that they do not have, or cannot afford to repay. Preventing access to credit for gambling purposes is seen as a key strategy to limit the impact of problem gambling. (sub. 247, p. 34)

Clubs Australia (along with several other participants from the gambling industry) called for the Australian Government to ban credit betting and the use of credit accounts for gambling, including online gambling (sub. 164, p. 5) and said:

It is Clubs Australia’s view that there is a clear difference between allowing a person to use money from their cheque or savings accounts to gamble as they see fit, and allowing a person to gamble on credit, where losses can be much higher and interest required on those losses. Banning credit betting would give the additional benefit of

preventing stolen credit cards being used to gamble. This would also help in the current environment of easy access to credit cards. (sub. 164, p. 34)

UnitingCare Australia noted that one of the adverse impacts of problem gambling is consumer debt:

The national level of consumer debt, particularly credit card debt, has grown considerably over the past decade. A significant amount of this consumer debt has been created by expenditure on gambling. Financial counsellors frequently see problem gamblers who have unsecured debt in excess of \$50 000, which is unlikely to be repaid.

In many cases, gamblers take out a succession of credit cards and other loans, using the newest sources of credit to maintain the minimum repayments on the older debts, which are usually maintained at the maximum limit. Eventually creditors will decline applications for credit. However, this may only occur after a very large total debt has been incurred. In the most extreme instance, one woman incurred total unsecured debts of \$280 000, all of which was lost gambling.(sub. 238, p. 34)

Consumers generally take into account a range of factors when using credit to make a purchase. These factors include the convenience of the purchase, the detailed recording of the transaction in the consumer’s credit accounts, the fee of using credit cards or credit accounts relative to debit cards in ATMs/EFTPOS facilities, and the future interest payable a record of transactions. Using credit is not just about going ‘over budget’ in a particular period, it involves the inter-temporal management of a consumer’s finances.

Although gamblers generally may be like other consumers of goods and services in respect of their use of credit, there is survey evidence that higher risk gamblers appear to use credit for gambling more than other gamblers. Moreover, higher risk gamblers appear incapable of using credit rationally with consequent adverse impacts such as accumulating losses (appendix G and table 13.6).

Table 13.6 Use of credit cards to get cash advances for gambling, Queensland, 2006-07 and 2008-09^a

<i>Frequency</i>	<i>Low risk gamblers^b</i>		<i>Moderate risk gamblers^c</i>		<i>Problem gamblers^d</i>	
	<i>2006-07</i>	<i>2008-09</i>	<i>2006-07</i>	<i>2008-09</i>	<i>2006-07</i>	<i>2008-09</i>
	%	%	%	%	%	%
Never, rarely	94	93.2	80	89.9	74.6	73
Sometimes, often, always	5.2	6.6	20	8	25.4	27.1

^a Commission estimates based on raw data from the Queensland household gambling survey for 2006-07 (question 100) and 2008-09 (question 75). The 2006-07 survey was of 30 000 adults and the 2008-09 survey was of 15 000 adults. ^b Low risk gamblers — CPGI (1 or 2). ^c Moderate risk gamblers — CPGI (3 to 7). ^d Problem gamblers — CPGI (8+).

Some participants also provided graphic illustrations of the extent to which problem gamblers misuse credit for gambling. For example, Kildonan UnitingCare noted a case where one problem gambling client acquired an \$80 000 credit card debt, ‘mostly due to his excessive EGM gambling’ (sub. 163, p. 5). And the Anglican Diocese of Brisbane noted a case where a client had applied for and gained four separate credit cards from which he sourced cash advances for gambling and that the combined liability for the cards was \$35 000, which far exceeded his and his wife’s capacity to finance (sub. 140, case study, p. 2).

Summing up, the Commission considers there is strong evidential support for the view that moderate risk and problem gamblers are much more likely to use credit cards and access credit accounts than other gamblers for the purpose of gambling. These gamblers are, thus, at risk of accumulating losses and of being placed in a position where they are unable to manage their financial affairs appropriately. There is thus a prima facie case for having credit restrictions.

Other issues about effectiveness

Although there is a tendency for moderate risk and problem gamblers to use credit more than other gamblers, several issues arise about the effectiveness of credit restrictions.

One issue is whether these higher risk gamblers would avoid the restrictions in some way. For example, gamblers could leave gambling venues to use other credit facilities to withdraw cash for gambling. Or, where access to debit accounts were available in gambling venues, gamblers could supplement those accounts with cash obtained from credit. Playup Interactive Entertainment said that:

Another example of legislation focusing on the method or tool rather than the principle is where in some states credit betting is prohibited however the vast majority of consumer accounts are funded using consumer credit cards. This makes a mockery of the very principles that underpin the legislation. (sub. 130, p. 8)

There is little survey evidence about the behavioural responses of moderate risk and problem gamblers to credit restrictions. In its survey of 297 venue managers in Victoria, Caraniche (2005, table 6.20) indicated that 7 per cent reported that gaming machine players were leaving the venue to use ATMs with credit facilities to avoid or circumvent harm minimisation measures.

A second issue is the extent of adverse impacts on other patrons, who may be inconvenienced by the restrictions, and on gambling venues, which may experience added compliance costs and loss of non-gambling related revenues (such as losses in food and drink sales).

However, the Commission has not seen any evidence to suggest significant inconvenience to patrons or of adverse impacts on venues.

- Indeed, the use by patrons generally of credit for gambling appears from survey evidence to be very small — probably reflecting the extent of restrictions that currently exist (for example, Centre for Gambling Research 2004a, b; Office for Problem Gambling 2006; SACES 2008b — appendix G).
- Moreover, that some major participants from the gambling industry support a national ban on credit for gambling suggests that, if anything, the impacts of restricting credit in gambling venues are of no great concern to them.

A third issue about the effectiveness of restrictions relates to venue compliance. For example, the Centre for Gambling Research (2004b, p. 178) noted that some ACT venues were not clear about what the credit restrictions meant. Delfabbro (2008b) noted that although the provision of credit to gamblers is prohibited in gambling venues, there ‘are numerous reports of these regulations being violated in some venues, and suggestions that stronger penalties be imposed on venues that fail to comply’ (pp. 147–8). The level of venue compliance naturally depends on how clear is the wording of regulations and on education of venues by regulators.

A final issue for effectiveness relates to the differential treatment of venues and gambling forms, with many participants raising concerns (for example, Clubs Australia, subs. 164 and DR359; BetSafe, sub. 93; Gaming Technologies Association, sub. 147; the Council of Gambler’s Help Services, sub. 132; Falkiner, sub. 2). The bulk of concerns was concentrated on the differences in credit restrictions between land-based gambling venues and online gambling providers. Although such differences might adversely affect the competitiveness of the different gambling providers, they might also be justified. There is no other way of paying for online gambling other than through the use of credit cards or an accepted electronic payment facility; indeed, the use of credit cards for online payment for goods and services is a typical commercial practice. This is examined further in chapter 15 on online gaming and the Interactive Gambling Act.

Conclusion

Other than for online gambling, the Commission considers that there is a strong case for maintaining bans on the use of credit cards and access to credit accounts in (land-based) venues for gambling. Moderate risk and problem gamblers are more likely than other gamblers to use credit for gambling in venues and are, thus, more at risk of accumulating losses. Unlike other consumers of goods and services, these

higher risk gamblers are more likely to be placed in a position of not being able to manage their debts effectively.

While banning the use of credit cards and access to credit accounts from venues is not likely to make a large difference — for example, higher risk gamblers could leave the venue to access an ATM that permits use of credit cards — it is a low cost option having fewer costs for non-problem gamblers and other venue patrons.

It is possible that, if the use of credit cards and access to credit accounts for gambling is so restricted, but debit accounts continued to be accessible in gambling venues, higher risk gamblers could supplement those debit accounts with additional funds sourced from other lines of credit outside the venue. Such behaviour could be ameliorated through the introduction of a tight withdrawal limit on ATMs/EFTPOS facilities in gambling venues, as the Commission has already recommended.

Banning the use of credit cards and access to credit accounts for gambling would continue to be warranted if effective pre-commitment of the kind proposed in chapter 10 were introduced. Although such pre-commitment would enable gamblers to more directly control their gambling expenditure, credit bans are a low cost measure to assist problem gamblers who are more likely than non-problem gamblers to get into financial difficulties through accumulating debt.

FINDING 13.3

Other than for online gambling, restrictions prohibiting the use of credit cards for gambling are justified.

13.4 Payment of gaming machine prizes as cash

All jurisdictions have introduced mandatory restrictions on the cash payment of prizes (sometimes referred to as winnings) from gaming machines,³ although they apply different cash thresholds and other related rules such as probity checks and the immediacy with which cheques must be paid.

For example, in the ACT, the maximum cash payout of winnings from gaming machines is \$1200. In Queensland, hotels and clubs must pay winnings over \$250 by cheque unless a higher cash payment limit is approved (such a limit would not normally exceed \$1000). Casinos must pay winnings by cheque where

³ A gaming machine prize, or winnings, generally refers to what the gaming machine pays out following a bet. It is to be distinguished from the credits on a gaming machine that result when a gambler inserts notes or coins in order to play the machine.

requested by the patron. And in New South Wales, hotels and clubs must pay prizes over \$2000 (changed from \$1000 in May 2006) by cheque or by electronic transfer of funds to an account nominated by the prize winner. Patrons can request winnings under \$2000 to be paid in a similar manner. Prize winning cheques must be identified by the words ‘Prize winning cheque — cashing rules apply’. The casino must notify winners of prize above \$1000 that they can be paid by cheque and must pay the prize by cheque upon request.

Restrictions on the cash payment of prizes seek to:

- prevent gamblers from ‘reinvesting’ winnings, gambling longer than intended and accumulating losses
- give gamblers a ‘cooling off period after big wins’ (McMillen, sub. 223, p. 36)
- protect the security of patrons leaving the venue, as ‘patrons carrying large amounts of cash are at greater risk of being robbed when leaving a venue’ (New South Wales Government, sub. 247, p. 35).

Several studies for, or reports to, government have considered the effectiveness of restricting the cash payment of prizes (for example, Caraniche 2005; McMillen and Pitt 2005; IPART 2004). All of these studies and reports recommended no substantial changes to existing requirements. However, some of them observed that gamblers attempted to avoid cheque payments by gambling below the cash thresholds and other perverse outcomes.

Preliminary analysis of responses to the Commission’s survey of problem gambler clients of counselling services indicate that lowering the threshold for prizes to be paid by cheque was considered by 42 per cent to work well. However, 31 per cent reported that it would not work.

Do gamblers ‘reinvest’ their prizes?

A threshold issue for assessing the effectiveness of the restrictions is the extent to which gamblers ‘reinvest’ their prizes from gaming machines and the tendency of problem gamblers to do so compared with other gamblers.

Some participants providing treatment services noted the tendency of gamblers to gamble with their large winnings. UnitingCare Children, Young People, which recommended that the cash payment of winnings be limited to \$1000 or lower, noted that:

Problem gambling clients at the GAFS have reported that they are most likely to gamble while they have access to cash. One client stated that they gambled over \$5000 in one day and much of this money was the proceeds of a large win they had received

that day. When the client left the club they had lost their winnings and their pay. This example suggests that reducing large cash payouts to gamblers can reduce the overall losses inevitably experienced by problem gamblers. (sub. 90, p. 6)

These views are supported by surveys and studies, which show that a sizeable proportion of gamblers overall gamble with their prizes, and that problem gamblers have a greater tendency to do so compared with other gamblers (for example, Centre for Gambling Research 2004a; Delfabbro et al. 2007; McDonnell-Phillips 2006 — appendix G).

For example, in their study on possible indicators of problem gamblers in venues Delfabbro et al. (2007) found that:

- 80 per cent of venue staff had seen gamblers putting large wins amounts back into the machine and keeping playing
- 10 of 15 South Australian problem gambling counsellors reported that their clients put large win amounts back into the machine and kept playing
- 78 per cent of problem gamblers and 37 per cent of moderate risk gamblers, compared with 20 per cent of low risk gamblers and 11 per cent of non-risk gamblers, reported they put large wins back into the machine and kept playing.
- Problem gamblers were two times more likely than other gamblers to do so.

This and other survey evidence collectively supports the case for general restrictions on the cash payment of prizes.

Do gamblers simply avoid the need for cheque payment?

Existing regulatory arrangements for cheque payment relate to ‘winnings’. Winnings are the amount that the player removes from the gaming machine at the end of the session. (They equate to prizes, less losses, plus cash inserted yet not staked).

A concern about the current arrangements is that gamblers may avoid a cheque payment requirement by gambling below the prescribed cash threshold for winnings, encouraging a tendency also to bet away prizes.

There is some survey evidence for this behaviour (for example, AC Nielsen 2007; Caraniche 2005; McMillen and Pitt 2005 — appendix G).

Moreover, the 2006 New South Wales gambling prevalence survey asked a question of respondents about whether they avoided payouts by cheques. The survey showed that overall 2 per cent of gamblers who played gaming machines reported gambling away part of their winnings to avoid a cheque payout. But ‘at risk’ gamblers and

‘low risk’ gamblers reported a greater tendency to do so than non-regular gamblers and non-problem gamblers (table 13.7).

Table 13.7 Gambling away part of winnings to avoid payout by cheque, NSW gambling prevalence survey, 2006^a

<i>Frequency</i>	<i>Total NSW (n=634)</i>	<i>Non-regular gamblers (n=303)</i>	<i>Non-problem gamblers (n=154)</i>	<i>Low risk gamblers (n=79)</i>	<i>At risk gamblers (n=98)</i>
	%	%	%	%	%
Never, rarely	97	99	100	94	83
Sometimes, often, always	2	1	0	6	17

^a Base is NSW residents who played pokies/gaming machines in the last 12 months. Risk group defined by CPGI.

Source: AC Nielsen (2007, p. 88).

Overall, the survey evidence suggests that, while a small proportion of gamblers intentionally gamble down to below cash thresholds to avoid a cheque payout, there is a much greater tendency for problem gamblers to do this than other gamblers.

What limit for the cash payment of prizes from gaming machines?

Given the tendency for people to gamble away prizes on gaming machines — resulting from lack of control, dissociation or avoidance of a cheque payment for winnings — there are grounds to issue cheques for *prizes*, rather than winnings. The key issue is what the threshold should be for such a payment, which has to balance several considerations (some of them raised by participants in response to the draft report — box 13.8):

- Too low a level would mean that many recreational gamblers would not be able to take their wins as cash or that it would unreasonably shorten their playing time for a given initial stake. The re-investment of small prizes is what allows a gambler to get a reasonable time playing on a gaming machine. It would also impose a compliance burden on venues if they were continuously writing cheques when there were few harm minimisation benefits.
- Too high a level would undermine the goal of discouraging impulsive betting of large prizes.

The Commission gave further consideration to the \$250 threshold proposed in the draft report, following concerns industry participants raised about compliance costs (box 13.8).

Box 13.8 Industry participants' views on a \$250 cash limit for prizes

ALH Group

The proposed measure is not supported by any research and the recreational player unfairly bears the social cost of this policy measure. A withdrawal of \$250 may not represent a big win for many recreational players, yet under this proposal they lose use of their own money over a 2-3 day cheque float period.

Administrative costs of processing cheques on \$250 payouts are substantial. A cheque minimum of \$1000 is administratively workable.

Regulatory neutrality: there are no payout (cheque) restrictions on TAB, Lotto etc. (sub. DR340, p.3)

Clubs Australia

... the real issue for clubs in setting such a low ceiling lies mainly in the costs of administering [a low thresholds], compared to the doubtful benefit of assisting a problem gambler, and the inconvenience that would flow to recreational gamblers. (sub. DR359, p. 68)

A survey conducted by ClubsNSW of 16 clubs for the 12-month period from November 2000 to October 2001, when the cheque cashing limit was set at \$1000 showed that this small number of clubs alone generated 67 664 cheques in compliance with the regulation — causing a significant administrative burden, along with a growing security risk. (sub. DR359, p. 60)⁴

ClubsNSW was also of the view that cheque fraud (forgery) increased after the introduction of cheque cashing legislation. Cheque fraud involves persons acquiring a cheque from a club then altering the content details thereon. The obligation to issue cheques in quantities that would be generated by a limit of only \$250 would no doubt increase the likelihood of increased forgery. (sub. DR359, p. 69)

[the option of winnings being electronically transferred to the player's account] has not proved popular in clubs, with patrons and many clubs are not in position to carry out this type of transfer. It requires players to carry around and furnish a club with their banking details — not a convenient or desirable arrangement for many patrons, especially those who play casually in a number of venues. In addition, many clubs do not use their internet access to facilitate electronic payments. ... (sub. DR359, p. 69)

Clubs Australia has received feedback that interstate and overseas visitors are often placed in a situation where issuing winnings by cheque creates unnecessary complications and difficulties. This arises, because such patrons have restrictions on being able to cash a cheque — for example, they are leaving that day or the next day, or do not have an account with a financial institution in this country, or both. (sub. DR359, p. 70)

RSL (Queensland Branch)

With the limit set at \$250 there would be significant overhead and costs associated with the payment by cheque or direct debit facility.

Patrons may also not be comfortable with providing personal banking details to the venues to arrange transfer. (sub. DR360, p. 5)

It modelled the likelihood of a gambler receiving prizes of specific amounts based on a real gaming machine game and on assumptions of player styles for recreational

⁴ This translates to less than one cheque being written every hour for the venues concerned (assuming that they are typically open for more than 12 hours a day for around 360 days a year).

and problem gamblers (and commensurate with prevalence surveys) (box 13.9).⁵ The results showed that a modest increase in the prize threshold to \$300 significantly increased the average time between issuing cheques (by around 70 per cent) and that this would reduce even further the inconvenience to recreational gamblers.

The Commission also sought and received from a large Sydney club information about the compliance burden of a \$250 cheque threshold. This information indicated that the number of cheques that the club would have to write a year, as well as the associated costs, would increase by over thirty fold. The increase in costs assumed a fixed cost of writing each cheque.

However, the increase in compliance costs for a venue is not likely to be this high with a \$300 threshold.

- The Commission's modelling above suggests that the number of cheques that would be written would be much less than with a \$250 threshold.
- Rather than a fixed cost per cheque, one would expect cost-efficiencies associated with writing more cheques. (The more cheques that are written, the lower is the per cheque cost.)
- The introduction of the Commission's proposed \$1 bet limit and \$20 input limit are likely to lower the intensity of play by gamblers and, thus, the likelihood of prizes of this magnitude.
- Cheques of this low limit are unlikely to require compliance with (onerous) anti-money laundering and counter-terrorism financing legislative requirements.

Thus, a \$300 limit is probably more appropriate than a \$250 limit. Larger amounts would fail to achieve the goal intended for this measure.

Another practical issue would be how to trigger cheque (or debit) payment. Under current arrangements, gaming machines are programmed to stop if a prize payment exceeds the regulated amount. The same arrangement could be applied to a \$300 limit. However, a drawback of the current arrangements — which would be exacerbated by a lower prize threshold — is that a gambler playing a mystery progressive machine close to its payout point would be frustrated by an enforced machine shutdown. In addition, while unlikely, some gamblers may win \$300 more than once in any session of play, requiring two cheques to be written. (The odds of that happening for a win of \$1000 are remote).

⁵ The game was provided to the Commission in confidence by a gaming machine supplier.

Box 13.9 Modelling the likelihood of winning a prize of \$250

As shown in chapter 11, the average amounts bet per button push on gaming machines by non-problem gamblers is below a dollar and, as regulators have told the Commission, average stakes per button push range around 50 cents for some popular gaming machines. While gaming machine prize structures vary, the probability of winning hundreds of dollars on a 50 cent stake are low. For example, using a real gaming machine game, the odds of someone winning a prize of \$250 when playing 5 lines and 2 credits per line on a 5 cent machine (50 cents per button push) was around 1 in 390 000 for each button push. Of course, the probability of winning \$250 is better than this for an hour's button pushes, though it is still not very high. This indicates that the styles of play often adopted by recreational gamblers will not lead to many wins of this order.

That is not true for problem gamblers. They play longer, for more sessions and at greater intensity than recreational gamblers. To illustrate, the probability of winning \$250 on the simulated gaming machine when a gambler was betting \$2 for every five lines (that is \$10 for each button push) is around 1 in 210. Given their playing styles, prizes of \$250 or more will rarely occur for recreational gamblers, but occur quite often for problem gamblers. Accordingly, a prize threshold around the \$250 level (as proposed in the draft report) targets problem gamblers well. Not only would this reduce the scope to impulsively bet away prizes (saving them money), but would provide an additional indicator of problem gambling, which could supplement those already described in chapter 12. A gambler who is constantly collecting prizes of \$250 or more will have spent large amounts of money and has a much higher likelihood of having a problem.

These disadvantages could be overcome by modifying gaming machines to include an internal bank or some other feature that quarantines discrete amounts of prize money from play, while allowing players to continue their gambling session. Once the session concluded, the venue need only make out a single cheque (or electronic funds transfer) for the total prize money. Although this approach would reduce the associated administrative burden for venues of writing out more cheques (or making more bank transfers), there would be a gaming machine modification cost. To keep this cost down, such modification would need to be introduced along with other gaming machine design changes recommended in this report.

There is the possibility that a problem gambler might return at a later time to gamble their prize money once the cheque or bank transfer is cleared. However, the enforced break arising from not being able to use the prize money until it is cleared, may be sufficient for a problem gambler to reconsider whether to use the cash to gamble (or for family members to access the cash).

In conclusion, the Commission considers that governments should require gaming venues to pay any prize from gaming machines above \$300 by cheque or direct

credit to the gambler's account, giving effect to this by incorporation of an internal bank or other feature in the machine. The time frame for implementation should be in keeping with other recommended design changes (chapter 19).

This measure would have little or no effect on the enjoyment of recreational gamblers, but would prevent problem gamblers from immediately playing on with their prize money. Moreover, venue staff would have an opportunity to identify gamblers making many wins above \$300 — a strong indicator of large overall losses and a risk factor for problem gambling — and to intervene as appropriate

Casinos should be afforded a limited exemption for their international patrons as they are likely to be significantly inconvenienced by a cheque, and a bank transfer may be difficult for the casino to make. Exempting this class of patron from the restriction should not be unduly costly for the casino to implement.

The \$300 gaming machine prize limit should be adjusted periodically to account for inflation.

RECOMMENDATION 13.3

Governments should require venues to pay any gaming machine prize that is above \$300 by cheque or direct credit to the gambler's account, except for prizes won by international visitors in casinos. This should be given effect by:

- ***requiring that, by 2011, all new gaming machines incorporate an internal 'bank' or other feature that is capable of doing this***
- ***activating this feature on machines having the capability by 2014.***

The measure should be implemented for all machines and venues by 2016, with an exemption until 2018 for venues with less than ten machines that also face significant implementation costs relative to revenue.

13.5 Cheque cashing

Most venues have their own policies about cashing patrons' cheques for gambling, including on gaming machines, and some do not cash cheques at all (for example, Parramatta Leagues Club, sub. DR341).

Jurisdictions have introduced mandatory restrictions on cheque cashing by gambling venues, though cashing of cheques may be permitted outside the gaming area. For example, in New South Wales, hotels and clubs are restricted to cashing one cheque from a person per day that is payable to the venue and limited to \$400. Third party cheques cannot be endorsed by the payee to the venue. Hotels and clubs

must bank any cheque within two working days. Different restrictions apply to the casino. In Tasmania, hotels and clubs are restricted to cashing one cheque from a person (personal or any other type) per day, but there is no limit on the amount. Restrictions were introduced in July 2009 to ensure that cheques drawn on Australian banks were banked within five business days from when the venue accepts the cheque. And in Victoria, hotels and clubs are not permitted to cash cheques of more than \$400 for the purpose of enabling the playing of gaming machines. Different restrictions apply to the casino.

Mandatory cheque-cashing restrictions can also apply to the cheque payment of prizes (such as in New South Wales and in Tasmania).

The Ministerial Council on Gambling agreed at its July meeting in Brisbane to investigate a national approach to the ‘placing of limits around the ways in which cheques could be cashed in venues’ (MCG 2009b).

As evident in some state and territory gambling prevalence surveys, venues rarely cash cheques for gambling (for example, Centre for Gambling Research 2004a; Office for Problem Gambling 2006; SACES 2008b — appendix G and table 13.8). This probably reflects the mandatory requirements in those jurisdictions. It might also reflect the policies of venues themselves.⁶

Table 13.8 Cashing cheques for gambling at the venue, Queensland, 2006-07 and 2008-09^a

Frequency	Low risk gamblers ^b		Moderate risk gamblers ^c		Problem gamblers ^d	
	2006-07	2008-09	2006-07	2008-09	2006-07	2008-09
	%	%	%	%	%	%
Never, rarely	98.6	99.3	97	99.0	98	93.5
Sometimes, often, always	0.8	0.6	2.8	0.8	2	6.5

^a Commission estimates based on raw data from the Queensland household gambling survey for 2006-07 (question 100) and 2008-09 (question 75). The 2006-07 survey was of 30 000 adults and the 2008-09 survey was of 15 000 adults. ^b Low risk gamblers — CPGI (1 or 2). ^c Moderate risk gamblers — CPGI (3 to 7). ^d Problem gamblers — CPGI (8+).

However, there is evidence from those same surveys, as well as other studies, that moderate risk and problem gamblers, including players of gaming machines, are

⁶ This might also reflect the fact that cheque transactions are much less common than fifteen years ago — since 1995, the number of cheques written per day has declined by 130 per cent (APCA 2010b).

more likely to use cheque-cashing facilities than other gamblers (appendix G and table 13.8).

A particular concern about cheque-cashing restrictions is their capacity to conflict with other restrictions on cash and credit and, thus, the potential of the restrictions collectively to distort gamblers' choices about where to obtain cash for gambling, including on gaming machines. This reflects a general problem common to all cash and credit restrictions; namely, the restrictions are directed at the means by which cash and credit are accessed, rather than the amount that gamblers can spend.

Thus, for example, if there were liberal cheque-cashing requirements, but:

- a ban on ATMs in gambling venues, gamblers might have an incentive to bring cheques to be cashed at the gambling venues
- a limit on how much could be withdrawn from ATMs, a gambler could draw a cheque for a greater amount and cash that at the gambling venue
- a ban on the use of credit cards or access to credit accounts in gambling venues, this could be circumscribed if gambling venues cashed cheques prior to bank clearance
- gamblers could cash their prize cheque in the venue and continue to gamble, undermining the purpose of requirements for a prize cheque in the first place — namely, to provide a cooling off period for gamblers.

Ideally, the interaction of cheque-cashing restrictions should be compatible and consistent with other restrictions on cash and credit. This is to reduce any unintended biases developing in gamblers towards a particular source of cash or credit for gambling.

Based on this reasoning, the Commission proposed in the draft report that the threshold for cashing cheques be the same as the proposed daily withdrawal limit from ATMs/EFTPOS facilities, and that the cashing of prize cheques by the venue be prohibited. The Commission also proposed a carve-out for casinos for their high rollers and international visitors.

Several participants from the community sector argued that the cashing of self-drawn cheques was an extension of gambling with credit and, thus, should be prohibited. For example, the Council of Gambler's Help Services said:

Personal cheques should not be allowed for the same reason that credit betting is prohibited. Whilst technically speaking an individual must be able to cover funds presented in cheque form, in reality a cheque is not tangible money in the way that cash is. For people with gambling problems, capacity to present personal cheques also creates and opportunity for fraud, either as an intentional act or through a need to

obtain money to continue gambling in the heat of the moment, only to discover subsequently that funds are unavailable to cover the cheque. (sub. DR326, p. 26)

However, there are likely to be strong incentives for gaming venues to ensure that, when presented with a cheque by a gambler, there are sufficient funds in the gambler's account. For a venue to do otherwise is not to exercise commercial prudence. Moreover, banks typically impose penalties for dishonoured cheques — not only on gamblers who write them, but also on the venues that present them.

In conclusion, the Commission considers that cheque-cashing restrictions should be compatible with recommendations 13.2 and 13.3.

- The threshold for cashing cheques to enable play on gaming machines should be the same as the proposed daily withdrawal limit of \$250 per card imposed on ATMs/EFTPOS facilities. Casinos should be exempt from this requirement for the same reasons given earlier for exempting them from the proposed daily withdrawal limit on ATMs/EFTPOS facilities.
- The cashing of gaming machine prize cheques should be prohibited. Casinos should be exempt only in respect of their international patrons. Exempting this class of patron from a cheque cashing restriction should not be unduly costly for the casino to implement.

The cheque cashing limit should be adjusted periodically to account for inflation.

RECOMMENDATION 13.4

Governments should require that gaming venues:

- ***do not cash out gaming machine prize cheques, except for international visitors at casinos***
- ***set limits for self-drawn cheques corresponding to those that apply for withdrawals from ATM/EFTPOS facilities (recommendation 13.2), except for casino patrons.***

Although such an approach to cheque cashing will not necessarily prevent all avoidance behaviour amongst higher risk gamblers, it is likely to help reduce some of it.

It is unlikely that the thresholds embedded in cheque-cashing restrictions would still be warranted if the Commission's proposed pre-commitment system were introduced by governments. This system is more able than the thresholds to directly target gamblers' expenditures.

14 Accessibility of gaming machines

Key points

- There is a link between accessibility and gambling harms, but:
 - it is weaker once a threshold of accessibility has been exceeded
 - it may change over time
 - it can vary with different dimensions of accessibility (time of day, distance and number of machines)
 - causality may work both ways.
- Had there been full knowledge at the time about the harmful effects of substantially increasing accessibility of gaming machines in the 1990s, a different model of liberalisation — centred on destination, rather than community-wide, gambling — may have been seen as appropriate.
 - However, for most jurisdictions, suddenly reverting to a destination model would be costly and difficult.
- Existing caps should not be relaxed.
 - This is consistent with a precautionary approach to the risks of harms from gaming machines.
 - Given current levels of accessibility, small reductions in caps are more likely to increase utilisation than reduce harms.
- The prohibition on Canberra casino's operation of gaming machines is difficult to justify, particularly if there were no consequent increase in the number of gaming machines in the ACT.
- Regulatory processes to assess venue applications for increased gaming machines that are centred on net detriment to a local community have the potential to be a useful 'bottom up' approach to managing accessibility.
- Existing shutdown requirements for gaming machines are ineffectual in addressing accessibility and harms as they apply in periods with very low demand.
 - Requiring a more extended shutdown period that commences before 2 am for at least six hours would better target problem gamblers without unduly affecting non-problem gamblers. Casinos should be exempt from this requirement.
- Other harm minimisation measures — notably, an appropriately-designed pre-commitment scheme — are likely to be more effective than restrictions on accessibility, and would eventually allow some existing restrictions to be reconsidered.

14.1 Introduction

The link between accessibility of gambling and its harmful effects is strongly policy relevant because governments have the capacity to define the terms of access. However, the link remains controversial and difficult to assess, particularly as accessibility has many different dimensions (appendix I).

In its 1999 report, the Commission reached several findings about the accessibility of gambling, particularly of gaming machines:

- Among the forms of gambling, gaming machines and lotteries were the most accessible, followed by TABs and lastly by casino gambling.
- There was evidence from many different sources to suggest a significant connection between greater geographic accessibility — particularly to gaming machines — and higher prevalence of problem gambling.
- The only justifiable policy rationale for regulating access to gambling was to limit social harms or to meet community norms. Other reasons such as helping the club industry or creating monopoly rents for tax purposes did not withstand scrutiny.
- Venue caps might play a role in moderating the accessibility drivers of problem gambling and were preferable to statewide caps for this purpose.
- Controls over the location of gambling venues might be a better way of reducing hazards than restrictions on the number of gaming machines.
- More targeted measures than restrictions on accessibility had the potential to be more effective for harm minimisation, with less inconvenience to recreational gamblers.
- If governments did not implement effective harm minimisation measures, there was a case for maintaining existing quantity restrictions where gaming machines were not yet available or where existing venue caps were at relative low levels.
- Any moves to lift restrictions in place would need to proceed gradually to enable the impacts to be gauged.

Since the Commission's 1999 report, governments have moved to restrict the accessibility of gambling, including:

- changes to the capping arrangements applying to gaming machines
- restricting the hours of operation of gaming machines
- restricting the provision of online gaming to Australian residents.

Despite such actions, community concerns about the accessibility of gambling — particularly of gaming machines — and the link to gambling harms have continued. As seen later, this is evidenced by responses to community surveys on gambling (table 14.2). For example, 76 per cent of 1800 Victorian adults surveyed in 2003 reported that gambling is ‘too widely accessible’, 85 per cent reported that gambling is a serious social problem, and 74 per cent reported that the number of gaming machines should be reduced (Centre for Gambling Research 2004a, p. 130).

There are also some members of the community with fundamental objections to gambling, particularly through gaming machines. For example, Senator Xenophon said:

... my primary position [is] that the introduction of poker machines in my home state of South Australia led to a massive increase in problem gambling with all its ancillary effects, and that communities would be better off without a product that has shown to be unsafe and harmful to literally hundreds of thousands of consumers nationally. (sub. 99, p. 1)

The remainder of this chapter considers briefly the link between accessibility to gaming machines and gambling harms, and the effectiveness of particular accessibility restrictions. Chapter 15 considers accessibility within the context of restrictions on the provision of online gaming.

14.2 The link between accessibility and gambling harms

A threshold policy question is the existence and extent of any link between the accessibility of gaming machines and gambling harms. The existence of a strong link would, *prima facie*, suggest a need for regulators to be cautious in increasing the accessibility of gaming machines.

Participants in this inquiry were divided on the issue, with box 14.1 depicting two contrasting perspectives.

The evidence from the comparative experiences of Western Australia (which has retained gaming machines in one destination venue) and of other Australian jurisdictions, suggest that the extensive liberalisation of gaming machines in the eastern states had a marked impact on problem gambling and, given the findings in chapter 5, on gamblers more generally.

Box 14.1 'Tis, Tis not'

UnitingCare Australia

One factor that explains why gaming machines are the form of gambling with the highest level of problem gambling is their accessibility, with venues operating in every local community, outside of Western Australia, and operating for extended periods of time. In a number of regions of Australia the highest concentration of electronic gaming machines, and [electronic gaming machine] venues, is in areas characterised by lower socio-economic status [Socio-Economic Index For Area]. (sub. 238, p. 5)

Clubs Australia

[There] is no evidence supporting the concept of a nexus between access to gaming machines and problem gambling rates. Indeed ... the rate of problem gambling in Queensland has decreased at the same time as gaming machine access and expenditure have grown. The nexus has been rejected in NSW, where legislation capping gaming machine numbers in clubs at a maximum of 450 has recently been reversed. While there is no longer a venue cap in NSW, venues must be able to justify an increase in machine numbers by showing the Local Government Area has low relative machine numbers and high socio-economic status.

However, a number of 'harm minimisation' measures proposed and already introduced seem far more geared towards minimising access to gaming machines for the entire community rather than targeting those with a problem. (sub. 164, pp. 255–6)

Beyond the powerful example provided by the early liberalisation experiences across Australia, there is a broad range of evidence suggesting a link between accessibility and harm (appendix I). For example:

- Storer, Abbott and Stubbs (2009, referred to in sub. 73, pp. 5–6) found on the basis of a meta-analysis of 34 Australian and New Zealand problem gambling surveys, that an increase in the prevalence rates of problem gamblers (SOGS 5+) was associated with increasing density of gaming machines.
- Data on counselling services across the jurisdictions (appendix J, table J.4) indicate that the proportion of clients experiencing problems with gaming machines was 22 per cent in Western Australia — where access to gaming machines is confined to the casino — compared with 74 to 79 per cent in New South Wales, Victoria, the Northern Territory and the ACT. The data also indicate Western Australia has experienced less 'feminisation' of problem gambling than the other jurisdictions.
- Lund (2009) found that, following a temporary ban of gaming machines in Norway between 2007 and 2008, gambling participation, frequency and problems reduced.
- The Ministry of Health (New Zealand) (2008b) analysed a health survey of over 12 000 people aged 15 and over and found that, compared with those who lived

in neighbourhoods furthest from gambling venues (or non-casino gaming machine venues), a person who lived in neighbourhoods closer to gambling venues (or non-casino gaming machine venues) was significantly more likely to be a problem gambler who had gambled at a gambling venue (or non-casino gaming machine venues) in the last year.

- Rush et al. (2007) found that problem gambling appeared to be ‘modestly, but significantly, associated’ with proximity to casinos and racetracks with gaming machines.
- Welte et al. (2004) found from a US survey of around 2630 adults that those who live within 10 miles of a casino have twice the rate of pathological or problem gambling as those who do not.

Indeed, had more information been brought to bear at the time about the harmful effects of substantially increasing accessibility to gaming machines, a different model of liberalisation — centred on destination, rather than community-wide, gambling — may well have been seen as appropriate (box 14.2). Only Western Australia adopted a model of destination gaming through a single casino — and the evidence supports maintaining that model.

Box 14.2 What are destination venues?

Australasian Casino Association

Casinos are destination gaming venues. ... a destination venue [is] defined as providing “some barriers to the consumption of gaming products, with a degree of effort required. Destination venues involve a pre-mediated decision to travel to the venue, often over a significant distance”. ... Hotels and clubs are considered convenience venues, “providing facilities a consumer may encounter during their daily activities, leading to an impulse decision to gamble. These venues often have a high accessibility to consumers and few barriers to consumption”. (sub. DR365, p. 10)

Some countries have reversed the process of liberalisation for precisely these reasons.

- In Switzerland, there was initial widespread liberalisation of gaming machines — they were present in amusement arcades, casinos, restaurants and bars. However, this was followed by a community backlash that, by 2005, led to the complete phasing out of gaming machines in the wider community, with access limited to licensed casinos. Access was further limited as identification is required for entry into a Swiss casino.
- In Russia, after gambling was liberalised in the 1990s, the Government responded to concerns about gambling harms by introducing legislation in 2006

that banned casinos and gaming machines in all locations other than in four remote gambling zones, including in the Altay region in Siberia.

- Poland recently adopted a law that confines gambling to casinos and phases out gaming machines in cafes, clubs, shops and services stations (AFP 2009).¹

However, in Australia — with its particular culture, politics and history — it would be difficult for any government to completely, and suddenly, revert to a destination model of access to gaming machines in jurisdictions outside of Western Australia.

Moreover, other considerations would affect the desirability of any such move. In particular, there has been community adaptation to gaming machine accessibility (for which there is some evidence — chapter 5 and appendix I). Adaptation can occur, for example, as the novelty of gaming machines reduce, as people experiencing initial harm resolve their problems, or with increased public awareness of gambling harms. Thus, gambling harms might stabilise or even reduce in the face of increasing exposure to the machines.

That then raises the question of whether at *current* levels of accessibility, incremental changes to accessibility would have any substantive effects. An important underlying issue here is whether the links between accessibility and harm continue to grow linearly as accessibility rises, or whether the ‘dose response’ effect diminishes at some point. From a theoretical perspective, it seems likely that once gaming machines are ubiquitous in any community, additions to their number make little difference. The Victorian example appears to bear that out — the number of machines is a fraction of that in New South Wales, but without a commensurate effect on problem gambling prevalence rates.

That said, as shown in appendix I, some studies do find strong apparent links between accessibility across regions and harm (and certainly between accessibility and gaming expenditure), with even small changes to already high levels of accessibility apparently still having effects. However, these findings probably reflect the difficulties in distinguishing between the relative strengths of the two causal links between accessibility and harm:

- On the one hand, greater accessibility stimulates demand, with the result that some gamblers are exposed to risks that were originally muted or not present.
- On the other hand, a population that already includes problem gamblers will be typified by higher expenditure levels (chapter 5), encouraging greater supply of

¹ As a counterpoint to these examples is Singapore, which has imposed accessibility requirements on its first casino that include barring persons under 21 from entry, barring persons deemed to have gambling problems, and imposing an entry charge for Singaporeans and permanent residents of \$US70 from which tourists are exempt (Cheng 2010).

gaming machines in those areas. In that case, reducing accessibility in that area will result in greater utilisation of existing machines or shifts in the location of demand, without reducing harm.

Both effects are likely to be present, and their relative size will depend on the pre-existing level of accessibility and the nature of the host communities. It is likely that the second effect is dominant once accessibility rises above a certain threshold. The fact, as discussed later, that reductions in caps in particular geographic areas failed to have marked effects on spending or on problem gambling rates also supports this conjecture. Analysis of longitudinal data on problem gambling and accessibility may help better identify the relative strengths of the two causal pathways.

14.3 Restricting the accessibility of gaming machines

While the scope for (and desirability of) dramatic changes in accessibility is probably now limited, there are already several policies that aim to restrict accessibility to some degree. Restrictions on the accessibility of gaming machines in Australia have tended to be confined to:

- limits on the numbers of gaming machines (caps) on a state-wide, regional or venue basis
- limits on the hours of operation of gaming machines
- limits on gambling by minors
- restrictions on the location of gambling venues, or the provision of gambling services (such as lottery tickets), in airports and near schools or shopping centres.

Only two jurisdictions have limited the type of venues that can have gaming machines. In Western Australia, gaming machines are only permitted in the Burswood Casino, and in the ACT, modern gaming machines are only permitted in clubs.

The remainder of this section examines the effectiveness of several types of existing restrictions — principally, gaming machine caps and limits on the hours of operation — in addressing gambling harms and the scope for improving them.

Capping the number of gaming machines

All jurisdictions have some type of cap on gaming machine numbers, whether on a state-wide, industry, regional, and/or venue basis (table 14.1).

Since 1999, changes to the capping of gaming machines have occurred in most jurisdictions. The main change has been in the specification of a state-wide cap (or a moratorium on gaming machine expansions that has become a cap), which has been accompanied by gaming machine forfeiture or redistribution arrangements. Victoria, alone amongst the states and territories, introduced regional caps (box 14.3). Although there have been generally no changes to venue caps, some jurisdictions have increased them. New South Wales after imposing a cap of 450 on clubs recently lifted the cap to accommodate forfeiture and redistribution arrangements

Box 14.3 Victoria's regional caps policy

The Victorian Government introduced regional caps in 2001 to reduce the accessibility of gaming machines in vulnerable areas (sub. 205, p. 55). Two rounds of caps were introduced; the first in 2001 and the second in 2006. There are now caps on gaming machines in 19 regions, which are set at 10 gaming machines per 1000 people or at the gaming machine density in the region at the date the cap was imposed, whichever is lower. The boundaries for the capped regions are based on local government areas and include those parts of the municipality that are considered to be most at risk. By 2010, the regional cap of 10 gaming machines per 1000 will extend to all uncapped local government areas (with the exception of areas within Melbourne).

Community attitudes to gaming machines

It is apparent from gambling prevalence surveys undertaken since 1999 that Australians continue to be concerned about the impacts of gaming machines, with few wanting to see an expansion in the number of gaming machines in their communities and many wanting the number reduced (table 14.2). For example, around 90 per cent of Victorian adults in a 2003 survey agreed with the statement that the Government should reduce the number of gaming machines.

Community attitudes by themselves are not strong enough grounds for introducing or further tightening caps on gaming machines. People may be overly optimistic about the effectiveness of caps. Nevertheless, survey data constitute evidence of community concern about the number of gaming machines in Australia. This can also help policymakers to gauge community expectations about gaming machine accessibility, which along with harm minimisation, is a potentially valid reason for introducing caps.

Table 14.1 Caps on gaming machine numbers by state and territory

State-wide	Regional	All clubs	All hotels	Casino/s	Per club	Per hotel	Main change/s since 1999
NSW 99 000 (all venues)	na	97 500 (clubs and hotels)	97 500 (clubs and hotels)	1500	na ^a	30	New state-wide cap. Cap per club introduced but subsequently reversed.
Vic 30 000 (all venues)	20 per cent of machines located outside Melbourne.	13 750	13 750	2500	105	105	New regional cap.
<p>In 19 'vulnerable' regions, density is capped at 10 EGMs per 1000 adults.^b By 2010, density will be capped at 10 EGMs per 1000 adults in all regions except Melbourne CBD, Southbank and Docklands.</p>							
Qld ^c na	na	24 705	20 000	12 EGMs per table game.	280	40	New hotels cap, proposed clubs cap, increase in per hotel cap.
SA 13 081 ^d	na	12 086 (clubs and hotels) ^d	12 086 (clubs and hotels) ^d	995	40	40	New state-wide and casino caps.
WA 1750 (casino)	na	0	0	1750 ^e	0	0	New casino cap.
Tas 3680 (all venues) ^f	na	2500 (clubs and hotels)	2500 (clubs and hotels)	na	40	30	New state-wide cap, increases in venue caps.
NT na	na	na ^g	na ^g	na	45	10	Increase in per hotel cap.
ACT ^h 5200 (clubs and hotels)	na	5200 (clubs and hotels)	5200 (clubs and hotels)	0	na	Hotels 10 Taverns 2	Decrease in per tavern cap.

^a New South Wales clubs are not restricted in the number of EGMs allowable, but multi-terminal gaming machines are restricted to 15 per cent of their EGM stock. ^b Or at their density in October 2006, whichever is lower. ^c A freeze on gaming machine numbers (19 310 for hotels and 23 018 for clubs) continues until 2010. The maximum number of casino EGMs is subject to ministerial approval. ^d Clubs and hotel EGMs are being progressively reduced to 12 086, which will then become the cap. ^e EGMs include 150 machines in the members-only area of the Burswood casino. ^f State-wide cap excludes TT line ferries, which have 46 EGMs. ^g Cap of 1190 for clubs and hotels before parliament. ^h ACT hotels/taverns only have access to class-B EGMs, whereas clubs are allowed class-C machines. Hotels must have at least 12 rooms used for residential purposes.

Sources: Chapter 2, table 2.11; FaHCSIA (2009b).

Table 14.2 Attitudes to accessibility of gaming machines, gambling prevalence survey results, selected jurisdictions

<i>Survey question or statement related to accessibility</i>	<i>Tasmania (2007)</i>	<i>NT (2005)</i>	<i>Victoria (2003)</i>	<i>ACT (2001)</i>
Number of gaming machines should increase/ stay the same/ decrease	na	A small increase 0.9 to 1.7% A large increase 0.3 to 0.6% Stay the same 43 to 46.4% A small decrease 11.1 to 13.3% A large decrease 31.9 to 34.8% N=1873	na	A small increase 0.7% A large increase 0.2% Stay the same 38.2% A small decrease 16.5% A large decrease 37.8% N=5445
Number of poker machines in the state should be reduced	Agreed 83.6% Disagreed 7.2% Neutral 5.5% N=3899	na	Agreed/strongly agreed 73.6% Disagreed/strongly disagreed 15.3% N=1767	na
The Government should reduce the number of poker machines	na	na	Agreed/strongly agreed 89.4% Disagreed/strongly disagreed 5.4% N=1125	na
Poker machines should be removed from suburban/local shopping strips	na	na	Agreed/strongly agreed 79.2% Disagreed/strongly disagreed 14.1% N=1767	na

Sources: Australian Institute for Gambling Research (2001, p. 132); Centre for Gambling Research (2004a, pp. 129–130, pp. 133–4, pp. 137–8); Charles Darwin University (2006, p. 157); SACES (2008b, p. 53).

Are caps effective in addressing gambling harms?

The Commission discussed the impacts of caps, including on problem gamblers, in some detail in its 1999 report.

It is hard to generalise about the impacts of caps, as they depend on:

- the extent to which they are binding (demand exceeding supply)
- other aspects of the regulatory environment (regulatory restrictions on payout rates and arrangements for forfeiture and redistribution of machine entitlements)

-
- the way in which gamblers and venues respond (for example, binding caps may lead to more intensive playing by gamblers, the early retirement of older machines and increased machine utilisation).

In relation to a binding cap, the impacts on gamblers, including on problem gamblers, will depend on the ability of venues to adjust payout rates (increase prices or reduce odds).

- Where venues can easily reduce payout rates to reflect increased scarcity of gaming machines due to the cap, this could deter problem gamblers, but increase the spending of existing problem gamblers (who are not very responsive to price changes) and adversely affect non-problem gamblers (by increasing the cost to them of gambling).
- Where venues are not able to reduce payout rates (because of the regulatory floor to prices) to respond to increased demand for the machines, resulting congestion and queuing to use the machines could deter problem gamblers and adversely affect non-problem gamblers. The impact of congestion and queuing on problem gamblers, however, is uncertain. They could respond by:
 - increasing the intensity of their play (say by increasing their total bet size per button push) thus potentially exacerbating their problem gambling
 - having a break in play, thus helping their problem gambling
 - shifting their play to another less busy time (or venue) thus potentially incurring no change in their problem gambling.

As all jurisdictions impose minimum payout rates and require venues to seek approval before they reduce their payout rates to the minimum, the ability of venues to adjust their rates in response to demand pressures is likely to be severely constrained. As a consequence, the second type of impact above is more likely — but only if the cap is binding.

Examples of the impacts of caps, and the difficulties in assessing those impacts, are given by two evaluations — one of the South Australian reduction of gaming machines in 2004, the other of the initial round of Victorian regional caps in 2001 — boxes 14.4 and 14.5.

The complexity of the impacts of caps on gamblers confirm that they are blunt and largely ineffective instruments for addressing gambling harms, particularly given the already widespread availability of gaming machines in most jurisdictions.

If governments continue to use caps for the purpose of harm minimisation, however, they should also consider the following.

-
- Venue caps enable a more controlled and ‘bottom-up’ approach to the expansion of gambling, while local impacts are being monitored.
 - A smaller number of gaming machines in a venue confines gaming machines to being just one element in a mix of social activities within a venue. Problem gamblers may be inhibited by their greater conspicuousness in this environment (Duty of Care, trans., pp. 431–2).
 - State-wide, regional or venue caps could be set without undue adverse impacts on problem and non-problem gamblers where the total number of machines is already low. However, where the number of machines is high, the impacts for gamblers of setting a cap well below this level could be severe.
 - Where modest restrictions on the number of machines have low adverse impacts on gamblers, they also have the advantage of lowering the aggregate costs of any regulated changes to gaming machines — such as the adoption of pre-commitment technologies or changes to bet limits.

Box 14.4 Evaluation of the South Australian reduction in gaming machines

The impacts of the state-wide reduction in gaming machines in South Australia was evaluated by Eltridge and Delfabbro (2006) for the Independent Gambling Authority. Legislation introduced in 2004 resulted in the initial removal of over 2000 gaming machines from ‘for-profit gaming venues’ by 1 July 2005, and contained further provision of the removal of additional machines by subsequent trading rounds to achieve a total reduction of 3000. For-profit venues generally lost between one and eight machine entitlements. Clubs and for-profit venues with 20 or fewer machines were exempt from the gaming machine reductions.

Eltridge and Delfabbro found the following impacts:

- Although there was a ‘sudden decrease’ in the growth of gaming machine expenditure coinciding with the introduction of gaming machine reductions, it was ‘not possible’ (given the general downward trend in gaming machine expenditure growth over the previous few years) to infer the reduction ‘was the sole cause of this decrease.’ (p. 14)
- For-profit venues did not experience a decrease in their net gaming machine revenue. Net revenue per machine was higher once the machines were removed — patrons appeared to spend the same amount on 32 machines as they did on 40.

In their interviews with 400 regular gaming machine players (those who played fortnightly or more often), Eltridge and Delfabbro also found that very few believed that the removal of the machines had influenced the amount of time and money spent gambling on the machines, or their ability to control their gambling. Eighty per cent believed that the legislation had not reduced problem gambling.

Box 14.5 Evaluation of the initial round of Victoria's regional caps

The South Australian Centre for Economic Studies (SACES 2005b) evaluated the regional cap policy for the then Victorian Gambling Research Panel. At the time, caps had been applied to five regions and led to the removal of over 400 gaming machines from these regions. The Centre found that on balance there was no evidence that regional caps had any positive influence on problem gamblers or problem gambling (p. 136). Specific results included the following.

- Econometric analysis of expenditure data yielded mixed results.
 - Only in two capped regions were there falls in the level of gaming expenditure similar in magnitude to the reduction in gaming machines. But based on an analysis of falls in expenditure in specific venues that lost machines, it was not possible to conclude that the falls in expenditure in the regions was due to the caps.
 - There was no support for the proposition that the imposition of the caps caused a reduction in expenditure in the five capped regions compared with shifts in expenditure in the State as a whole.
 - There was no evidence that the caps led to an increase in the level of gaming machine expenditure in the five uncapped regions (that were potential 'leakage' points for displaced expenditure from the capped regions).
- An analysis of problem gambler services data indicated that there had been no change in the number of problem gamblers attending counselling, on problem gambler counselling rates or other forms of help-seeking behaviour.
- Industry representatives indicated that the regional caps policy had no effect on regular or committed gamblers. One reason for this was that previously idle machines were able to be utilised by gamblers (that is, utilisation rates increased).
- Smoking bans and the removal of 24 hour gaming had a significant impact on gaming machine expenditure in the capped regions comparable to the impacts on the uncapped regions and the State as a whole. (This suggested that these measures had a much greater impact than regional caps.)

That gaming machine caps are, at current levels, likely to be largely ineffective in addressing gambling harms is not to say that existing limits should be relaxed. A precautionary approach to addressing the risks of harms from gaming machines would imply that there would be no further increases in the total number of gaming machines in a jurisdiction.

The ACT's prohibition on gaming machines in the Canberra casino

ACT legislation discriminates among the types of gambling venues that are able to obtain gaming machines. Only registered clubs are able to obtain licences for

class C machines (more modern machines). General liquor licensees and tavern licensees are only able to obtain class B (less modern) gaming machines. And the Canberra casino is prohibited from operating gaming machines of all types.

The main argument given for retaining the prohibition on the casino and limiting hotels from acquiring modern gaming machines is that there are greater social benefits from clubs providing gaming machines than commercial operators. ACT Government said:

The ACT has adopted a community gaming model whereby the profits from gaming machines are returned, directly, to the community. This is a longstanding policy of governments in the ACT. The rationale behind restricting gaming machines from the casino is in keeping with the community gaming model, it is not directly related to a harm minimisation strategy. (sub. DR339, p. 6)

However, Casino Canberra advocated that it be permitted to operate gaming machines:

Casino Canberra seeks the reallocation of 200 video gaming machine licences from the licensed club environment into a newly created separate casino allocation. This will enable the development of an international class entertainment venue in the ACT dedicated to providing a service to a clientele mature enough to make responsible decisions. It will also support the development of Canberra as an international tourist destination and underpin the future economic viability of a new Convention Centre for our city. (sub. DR315, p. 3)

Moreover, it argued that, being a destination venue, patrons would need to exercise a conscious decision to go to the casino to gamble:

... To go to a casino, a customer has to make a conscious decision to do so. It requires planning. Access is not easy, security enforces dress standards, intoxication is not tolerated and children are not admitted. The casino is a clearly identified place for gambling and the natural location for gaming machines.

... The decision to go to a casino is therefore not an impulse action, it is a very conscious educated decision. Compare that to machine gambling in a hotel/pub/club, where someone goes principally for a drink with mates or a meal with the family, find gaming machines and gambles. This is an example of impulse gambling and impulse decision-making, which is very different from customer choice in casinos. (sub. DR315, p. 10)

Participants from the clubs industry strongly supported the ACT Government position and opposed any change to existing policy (for example, Ainslie Football and Social Club, sub. DR300; Canberra Southern Cross Club, sub. DR319; Clubs Australia, sub. DR359; ClubsACT, subs. DR337 and 127). As ClubsACT argued:

... the demarcation between the ACT's model of community-based gaming — as opposed to privately-owned gaming — is clear, unequivocal and defensible socially.

Our continuing concern is that if this nexus is broken in the ACT it will only be a matter of time before the major beneficiaries of profits from gaming machines will be the privateers — as they are in the other Australian jurisdictions.

In contrast, community based clubs in the ACT are not about making a profit for a few, they are about spreading their operating surplus across the community by investing in club facilities for the benefits of their members (who are the residents of Canberra) and in support of the broader Canberra community. (sub. 127, p. 26)

Moreover, the clubs industry argued that liberalising gaming machines in the casino would be ‘conflicting and completely contradictory’ with ensuring harm minimisation (for example, Ainslie Football and Social Club, sub. DR300; ClubsACT, sub. DR337). ClubsACT argued:

ClubsACT acknowledge that adding one venue will not dramatically affect accessibility, and we have never argued that it would. Also, because the machines would be provided under the existing cap, we accept it would not increase the overall gaming machine population.

However, based on the differential in gaming turnover and net revenue earned on gaming machines in different venues — that is, casinos as opposed to hotels and clubs — 200 gaming machines in the Canberra Casino could be expected to earn at least double that of the same number of machines in a Canberra club.

Given the Commission seems to believe that gaming spend is a proxy for problem gambling, then by this logic we assume it would also agree that this increased spend is likely to exacerbate problem gambling. (sub. DR337, p. 4)

In its review of the casino legislation, the ACT Gambling and Racing Commission (2004) considered the arguments for and against removing the prohibition on the casino operating gaming machines and said:

... there is not an overwhelming argument either way. Allowing gaming machines in the casino would not materially increase the degree of competition in the provision of gaming machine services in the ACT since the clubs already compete. It might, however, increase tourism revenue somewhat. While the provision of gaming machines in the casino would not materially increase the availability of machines in the city, it would provide them in a different sort of venue and the impact of this on problem gambling has not been investigated. (p. 51)

Although the ACT Gambling and Racing Commission considered that it was ultimately for the Legislative Assembly to decide whether or not the prohibition remained, it set out some matters that should be taken into account should gaming machines be allowed in the casino. These matters included the appropriate premium to be paid by the casino licensee for operating gaming machines, the appropriate taxation rate, and the number of gaming machines that the casino could be permitted to operate (2004, p. 52).

The ACT prohibition has been examined by the National Competition Council according to national competition principles. In its most recent assessment, the Council considered that the ACT had not complied with its obligations under the Competition Principles Agreement.

The [Competition Principles Agreement] places the onus of proof on governments to demonstrate that restricting competition is the only way of achieving their objectives. The ACT Government has asserted that its objective [to ensure the benefits from the operation of gaming machines accrue to the community] could not be achieved other than by restricting the issue of gaming machines licences to licensed clubs, but it has not provided analysis to support its position. (NCC 2005, p. 17.11)

The Commission considers that the ACT prohibition on the Canberra casino operating gaming machines is difficult to justify on solid public policy grounds.

- Gambling is the core business of casinos — the very reason that they exist at all. The ACT prohibition means that this is the only casino in Australia, and probably the world, that is prevented from offering gaming machines. (However, the argument by the casino that they would be a destination venue for gaming machines is less compelling, given gaming machines are widely accessible throughout the community. In that environment, a casino is more like a large and sophisticated club. Casinos are more reasonably seen as destination venues where only one or a few venues offer gambling in a city.)
- Lifting the prohibition on Canberra casino is unlikely to increase significantly the accessibility of gaming machines. Community concerns about increased accessibility could be addressed by ensuring that the current number or limit of gaming machines in the ACT do not increase.
- There is little evidence that clubs are inherently safer venues than casinos (and indeed in some instances, evidence to the contrary — chapter 5). Although clubs are not-for-profit, they are still concerned to maximise their returns from gaming machines and have increasingly faced similar pressures and conflicts as commercial operators.
- There are, in principle, more effective ways of facilitating the social contribution of ACT clubs than providing them with exclusivity over the provision of gaming machines — for example, direct subsidies to community facilities or to clubs where those subsidies can demonstrate better social outcomes than alternative uses (like better roads or health services).²

² In its research study into the contribution of the not-for-profit sector, including of clubs (PC 2010), the Commission considered competitive neutrality issues associated with the differential tax treatment of the not-for-profit sector. It concluded that, while clubs have provided strong support to the community in general, tax concessions on their gaming income breach competitive neutrality principles (p. 8.26).

There is no policy rationale for the current prohibition on the Canberra casino from operating EGMs.

- *Permitting the Canberra casino to operate gaming machines, without expanding the number of gaming machines in the ACT and subject to the application of appropriate regulatory harm minimisation measures, would be unlikely to increase accessibility or increase gambling harms.*

A way of achieving this would be for the ACT Government to amend the:

- *Casino Control Act 2006* to enable the casino to operate a specific number of gaming machines and
- *Gaming Machine Act 2004* to lower the existing ACT cap on gaming machines licensees (that is, clubs and hotels/taverns) by the amount of machines that the casino is permitted to operate.

The Commission does not consider that addressing this anomaly would provide additional grounds for additional gaming machine liberalisation in respect of hotels and taverns in the ACT. The lifting of the prohibition on the Canberra casino, with no further increase in the total number of machines in the ACT, means that there would only be one additional venue providing gaming machines. However, permitting ACT hotels and taverns to provide (modern) gaming machines, even without increasing the total number of machines in the ACT, would increase the number and spread of venues with gaming machines. It would, thus, be inconsistent with a precautionary approach to addressing the risks of gambling harms.

Regulatory processes for gaming machine expansions — local area impacts

Jurisdictions have various regulatory processes for considering applications by gaming venues to operate, introduce or expand the number of gaming machines. Processes that allow for the assessment of local impacts, or give some capacity to communities to control the number of gaming machines in their local areas, could be viewed as a ‘bottoms-up’ approach to controlling accessibility to gaming machines.

An example is in New South Wales where there is a new local impact assessment process administered by the New South Wales Casino, Liquor and Gaming Control Authority. The new process was introduced in January 2009 to reduce the red tape burden associated with its previous social impact assessment process. Like the

process it replaced, the objective of the new process is to assess the impact of additional gaming machines in a local government area. Depending on the classification of the local government area where the venue is located, the venue may or may not be required to complete a local impact assessment when applying for an increase in the number of gaming machines it can have. Applications must generally show that any increase in gaming machines will result in an overall positive impact on the local community. The process makes it difficult for venues in local government areas classified with a high density of gaming machines, high gaming machine expenditure and a low ABS Socio-Economic Index for Area (SEIFA) to obtain more gaming machines (New South Wales Government, sub. 247, p. 32).

The Victorian Government has also instituted processes that take account of the local area impacts of gaming machines. Under the *Gambling Regulation Act 2003 (Vic)*, premises must not be approved for gaming machines, and increases in the numbers of gaming machines at premises must not be granted, by the Victorian Commission for Gambling Regulation (VCGR) ‘unless satisfied’ that:

... the net economic and social impact of [approval or amendment] will not be detrimental to the well-being of the community of the municipal district in which the premises are located (sections 3.3.7(1)(c) and 3.4.20(1)(c)).

In addition to setting out a net detriment test for not granting approval, the Victorian regulatory process confers a particular role on local councils. Applicants for premises approval or increasing the number of gaming machines must give copies of their applications to the relevant council (sections 3.3.5 and 3.4.18 (2)). The council may make a submission to the VCGR on the economic and social impact of the application on their district (sections 3.3.6 (1) and 3.4.19 (1)). The VCGR must consider such submissions (section 3.3.7 (3) and 3.4.19(5)). Where the application is for approval of new gaming machine premises, the VCGR must seek and consider the council’s views, even if it does not make a submission (section 3.3.7(4)). The process thus places an onus on the applicant to show no net detriment will arise from increasing gaming machines in a community.

The recent case of *Romsey v. Victorian Commission for Gambling Regulation*, is the first under these provisions — it shows how the net detriment test is applied and, in doing so, how important community sentiment is in determining applications to introduce gaming machines in a local area (box 14.6).

Running parallel to the Victorian regulatory process are planning requirements. These enable councils to require a planning permit for the placement of gaming machines in their community (Department of Planning and Community Development 2009, Victorian Planning Provisions, clause 52.28).

Box 14.6 The Romsey Hotel case

This case centred on an application by the Romsey Hotel in 2004 for 50 (later 30) gaming machines. Under the *Gambling Regulation Act 2003 (Vic)*, approval for gaming machine premises could not be given unless ‘... the net economic and social impact would not be detrimental to the well-being of the community of the municipal district in which the premises are located’ (section 3.3.7(1)(c)).

The Victorian Commission for Gambling Regulation (VCGR) refused the application. Central to its decision was ‘the overwhelming impression’ from a survey that ‘members of the local community find the prospect of gaming at its only hotel so disconcerting that it would have a significant effect upon that community’. The hotel sought a review of the decision in the Victorian Civil and Administrative Tribunal (VCAT), which set aside the VCGR’s decision and granted approval to the hotel. VCAT noted the VCGR’s decision and the significance of community opposition, but did not consider this in its own review. The Macedon Ranges Shire Council successfully appealed VCAT’s decision to the Court of Appeal of the Supreme Court of Victoria. The Court directed VCAT to reconsider the application on the basis that it erred in law in arriving at its decision without taking into account evidence of community opposition.

The main issue facing VCAT in its reconsideration was how the hotel’s proposal would affect community wellbeing. It did this by balancing the positive and negative economic and social impacts of the proposal if it were approved.

Among the many economic and social impacts noted by VCAT were the following:

- extensive hotel renovations would not be commercially viable without the income of gaming machines
- better community facilities (for example, a function room)
- some increase in local employment and economic activity
- the ‘legitimate’ and ‘significant’ benefits to people in the community who like to use gaming machines
- some shift in retail expenditure away from other businesses towards gaming machine expenditure
- three surveys, which demonstrated substantial community opposition to gaming machines at the hotel, even if the hotel refurbishment could not go ahead without them — about half of the town opposed the introduction of the gaming machines on that basis
- increased problem gambling in Romsey
- benefits to sporting clubs and community organisations from being able to access the renovated hotel’s facilities as well as from donations from the hotel.

In its conclusion, VCAT considered the hotel’s proposal would have a negative overall impact, reflecting a ‘slightly positive’ economic impact as against a ‘strongly negative’ social impact’ (para. 451). The factor carrying the most weight with VCAT was the strong community opposition to the proposal evident in the surveys.

Accordingly, VCAT refused the hotel’s application and affirmed the original decision of the VCGR.

Source: Romsey Hotel v. Victorian Commission for Gambling Regulation & Anor [2009] VCAT 2275 (12 November 2009)

Yet another example of regulatory processes relating to the introduction or expansion of gaming machines applies in New Zealand. Here, territorial authorities (akin to local councils) have a considerable role in relation to the introduction of gaming venues and gaming machines in their communities (Ministry of Health 2009b).

- Territorial authorities are required to have a policy for gaming machine venues (and TAB venues) in their districts, which must be reviewed at least every three years. The policy must, among other things, specify whether venues requiring consent may be established in their districts and, if so, where they may be located. It may specify any restrictions on the maximum number of gaming machines that a venue may operate. In adopting the policy, the territorial authority must have regard to the social impact of gambling within its district.
- New gaming machine venues need territorial authority consent.
- All gaming machine venues need territorial authority consent to increase the number of machines they are operating.

There are clearly different approaches, evident from the above examples, to considering local impacts from the introduction or expansion of gaming machines. A proper resolution of the most appropriate approach would require more detailed analysis than is possible in this inquiry and, perhaps, more time to gain further evidence.

That said, the Commission notes the following would be consistent with a precautionary approach to addressing the risks of harms from gaming machines:

- Requiring regulators to be satisfied that there would be no net detriment to community wellbeing from the expansion of gaming machines in an area before granting approval, as done in Victoria.
- Requiring gambling regulators to assess more closely the likely impacts of the expansion of gaming in low SEIFA and other vulnerable communities.
- Although community (and local council) input is desirable in principle, it need not be required on every application concerning gaming machines. However, extensive input should be required where the application involves introducing gaming machines in an area for the first time (as in the Romsey case), or a substantial increase in the number of gaming machines in an area.
- Local councils are close to communities and, thus, are likely to have a better perspective on the impacts of gaming machines on families, residents, businesses and community life than State or Territory governments or gambling regulators. They should be advised by regulators of all applications concerning gaming machines in their communities. They should be adequately resourced by State

and Territory governments where extensive input from the community is necessary.

Restrictions on the hours of operation of gaming machines

Most jurisdictions have restrictions on the daily operations of gaming machines in clubs and hotels, with required shutdown periods ranging from around 4 to 10 hours (table 14.3). The restrictions prescribe the times of day, or the duration, in which gaming machines are either required to be shut down or permitted to operate. The restrictions generally coincide with liquor trading hour requirements. Casinos are exempt from these restrictions and are permitted to operate their gaming facilities 24 hours a day.

The restrictions are based on the rationale that it is not good for communities — socially or from a mental and physical health perspective — to have broad access to gambling 24 hours a day (for example, noted by Blue Moon Research 2008, p. 14). The restrictions also seek to provide gamblers with a sustained break in play so that they go home or pursue activities other than gambling (for example, New South Wales Government, sub. 247, p. 33).

Participants from the community sector in particular expressed various concerns about the existing restrictions, including:

- the desirability of a common or national approach to closing times (UnitingCare Australia, sub. 238, p. 39)
- the need for breaks in gaming throughout the day (St Vincent de Paul Society Qld, sub. 41, p. 2)
- the staggering of closing times across venues, thus enabling 24 hour continuous gambling (Rodda p. 2 in Queensland Gambling Help Network, sub. 62)
- shutdowns occurring during late night periods, arguably negating the benefit to most players and inconveniencing shift-workers who gamble as a form of entertainment (Rodda p. 2 in Queensland Gambling Help Network sub. 62)
- the differential treatment of casinos compared with clubs and hotels (BetSafe, sub. 93, p. 16).

Table 14.3 Restrictions on daily gaming machine operations in clubs and hotels

	<i>Restrictions on hours of operation</i>	<i>Gaming machine shutdown period</i>
NSW	Gaming operations prohibited for 6 hours from 4 am to 10 am. Venues can seek approval to close for 3 hours on: Saturdays, Sundays and public holidays; or on other days on the grounds of hardship and subject to guidelines.	6 hours
Vic	Gaming machine operations permitted for a maximum of 20 hours unless venues approved for 24 hour trading. There are no venues with 24 hour gaming.	4 hours
Qld	Gaming operations not permitted before 10 am. In guidelines, gaming is considered 'acceptable' between 10 am and 12.00 am. After this time, venues must apply for an increase in the approved hours of gaming. Gaming beyond 3.30 am will only be approved in exceptional circumstances and where there is a lack of significant community detriment. ^b Restrictions also apply to the following days — ANZAC day, no gaming between midnight and 1 pm; Good Friday, no gaming; Christmas Day, no gaming; New Year's Eve, gaming up to 2.30 am is acceptable.	9.5 hours ^a
SA	Gaming operations prohibited for 6 hours continuously, or in total, within a 24 hour period.	6 hours
WA	na	na
Tas	Gaming machine operations can only occur for a maximum of 20 hours within any 24 hour period. Operations prohibited for at least 4 continuous hours.	4 hours
ACT	Gaming operations prohibited for 5 hours from 4 am to 9 am.	5 hours
NT	Gaming operations limited to trading hours. Gaming operations prohibited for 6 hours from 4 am to 10 am daily, and on Christmas day and Good Friday.	6 hours

^a The 9.5 hours of shutdown is calculated from the 'acceptable' hours of gaming from between 10 am and 12 30 am. Based on data from the Queensland Government, 99 per cent of gaming venues shutdown for at least 6.5 hours on average a day, and 74 per cent shutdown for at least 9.5 hours on average a day. ^b In addition to restrictions on gaming machine operations there are standard trading hours that allow for liquor to be served at any time from Monday to Sunday between the hours of 10 am and 12 midnight. There is currently a moratorium on applications for extended hours between midnight and 5 am. The moratorium will be in place pending the outcome of a State parliamentary inquiry into alcohol-related violence. ^c The Northern Territory Government noted that there are no 24-hour community gaming premises, with the majority closing before 2 am (sub. DR410, p. 3).

Sources: Clubs Australia (sub. 164, pp. 334–5); FaHCSIA (2009b); Queensland Gaming Commission (2007); Queensland OLGR (2009).

What do studies show on the effectiveness of mandatory shutdowns?

Several Australian studies have considered the effectiveness of restrictions on opening hours. Some of the studies merely reported the extent of support for, or the opinions on the effectiveness of, the restrictions by gamblers and/or venue managers (for example, Hing 2003, New Focus Research 2004 and Caraniche 2005). However, at least three of these studies went beyond reporting the views of

gamblers and venue managers on the efficacy of the restrictions to considering the impacts of the restrictions.

The effects of a three hour shutdown in New South Wales and the ACT

The first of these studies was by AC Nielsen (in partnership with McMillen) (2003) for the New South Wales Department of Gaming and Racing. This study examined the effectiveness of a three hour shutdown from 6 am to 9 am introduced in 2002. The study included interviews with ten problem gamblers, 300 recreational gamblers, and 111 hotels and clubs. Among the findings of the study were the following:

- The majority of the small group of problem gamblers interviewed were unaffected by the shutdown because they rarely, if ever, played gaming machines during the shutdown period. Only two were affected. The shutdown period affected their ability to hide their gambling behaviour, encouraging them to gamble more frenetically with the hours remaining and to search for ways to limit or vary their work hours (p. 5).
- Four per cent of the recreational gamblers interviewed used to play during the hours of 6 am and 9 am. The main reasons for doing so was because they were shift workers or finished work around the time. The shutdown period had little behavioural impact for the majority of recreational gamblers. It prevented only 5 per cent of recreational gamblers from playing when they wanted and resulted in 3 per cent changing the times they played. Over three-quarters of the recreational gamblers who were at the venue when they shut down their gaming machines went elsewhere — 70 per cent of this group went home, 18 per cent to another club, 8 per cent to another hotel, and 4 per cent to the casino. Five per cent changed their gaming machine spending as a result of the shutdown, with 4 per cent spending less and 1 per cent spending more (pp. 12–13).
- Despite strong objections and concerns by venues to the shutdown, analysis of gaming machine profit data suggested that, while the shutdown may have had an effect on profit in the months immediately following the shutdown, profit growth had steadily increased since then (p. 21).

AC Nielsen concluded that the three hour shutdown had minimal effect on the problem gambling target group and little behavioural impact for most recreational gamblers, and the views of gaming venues were not necessarily supported by analysis of gaming machine profit data (pp. 27–8).

The second Australian study was by McMillen and Pitt (2005) for the ACT Gambling and Racing Commission. The authors considered three harm minimisation measures, including the then three-hour mandatory shutdown of

gaming machine operations in the ACT (applying from 4 am to 7 am). Among their findings were the following:

- Eight of the 12 self-identified problem gamblers interviewed,³ reported that the mandatory shutdown had had no impact on their gambling problems, with only two reporting a beneficial impact (p. 118). The authors said:

By providing a break in play the 3-hour shutdown has been effective for those gamblers. However, the hours of the shutdown mean that most problem gamblers are not affected. (p. 122)

- Nine of the 45 recreational gamblers interviewed,⁴ reported that they had been affected by the mandatory shutdown (p. 109). Only two of the nine affected reported changing the time they spent gambling, and three reported they could not gamble when they wanted to (p. 109).
- The introduction of the mandatory shutdown had no detectable impact on the gambling turnover of 64 ACT clubs either in total or when disaggregated by size (pp. 75–7).
- Only 13 of 60 clubs interviewed had previously opened for 24 hours per day (p. 78). Most of the managers of these clubs reported a decrease of between 3 and 10 per cent in gaming revenue as a result of the mandatory shutdown (p. 80). Although most of the managers reported no impact on total business expenses, a small number reported that the shutdown created a safe environment to count money and made venue cleaning easier (p. 80). Most managers reported that the most common effect on patrons was that hospitality workers, taxi drivers, hospital staff and other shift workers no longer had a ‘local meeting place’ during the shutdown hours (p. 84). All managers considered that recreational gamblers, not problem gamblers, were most affected by the shutdown (p. 85). None of the managers reported ‘compensatory behaviour’ by patrons increasing their spending prior to and immediately following the shutdown period (p. 83).

McMillen and Pitt concluded that there was insufficient evidence or consensus about the value and effectiveness of the three hour shutdown (as well as the other two measures) and recommended that it be subject to ongoing evaluation with a view to extending the period to five hours (2005, p. 18). They also recommended that consideration be given to obtaining data to identify the hours when problem gamblers are more likely to gamble (p. 18). (However, this recommendation had not been followed by the ACT Gambling and Racing Commission.)

³ Gamblers who played gaming machines were recruited on-site from eight ACT clubs.

⁴ Regular gamblers recruited on-site in ACT clubs whose most frequent form of gambling was gaming machines.

The Commission is satisfied that there is evidence in the AC Nielsen study and the McMillen and Pitt study that short shutdown periods after 4 am are not effective in addressing gambling harms or helping problem gamblers.

FINDING 14.2

Mandatory shutdowns for gaming machines in most jurisdictions are too short and occur at times that make them ineffective as a harm minimisation measure.

The effects of a six hour shutdown in New South Wales

The third study evaluated the impacts of the six hour mandatory shutdown of gaming machines, which generally applied from 4 am to 10 am (Blue Moon Research 2008). The study was based on interviews with 270 gamblers and 100 hotel and club managers; in-depth interviews with problem gamblers, venue managers, gambling support agency counsellors and industry stakeholders; and discussions with the families of problem gamblers.

Among the study's findings were the following.

- The mandatory shutdown was effective in 'reaching' the moderate risk and problem gamblers (CPGI) that were playing at the time of the shutdown (p. 41). 71 per cent of moderate risk gamblers and 68 per cent of problem gamblers reported that they intended to go home if they were still playing when the gaming machines were shut down (table 14.4). However, some 9 per cent of moderate risk gamblers and 17 per cent of problem gamblers reported that they intended to go on to another venue. Blue Moon Research said:

This illustrates that while there is some roll on effect of problem and moderate risk gamblers due to the mandatory shutdown of EGMs, this is minimal. The mandatory shutdown operates to encourage the majority of problem and moderate risk gamblers to go home. (2008, p. 42)

- But the mandatory shutdown did not 'reach' all problem gamblers (p. 43). Interviews indicated that problem gamblers could play at any time. The problem gamblers that were playing in the times surrounding the shutdown indicated that they commonly played earlier in the evening as well, with the majority reporting that they usually played the gaming machines between 6 pm and 12 am (p. 43 and table 14.4). Blue Moon Research said, however that:

... while the mandatory shutdown does not reach all problem gamblers, it does reach many. For this group, it provides the necessary impetus to discontinue EGM play. (2008, p. 43)

-
- The shutdown did not disproportionately effect recreational gamblers or those not at risk. Blue Moon Research said:

The shutdown impacts everyone in the venue at the time, but the majority of those were found to be at risk or have a problem, particularly late at night (12 am to 6 am).

Further, those not at risk, recreational gamblers, displayed a far lower level of dissatisfaction when the machines were shutdown than those with a problem ... (2008, p. 21)

- 19 per cent of hotels and clubs that were affected by the restrictions claimed that the shutdown had resulted in a negative impact on their business (p. 44). However, analysis of profit data for venues in the local government areas where the interviews occurred did not suggest a negative impact on revenue other than in the Sydney local government area, where some decline in revenue occurred in 2007 (pp. 44–5). The authors considered that the shutdown did not appear to have impacted negatively on the combined revenue of hotels and clubs (p. 45). (The Commission notes that a decline in revenue is not necessarily an unfavourable outcome, since effective harm minimisation measures will generally be associated with falling venue revenues.)

The Blue Moon Research study also provides some data on the most popular period of gambling for higher risk gamblers and other groups of gamblers (table 14.5). It shows that:

- the most popular periods of gambling for moderate risk and problem gamblers — 6 pm to 9 pm and 9 pm to midnight — are also popular with other groups of gamblers. Thus, imposing a shutdown during these periods would be likely to adversely affect non-problem gamblers.
- the least popular period for gambling for all groups of gamblers is 4 am to 7 am. Thus, requiring a shutdown at these times is unlikely to adversely affect non-problem gamblers, but it is also unlikely to benefit moderate risk and problem gamblers.
- the periods that are most likely to help moderate risk and problem gamblers, but not unduly affect non-problem gamblers are midnight to 4 am followed by 7 am to 10 am. However, the proportion of all gamblers playing at this time (6 per cent) is smaller than at other times of the day.

Table 14.4 Behavioural impacts of NSW 6 hour shutdown on gamblers by CPGI status

<i>Responses to question</i>	<i>No problem</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambler</i>	<i>Total</i>
<i>Q: Intention when still playing and poker machines are shut down^a</i>	N=23	N=31	N=41	N=41	N=136
Stay here	26%	10%	15%	7%	13%
Go to the Casino	0	0	2%	5%	2%
Go to another club	4%	3%	2%	7%	4%
Go to another hotel	0	0	5%	5%	3%
Go home	57%	87%	71%	68%	71%
Don't know	13%	0	5%	5%	5%
<i>Q: Shutdown prevented you from playing poker machines when you wanted to</i>	N=63	N= 57	N=74	N=78	N=272
Yes	2%	4%	3%	8%	4%
No	46%	51%	51%	58%	52%
Not aware of shutdown	52%	46%	46%	35%	44%
<i>Q: Changed times of playing poker machines as a result of the shutdown</i>	N=63	N= 57	N=74	N=78	N=272
Yes	3%	0	0	10%	4%
No	44%	53%	54%	55%	52%
Don't know/can't say/not aware of shutdown	52%	48%	46%	35%	44%
<i>Q: Tend to spend more or less time playing poker machines as a result of the shutdown</i>	N=63	N= 57	N=74	N=78	N=272
More time	0	0	0	1%	0
Less time	6%	4%	4%	8%	6%
No change	41%	49%	49%	55%	49%
Don't know/can't say/not aware of shutdown	52%	48%	47%	36%	45%
<i>Q: Changed venues for playing poker machines because of shutdown</i>	N=63	N= 57	N=74	N=78	N=272
No change	46%	53%	51%	59%	53%
Yes	2%	0	3%	6%	3%
Don't know/can't say/not aware of shutdown	52%	48%	46%	35%	44%

^a Respondents recruited just prior to shutdown of gaming machines.

Source: Blue Moon Research (2008, pp. 98, 102–3).

Table 14.5 Usual times of playing gaming machines by CPGI status^a

<i>Time period</i>	<i>No problem</i>	<i>Low risk</i>	<i>Moderate risk</i>	<i>Problem gambler</i>	<i>Total</i>
	N=63	N=57	N=74	N=78	N=272
6 pm to 9 pm	27%	40%	35%	33%	34%
9 pm to midnight	19%	23%	24%	23%	22%
Midnight to 4 am	0	5%	8%	9%	6%
4 am to 7 am	0	2%	1%	1%	1%
7 am to 10 am	2%	0	4%	1%	2%
10 am to midday	22%	11%	12%	14%	15%
Midday to 3 pm	14%	7%	12%	8%	10%
3 pm to 6 pm	14%	12%	3%	8%	9%
Don't know / can't say	2%	0	0	3%	1%

^a The sample was made up of gamblers who were in venues around the time of the shutdown period.

Source: Blue Moon Research (2008, p. 178).

The effects of a shutdown after midnight — a Canadian study

In addition to the three Australian studies, a Canadian study assessed the effects of the shutdown of video lottery terminals (VLTs) at midnight (Corporate Research 2005). (The government introduced the measure in 2005, reflecting research that found that problem gamblers accounted for 40 per cent of all regular after midnight VLT players in Nova Scotia.) It was found that, three months after implementation,

- following the change in hours, five per cent of the 545 VLT players overall and 26 per cent of 65 regular after-midnight VLT players decreased their spending (p. 3). Higher risk players (CPGI) decreased their spending due to the time change more than other players: 18 per cent of 60 problem gamblers and eight per cent of 78 moderate risk reduced their spending compared with two per cent of 316 non-problem gamblers and 3 per cent of 92 low risk gamblers (p. 4)
- the time change appeared to cause a greater reduction of play than a shifting of play to other times and/or locations (for example, casinos) (p. 5)
 - two per cent of VLT players overall and 12 per cent of regular after midnight VLT players shifted their play to other locations. Only three per cent of regular after-midnight VLT players shifted their play to other times of the day.
 - higher risk players were most likely to shift their play to other venues, with three per cent of problem gamblers and five per cent of moderate risk players shifting play to other locations compared with 1 per cent of non-problem gamblers and two per cent of low risk gamblers. In addition, three per cent of problem gamblers shifted play to other times of the day compared with no gamblers in the other risk groups.

-
- the shutdown decreased net revenues by between 5 per cent and 9 per cent (p. 6).

The study also shows that higher risk groups are more likely to be playing after midnight than lower risk groups. It found that 43 per cent of the 60 problem gamblers surveyed were regularly playing VLTs after midnight (before the change) compared with four per cent of 316 non-problem players (Corporate Research 2005, p. 2)

The Canadian researchers concluded that the initial impact of the time change to a midnight shutdown was ‘quite positive’ and had a ‘desired effect’ in ‘curbing problem play’ (p. 8).

Should mandatory shutdowns be extended?

Participants were divided on whether current mandatory shutdown requirements should be further extended — in particular whether they should be of longer duration and commence earlier.

- Predominantly community sector participants supported the need for extended mandatory gaming machine shutdowns, with some prescribing particular periods and making other suggestions (box 14.7).
- However, industry and some other participants strongly challenged whether there was evidence to support extended gaming machine shutdowns and drew attention to the impacts on recreational gamblers, including shift workers, and on venues (box 14.8).

Commencement time and duration of shutdowns

In principle, a mandatory shutdown should occur at a time of day, and be of a duration, that provides higher risk gamblers with a sustained break in play, while creating minimal impacts for non-problem gamblers.

Although they have methodological limitations (for example, small samples of problem gamblers), both the Blue Moon Research study and the Canadian study contain data that show that:

- moderate risk and problem gamblers are over-represented among players of gaming machines after midnight
- commencing a mandatory shutdown of gaming machines earlier than 4 am and for a longer duration could help problem gamblers without significant adverse effects for non-problem gamblers and other patrons. Indeed, data from the Blue Moon Research study indicates a shutdown period could extend from 2 am to 9 am — a period of 7 hours.

(The Commission's views on evidential standard of proof are given in chapter 3.)

Box 14.7 Participants favouring an extended mandatory shutdown period

Amity Community Services

Amity supports the need to increase periods of shut down and suggest gambling shut down periods be brought in line with restrictions on the sale of alcohol in venues (4 am to 9 am). Evidence suggests that intoxication can increase high risk and impulsive behaviours. During these hours it is common for individuals under the influence of alcohol to frequent gaming venues, in particular casinos, when other entertainment venues have closed. (sub. DR388, p. 6)

Anglicare Tasmania

An opening period from midday to midnight would provide 12 hours of gambling each day, which Anglicare considers to be ample time for the recreational gambler. ... these hours should also apply to the casinos. Anglicare also supports having standardised opening times for all venues so that people with a gambling problem do not go from venue to venue seeking different opening hours. (sub. DR355, p. 2)

Disability, Child, Youth and Family Services (Tasmania)

Perhaps harm minimisation should be the primary consideration in at risk communities? At risk could be defined as lower than average on the SEIFA index. The period of shutdown would be in proportion to level of risk. (sub. DR370, p. 11)

Tasmanian Gaming Commission

The Gaming Commission believes that an extension of the shut down period for machines could be a useful 'proxy' policy to use to bridge the period until smartcard technology is introduced. The Gaming Commission is aware of research that shows problem gamblers playing for extended periods, often until very late and often with extensive use of alcohol. Community groups have suggested that close down between 2 am and noon (perhaps with slightly extended hours during weekends) would have very limited impact on recreational gamblers and may well limit losses of problem and at risk gamblers. (sub. DR311, pp. 3–4)

UnitingCare Australia

We suggest uniform national opening hours of, at most, 10 am to 12 midnight for EGM venues. This timing provides ample time for 'recreational gamblers' and restricts trading for the hours when the level of problem gambling is highest. We note that these hours are compatible with the hours of operation of Australia's most popular paid recreational activity, going to the movies. It is very rare that cinemas open outside of these hours, and there is not the customer risk in movie attendance that exists with EGM gambling. (sub. DR387, p. 18)

Senator Xenophon

... venues should be required to impose these shutdown periods earlier and for a longer duration.

... Any shutdown period should be uniform across a region so as to obviate the risk of problem gamblers simply leaving one venue that is closing to another that is still open down the road. (sub. DR289, p. 3)

Box 14.8 Participants against an extended mandatory shutdown period

ALH Group

Regulated shutdowns already occur across Australia. ... There is no evidence to support the extension of shutdown periods in reducing negative gambling behaviours.

...

This measure negatively impacts recreational gamblers, penalising consumers who work non-standard business hours, eg. Workers from call centres, factories, transport operators, hospitality workers, etc. (sub. DR340, p. 2)

BetSafe

We live in a society that operates 24 hours a day. It doesn't matter when the shutdown period occurs, some group of society will be affected. The current shutdown periods are all in the late night/early morning period when gaming machine usage is at its lowest. But that means that those late night and shift workers are deprived of a form of entertainment available to other groups. Whenever the shutdown period occurs, some group will be disadvantaged. (sub. DR345, p. 7)

Clubs Australia

... does not support [extending the mandatory shutdown] because its efficacy in assisting problem gamblers is unproven, while it would impose significant costs on recreational gamblers and clubs. (sub. DR359, p. 74)

... A shutdown between 1 am and 9 am would significantly impact non-problem gamblers who may have 'unusual' times available for recreation; for example, shift workers. There is anecdotal evidence of adverse impacts on members of clubs which are subject to existing shutdown conditions and are located in areas where there is a significant population of shift workers. The imposition of this measure has restricted the availability of club facilities for these workers and impacted on the revenue of the club with no evidence to suggest that the issue of problem gambling has been addressed. (sub. DR359, p. 75)

New South Wales Government — Minister for Gaming and Racing

... the Commission presented no evidence that to increase [NSW's] shutdown period (currently six hours) would be effective in reaching more problem gamblers. Research conducted by Blue Moon in 2008 found that the existing shutdown is effective in reaching problem gamblers playing before the commencement of the shutdown period. The research found no evidence-base to support a proposal to extend the shutdown period. (sub. DR336, p. 2)

Of the jurisdictions, only Queensland appears to have the capacity to enforce a shutdown period that commences early and is of long duration. In that State, the operation of gaming machines is 'not acceptable' under guidelines from 12.30 am to 10 am — involving a theoretical shutdown period of 9.5 hours. Around 74 per cent of Queensland hotels and clubs shutdown for at least this time, with 99 per cent shutting down for at least 6.5 hours (table 14.3^a).

Although there is evidence to support the earlier commencement and longer duration of mandatory shutdowns, it is not possible to be prescriptive about the period to apply to venues. Mandatory shutdown periods for gaming machines need to be determined by governments within the context of their other requirements affecting the hours of operations of venues, such as liquor licensing laws and trading hours requirements. That said, the Commission considers that mandatory shutdowns should occur no later than 2 am and be for at least six hours.

Responses of gamblers

With a mandatory gaming machine shutdown there is the potential for higher risk gamblers to:

- increase the intensity of their play as the shutdown time approaches, thereby increasing their gambling expenditure
- divert their play to other venues or to other times of the day because of the shutdown.

Although the studies above provide little, if any, information about the extent to which playing intensities are affected by the shutdown, they do indicate that gamblers will partly divert their play to other locations and to other times of the day. Moreover, higher risk gamblers are more likely to do so than other groups of gamblers. For example, the Blue Moon Research study indicates that, in response to the six hour shutdown, 10 per cent of higher risk gamblers (all problem gamblers) compared with three per cent of non-problem gamblers changed their times of play and nine per cent of higher risk gamblers compared with two per cent of non-problem gamblers changed venues (table 14.4). However, this diversion was not significant.

The extent to which (higher risk) gamblers divert to other venues as a result of shutdowns could be minimised were a common closing time to be imposed on all venues. A common shutdown period would ensure that there are no opportunities available for 24 hour gambling.

That said, there is a case for exempting casinos from gaming machine shutdown times. Although there would also be some benefits from shutdowns for casino-based gaming machines, the costs are likely to be relatively large for casinos, which also provide a range of other gambling forms such as table games. Moreover, having regard to the international, interstate and tourist nature of their clientele, the recreational experience of their patrons could be more significantly affected. However, as evident from the comments of some participants (box 14.9), there is the likelihood of some diversion of gamblers to casinos as a result of an exemption,

although this is more likely for those who live or otherwise gamble within a reasonable distance of a casino.

Casinos to varying degrees around Australia can still be regarded as destination venues and exhibit characteristics different from clubs and hotels.

On balance, the Commission's view is that casinos should be exempt from the shutdown requirement. (As noted later, the need for the shutdown requirement could be reconsidered were governments to introduce other effective harm minimisation measures.)

Some participants also expressed concerns about the potential for gamblers to divert from hotels and clubs during any shutdown period to online gaming (box 14.9). At this time, there appears to be little substitutability between gambling on gaming machines and online gaming. A Norwegian study of the effects of a temporary ban on gaming machines between 2007 and 2008 on a sample of 1300 players of gaming machines (Lund 2009, pp. 221–2) found that participation on internet EGMS significantly reduced after the policy change despite it being only legal form of gaming machine gambling. There was also a small reduction in participation on internet casinos. However, for all forms of internet gambling, there was only a 'slight' increase in internet participation as a result of the policy change.

Box 14.9 Participants' concerns about the potential diversion of gamblers to other gambling forms

ALH Group

... further trading hour restrictions are likely to cause player substitution into less regulated or unregulated gambling environments, for example, online gaming through the internet. (sub. DR340, p. 2)

Community Clubs Association of Victoria

The major effect of increasing the mandatory shutdown periods is likely to be encouraging people to visit the Casino, which is exempt from shutdown. The results will not be a reduction in gambling by problem or at-risk gamblers. (sub. DR366, p. 14)

Leagues Clubs Australia

... in Sydney, gamblers have free transport options to Star City from many suburbs, no matter what hour of the day. When existing shutdown hours are implemented the gamblers has ready access to a wider range of gambling options. ...

... should online gaming provisions be endorsed, the problem gambler can simply return home to log on and continue to gamble in an unprotected environment. (sub. DR382, p. 9)

Other relevant issues

There are a number of other issues relevant to whether there should be an extension in mandatory shutdown requirements.

Shift workers are likely to be affected by an extended shutdown period. However, the extent and nature of impacts on them are unclear.

- There is no reason to assume that shift workers are entirely without gambling problems.
- Even if shift workers consisted entirely of recreational gamblers, they constitute a relatively modest proportion of the work force. Of the total number of Australian employees aged 15 years and over in 2006, around 17 per cent usually worked shift work (ABS 2007, *Working Time Arrangements*, November 2006, cat. no. 6342, p. 3) That said, there may well be some communities whose workforce is dominated by shift workers.
- The shutdown period would not prevent shift workers gambling during rostered days off, or during other hours when they were not working or sleeping.

Although there may be an adverse impact on venues' revenue derived from gaming machines as a result of an extended shutdown period, this is to be expected if the measure is have an effect on addressing gambling harms.

Twenty-four hours a day, seven day a week access to recreational activities in a physical location is very unusual. Restaurants, sporting complexes, theatre and cinemas are usually closed by around midnight.

Unlike most other recreational activities, gambling is associated with harms to the community. The service of alcohol, another recreational activity associated with harms to the community, is increasingly being subject to opening hours restrictions (for example, the Queensland moratorium on approving exemptions to standard trading hours applying to liquor).

Earlier closure of gaming machines may partly address the risks of people — and not just problem gamblers — gambling when intoxicated. Overconsumption of alcohol reduces the capacity for genuinely informed consent.

- New South Wales crime data on alcohol-related incidents (for example, assaults and offensive behaviour) (Briscoe and Donnelly 2001) indicate that the time of day (and days of the week) at which the percentage of incidents flagged by police as alcohol-related was relatively high included between midnight and

3 am on the weekend (p. 8).⁵ In addition, the incidents tended to involve men around 30 years of age as either victims or ‘persons of interest’ (p. 9). Thus, closure at this time would target a group that is more generally vulnerable to gambling problems — young men.

- The 2008 Victorian problem gambling prevalence survey (Hare 2009, p. 17) found that moderate risk and problem gamblers are likely to be more intensive consumers of alcohol than non-problem gamblers — both problem gamblers and moderate risk gamblers consume on average a significantly higher number of drinks per week (10.97 and 11.05 alcoholic drinks, respectively) than non-problem gamblers (6.88 alcoholic drinks). (However, Club One (SA) noted evidence in South Australia that problem gamblers do not drink and that many venues close down much of their food and alcohol services as they are not used — sub. DR328, p. 1).

Conclusion

The Commission considers there is satisfactory evidence to support modifying requirements for mandatory shutdowns of gaming machines in clubs and hotels to improve their effectiveness in addressing gambling harms. In particular, shutdowns should involve a more extended period (at least six hours) and commence much earlier than now applies (no later than 2 am). It notes the Queensland approach where there is capacity for venues to be shutdown for at least 9.5 hours from 12.30 am to 10 am. However, governments should determine the precise period of an extended shutdown within the context of other requirements applying to the service of alcohol.

There is a case for exempting casinos from gaming machine shutdown times. However, there will be some resulting diversion to casinos from those who live or gamble within a reasonable distance of them.

Mandatory shutdown times may no longer be necessary once governments implement other prevention and harm minimisation measures, as proposed by the Commission, and should be re-considered at that time.

⁵ A recent study by Allen Consulting Group (2009a) for the Department of Justice (Victoria) on alcohol-related harm and the operation of licensed premises appears to corroborate this. In the study, data were presented that showed a positive correlation between late opening hours and the rate of offences in or near licensed premises. In particular, the data showed that licensed venues that shut down from 1 am to 5 am were associated with 86 per cent of all offences occurring within a 24 hour period compared with licensed venues that shutdown before 1 am, which were associated with 9 per cent of all offences (p. 32).

A mandatory shutdown of gaming machines does not mean that hotels and clubs need close down their other activities. These venues would continue to be subject to other operating hours restrictions.

RECOMMENDATION 14.1

Drawing on the Queensland approach, governments should introduce a shutdown period for gaming machines in all hotels and clubs that commences no later than 2 am and is of at least six hours duration. Casinos should be exempt from this measure.

More frequent shutdowns?

Another policy option is periodic shutdowns during the day. This could be in addition, or as an alternative, to the more lengthy shutdown period proposed above. It could involve shutting down gaming machines for (say) 10 minutes every hour or half an hour every three hours. The Tasmanian Gaming Commission considered there might be merit in such ‘episodic’ shutdowns (sub. DR311, p. 4).

The main benefit of requiring frequent shutdowns throughout the day would be to create more opportunities for moderate risk and problem gamblers to break their play. Delfabbro et al. (2007) found that problem gamblers (CPGI) were much more likely than other groups of gamblers to gamble for more than three hours (pp. 167, 185). Long session durations for higher risk gamblers has generally been confirmed in most Australian prevalence studies. Requiring more frequent shutdowns makes it more likely that the shutdown will interrupt a problem gambler’s sustained session of play.

However, there are several potential drawbacks from requiring shutdowns throughout the day, including:

- the increased likelihood of adversely affecting non-problem gamblers
- the risk that gamblers would play more intensively as the shutdown looms
- increased compliance costs for venues — particularly related to staff management and scheduling.

It is possible that a different kind of shutdown — one that is tailored to individuals, rather than the whole venue — might have fewer drawbacks. For example, in a recent study for the Victorian Government, Schottler Consulting found that the overwhelming majority of recreational gamblers said that a mandatory break of 20 minutes after two hours of play would not reduce their enjoyment, while moderate risk and problem gamblers (CPGI) reported much greater effects on their time and money spent (2009a, p. 8 and table 14.6). This kind of enforced break

would not require the simultaneous shutdown of all gaming machines in a venue, reducing the disruption effects of the shutdown system described above. However, a mandated, individually-tailored, break in play would require player identification, and would best be considered as a possible feature of a future pre-commitment system (chapter 10), as observed by Schottler Consulting (2009a, p. 8).

Table 14.6 Impacts of a 20 minute compulsory break after two hours of play, Victoria

Per cent of gaming machine players

	<i>Non-problem gamblers</i>	<i>Low risk gamblers</i>	<i>Moderate risk gamblers</i>	<i>Problem gamblers</i>
	N=703	N=192	N=80	N=25
Enjoyment				
Increase	3	7	7	24
About the same	82	73	65	42
Decrease	15	20	28	34
Money spent				
Increase	1	4	1	13
About the same	84	76	59	54
Decrease	15	20	40	33
Session length				
Increase	2	4	7	21
About the same	82	76	51	36
Decrease	16	20	42	43
Play frequency				
Increase	1	4	10	17
About the same	82	73	57	38
Decrease	17	23	33	45

Source: Schottler Consulting (2009a, p. 55).

Limiting the number of venues offering gaming machines?

The focus of this chapter has been on examining existing accessibility restrictions. A different approach to accessibility is to limit the number of venues providing gaming machines in a particular area. Thomas advocated such an approach:

... It may be worthwhile to consider additional recommendations along the lines that measures to control geographic accessibility of EGM gambling be linked to the number of EGM venues within a geographic region rather than the number of machines across a region. This would restrict the ability of industry to simply move machines between venues or remove underperforming machines.

... Reducing the number and position of EGM venues within a local area may assist problem gamblers to physically avoid venues when attempting to cut down or abstain

from gambling. In my research with EGM problem gamblers I have heard both gamblers and counsellors discuss the difficulties associated with avoiding venues: “Before they were in Victoria I wasn’t addicted to them because I wasn’t looking at them in every street corner” (F, Regional participant, PG) I particularly recall a gambling counsellor saying that treatment seekers coming to her service had to pass a number of venues regardless of the route taken. It may also be useful to consider more stringent limitations on the number of venues within regions known to be more vulnerable (i.e., low socio-economic status).

... Linked to this is the need to ensure that people have access to adequate alternative activities and spaces that are local, open long hours and allow for casual social interaction [citing Thomas 2009 and Thomas, et al. 2009]. Clubs may provide a variety of options including EGM gambling, however, people who have experienced problems with their gambling require alternatives in locations that do not include EGM gambling. Outer lying suburbs may be found to be particularly lacking in terms of an adequate number and variety of options. (sub. DR316, pp. 1-2)

Reducing the number of venues providing gaming machines in a particular area could be seen as a useful transition to a model of accessibility centred on destination gaming rather than community-wide gaming. Governments should consider undertaking further research on the impacts of such an approach, and it would be consistent with a capacity for local governments to have a voice in decisions about accessibility to gaming machines in their communities (section 15.3).

A final comment

Even with modifications, restrictions on caps, operating hours of gaming machines and other restrictions on accessibility are unlikely to be as effective as other harm minimisation measures, including the Commission’s pre-commitment proposal. This is primarily because small changes to accessibility (across its varying dimensions) would make little difference to the overall accessibility of machines in most jurisdictions. This is not to say that such modifications should not occur. On the contrary, were governments not to introduce the Commission’s pre-commitment proposal or other measures, there is a greater imperative upon them to refine their existing harm minimisation measures, including their accessibility restrictions.

The introduction of other more effective harm minimisation measures could allow some existing restrictions on accessibility of gaming machines to be relaxed such as caps and shutdowns to gaming machines. But relaxation of existing restrictions would need to be contingent on an adequate review by governments.